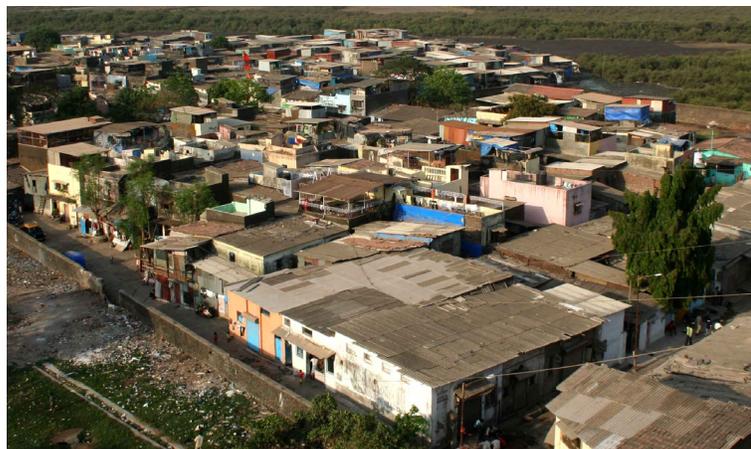


# Advancing Inclusive and Sustainable Urban Development: Correcting Planning Failures and Connecting Communities to Capital



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## Executive Summary

Tackling urban poverty and attending to its spatial manifestations is vitally important to national economic and social development. From a low of an estimated 28 percent of the population in Latin America to a high of 76 percent in South Asia, the urban poor constitute both an enormous challenge and an opportunity. The speed with which many regions of the world are urbanizing, the haphazard spatial development of urban areas, and the deplorable conditions under which more than 800 million slum dwellers live make the need to address urban poverty more urgent than ever. At the same time, government and business leaders are awakening to the potential to advance social and economic development by engaging the urban poor as consumers, producers, asset-builders, and entrepreneurs.

This report outlines key deficiencies in how developing countries conduct their urban planning. Often, national governments establish regional authorities or public-private partnerships to plan major investments in urban infrastructure. These authorities and partnerships, however, often do not adequately consider broader regional land use planning goals, community input, or the needs of poor communities. Local land use regulations and plans, to the extent that they exist at all, are not widely followed. Plans for slums seldom situate them in the context of broader plans for the urban region. And the non-governmental organizations that do much of the work to improve slums seldom coordinate their efforts. Community-based organizations often are weak and not incorporated into the government's urban planning process. In addition, these governments, authorities, and partnerships generally fail to formulate specific strategies to improve or redevelop slums in ways that leave the poor better off. The result of these deficiencies is urban growth that is largely unplanned and uncoordinated.

Yet many examples of better planning practices exist around the world. These include efforts to develop national strategies for urban development and poverty alleviation, metropolitan regional planning and governance, anticipatory planning for urban growth and climate change, spatial planning and coordination of land uses and investments, participatory planning and community engagement, asset building for the poor, and institutional transparency and accountability through initiatives such as participatory municipal budgeting.

Key obstacles to addressing urban poverty in developing countries include the limited public resources available to deal with such an enormous challenge, political considerations that complicate planning for slums, and the weak capacity for coordinated planning and investment at the regional level.

Drawing on planning advances and examples of best practices, this report recommends several strategies to improve urban planning and investment in order to spur inclusive and sustainable urban development:

- Integrate spatial planning with investments in infrastructure
- Support the formation of national urban development commissions—spurred by intergovernmental, international bodies—that are charged with developing plans for inclusive and sustainable urban development
- Create regional planning funds to support participatory, multi-stakeholder spatial planning initiatives at the regional level
- Develop government capacity to direct large-scale, public-private infrastructure partnerships
- Build government capacity to maximize public benefits from public land sales, granting real estate development rights to private landowners, and public-private partnerships
- Develop a diagnostic tool to assess and improve urban planning and governance for inclusive and sustainable urban development
- Identify and invest in best practices and processes for investment-linked urban planning
- Invest in community-based organizations and their intermediary support organizations
- Invest in training and nurturing local entrepreneurs who are dedicated to meeting the market demands of the poor and who will employ them in local businesses
- Set up innovation and social venture capital funds to test the risks and returns of “mezzo-level” (as opposed to microcredit) lending to organizations focused on housing, community infrastructure, and small business expansion in slums

Taken together, these actions would greatly improve planning for inclusive and sustainable urban development and create an international movement to focus on these issues. Despite the severity of urban poverty, rapid urbanization in many parts of the world, and compelling reasons to combat urban poverty and slums, many feel that these issues remain too low on international and national agendas. With a growing list of examples of best practices to address urban poverty in effective ways, the Millennium Development Goals established by the United Nations still before us, and a chorus of globally-branded businesses (including McKinsey and JP Morgan Chase) calling for better urban planning and poverty amelioration strategies, there is a chance that these issues will gain the international attention they deserve and lead to concrete actions.

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# Introduction

Global cities' opportunities for achieving more equitable and environmentally sustainable economic growth and social development are hindered by the immense challenges of urban poverty, mostly concentrated in slums.

Worldwide, an estimated 800 million people live in areas considered slums,<sup>1</sup> and the number is set to rise dramatically as urbanization continues its brisk pace. Slums subject hundreds of millions to abysmal living conditions and to health and safety threats that limit human potential, but, through their informal economies, they also allow people to eke out a subsistence living that they could not elsewhere.

Harnessing the economic energy that already exists in slums and building the human capital of their residents requires addressing the physical limitations and risks that characterize slums: the hazards stemming from their locations in dangerous and environmentally vulnerable locations and their underdeveloped infrastructure and lack of schools, clinics and hospitals, roads and transit systems, water distribution and sewerage, open and

community spaces, and commercial areas. The physical problems associated with slums are enormous and reduce the economic efficiency of urban areas as well as the overall quality of urban life.

A key to addressing these problems, and to advancing sustainable urban development that benefits all in society, is improved planning – specifically, spatial investment planning. By this we mean planning for land uses, infrastructure, and real estate investments to improve the existing functioning of urban regions as well as to spur and direct future urban growth. Improving the functioning of urban regions *ipso facto* demands that spatial investment planning improve the living conditions of the urban poor to reduce negative externalities such as health, safety, and environmental problems. It also demands improving opportunities for gainful employment and supporting economic and social mobility through education, health, and asset building. To be successful, spatial investment planning must be inclusive and transparent; aimed at long-term social, environmental, and economic sustainability; and ideally carried out at a regional level but in coordination with local planning and rooted in a national commitment to poverty alleviation.

Yet there are impediments to pursuing such a spatial planning and investment

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<sup>1</sup> Slums are used to describe settlements in which the poor live and where living conditions are substandard, municipal service provision and infrastructure insufficient, and typically much of the housing is self-built. They go by many names around the world including shantytowns and favelas. A more detailed definition is provided in Chapter 1.

approach, including lack of coordination among different levels of government, limited public and private funds, and a legacy of planning in developing countries that has been piecemeal, uncoordinated, and has excluded the poor.

This paper is organized into five chapters. The first chapter makes the case that addressing urban poverty and slums is essential to sustainable economic and social development. The second chapter outlines the deficiencies in urban planning as it is commonly practiced today. The third chapter introduces spatial investment planning and identifies other best practices in planning necessary to achieve inclusive and sustainable development. The fourth chapter outlines the obstacles that must be overcome before these approaches can be put to widespread use. The fifth chapter makes recommendations about how to overcome these obstacles, correct current planning deficiencies, and spur inclusive and sustainable urban development.

## Chapter One

# The Case for Addressing Urban Poverty

The need to address urban poverty in order to foster urban social and economic development is too great to ignore. Even in nations that actively pursue strategies to employ more people in rural areas to lessen the degree of urbanization and urban poverty, the scale and scope of existing urban poverty demands attention. Equally important, greater investment in the urban poor can accelerate development by tapping their entrepreneurial potential and building their human capital, while better planning can maximize the positive benefits of these investments and improve urban function.

### THE SCOPE AND PACE OF URBANIZATION

About 3.5 billion people, half the world's population, live in urban areas.<sup>2</sup> Looking forward, the United Nations projects dramatic increases in the number of people living in urban regions (see Figure 1). The urban share of the global population could reach 60 percent by 2030 and 67 percent by 2050. Much of that growth is expected to come from developing countries, where the urban population is expected

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<sup>2</sup> D.E. Bloom and T. Khanna, "The Urban Revolution," *Finance and Development*, 2007.

to double from 2.6 billion in 2010 to 5.2 billion in 2050.<sup>3</sup>

Urbanization rates vary by region. The United Nations estimates that in 2011, 82 percent of the population in North America lived in urban areas, 72 percent in Central America, and 84 percent in South America, compared to only 45 percent in Asia and 40 percent in Africa.<sup>4</sup> And even these figures mask significant national differences within each region in the share of the population that is urbanized.

### THE GROWTH OF URBAN POVERTY

Urban poverty is increasing rapidly due to natural increase and an influx of poor migrants from rural areas who are outstripping the capacity of urban areas to absorb them in decent housing in suitable living environments.<sup>5</sup> Estimates suggest that approximately 30 to 60 percent of the urban population in the developing world lives in poverty.<sup>6</sup>

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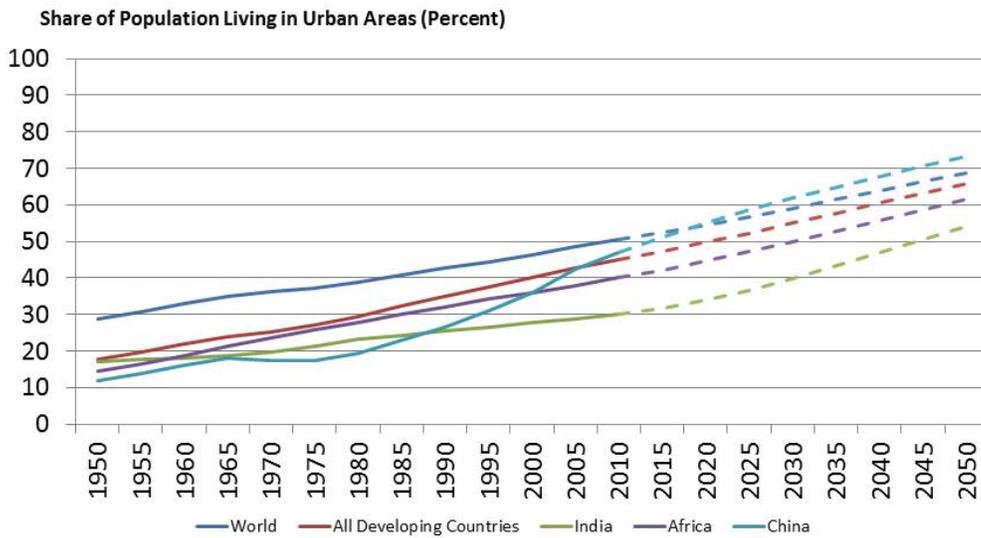
<sup>3</sup> United Nations, Department of Economic and Social Affairs/Population Division, *Population Distribution, Urbanization, Internal Migration and Development: An International Perspective*, 2011, p. 1.

<sup>4</sup> *Ibid*, p. 11.

<sup>5</sup> UNFPA, *State of the World Population 2007: Unleashing the Potential of Urban Growth*, 2007.

<sup>6</sup> UN-Habitat, *State of the World's Cities 2010/2011: Bridging the Urban Divide*, 2008, p. 32.

Figure 1: The Pull of Urbanization is Expected to Continue



Source: United Nations, Department of Economic and Social Affairs, Population Division, *World Urbanization Prospects: The 2009 Revision*, File 2: Percentage of Population Residing in Urban Areas by Major Area, Region and Country, 1950-2050. <http://POP/DB/WUP/Rev.2009/1/F2>.

According to a 2002 estimate, 76 percent of the urban population in South Asia, 68 percent in Sub-Saharan Africa, and 28 percent in Latin America were classified as poor.<sup>7</sup>

In Latin America and the Caribbean, the number of urban poor increased from 44 million to 115 million from 1970–1990,<sup>8</sup> while the United Nations estimates that rural poverty is declining in South Asia but increased in urban areas from 110 million people in 1993 to 167 million in 2002.<sup>9</sup>

<sup>7</sup> International Housing Coalition, *The Challenge of an Urban World: An Opportunity for U.S. Foreign Assistance*, 2009, p. 10.

<sup>8</sup> Statistics drawn from World Bank, *Urban Poverty in Latin America, 2002*, quoted in E.L. Moreno, *Slums of the World: The Face of Urban Poverty in the New Millennium?* 2003.

<sup>9</sup> United Nations, Department of Economic and Social Affairs Population Division, *Population*

## THE CHALLENGES OF HOW AND WHERE THE URBAN POOR LIVE

Various terms are used to describe the communities in which concentrations of the poor live. These include informal settlements, slums, and ghettos. The term most often used nowadays is slums.

The closest to an “official” definition of slum comes from UN-Habitat, which uses the Merriam-Webster definition of slum: “a heavily populated urban area characterized by substandard housing and squalor.”<sup>10</sup> According to UN-Habitat, an estimated 828 million

*Distribution, Urbanization, Internal Migration and Development: An International Perspective*, 2011, pp. 33-34.

<sup>10</sup> UN-Habitat, *Cities and Climate Change: Global Report on Human Settlements 2003*, 2010.

people live in slums thus defined.<sup>11</sup> UN-Habitat further estimates that the number of slum dwellers increased by about 61 million in the last ten years.<sup>12</sup> During 2000–2010, the average population growth rate for the Least Developed Countries (LDCs) was estimated at about 4.7 percent while the average rate of urban slum formation was 4.9 percent.<sup>13</sup> In 2010, slums housed approximately one-third of the urban population in developing countries while fully 62 percent of the urban population in Sub-Saharan Africa was estimated to dwell in slums.<sup>14</sup>

In 2004, only an estimated 58 percent of households living in slums had access to clean water and only 20 percent had access to sewer services.<sup>15</sup> Dilapidated housing is often the only housing option. As a result, living conditions in these slums are fairly described as squalid. Consequently, the incidence of environmental and health hazards are often sharply higher among the poor, resulting in low health indicators and above average mortality rates.<sup>16</sup>

Slums are often built on land that the government has not formally recognized as owned by the people residing or

charging rents there. Even though slum residents abide by widely accepted informal land ownership rights, without evidence of real estate ownership enforceable by law, residents remain vulnerable to eviction without compensation. In addition, many slums are under redevelopment pressure because they occupy valuable land close to city centers, leaving informal rights subject to legal challenge and dismissal. As a result, slums also carry greater social risks, such as threat of eviction, crime, violence, and informal systems of assessing fees and charging rents that do not allow for legal recourse.

In addition, climate change has increased vulnerability in many slums. The urban poor tend to occupy riskier areas of the city susceptible to either physical risk (e.g. steep slopes or flood plains). Climate variability coupled with lack of infrastructure in informal settlements has exacerbated the environmental problems in these risk areas,<sup>17</sup> and climate change is expected to increase the frequency and intensity of extreme weather events, prompting the emergence of new hazards such as variable rainfall patterns, extreme temperatures, and the acceleration of sea level rise.<sup>18</sup> A 2007 study estimated that in 2000 approximately 352 million

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<sup>11</sup> UN-Habitat, *State of the World's Cities 2010/2011*, 2008, p. 45.

<sup>12</sup> *Ibid.*, p. 33.

<sup>13</sup> UN-Habitat, *Mid-Term Comprehensive Global Review of the Implementation of the Programme of Action for the Least Developed Countries for the Decade, 2001-2010*.

<sup>14</sup> UN-Habitat, *State of the World's Cities 2010/2011*, 2008.

<sup>15</sup> International Housing Coalition, 2009, p. 14.

<sup>16</sup> UN-Habitat, *State of the World's Cities 2010/2011*, 2008.

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<sup>17</sup> D. Satterthwaite, "Adapting to Climate Change in Urban Areas: The Possibilities and Constraints in Low- and Middle-Income Nations," 2007, p 17.

<sup>18</sup> A. Revi, "Climate Change Risk: An Adaptation and Mitigation Agenda for Indian Cities," 2008, p. 208. See also S. Solomon et al., "Contribution of Working Group I to the Fourth Assessment Report of the Intergovernmental Panel on Climate Change," 2007.

urban residents lived in low elevation coastal zones defined as less than ten meters above sea level.<sup>19</sup> By 2080, sea level rise and its impacts could affect five times the number of coastal residents than it did in 1990.<sup>20</sup> It is predicted that the risk and exposure to sea level rise and storm surges will have the greatest impact on urbanizing cities mainly in developing countries in Asia and Africa.<sup>21</sup>

Finally, spontaneous, unplanned settlements at the fringes of urban areas are contributing to low-density sprawling growth, both in and of themselves and because they cause formal sector development to leapfrog over them. Because the housing in slums is self-built, dwellings are seldom more than one or two stories high. Thus, while many slums are packed at very high densities owing to the micro-scale of the homes, they miss opportunities to economize on land by building vertically.

For the purposes of this report, we will use the terms informal settlements and slums interchangeably to denote areas of concentrated poverty that share the following characteristics:

- Basic infrastructure and municipal services that are inadequate

- Housing that is mostly in very poor physical condition
- Land uses and buildings that do not conform to local laws
- Land rights that may not be formally recognized or land that may be illegally occupied

While admittedly imprecise, the terms are sufficient to cover the condition in which most of the urban poor in developing countries live and are functional for our purposes of underscoring the particular challenges of planning for poor areas—challenges that have arisen because so many slums were unauthorized and lack essential infrastructure and municipal services. That is not to say that the variation among slums should be overlooked. In fact, understanding these variations is important when developing tailored planning and investment approaches. A list of some of these important variables is provided in Appendix A.<sup>22</sup>

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<sup>22</sup> The reality is that within the broad definition of slums, there is a wide range of communities with differing infrastructure, urban form, and social attributes. The lumping of all these places together under a single term masks dimensions that are important in decisions about how to direct future development and invest in current developments. There have been very few efforts to create taxonomies and typologies of slum conditions that would be useful for planning purposes. One effort has classified slums into ten broad morphological types, building condition into five levels, and accessibility of the settlement to economic centers into four levels (S. McCartney, *At the Limit: Vulnerable Morphologies in Urban Area*, 2012). It would be worth supporting concerted efforts to create taxonomies and typologies and

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<sup>19</sup> G. McGranahan, D. Balk, & B. Anderson, "The Rising Tide: Assessing the Risks of Climate Change and Human Settlements in Low Elevation Coastal Zones," 2007, p. 25.

<sup>20</sup> UN-Habitat, *Cities and Climate Change*, 2011, p. 66.

<sup>21</sup> *Ibid.*, p. 68.

## THE ECONOMIC IMPORTANCE OF THE POOR, SLUMS, AND INFORMAL ACTIVITIES

Although living conditions in slums are difficult, slums are also critical and functional for urban areas. They offer the poor at least minimal shelter and allow millions to make a subsistence living they could not in rural and fringe urban areas. Indeed, even if they offer clearer land title, better services, and better infrastructure than closer-in slums, urban fringe communities are only economically viable if linked to employment opportunities. Slums also provide opportunities for the poor to build assets, including homes and businesses. From the broader perspective of other urban residents and businesses in the city, the poor living in slums perform essential services and supply a low-cost labor force.

Businesses are starting to appreciate the importance of the poor as consumers and producers. The Monitor Group has conducted several studies on market-based strategies that have been used to engage the poor as consumers or associates through inclusive business models.<sup>23</sup>

Indeed, the importance of the poor to economic development has been documented by several highly

influential studies that address the consumer power of the poor. In his 2004 book, *The Fortune at the Bottom of the Pyramid*, C.K. Prahalad argued that there are positive business benefits to be gained by multinational companies if they opt to invest in serving poor markets in developing countries.<sup>24</sup> Prahalad gave the poor an operational definition: those living at the “bottom of the pyramid” (BoP) on less than \$2 a day. Despite these low wages, he estimates that the BoP market in Asia comprises 83 percent of the region’s population and represents a substantial 42 percent of aggregate purchasing, while the BoP population in Sub-Saharan Africa represents an estimated 71 percent of aggregate purchasing power.<sup>25</sup>

Slums also present business opportunities for infrastructure development. The May 2011 issue of *Forbes* magazine brought this issue front and center with a series of articles on how companies are doing business in megacities, highlighting companies such as Siemens and G.E. that would like to profit from providing infrastructural services to growing cities.<sup>26</sup>

The urban poor are also engines of economic *output*. Though their activities may be informal (untaxed and beyond the reach of regulation) they interact with many formal sector activities and

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explain how these should influence planning thought and responses.

<sup>23</sup> M. Kubzansky, A. Cooper, & V. Barbary, *Promise and Progress: Market-Based Solutions to Poverty in Africa*, 2011, p. 3.

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<sup>24</sup> C.K. Prahalad, *The Fortune at the Bottom of the Pyramid*, 2004.

<sup>25</sup> S. McCartney, p. 7.

<sup>26</sup> D. Fisher, N. Karmali, & G. Epstein, “Urban Outfitter,” 2011.

serve the demands of formal sector businesses and workers. The informal sector includes domestic labor, street vendors, and day laborers for formal sector construction, as well as family-run businesses and microenterprises. It supplies consumers and producers with convenient access to inexpensive goods and services, affordable labor, credit, food, security services, wire-tapping for electricity provision, rental housing, and more.<sup>27</sup>

The informal economy in developing countries accounts for an estimated 82 percent of non-agricultural employment in South Asia, 51 percent in Latin America, 65 percent in East and Southeast Asia, and 66 percent in sub-Saharan Africa.<sup>28</sup> An estimated 84 percent of all non-agricultural employment is in the informal economy in India, 54 percent in Mexico, and 42 percent in Brazil.<sup>29</sup> And the importance of the informal sector is growing: according to one estimate, the informal sector represented 85 percent of all new employment opportunities globally.<sup>30</sup>

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<sup>27</sup> W.F. Maloney, "Informality Revisited," 2004; A. Roy, "Why India Cannot Plan Its Cities: Informality, Insurgence and the Idiom of Urbanization," 2009; see also <http://wiego.org>, Major Occupational Groups of Informal Workers.

<sup>28</sup> <http://wiego.org>, Informal Employment as Per Cent of Total Non Agricultural Employment 2004/2010, accessed July 31, 2013.

<sup>29</sup> M. Majale, "Employment Creation through Participatory Urban Planning and Slum Upgrading: the Case of Kitale, Kenya," 2008; International Labor Organization, 2011.

<sup>30</sup> UN-Habitat, *State of the World's Cities 2010/2011*, 2008, p. 96.

The informal sector also helps support a comfortable lifestyle for middle class families. It provides cheap, domestic labor; easy access to inexpensive products and services produced in the informal sector; and house construction costs lowered by informal day laborers.

From the perspective of the producers and service providers within it, the informal sector has the advantage of escaping most taxes and fees. But that same attribute restricts how much revenue the public sector can generate to perform the essential functions of government such as the provision of public goods and infrastructure. It may also prevent markets from operating efficiently. Indeed, markets often benefit from regulation through requirements for businesses and individuals to conform to environmental and quality standards, and creation of transparency and symmetric information to improve the bargaining power of buyers and sellers.

As Richard Arnott argues in his report on housing policy in developing countries, the large size of the informal sector relative to the overall economy in developing countries, coupled with the predominance of housing informality, imposes constraints on government policy and undermines the effective formation of sound housing policy. This is due to the inability to measure the income of informal sector employees (which results in limitations on income-related assistance and redistribution programs) and the reluctance of governments to subsidize

unauthorized housing (which harms the most impoverished households). As noted, the inability to collect tax revenue on a sustained basis reduces the fiscal capacity of the economy but, in addition, the higher tax rate imposed on formal sector income creates a disincentive to join the formal sector. In order to address these problems, he argues, the governments must make participation in the formal sector more enticing and promote increased formal job growth.<sup>31</sup>

But the reality is that most governments have not taken a systematic view or

approach to addressing informality. Although this is arguably one of the most important (and possibly essential) steps governments can take to promote inclusive and sustainable development, there are a host of political, market, and operational reasons which hinder governments from doing so. These are discussed in subsequent chapters.

### **GROWING OPPORTUNITIES FOR AND INTEREST IN TACKLING URBAN POVERTY**

Regardless of attitudes towards the informal sector, the poor, and slums, their central importance to the environment and to the economic and social development of cities is coming into sharper focus. Beyond a deepening appreciation of the importance of the bottom of the pyramid and the appalling conditions in which most of the poor in informal settlements live and work, there is growing awareness of the value of dealing with the economic development needs of the poor, the physical conditions of the slums, and the interconnection of these slums with the broader urban fabric through their links to economic activities, social and public health demands, environmental spillovers, and the physical movement of goods and people.

#### **Figure 2: Opportunities Resulting from Inclusive and Sustainable Development and Spatial Investment Planning**

- *Foster broader economic development and competitiveness*
- *Improve urban functions, including transportation, circulation, accessibility, safety from and resilience to natural disasters, and urban ecology*
- *Increase social inclusivity, build human capital, and foster social development*
- *Reduce abject poverty and wealth gaps*
- *Foster broader economic development and competitiveness*

<sup>31</sup> R. Arnott, "Housing Policy in Developing Countries: The Importance of the Informal Economy," 2008, pp. 3-4.

This growing interest is evident in the sustainability platforms of multilateral agencies like the United Nations and the World Bank. The environmental sustainability agenda has grown to include consideration of the poor, slums, and social justice more generally. The United Nations, in collaboration with UN-Habitat, formed the Sustainable Cities Program in the early 1990s to advocate for inclusive processes and participatory planning to advance strategies for urban environmental planning. This is to be achieved through the program's Environmental Planning and Management approach—a process-oriented framework that strengthens local capacity to address urban environmental issues by enabling replication and the scale-up of activities, as well as by mobilizing anchor institutions for continued support.<sup>32</sup>

The growing recognition of the importance of inclusive and sustainable urban development is also evident in initiatives and funds set up by international agencies. Cities Alliance is a global coalition of cities committed to scaling up successful approaches to poverty reduction and improving living conditions through the provision of grants in support of City Development Strategies and slum upgrading via a Catalytic Fund.<sup>33</sup> Projects that are funded promote pro-poor policies,

make a positive environmental impact, and are highly scalable. The Global Environmental Facility (GEF) is another example of a partnership model that provides grants to address environmental issues and promote sustainable development in developing countries. It has funded more than 2,800 projects in developing countries ranging from conserving biodiversity to mitigating climate change.<sup>34</sup>

At the same time, global consulting firms are starting to beat the drum for inclusive and sustainable urban development as a way to catalyze economic growth and development. Organizations like J.P. Morgan, PricewaterhouseCoopers, McKinsey, and Monitor Group are all conducting research on the incorporation of slums into cities, signaling a shift in mainstream business thinking about the relevance and value of informal settlements. For example, McKinsey's report on building inclusive cities and sustaining economic growth in India argues that greater attention to the country's growing cities and urban centers is vital to economic growth and prosperity in India. Using an econometric model and nine sector models, as well as additional in-depth analysis, McKinsey's report attempts to identify policies to help move India's cities forward. Given the scale of India's urbanization, in 2030 68 Indian cities will have a population greater than 1 million. Cities, the study points out, offer the potential for a higher quality of life and better access to jobs, markets,

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<sup>32</sup> See Sustainable Cities Program, UN-Habitat, <http://www.unhabitat.org/content.asp?typeid=19&catid=540&cid=5025>.

<sup>33</sup> See <http://www.citiesalliance.org/>.

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<sup>34</sup> See <http://www.thegef.org/gef/>.

and infrastructure, but without sound policy directing spatial development, the quality of life in cities could decline and further increase demand on infrastructure and services. As a result, McKinsey found that India's urban operating model should focus on five elements: funding, governance, planning, sector policies, and shape (urban form and city system-wide planning and strategies). The report's authors argue that India needs to unlock investments for capital expenditures and invest significant resources in services for residents. In addition, McKinsey encourages the national government to empower local leaders and also hold them accountable for enacting the reforms. McKinsey also advocates for the creation of a master plan that builds policies around the most important city sectors such as jobs, public transportation, and affordable housing, but also for spatial plans for the shape and form of its growing cities. If enacted, these reforms, the report's authors suggest, could add 1 to 1.5 percent to annual GDP growth and promote holistic development of India's urban areas.<sup>35</sup>

The emergence of international agencies and consulting firms pushing the agenda presents new opportunities to press politically for tackling urban poverty in a more meaningful, strategic, and sustained fashion. Other factors driving attention to urban poverty include the pace of globalization and

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<sup>35</sup> S. Sankhe et al., *India's Urban Awakening: Building Inclusive Cities, Sustaining Economic Growth*, 2010.

concurrent increase in foreign direct investment, the increasing sophistication and clout of community-based organizations in developing countries and growing political will, new technologies, and recognition of the strategic location and economic potential of slums, all of which are described below.

### ***The Pace of Globalization and the Increase in Foreign Direct Investment***

The pace of globalization, foreign direct investment (FDI), and economic growth have quickened in many countries. By one estimate, FDI in developing nations rose by 12 percent from 2009 to 2010, reaching \$574 billion in 2010 alone.<sup>36</sup> Investments in real estate and land are increasing in many countries, particularly in Latin America and China.<sup>37</sup> In China, inflows of FDI in real estate reached \$8.8 billion in 2005 and comprised 15 percent of China's real estate market.<sup>38</sup> More recently, in 2010, 23 percent of the over \$100 billion that flowed into China was invested in its real estate market.<sup>39</sup> This is having real-world effects on the affordability of housing for urban citizens.

Foreign investment is creating pressure to provide adequate urban infrastructure to serve existing

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<sup>36</sup> UNCTAD, *World Investment Report 2011*, 2011, p. 3.

<sup>37</sup> Ibid.

<sup>38</sup> UNCTAD, *Rising FDI into China: The Facts Behind the Numbers*, 2007.

<sup>39</sup> O. Fletcher, "Foreign Direct Investment in China Rises 17 Percent," 2011.

populations and direct future growth, and to address laws and regulations that may be impeding markets. The demand and price for land rises as foreign direct investment increases and, as land becomes less available, slums become more densely settled because private enterprise and governments are unable to supply decent housing fast enough to keep up with population growth.<sup>40</sup> Yet pressure from FDI and globalization to redevelop slums for “higher and best” uses threatens these settlements and disrupts important economic opportunities.<sup>41</sup> Ideally, partial redevelopment could be used to cross-subsidize improvements that benefit the poor (such as providing affordable housing for displaced residents within the same geographic footprint of the preexisting slum) and the rest of the city. But often slums that are well located to employment centers, especially those benefiting from FDI, are razed and the poor displaced in numbers.

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<sup>40</sup> M. Serageldin, Personal Communication, 2010.

<sup>41</sup> In the Old Fadama slum in Ghana, for example, residents were served eviction notices in 2002 so that the land could be redeveloped for more profitable use. For the past ten years the community has been struggling to prevent forced removal. In their struggle, community members utilized methodologies developed by Slum Dwellers International to successfully resist their eviction. However, the uncertain nature of their tenure may have diminished the entrepreneurial drive of residents, as they are continuously concerned they will be displaced. Slum Dwellers International. See: <http://www.sdinet.org/blog/2011/11/8/old-fadama-decade-struggles-and-lessons/>. (Accessed September 9, 2013.)

### ***Increasing Capacity of Community-Based Organizations***

The capacities of community-based organizations (CBOs) and non-governmental organizations (NGOs) have increased in many informal settlements. In addition, networks of these organizations have begun to emerge and are growing stronger. In the US and Europe, this increase in capacity has been central to the enhanced ability of poor neighborhoods to pursue community development. Globally, federations of community organizations such as [Slum Dwellers International](#) provide opportunities for idea-sharing, asset-pooling, and mutual support. In addition, they create avenues for poor people to influence their local and national governments as well as to advance collaborative development projects in housing, land tenure, infrastructure, and livelihood creation. Community organizations, like the NGO [SPARC](#) (Society for Promotion of Area Resource Centers), often advocate and organize around more than one issue as a way to address the wide-ranging needs of their communities. Through the Internet, these organizations are reaching across great global distances to share experiences. They are gaining significant political clout and have begun working in partnership with government agencies to find sustainable and replicable solutions to urban problems. Partnerships to provide affordable housing, resettlement, community upgrading, housing finance,

sanitation, infrastructure, and disaster rehabilitation are all examples.<sup>42</sup>

### ***Emergence of New and Empowering Technologies***

New technologies have emerged that promise to help better organize the poor; lower the cost of gathering information on the conditions of and activities occurring in slums; allow for distributed energy production, employment in digitization of information, and low-wage knowledge work like customer service; and drive entrepreneurial ventures.

For example, the use of mapping technology, such as Geographic Information Systems (GIS), coupled with open source platforms such as aerial photography on Google Earth, has improved the ability to access, map, and otherwise spatially represent informal settlements. GIS is an important tool in environmental planning and impact assessment, as well as in predicting the impact of climate change on vulnerable settlements. A great deal of information is now gathered by satellite at lower cost and with greater accuracy.

The use of cell phones has facilitated digital banking, particularly in Africa. Companies such as Samasource and Digital Divide Data have leveraged these new technologies to create jobs through

the digitization of data in developing countries. These companies utilize the time and labor of low-income people to provide services of data entry and digital preservation to international and national businesses and organizations.

### ***Proven Capacity of and Entrepreneurial Drive of the Poor***

Finally, there are many examples of the poor starting their own businesses, investing in their homes and infrastructure, and occasionally becoming highly successful and wealthy entrepreneurs. These have helped underscore the vast potential of the bottom of the pyramid to spark economic growth and recover many of the costs associated with better services in slums. Indeed, the poor are active and important *asset builders*.

There is great potential for market-based solutions to engage the huge untapped potential of low-income populations as both consumers and business associates.<sup>43</sup> Such inclusive business models are being developed to incorporate the different roles within the value chain to effectively and competitively serve the market. For example, South African based Coca-Cola Sabco has developed a manual delivery approach and works with small-scale distributors to deliver products to retailers in densely populated urban

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<sup>42</sup> See E. Belsky & J. Fauth, *Crossing Over to a New Era of Improved Community Development*, 2012. See also UN Human Settlements Programme and United Nations Economic and Social Commission for Asia and the Pacific, 2008.

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<sup>43</sup> A. Karamchandani, M. Kubzansky, & N. Lalwani, "Is the Bottom of the Pyramid Really For You?" 2011.

areas.<sup>44</sup> This delivery model adapts to local infrastructure, customer needs, and market conditions by using local people in the supply chain.

Development outcomes of inclusive business models include expanded economic opportunity and access to goods and services for the poor, which benefit the entire city through increased economic growth. In African countries, for example, much of the growth in the industry and service sectors stems from small-scale informal enterprises,<sup>45</sup> while in India an estimated 61 percent of employment found in manufacturing is created by microenterprises with less than five employees.<sup>46</sup> Harvard economist Edward Glaeser argues that entrepreneurship is the defining characteristic of Mumbai, with 43 percent of urban Indians reporting self-employment. The Dharavi slum includes tailors, ceramic makers, and recyclers.<sup>47</sup> Profiles of “micropreneurs” in the April 2011 issue of *Forbes* magazine documented this phenomenon in many developing countries.<sup>48</sup> These micropreneurs are making their own businesses, contributing to the community, and often employing others.

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<sup>44</sup> B. Jenkins and E. Ishikawa, *Scaling Up Inclusive Business: Advancing the Knowledge and Action Agenda*, 2010.

<sup>45</sup> C. Kessides, *World Bank Experience with the Provision of Infrastructure Services for the Urban Poor: Preliminary Identification and Review of Best Practices*, 2005.

<sup>46</sup> OECD Secretariat, *Growth, Employment, and Inequality in Brazil, China, India and South Africa: An Overview*, 2009, p. 15.

<sup>47</sup> E.L. Glaeser, “Slumdog Entrepreneurs,” 2009.

<sup>48</sup> E.L. Glaeser, “New Land of Opportunity,” 2011.

## Chapter 2

# Deficiencies in How Urban Planning is Practiced Today

More fully tapping the economic potential of the urban poor, improving slums, and achieving sustainable urban development, depends importantly on overcoming deficiencies in how planning is conducted and investments are made in most urban regions today.

Despite recent efforts in many countries to decentralize decision-making and authority away from national governments, planning at the city and state levels is often weak and lacks authority.<sup>49</sup> Local land use regulations and plans are often ineffectual. Regulations are not enforced in informal

areas, and even in formal areas, land use regulations are sometimes flaunted or manipulated by strong private real estate interests. While many cities have neighborhood-level development plans, at least for formally recognized areas, there is minimal investment in realizing these plans.

Partly in response to limited planning and investment capacity at the state/provincial and local levels, national governments have established regional authorities and public-private partnerships (PPPs) to plan major investments in urban infrastructure, but these often fail to adequately consider broader regional land use planning goals, community input, or the needs of poor communities.<sup>50</sup>

Indeed, engagement of government with impoverished neighborhoods is often negligible at the local level as well. In fact, many slums struggle simply for official recognition. Where governments do engage with slums, resulting plans seldom situate them in the context of broader plans for the urban region. And the NGOs that do much of the work to improve slums often do not closely coordinate their efforts. In addition, these governments, authorities, and partnerships generally fail to formulate specific strategies to improve or redevelop slums in ways

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<sup>49</sup> Despite its social and economic promise, decentralization has usually not delivered responsive and transparent local governance or improved mechanisms for public participation or context-specific infrastructure and service provision. First, many central governments never fully decentralized policy formulation, planning, and revenue collection. Instead, they pursued a superficial form of decentralization without the fiscal or political mandate that enables effective local planning. Most municipal governments remain cash-strapped and continue to rely on the central government for capital investments in municipal infrastructure. Secondly, even when central governments did decentralize decision-making and revenue collection, local bureaucrats were often ill-equipped to design and implement their own fiscal policies, tax regimes, or municipal service provisions. See S. Bergh, "Democratic Decentralisation and Local Participation: A Review of Recent Research," 2004, pp. 780-790; IHC, 2009, p. 22; MirafTAB, 2004, pp. 89-101; and D. Rondinelli et al., "Decentralization in Developing Countries," 1983.

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<sup>50</sup> See Plane, 1999, p. 353; Bennet, 1998, p. 197.

that minimize disruption of existing homes and economic activities. For their part, CBOs are often disenfranchised from the government planning process.

The result of these deficiencies is poorly planned and largely uncoordinated urban growth. While such stylized depictions run the risk of overgeneralization, these depictions are consistent with the literature on urban planning and development as well as interviews with dozens of senior practitioners in the field.

## REGIONAL LEVEL

As noted above, regional planning is primarily dedicated to designing and siting large-scale infrastructure projects (or “megaprojects”), such as sewer, potable water distribution, and transportation systems (including rail lines, subways, and highways); protecting environmentally sensitive areas from development; and power generation, power transmission, and telecommunications.<sup>51</sup>

Given the pace of urbanization in many cities, infrastructure projects and slum neighborhoods stand an increased risk of colliding, competing for the same spaces.<sup>52</sup> But in planning infrastructure, regional authorities seldom consult the poor, and their communities seldom benefit from infrastructure investments. In fact, if poor communities stand in the

path of planned infrastructure—as they sometimes do because slums often arise in interstitial urban spaces such as the right-of-way for rail lines—they may simply be razed and their residents moved to marginal or distant areas, becoming more spatially isolated. This outward movement increasingly limits access to jobs, education, and healthcare that would enable the poor to accumulate assets and transition out of poverty.<sup>53</sup>

Megaprojects often require foreign investment and expertise that are increasingly supplied through multinational construction firms and development banks. Not only does this leave the public sector at risk of ceding important decisions to private firms, this foreign direct investment in large-scale infrastructure projects puts further pressure on the land market by increasing land values, making land close to the central business district less affordable, and pushing the urban poor either out of the formal land market or to peripheral areas to seek affordable land. Furthermore, public/private financing arrangements for infrastructure projects<sup>54</sup> seldom conform to anti-poverty plans.

These are lost opportunities to use spatial planning and public participation to incorporate plans for the betterment of the whole city into foreign-funded megaprojects, capitalize on the positive

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<sup>51</sup> UN-Habitat, *Planning Sustainable Cities*, 2009, pp. 153-158.

<sup>52</sup> World Bank, *World Development Report*, 2009.

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<sup>53</sup> P.K. Gellert & D. B. Lynch, “Mega-projects as Displacements,” 2003.

<sup>54</sup> Gellert & Lynch, 2003; UN-Habitat, *Planning Sustainable Cities*, 2009, p. 154.

effects of new infrastructure, and mitigate its disruptive impacts on urban communities. Doing so would require funding to create and implement plans shaped more actively by public agents.

Coordination and collaboration problems also arise between regional and municipal authorities. Regional authorities, commonly empowered by national or state governments, often fail to consult with municipal authorities until important location, service and provision decisions have already been made.<sup>55</sup> One of the more harmful effects of this approach is the disruption of municipal infrastructure by construction of infrastructure imposed by regional authorities. Others include the inability of both regional and municipal authorities to coordinate and benefit from infrastructure investment or to attract funding for smaller-scale infrastructure that is equally critical for neighborhoods and community development, such as bus-rapid transit systems and improvements to tertiary roads and ways.

## MUNICIPAL LEVEL

At the municipal level, urban planning in lower- and middle-income countries tends to focus on smaller-scale infrastructure (such as waste disposal and feeder-road construction), land use regulations, urban form regulations, public transportation, building codes, and neighborhood development. Locally developed plans seldom project

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<sup>55</sup> UN-Habitat, *Planning Sustainable Cities*, 2009.

and prepare for growth or identify sources of funding for implementation.

As discussed previously, another challenge is that the local regulations put in place to implement plans are seldom enforced at all in informal settlements and only partially in the broader city. Indeed, where informality underpins urban development, formal plans are usually a symbolic gesture rather than an actionable guide. As a 2010 McKinsey Global Institute report observes, “On paper India does have urban plans, but they are esoteric rather than practical, rarely followed, and riddled with exemptions.”<sup>56</sup>

Typically, slums will expand into interstitial and peripheral urban areas until private developers target them for redevelopment, thus spurring municipal planners to expeditiously draft, approve, and implement redevelopment plans in the absence of public scrutiny and disclosure.<sup>57</sup> Planning that leads to real action is usually opaque and sprung on affected communities—if at all—at the last minute and as a *fait accompli*.

Municipal planning also often fails to coordinate among urban agencies or different physical areas of the municipality. Most urban planning at the municipal level is conducted according to sector divisions. For

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<sup>56</sup> McKinsey, *India’s Urban Awakening: Building Inclusive Cities, Sustaining Economic Growth*, 2010, p. 2.

<sup>57</sup> UN-Habitat, *Slums of the World*, 2003; UN-Habitat, *Planning Sustainable Cities*, 2009.

instance, land use, transportation, and housing are typically administered by different agencies.<sup>58</sup>

Yet coordination is the crux of sustainable and inclusive urban planning. Harmonizing transportation, economic development, housing, and environmental protection to provide a clear and consistent development direction can produce better plans and yield more positive results. By synchronizing plans and employing a spatial rather than sector focus, planners can improve slum communities and create new spaces to accommodate and direct the “unplanned” settlements of poor urban migrants to places accessible to public transportation and economic centers, while anticipating, guiding, and capturing the positive spillovers that new urban development and infrastructure engender.<sup>59</sup>

Failure to harmonize urban planning functions can result in unfettered slum growth in precarious environmental areas that threaten the settlements themselves and resources of the city (e.g. clean water reservoirs). Such failures can also reinforce sprawling and uneven, socially segregated urban development. Uncoordinated planning also squanders opportunities to recapture the cost of public investments through development and property taxes by bringing more and more

informal areas under formal authority and protections.

## COMMUNITY LEVEL

At the level of slum communities, projects are aimed primarily at improving living conditions, creating employment, delivering education, and enhancing asset accumulation—especially through microenterprise, housing, and granting legal land title.<sup>60</sup> Although national, state, and municipal governments have programs that address these issues, international organizations and NGOs are the most active at this scale, at times supplanting functions that governments are unable or unwilling to perform. For instance, the [Community Organizations Development Institute](#) in Thailand has been working to help slum dwellers living on communally owned lands to access private sector credit and loans as well as government subsidies for *in situ* housing upgrades and local infrastructure development.

Overall, NGO efforts tend to coalesce around one of three agendas: housing and community infrastructure including sewer, water, health, and education; community organization; and enterprise development and microfinance. All of these are fundamental to inclusive and sustainable urban planning, and if considered together and in the context

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<sup>58</sup> UN-Habitat, *Planning Sustainable Cities*, 2009, p. 154.

<sup>59</sup> World Bank Group, *World Development Report 2009*, 2009; H. Suzuki et al., *Eco2 Cities: Ecological Cities as Economic Cities*, 2009.

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<sup>60</sup> C. Moser, *Asset-Based Approaches to Poverty Reduction in a Globalized Context*, 2006; UN-Habitat, *Quickguides no. 6*, 2008; UN-Habitat, *Planning Sustainable Cities*, 2009, p. 39.

of physical planning, would enhance outcomes.<sup>61</sup>

Housing projects typically focus on securing land tenure for residents, improving the physical quality of houses in slums, and/or developing financing arrangements to facilitate home improvements.<sup>62</sup> Community organizing and infrastructure efforts mostly address other deficiencies and needs in slums by creating and developing systems to maintain services and infrastructure outside the physical footprint of the individual dwelling including roads, transportation, schools and health clinics, and play spaces; by upgrading public open space, solid waste management, sewerage, potable water provision; and by stimulating government engagement and transparency to secure these services.<sup>63</sup>

While these efforts are as much about the physical environment as they are about administration, they too are usually not part of a more comprehensive plan for slum improvement and enterprise development. Integrating housing and financing with broader community organization and capacity building provides a more effective means of

alleviating poverty and facilitating neighborhood-wide upgrading.<sup>64</sup> Slum Dwellers International is the most salient example of an organization pursuing such an approach, and donors are stepping up their funding to similar community-based organizations.<sup>65</sup>

Thus, while still imperfect because this work is not part of broader government investment and urban plans, work by CBOs and international NGOs at the community level stands out as more attuned to community needs and better able to advance community improvements and asset building than efforts at other spatial scales.

## RECAPPING THE DEFICIENCIES

The conduct of planning as it is commonly found today in low- and middle-income countries is wanting and results in growth that exacerbates environmental damage, increases traffic congestion and auto dependency, increases carbon emissions, leaves many areas inaccessible to employment and opportunity, perpetuates older informal settlements even as it places some of the best situated slums under redevelopment pressure, and spawns new informal settlements.

There are three significant failures of public planning that impede the pursuit of inclusive, sustainable urban development. First, public planning

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<sup>61</sup> International Housing Coalition, 2009.

<sup>62</sup> E. Fernandes, *Regularization of Informal Settlements in Latin America*, 2011; D. Satterwaithe, "Getting Land for Housing: What Strategies Work for Low-Income Groups?" 2009; UN-Habitat, 2001, pp. 79-86; UN-Habitat, *Planning Sustainable Cities*, 2009.

<sup>63</sup> C. Moser & A. Felton, "Intergenerational Asset Accumulation and Poverty Reduction in Guayaquil, Ecuador, 1978-2004," 2006; International Housing Coalition, 2009, p. 35.

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<sup>64</sup> International Housing Coalition, 2009; Satterwaithe, 2009.

<sup>65</sup> UN-Habitat, *Housing the Poor in Asian Cities*, 2008.

often fails to link spatial plans to viable public and private investments. The results can include redundant investments, or, when plans are not implemented, disillusionment and frustration.

Second, public planning often overlooks the needs of the poor and the slums in which they live, in part because planning efforts often fail to engage the poor. As a result, the poor are disenfranchised, their lives and livelihoods may be unnecessarily disrupted, and anger and abject poverty may increase.

Finally, the failure of public planning to anticipate, channel, and leverage private investment can result in uncoordinated investments that work at cross-purposes, resulting in lost opportunities to shape economic, social, and spatial outcomes that could improve urban life and economic competitiveness.

In the next chapter we discuss a vision of urban planning and governance that overcomes these deficiencies.

## Chapter 3

# Best Practices in Urban Planning and Investment

Current patterns of haphazard and environmentally unsustainable urban growth, social and economic fragmentation, and social-spatial segregation are in part the result of planning failures. What is needed to correct these failures is a new planning approach that is:

- Spatial in all its aspects, especially in decisions regarding density and physical design of the built environment, coordination of land use planning and public investment in infrastructure, and the planning of economic and social programs;
- Rooted in actionable national urban development and poverty alleviation strategies;
- Regional in scope, governance, and coordination;
- Anticipatory of regional economic growth, migration patterns, and climate change;
- Aimed at strengthening CBOs and engaging the poor in participatory planning;
- Aimed at building assets of the poor and upgrading slums as an alternative to disruptive redevelopment or as part of more limited redevelopments; and
- Transparent and accountable.

***More information about cases used to illustrate best practices in planning (noted in bold throughout the report) can be found in Appendix B.***

### SPATIAL INVESTMENT PLANNING

Explicitly spatial plans are needed to guide urban development so that land uses, real estate development, and infrastructure investments are synchronized and coordinated in ways that minimize environmental impacts and maximize economic and social development. These plans must be practical and use public sector tools and resources to attract and channel private capital. They must be linked to incentives in the form of: 1) granting concessions and development rights (to build or own and operate infrastructure and real estate), 2) public financing (subsidies, below-market bond funding, loan guarantees), 3) in-kind contributions (land for development, open space, and infrastructure), and 4) site control (land assembly, clearance, and sale of transfer to investors).

Attention must also be paid to the physical aspects of spatial planning, including the location and form of land uses, housing, social infrastructure

(schools, clinics, open spaces, and community facilities) and basic infrastructure critical to health, safety, and the economic function of urban areas (including power, roads, public transit, water distribution and sewerage series, and sanitation). Careful physical planning can also create new possibilities for slum redevelopment that take the needs of poor residents into account while freeing up space for other uses and improving economic efficiency.

But all these plans must be formulated in concert with, and with an understanding of, the private sector and the returns needed to attract private capital. This definition of the private sector extends to formal *and* informal businesses, as well as to the poor who invest both in their microenterprises and real estate. Without such an understanding, government interventions can stifle innovation and impede capital formation rather than enable and facilitate them. Without such an understanding the public sector is also at risk of giving incentives to the private sector that are greater than necessary to achieve public purposes.

In fact, spatial thinking and strategy is so important that in a reinvigorated approach to planning it should inform the other elements of the vision of stronger planning espoused here:

- National urban strategies should consider investment across a system of cities and how to interconnect

them better to expand economic activity and efficiency.<sup>66</sup>

- Regional planning and governance should be aimed at coordinating and managing a spatial process of growth with an explicit spatial view and strategy.
- Anticipatory planning for urban resilience should consider the geographic dimensions of urban growth, natural disaster vulnerability, and economic and social changes.
- CBOs and the poor should consider how the urban region has and will continue to evolve around their communities and how these changes will influence their individual communities and force tradeoffs among interests of different communities.
- Investments in slum upgrading, businesses, housing, and other assets should be spatially situated and planned, taking into account massing of buildings and the adequacy of roads and ways (exploiting vertical development opportunities when horizontal land area is already overcrowded), and the sufficiency of open spaces, community facilities, and infrastructure.

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<sup>66</sup> B. Katz and J. Bradley, *The Metropolitan Revolution: Building the Next Economy from the Ground Up*, 2013.

### ***Examples of Successful Spatial Planning***

Among the places that have most successfully used a spatial planning approach is **Curitiba, Brazil**. Over a number of decades, the city has employed integrated land use plans that stipulate land usage and density in order to structure business, commercial, and residential development around public transportation system plans including bike lanes and Bus Rapid Transit lines. This method of consistent integrated urban planning with a strong spatial focus has reduced traffic congestion, guided urban development, improved air quality, increased citizen mobility, and connected urbanites to housing, employment, and social services across the city.<sup>67</sup> It has helped to preempt sprawl and reduce greenhouse gas emissions from transport. In this sense, Curitiba serves as both a model of spatial and anticipatory planning and underscores that spatial planning should suffuse other elements of an improved approach to urban planning and investment.

Bogotá, Colombia provides an example of how spatial planning leads to consideration of smaller-scale and distributed infrastructure appropriate to the needs of the poor. Thus, this case serves not only as a strong example of a spatial approach but one that took the needs of the poor and their communities into account. In the 1990s Bogotá expanded its bike path network instead of investing in roads and

highways for cars. This bicycle network connected slums and poorer neighborhoods to the rest of the city. In 2000 the city launched the **TransMilenio Bus Rapid Transit system**, which links with the bike network and includes bike parking at bus stops. Today, the bike network covers over 300 km and almost 300,000 urbanites use it for their daily commute.<sup>68</sup> This degree of spatial coordination and planning provides mobility for the poor and delivers environmental benefits for all urbanites, and can help reduce carbon emissions from private vehicles as well.

Spatial planning can also facilitate essential coordination that is all too lacking across sectors serving the urban poor but especially health, education, affordable housing, transportation, and economic development. Absent this, it is unlikely that development patterns will spontaneously emerge that allow the urban poor access to employment centers, markets, schools, health services, potable water, effective waste disposal, and communities with reduced environmental hazards.

Explicitly spatial plans that reconcile and anticipate the local impacts of redevelopment, and that are created with the engagement of the poor, can also ameliorate the problems created by redevelopment efforts. **Orangi** and **CLIFF** provide examples of this approach. There are also several good examples of creative solutions to live-and-work spaces that use vertical

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<sup>67</sup> Suzuki et al., 2009.

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<sup>68</sup> See <http://www.movilidadbogota.gov.co/>.

construction to increase densities and liberate space for redevelopment while satisfactorily accommodating displaced residents.

The Ju'er Hutong pilot project in Beijing deployed a "new courtyard prototype" design. Similarly, the "[Walk Up Kampung Project](#)" in Bandung, Indonesia, convened families and government architects and planners to redevelop a single story informal neighborhood into a multistory environment. Notably, this project incorporated the residents' lifestyles into the design. As such, it was able to make room for new infrastructure and residential spaces in the redevelopment.

At the end of this chapter other examples are offered of metro regions and cities that have taken spatial planning to an even higher level by integrating it with several other elements of an improved approach to planning inclusive and sustainable urban development.

### ***Information Needs of Spatial Investment Planning***

Spatial investment planning presupposes that there is sufficient information to plan spatially when frequently there is not, especially for slums. This information includes tabular and spatial data on urban form, morphological structure, public open space, building conditions, household compositions, municipal service level, infrastructure, economic activities,

environmental conditions, social and community organizations, and flows of people and economic activities across the urban region. Such a complete set of information at regional, municipal, and neighborhood scales is unavailable in most places. The absence of such information severely limits investment opportunities.<sup>69</sup>

Increasingly and productively, however, the poor themselves are collecting and amassing data on their neighborhoods and communities. For example, the World Bank recently collaborated with Google on a project that endeavors to empower citizen cartographers to update maps with the actual locations of social infrastructure, such as schools and hospitals. Similarly, UN Global Pulse, OpenStreetMap, and Ushahidi in Kenya seek to integrate crowd-sourced geospatial data to target humanitarian assistance in real time, map crime trends, and assess the provision of urban services across a city.

Much of this work relies on volunteers equipped with cell phones, text messages, and Internet access.<sup>70</sup> A notable example that specifically pertains to urban planning comes from Kenya, where the Map Kibera project used volunteers to generate and compile urban spatial information to create an updated dataset for the city

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<sup>69</sup> J.L. Baker & K. McClain, "Private Sector Involvement in Slum Upgrading," 2008.

<sup>70</sup> See [www.unglobalpulse.org/](http://www.unglobalpulse.org/); <http://maps.worldbank.org/>; <http://ushahidi.com/>; <http://www.nytimes.com/2012/01/14/opinion/em-powering-citizen-cartographers.html>.

and its slums.<sup>71</sup> These data then become a political tool for negotiation and can be used to integrate these settlements into the planning process.

Despite its promise, crowd-sourced mapping has considerable limitations. Volunteers are often slum dwellers who are both impoverished and have little free time because they must first secure their livelihoods and provide for their families. Also, volunteer-generated data are not always reliable compared to a formal government census that is tested and verified. Although government data may be limited, they are at least usually uniform and consistent.

Additionally, a profusion of citizen-generated data does not necessarily yield greater accessibility to public information and improved decision-making. While the Map Kibera project is noteworthy, it has not been a complete success. Researchers have observed, for example, that despite the new spatial information and active participation from a group of residents, the new dataset remains inaccessible to many citizens who do not have access to computers or the Internet. Indeed, the project has not translated its grassroots activism into widespread community actions, measureable results, or improved public participation in planning.<sup>72</sup>

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<sup>71</sup> E. Hagen, "Putting Nairobi's Slums on the Map," 2010; UN-Habitat, *Land and National Disasters*, 2010.

<sup>72</sup> See [http://www.unglobalpulse.org/blog/participatory-](http://www.unglobalpulse.org/blog/participatory-methodologies-and-participatory-technologies-resonances-opportunities-and-misunde)

methodologies-and-participatory-technologies-resonances-opportunities-and-misunde.

But the likelihood private vendors will collect such data and information is low because of the gap between what it costs to collect it and what firms are willing to pay for it, especially when markets are perceived as too small and fragmented to justify the investment. Privately collected data are also not publicly available. Therefore, it is especially important for the public sector to collect such information, not only for its own planning purposes but to facilitate private investment.

### ***Empowering Planners***

Urban planners today are seldom truly empowered, a far remove from their status in the post-war period. From the untouchable technocrat of the post-war era, planners' roles have shifted to functions such as advocating for those most in need, facilitating public processes, and analyzing options for other policymakers to ultimately decide upon. While the planning function is important, and the knowledge and understanding held by planners of urban systems significant, they still lack resources and independence in setting policy goals. Furthermore, the reality in which they work is complex, and those who focus specifically on slums struggle to understand how best to plan for a city in which sharp divisions between the formal and informal sectors fail to capture the reality in which people live in and outside of slums and interact economically and spatially in multiple

ways. In planning for these places, planners struggle to work with these important interactions and within the complex power structures that govern relations within slums and their relation to the rest of the city. A spatial investment planning approach can provide a framework for addressing these complexities and elevates the importance of planners' understanding of both the parts and the whole. However, planners can only implement such an approach if they have the authority, funding, and other resources needed to formulate investable plans.

## NATIONAL STRATEGIES

A vigorous planning system should rely in part on the national government to craft a strategy aimed at spurring and orchestrating government agencies and public-private partnerships while devolving real authority over allocating resources to the urban level. National governments exert a powerful influence over planning and development in urban areas: they allocate national revenue to cities and regions that drive development; they delegate specific legal powers to lower levels of government to regulate land uses, permit economic activities, and shape cities; and they may uphold the judicial system that establishes tenure and protects ownership rights. In addition, governmental structures in many countries concentrate the most capable, educated bureaucrats and administrators in the national government. In many countries, a national strategy would help guide

regional and local urban development and improve the process of decentralization.

Despite the critical role that national governments play in marshaling resources and directing investments at the urban level, few have a national urban development strategy that meaningfully aims to reduce urban poverty, draws upon a national and regional view of synergistic urban development opportunities, and relies on regional input, authority, and coordination with local governments to implement.

Argentina's experience with [water privatization](#) in the 1990s is one example of the positive impact a national program aimed at alleviating urban poverty in cities can have. It delivered especially positive results for large numbers of urban poor while lowering child mortality rates.

While it is still evolving, an example of a broader effort to create a national and more inclusive strategy for urban development is the [Jawaharal Nehru National Urban Renewal Mission](#) in India (Ministry of Urban Employment and Poverty Alleviation / Ministry of Urban Development, Government of India). This initiative is more seriously attempting to address urban poverty through the establishment of a working group to provide input that includes CBOs of the poor. While India's national strategy embodies the right concepts, it is unclear if it will be able to translate its goals into successes.

## **REGIONAL PLANNING, GOVERNANCE, AND COORDINATION**

The operations of urban regions transcend local boundaries because economic, social, and environmental processes stretch across them. Rapidly urbanizing areas create environmental problems that municipalities cannot address alone. Air pollution from burgeoning, regional commuting patterns, and watershed contamination from irregular settlements that lack sewerage and drinking water, are two examples of negative environmental externalities that arise within specific urban spaces, yet transcend political jurisdictions and affect the greater metropolitan area.

Yet urban regions are seldom planned by regional governments or even from a regional perspective. To plan from a regional perspective, national or state/provincial governments would have to establish strong regional planning authorities, work out how these would be governed, and develop ways for them to share authority and resources with national governments above them and municipal governments below.

The benefit of regional planning and governance is that it can anticipate and direct metropolitan growth, bring scale and capital to infrastructure that strengthens the economy and quality of life across the urban region, coordinate urban planning efforts across municipalities, and address

environmental problems that spill over municipal boundaries. Indeed, expanding cities engender newfound challenges that municipalities alone cannot address. These newfound challenges include, for example, the need for coordinated regional land use regulations, infrastructure installation, and regional transportation management. Regional planning authorities can synchronize these programs in ways that municipalities cannot.

Mexico City's Executive Commission for Metropolitan Coordination, established in 1999, is one example of a governmental power-sharing arrangement that enables regional coordination. This commission was founded to address imminent and urgent regional planning issues—sprawl, slums, traffic jams, and disorderly metropolitan expansion.<sup>73</sup> As the country's political pivot and economic engine, the Mexico City metropolitan area is notoriously politicized, ensnared by national, state, and city politics.<sup>74</sup> To this end, the regional commission is noteworthy because it shares power among the city, Mexico State, and the federal government. It acknowledges the multi-scalar politics at play, but it is not subsumed by their partisanship.

Given Mexico City's ongoing expansion, this sort of regional planning is wise and

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<sup>73</sup> G. Frug, "The Endless City: Designing Government in the Urban Age Project by the London School of Economics and Deutsche Bank's Alfred Herrhausen Society," 2007.

<sup>74</sup> Davis, 2007.

necessary if Mexico City intends to create an inclusive city with a strong economy. It is unclear, however, if Mexico City's Commission for Metropolitan Coordination will gain the traction and institutional strength necessary to endure and retain regional power. What is more, even though this Commission coordinates municipalities, it has done little so far to address one of the key issues that it is uniquely positioned to resolve: unfettered peripheral urban slum growth on protected agricultural lands, aquifer recharge zones, and sensitive ecological areas.

A regional approach can also allow governmental institutions to anticipate—not just respond to—metropolitan growth. A regional planning authority could analyze demographic trends and plan the location of new settlements, including housing and infrastructure that the poor can afford and that connect them to markets and jobs in the city. This avoids relegating the poor to inaccessible areas, far from employment centers and schools. Indeed, isolating them from the means to acquire monetary and human capital does little to reduce poverty or promote economic development.<sup>75</sup>

An example of an effort to avoid isolating the poor in the context of regional development is China's Pearl River Delta. In this area, a regional development strategy has been developed that integrates regional

transportation and freight with manufacturing and housing for workers. Targeted development allowed Shenzhen to grow from 30,000 people in the 1980s to 7 million in 2000 while at the same time increasing its GDP per capita over 60 times. Regional policies guided growth in manufacturing and linked workers and factories to freeways and railways in a polycentric regional plan that anticipated urbanization and used it to catalyze economic development in the region's distinct municipalities.<sup>76</sup>

While the Pearl River Delta example highlights how governments can guide economic growth, it fails to illuminate the role that well-considered urban form can play or avenues for regional development and planning in more decentralized and democratic societies.

Yet another example of regional efforts is Tanzania's Kahama Strategic Urban Development Planning Framework. The Kahama framework is notable for its focus on the broader urban region but also because it uses public participation to resolve emerging problems at the intersection of rapid urban development and environmental degradation. This strategic planning method reflects the town's shift from a centralized, technocratic, and unwieldy master planning system to a transparent, consensus-based, and

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<sup>75</sup> Moser, 2006.

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<sup>76</sup> Frug, 2007; UN-Habitat, *State of the World's Cities 2010/2011*, 2008; World Bank, *World Development Report 2009*, 2009.

dynamic approach.<sup>77</sup> Thus far, the more promising aspects of the strategic planning effort include greater government transparency, public participation that leads to visible and meaningful results, spatially-directed urban development, and several public-private partnerships that have remedied solid and liquid waste disposal and improved environmental quality across the city.<sup>78</sup> In this respect, this initiative embodies not only an effort to plan at the level of the urban region but also to engage the poor in meaningful ways in the process.

## ANTICIPATORY PLANNING

Anticipatory planning is a term that has been coined mostly to reflect planning for the expected impacts of climate change or predictable though infrequent natural disasters. But as we use the term here, we mean to imply a much broader range of forces acting on urban areas that are likely to affect their physical form, environment, and social and economic development over a planning horizon of 30 to 50 years. Ideally anticipatory planning feeds into spatial investment planning, considering the physical uses of land but also infrastructure and other investments that will be needed to address climactic, economic, and demographic shifts.

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<sup>77</sup> F. Halla, "Preparation and Implementation of a General Planning Scheme in Tanzania: Kahama Strategic Urban Development Planning Framework," 2002, pp. 282-283.

<sup>78</sup> *Ibid.*, p. 290.

As noted previously, anticipatory planning must be spatial in nature. It is important to take a long-term view by using projective planning exercises that anticipate the rate of population growth, the changing demographics of urban residents, and the need for social and economic infrastructure to support development and make cities livable. Anticipatory planning is about formulating plans around these expectations, sequencing investments, and identifying sources of capital to finance them. It's about intermittently adjusting plans if growth and climate changes fail to meet these expectations.

In some places, planners are starting to address the interrelationship among unplanned slum growth and environmental risk both based on knowledge of the risks faced and anticipation of increasing weather-related risks resulting from climate changes. Planners are increasingly attuned to the need to reduce and circumvent the negative impacts of natural disasters in slums located in risk areas, such as slopes and floodplains.

Anticipatory planning as it is now being practiced attempts especially to streamline relocation and disaster planning for settlements in these locations, although the politics behind relocation decisions are often contentious and should be undertaken with community participation.<sup>79</sup> For instance, the Slum Upgrading Facility (SUF) project in the village of Ketelan in Surakarta, Indonesia relocated 44

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<sup>79</sup> Gellert & Lynch, 2003.

vulnerable riverbank households. The houses were moved three to four meters from the river and a fence was built along the bank itself to thwart slum expansion into the precarious riparian area.<sup>80</sup> This relocation protected the community prior to potentially catastrophic flooding. SUF held consultative meetings with community members before undertaking these actions.

At the city level, planners are also facilitating this type of preemptive planning. In Durban, South Africa, the Environmental Management Department spearheaded the 2006 Headline Climate Change Adaptation Strategy, a locally-developed climate change adaptation plan.<sup>81</sup>

However, the Durban effort underscores the challenges of implementing an ambitious, integrated urban climate change adaptation plan in cities with fragmented government agencies. On the plus side, the adaptation plan included a notable community-scale pilot project called “Climate Smart Communities” for irregular settlements that featured risk mapping and a community-scale action plan.<sup>82</sup> But the adaptation plan became mired in institutional hurdles. Because of limited personnel and funding, the

city’s agencies were unable to shift from their longstanding sector approaches to environmental regulation, disaster management, and economic development to create an integrated, coordinated adaptation plan. In fact, the original adaptation plan had to be divided into sector approaches in order to initiate its implementation, as the city’s agencies were unable to rapidly transform their sector-focused approaches to urban governance. As a result of these institutional hurdles, the plan has not been implemented effectively.<sup>83</sup> It is a cautionary tale of the difficulties in getting different sectors to work beyond their bureaucratic turf and interests even when given fairly ample resources.

There are also promising local initiatives that blend climate change mitigation and adaptation. For instance, Mexico City’s Payment for Hydrological Services program uses a Payment for Ecosystem Services (PES) arrangement in peri-urban areas to incentivize the protection of peri-urban forests, thereby ensuring local carbon sequestration, preventing erosion and landslides in adjacent slums during extreme precipitation events, and protecting the city’s aquifer recharge zones from unplanned urbanization.<sup>84,85</sup>

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<sup>80</sup> UN-Habitat, *Slum Upgrading Facility Newsletter*, 2008, p. 5.

<sup>81</sup> D. Roberts, “Thinking globally, acting locally— institutionalizing climate change at the local government level in Durban, South Africa,” 2008.

<sup>82</sup> D. Roberts, “Prioritizing climate change adaptation and local level resilience in Durban, South Africa,” 2010, p. 408.

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<sup>83</sup> UN-Habitat, *Slum Upgrading Facility Newsletter*, 2008; N.R. Peirce, C.W. Johnson, & F. Peters, *Century of the City: No Time to Lose*, 2008, pp. 132–39.

<sup>84</sup> The UN defines Ecosystem Services broadly as the “benefits people receive from ecosystems” (UN Millennium Ecosystem Assessment: <http://www.maweb.org>). Payment for Ecosystem Services (PES) are economic arrangements in

Climate change adaptation measures are not only good for cities to adapt to rising sea levels and extreme weather, they also provide an approach for dealing with other types of disaster risk, and are strategic, inclusive planning activities that reduce poverty and ensure slums do not form in harm's way. In this way there is a convergence of agendas: one input (planning) has multiple outputs (climate change adaptation, poverty reduction, and disaster risk reduction). Further, climate change adaptation can be an excellent political vehicle for mayors and city managers to advance an anti-poverty agenda, masking it as a less politically charged climate change agenda.

### ***Participatory Planning and Community Engagement***

As many of the examples already discussed illustrate, it is important to engage community leaders and organizations through a participatory planning process to achieve effective

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which users who benefit from a particular ecosystem service—forests that sequester carbon, forests that provide aquifer recharge zones for cities, ecosystems that provide eco tourism opportunities, etc.—pay a fee to the landowner(s) whose property contains the ecosystem. When functioning correctly, this arrangement enables a self-sustaining market of buyers (those who benefit) and sellers (landowners), which incentivizes the protection of ecosystems and ensures the ongoing provision of benefits.

<sup>85</sup> C. Muñoz-Piña et al., "Paying for the Hydrological Services of Mexico's Forests: Analysis, Negotiations and Results," 2007; N. DuBroff, *Community Mobilization and Ecological Outcomes in Peri-Urban Mexico City, 1989-1992*, 2010.

spatial investment planning specifically and sustainable development more generally. (See the **Kampung** and **Baan Mankong** cases in Appendix B.) This means engaging the poor and building their capacity to participate in the planning and implementation of urban projects that affect them.<sup>86</sup> Rio de Janeiro's 1993 **Favela Bairro** is an example of another squatter settlement upgrading program that was successful in large measure because it engaged residents in neighborhood redesign. The government issued land titles, but it simultaneously redeveloped homes, neighborhoods, and, most significantly, public spaces. Instead of focusing narrowly on land title, this program approached the entire community as a spatial unit and improved housing and the neighborhood as a result.<sup>87</sup>

In Rio, residents participated in workshops and served on committees, actively participating in the process of planning for community development before the execution of development activities and infrastructure building. In general, participatory processes must be aimed both at enlisting public involvement to formulate better

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<sup>86</sup> P. Davidoff, "Advocacy and Pluralism in Planning," 1965, pp. 421-432.

<sup>87</sup> Laquin, Aprodicio. Discussion with author. Harvard University conference on urban development in the developing countries. (Cambridge, MA, May 27, 2011). See also L. Wu, *Rehabilitating the Old City of Beijing: A Project in the Ju'er Hutong Neighborhood*, 1999; J. Kenworthy, *Urban Ecology in Indonesia: The Kampung Improvement Program*, 1997; A. Pamuk & P.F.A. Cavallieri, "Alleviating Urban Poverty in a Global City: New Trends in Upgrading Rio-de-Janeiro's Favelas," 1998, pp. 449-62.

neighborhood-scale designs and plans as well as engaging the community when plans will displace them or disrupt places in which they work.

Community-*led* development and planning efforts are different from the above initiatives. Community-led efforts have the advantage of developing the social capital and institutional longevity that ensure development beyond the period of a World Bank loan or grant from an NGO. But unless enfranchised by and connected to government planning processes, they risk remaining promising but unimplemented ideas.

One recent example of a comprehensive physical plan for redevelopment is especially worth highlighting. In Mumbai, India, local architects and planners helped slum dwellers in the community of Dharavi create a redevelopment and improvement plan (**Re-Dharavi**) aimed at installing infrastructure, increasing density, improving the housing stock, and allocating space for private development (to respond to acute redevelopment pressures), while simultaneously reducing the nuisances and impacts of urban redevelopment in an inhabited area.<sup>88</sup> However, despite the strength of the plan developed in Dharavi, community activists have been unable to translate their plan into action. The government planners who

are in charge of redeveloping the area have not incorporated the residents' plan into the official plan.<sup>89</sup> This underscores how difficult it may be to gain acceptance of truly resident-led planning processes and highlights the need to include powerful stakeholders from the beginning of the process. The outcome in Dharavi—a great plan not being implemented—begs study of the forces at play that prevented its implementation, despite its success in participatory planning within the community.

It is also worth pointing out that the logic of public participation extends to resettlement as well. In instances where slums are situated in unsafe places, engaging residents can facilitate more sensitive resettlement and accommodation elsewhere. For instance, in 2001 the Mumbai Urban Transport Project, in conjunction with the Maharashtra State government and Indian Railways, was able to successfully remove and resettle 60,000 slum dwellers who had occupied the railroad right-of-way—a situation that prevented trains from effectively transporting Mumbai's massive suburban workforce to the city and which imperiled the lives of the slum dwellers.

This resettlement engaged local stakeholders and incorporated their participation into the housing accommodation efforts. The

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<sup>88</sup> S. Patel & J. Arputham, "Plans for Dharavi: Negotiating a Reconciliation Between State-Driven Market Redevelopment and Residents' Aspirations," 2008, pp. 243-253.

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<sup>89</sup> See J. Arputham and S. Patel, "Recent Developments in Plans for Dharavi and for the Airport Slums in Mumbai," 2010.

resettlement was unique in that it was voluntary and did not require police intervention.<sup>90</sup> However, residents, having received new homes with basic amenities—as well as no longer living with the constant threat of demolition—are nonetheless finding it challenging to create and sustain livelihoods in their new locations. Residents must now spend considerable time and money to return to their jobs located in the former neighborhood; women have reported that they cannot find suitable work in their new location; social networks that facilitate the local economy have been disrupted; and local schools and hospitals are somewhat inaccessible because they have not expanded in step with the population increase in the new neighborhood.<sup>91</sup>

There are a few instances of noteworthy NGOs, such as **SPARC** in India, that have worked to enhance community empowerment and public participation in slums, and in the process, address interrelated asset building, housing, land tenure, access to capital, and community enumeration issues.

Finally, voters can be asked to become involved in participatory budget processes that are not aimed at spatial and projective planning per se, but engage the poor in setting municipal budget priorities. These are discussed below under transparency and accountability.

### ***Asset Building***

Responses to slums have varied widely through time as well as across countries and even within urban regions, ranging from clearance, efforts (from fleeting to sustained) to improve services and infrastructure, attempts to regularize property ownership, forcible evictions and complete redevelopment, and limited redevelopment with some evictions and some upgrading. An approach that shows promise is to focus on building assets for the poor, and in some cases, for government and other formal sector workers of moderate means.

Examples of asset building efforts are legion and include microfinance for enterprise development and micro-mortgage finance, such as the Kuyasa Fund in South Africa, Grameen Bank in Bangladesh, SEWA Bank in India, MiBanco in Peru, Bank Rakyat in Indonesia, and others.<sup>92</sup> One particularly interesting model is **Patrimonio Hoy** in Mexico. In 1998 the President of CEMEX of North America learned that 40 percent of its end users built their homes in informal settlements. To better understand this market, he initiated Patrimonio Hoy—a community savings and construction program—and was surprised to realize that with the proper community engagement and financing tools, the

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<sup>90</sup> S. Patel, C. d’Cruz, & S. Burra, “Beyond Evictions in a Global City: People-Managed Resettlement in Mumbai,” 2002, pp. 159-172.

<sup>91</sup> *Ibid.*, p. 169.

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<sup>92</sup> S. Schmidt and V. Budinich, “Housing the Poor by Engaging the Private and Citizen Sectors: Social Innovations and ‘Hybrid Value Chains,’” 2008.

program was profitable.<sup>93</sup> The program serves the low-income market by offering a “total housing solution”—financing, cement, building materials, technical assistance, storage, and customer service to its customers.<sup>94</sup> In this it has strong echoes of the self-build movement espoused by John Turner and adopted by the World Bank and other donors in the 1980s and 1990s.<sup>95</sup>

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<sup>93</sup> A. Segel, M. Chu, & G. Herrero, “Patrimonio Hoy,” 2006.

<sup>94</sup> Schmidt and Budinich, 2008, p. 219.

<sup>95</sup> John Turner, a British architect, and other self-help advocates believed that housing conditions would improve over time if people were empowered to provide for themselves. Instead of centrally-planned slum clearance and the construction of large-scale, state-run housing, Turner argued that the state should provide only the planning and resources that people could not muster themselves, such as basic infrastructure, certain building materials, and financial resources. With this minimal aid from the state, Turner believed that community residents would collaborate to build and manage their homes and living circumstances, and housing conditions would improve incrementally as the economic capacity, social circumstances, and cultural habits of the community allowed. See J.F.C. Turner, “Dwelling Resources in South America,” 1963, “The Squatter Settlement: Architecture that Works,” 1968, “Housing Issues and the Standards Problem,” 1972, and *Housing by People: Towards Autonomy in Building Environments*, 1977; W. P. Mangin and J. F. C. Turner, “Benavides and the Barriada Movement,” 1969; J. F. C. Turner and R. Fichter, *Freedom to Build: Dweller Control of the Housing Process*, 1972; and J. Van der Linden & P. Nientied, “Approaches to Low-Income Housing in the Third World,” 1985. Paralleling John Turner’s arguments, sites and services programs built on extant housing practices removed unwieldy government regulations, and promoted a more efficient use of donor funds and government budgets. Sites and services also marked a change in housing policy from government subsidies to a more market-oriented approach in which “sound pricing policies” would recoup the government’s investment costs in the initial allocation of land

But it is the brainchild and investment of a private, profit-motivated company, not a government or donor agency. In addition to housing, asset building can also promote long-term, sustained reductions in poverty by branching beyond initial housing upgrades to broader issues of employment, community development, and social capital. Moser and Felton’s (2006) 25-year longitudinal study of urban poverty in the Indio Guayas community of Guayaquil, Ecuador illustrates the importance of asset building for long-term poverty reduction.<sup>96</sup> The study’s authors noted that the poor must balance a portfolio of assets—housing, durable goods, and investment in their children’s education—over time, and as such, no single form of capital or asset accumulation leads directly to lasting poverty reduction.<sup>97</sup> Though housing, sanitation, and infrastructure provide “first round” assets that households need in order to begin the transition out of poverty, “second round” forms of capital are also critical to finance education for children, access to reliable employment, and formation of social capital in the community to thwart local violence.

In this way, a sound asset building framework is not a single investment in physical capital or housing upgrades. Instead, planners need to recognize the

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and infrastructure. H. Werlin, “The Slum Upgrading Myth,” 1999; S. K. Mayo & D. J. Gross, “Sites and Services – and Subsidies: The Economics of Low-Cost Housing in Developing Countries,” 1987.

<sup>96</sup> Moser & Felton, 2007.

<sup>97</sup> *Ibid.*, p. 32.

importance of households' changing needs and develop asset building programs that sustain local economic development.<sup>98</sup> The Self Employed Women's Association or **SEWA** is a good example of an organization dedicated to providing a wide range of asset building services for the poor including education, microloans, savings and other asset building opportunities, and empowerment for women who work in the textile industry in Gujarat, India.

The asset-based framework, when applied at a community level, can also help communities and donor agencies transition to "second round" community asset building. According to practitioners of the Asset-Based Community Development Institute (ACBD), community members need the capacity to identify assets and skills within their own neighborhoods, negotiate consensus-based plans, and produce collaborative development goals for the community. Kretzmann and McKnight (1993) developed a 5-step sequence to develop capacity: mapping community assets, building relationships across groups in communities, mobilizing community assets for information sharing and economic development, convening community groups to develop a community vision and plan, and leveraging extant community resources to support development initiatives.<sup>99</sup> In short, community development is most effective when it comes from within and does not rely entirely on outside NGOs

or donor agencies to identify problems and provide solutions.

While building assets and securing access to credit are keys to improving the lives of slum dwellers, asset building efforts as they are currently practiced would be more effective if coupled with spatial planning and responsive government institutions. Indeed, physical capital is but one asset in the overarching process of poverty reduction, and incorporating asset building into broader spatial plans will lead to sustained urban development.

### ***Institutional Transparency and Government Accountability***

Too often planning for the communities in which the poor live is conducted beyond view and decisions are made without transparency. In addition, public funds are frequently invested without sufficient oversight, monitoring, and accountability for results. The efforts to decentralize authority and investment have been faulted, as previously discussed, for failures of governance.

Citizens need to know how decisions that affect them are made and be able to influence them; which revenue sources fund public works; how these revenues are being deployed, overseen, audited, and accounted for; what the social and environmental impacts of government decisions are likely to be; and what recourse they have to contest urban development that adversely affects them.

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<sup>98</sup> Ibid., p. 33.

<sup>99</sup> A. B. Abdul Aziz, *What to Do About Slums?* 2012.

A singular example of transparency, accountability, and participatory planning is the case of [Porto Alegre](#), Brazil's participatory municipal budget program. Begun in 1989, the participatory budget mandated that elected community representatives, rather than bureaucrats, scrutinize the municipal budget and allocate resources according to consensus and need. Its participation rates indicate its utility: from 1989-2003 the number of participants has increased from 1,510 to 23,520. In particular, underrepresented groups have found a voice—the urban poor, racial minorities, and women are all strongly represented.<sup>100</sup> Because the budget is attuned to citizen needs, there are fewer large-scale, headline-grabbing projects and more small-scale, neighborhood interventions. What is more, corruption and clientelism have decreased.<sup>101</sup> In effect, citizens were able to prioritize and address urgently needed neighborhood-scale investments in wealthy and poor neighborhoods. From 1989 to 1996 household access to the sewage network increased from 46 to 85 percent, and access to running water rose from 80 to 98 percent.<sup>102</sup>

But these laudable outcomes are not easily replicated. Administratively, several important changes facilitated the program. In 1988, Brazil approved a new constitution that decentralized

resources and administrative functions to municipalities, and a concurrent progressive tax reform increased municipal budgets. Simultaneously, communities were pushing for change. In the early 1980s disenfranchised, poor urbanites formed grassroots movements in the city's peri-urban neighborhoods with specific demands to improve local services and combat social exclusion. As a result, incipient social movements, democratic representation, and community organizing dovetailed with Brazil's overarching administrative and fiscal changes.<sup>103</sup> But public participation could have easily devolved into mere "consultation workshops" where bureaucrats presented stakeholders with plans that had already been developed, or the social movements could have been defeated, absorbed or co-opted.<sup>104</sup>

### **PUTTING THE ELEMENTS TOGETHER: INCLUSIVE AND SUSTAINABLE DEVELOPMENT**

All of the elements described in this chapter can lead to more inclusive, sustainable development. As noted at the outset, spatial investment planning can address a host of deficiencies in current planning practice, but other elements can both support it and, on their own, help to ensure sustainable outcomes. Below we highlight five examples that combine several elements of a more spatial, integrated,

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<sup>100</sup> A. Novy & B. Leubolt, "Participatory Budgeting in Port Alegre: Social Innovation and the Dialectical Relationship of State and Civil Society," 2005, p. 2029.

<sup>101</sup> *Ibid.*, p. 2031.

<sup>102</sup> *Ibid.*, p. 2028.

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<sup>103</sup> *Ibid.*, p. 2026.

<sup>104</sup> *Ibid.*, pp. 2031, 2034.

inclusive, and effective approach to planning for sustainable urban development. The first is drawn from a developing country and the other four from developed countries.

### ***The Case of Parivartan in Ahmedabad, India***

Perhaps the closest any effort has come to a more spatial, coordinated, and resident-engaged planning process is a series of large-scale slum improvements in Ahmedabad, India named Parivartan. Originally titled the Slum Networking Project (SNP), these projects were conceived and piloted beginning in 1995.<sup>105</sup>

Parivartan is different from most other upgrading examples in several respects:

- Projects were collaborative and supported by local government agencies, private sector partners, NGOs, CBOs, and residents.
- The projects addressed a multitude of problems associated with urban poverty. Residents of slums who participated in the project were granted assurances by the Ahmedabad Municipal Corporation (AMC) that they would not be relocated for a minimum of 10 years

after joining the program.<sup>106</sup> This provided the perception of tenure security to the residents.

- There was significant community participation in the implementation and post-implementation phase. One NGO was primarily tasked with community building and forming partnerships with local organizations in order to gather information, administer surveys, and mobilize community members.<sup>107</sup>
- Design, spatial planning, and community support for infrastructural upgrades were seriously addressed in the pre-implementation stages.
- An innovative cost-sharing arrangement was devised to finance the Parivartan projects. One-third of the funding was provided by the AMC, one-third by the community, and the rest by corporate sponsorship, charitable trusts, social welfare groups, multilateral or bilateral donors, and other parties.<sup>108</sup>
- Projects emphasized the need for secure and affordable housing with financing provided through organizations such as SEWA Bank and its offshoot, Mahila Housing SEWA Trust.

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<sup>105</sup> A. K. Das & L. M. Takahashi, "Evolving Institutional Arrangements, Scaling Up, and Sustainability: Emerging Issues in Participatory Slum Upgrading in Ahmedabad, India," 2009, p. 217.

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<sup>106</sup> UNDP-World Bank, *Ahmedabad Parivartan*, 1999.

<sup>107</sup> Das & Takahashi, 2009, pp. 218-220.

<sup>108</sup> UNDP-World Bank, 1999.

- The community participation aspect of Parivartan coupled with the financing mechanisms allowed community residents to feel responsible and give them a stake in the success of the upgrades, which ultimately improved project outcomes.

But even this initiative falls short of the elements espoused in this chapter. Importantly, a dearth of private sector participation threatens the program. Despite the local concentration of industries (many of which are socially responsible corporations) and private developers that have provided low-income housing, the SNP has been unable to integrate private sector financing sources into its operations. Integrating slums with the local economy through employment and financing arrangements is a central aspect of inclusive and sustainable urban development, and the SNP's inability to capitalize on local private resources may very well limit its long-term viability.<sup>109</sup>

The SNP's remarkable combination of community development and physical upgrading may also be unraveling. Researchers have observed that the physical upgrading agenda has accelerated, but the associated community improvements in education, health services, and employment have not been realized in the same timeframe. This is a problem because the residents' ability to attract microfinance and capacity to upgrade

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<sup>109</sup> *Ibid.*, p. 227.

their homes and accumulate assets will hinge on the vitality of the overall community.<sup>110</sup> Community development is a central aspect of social, economic, and political sustainability, and its absence thus far imperils the SNP.

Finally, the SNP falls short of the ideal of inclusive and sustainable urban development because of regional land use and land tenure factors that exceeded the AMC's purview. Private land title is not a prerequisite for slum upgrades, but is an important long-term goal that can encourage local investment, financing, and upgrades. The AMC, however, can only issue land title to slum dwellers on AMC-owned land; on other public and private land it can only provide a revocable, 10-year guarantee of non-eviction.<sup>111</sup> The Gujarat State government ultimately controls all public lands, and it has never permitted slum upgrading on its lands.<sup>112</sup> In a similar vein, slum growth has expanded to areas that do not have a SNP or coordinate with the AMC.<sup>113</sup> This unfettered regional growth and poor municipal coordination—central considerations in an inclusive and sustainable planning program—complicate and curtail the SNP's work in Parivartan.

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<sup>110</sup> *Ibid.*, p. 228.

<sup>111</sup> *Ibid.*, pp. 227, 228.

<sup>112</sup> *Ibid.*, p. 228.

<sup>113</sup> *Ibid.*, p. 228.

## ***Learning from Singapore, London, New York, and Stockholm***

A global scan for exemplary urban planning conducted by the McKinsey Global Institute in 2010 identified three metropolitan areas: Singapore, London, and New York. To this, we would add Stockholm as a fourth because of its effective regional planning institutions.

Singapore relies on a multi-scalar and coordinated planning system to guide land uses and urban development. The Urban Redevelopment Authority (URA) develops concept plans, which outline the necessary steps, sequences, and priorities for the city to achieve a 50-year development strategy. Then, the city uses a 20-year master plan to specify and sequence how each block in the city will develop. Based on projected demand and densities, the master plan determines where social infrastructure, transportation arteries, physical infrastructure, and affordable housing will be placed. Importantly, public participation is incorporated throughout the planning process.<sup>114</sup> For all of its accomplishments, however, Singapore's process is not inclusive and it is an especially unique case because it is a city-state.

In London, the mayor and borough councils co-operate under the Greater London Authority (GLA) and produce both an overarching metropolitan plan and individual municipal plans. Similar to Singapore, the metropolitan plan is based on population, employment,

density, and traffic forecasts and informs municipal development. The master plan also determines municipal guidelines that become statutory upon the mayor's approval of the borough plan. At the municipal scale, these guidelines set the targets—for affordable housing, for instance—and land uses that guide development.<sup>115</sup>

New York City's recent PlaNYC master plan incorporates many of these same concepts and employs public participation in town hall meetings as well as socioeconomic forecasts to develop long-term goals, which are incorporated into six priority areas: land use, including housing and parks; water provision; transportation; energy, including gas infrastructure; air pollution; and climate change adaptation and mitigation.

While the institutional arrangements and historical contexts of these cities are not directly translatable to developing countries—their access to comprehensive spatial data, capable planning staff, and a robust legal system make them distinct—they provide insight into institutional planning frameworks that facilitate inclusive and sustainable development.

As McKinsey observes, Singapore, London, and New York share four features.<sup>116</sup> First, they have clearly defined the roles of their urban institutions across metropolitan and municipal scales. Informed by public

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<sup>114</sup> McKinsey & Company, 2010, pp. 106-107.

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<sup>115</sup> *Ibid.*, p. 108.

<sup>116</sup> *Ibid.*, p. 109.

participation, political leaders have enabled metropolitan planning agencies and municipal agencies to carry out urban plans; institutional purview and areas of coordination are stated explicitly.

Second, these cities anticipate growth patterns and guide urban development to conform to their metropolitan vision through both high-level plans as well as more detailed spatial investment plans. They devise 40 to 50 year metropolitan plans that outline long-term visions and incorporate employment, population, GDP, and land use forecasts. This vision is then disaggregated into detailed, 20-year plans that specify development goals, physical infrastructure needs, land uses, and densities down to the block level. These long-range, data-intensive, and comprehensive approaches facilitate integrated land use and transportation planning and the implementation of detailed design and financing strategies that are spatially specific to infrastructure and development projects.<sup>117</sup>

Third, these cities have capable staffs and access to necessary software and resources. Singapore, London, and New York all have planning agencies of 200 to 300 planners, architects, engineers, and analysts—approximately one planner for every 10,000 urbanites.<sup>118</sup>

Fourth, plans are implemented transparently and consistently. Exemptions from regulations that have

been adopted to support the cities' visions are fully transparent and city dwellers are given multiple opportunities to shape and inform municipal and metropolitan plans.<sup>119</sup>

Stockholm's urban planning is also noteworthy because it exemplifies coordination across national, regional, and municipal scales. Much of this coordination is carried out by Stockholm's two unique regional planning agencies: the elected County Council, which collects county taxes and prepares regional strategies (which are advisory and not binding) and the Provincial Administrative Board, which is appointed by the national government, administers national funds, and conducts regional economic planning studies. Strikingly, these institutions coordinate with each other and with the municipalities of the region despite the fact that only municipalities have the legal power to create and enforce land uses. The two regional institutions are advisory yet they are integrated into the planning process because they harmonize growth projections with local development and land use planning, transportation investments, and environmental planning.<sup>120</sup>

In this way, the regional authorities are welcome resources for municipal governments. But the benefits are not limited to livability and anticipatory land use planning. Municipalities in

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<sup>117</sup> *Ibid.*, p. 110.

<sup>118</sup> *Ibid.*, p. 111.

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<sup>119</sup> *Ibid.*, p. 111.

<sup>120</sup> Hårsman & Olsson, "The Stockholm Region," 2002, pp. 91-109.

Stockholm *choose* to coordinate at the regional scale because it gives them a unified voice and economic bargaining power they can use to acquire significant national funds, attract foreign and domestic investment, and compete against other regions in the EU and the world.<sup>121</sup> Both the national government and the market reward municipalities for coordination.

Although London, New York, Singapore, and Stockholm point out lessons and strategies for effective urban planning, their experience cannot be grafted directly onto other cities that face significantly different historical and institutional legacies and have vastly different resources to direct towards addressing urban poverty and barriers to development.

Standing in the way of achieving a more inclusive and sustainable form of urban development are several major constraints that are common to most developing countries. It is to these barriers that we now turn.

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<sup>121</sup> Ibid.

## Chapter 4

# Obstacles to Putting Best Practices to Widespread Use

Broadly speaking, there are four obstacles that must be overcome to put improved planning into place in order to achieve sustainable, inclusive development. History suggests none of them are easy to surmount. Though common, some of these obstacles do not exist to the same extent, or at all, in all places.

First, there is the political complexity of addressing informal settlements and informal activities.

Second, there is a scarcity of revenue to invest in inclusive development and incentives to innovate new financial products to serve poor borrowers and communities.

Third, there is insufficient investment in strengthening community-based organizations and community-based entrepreneurs.

Fourth, there is a dearth of regional and urban planning capacity and tools for regional, spatial, and anticipatory planning and investment, especially with regard to planning for slums and their place in an evolving urban landscape.

Understanding these obstacles is a prerequisite to overcoming them. The aim of the discussion that follows is to explain how these challenges thwart

inclusive and sustainable urban planning.

### POLITICAL COMPLEXITY

Politicians confront difficult choices when addressing slums. While slums shelter large shares of the urban population, they are often in deplorable condition and very often in violation of many laws and regulations. Although leaving slums alone results in the perpetuation of congested, often unsafe, and unsanitary places, it also allows the market to continue to provide at least minimal shelter, income, and assets for the poor that the government could not otherwise ensure. Increasing regulation can stifle investment in informal activities that take place in slums because the profit margins are too thin to adhere to environmental regulations, labor laws, and building codes, or cover property taxes.<sup>122</sup> The risk of throttling the economic vitality is one of many reasons that governments may be unwilling to take more concerted action.<sup>123</sup> And

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<sup>122</sup> J. Tandler, "Small Firms, the Informal Sector, and the Devil's Deal," 2002, p. 3; Bergh, 2004, p. 781.

<sup>123</sup> According to one estimate, the Dharavi slum in India generates \$450 million in manufacturing revenues a year—the equivalent of \$1 million per acre (C. K. Prahalad & A. Hammond, *What Works: Serving the Poor, Profitably*, 2002, p. 6). A 2004 study found that the vast majority of informal sector workers in Mexico, Brazil, and Argentina

this risk extends well beyond the slums themselves because slum dwellers are actively engaged as employees of both informal and formal activities located outside slum boundaries, where they provide a very low-cost labor supply and low-cost goods and services.

In instances where legal rights of ownership are not firmly established in a place, politicians may also afford some degree of perceived protection to residents in return for votes. As a result, political leaders may find it politically expedient to leave the status of property ownership ambiguous. Politicians run the risk of losing important electoral bases if they take actions that disrupt slum dwellers' tenure.<sup>124</sup> Indeed, some have noted

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had entered the informal sector voluntarily and preferred it to the formal sector (Maloney, 2004, p. 1160).

<sup>124</sup> In many places, however, the votes of the poor are not always sought. Temple and Temple (1980) provide an example from Nairobi. As the researchers note, the poor had few channels to influence policy but middle- and high-income residents of Nairobi wielded disproportionate power and access to the politicians and bureaucrats who formulated policy (F.T. Temple & N. W. Temple, "The Politics of Public Housing in Nairobi," 1980, pp. 244, 249). In Nairobi, politicians were insulated from electoral pressures: in the 1968 municipal elections 29 of 40 councilors were elected unopposed and in the 1973 municipal elections, 43 percent of the councilors came to power through non-competitive elections (Temple & Temple, pp. 244-245). Indeed, "Under these circumstances, many councilors may justifiably feel more obligated to members of the local political elite who helped them secure their nominations than to their constituents" (Temple & Temple, p. 245). In turn, the urban poor had no voice despite their numbers, and the city's politicians responded to the elite's

that during election periods, slum formations increase and demolitions decrease.<sup>125</sup>

A complex set of political interests is at stake in maintaining the status quo. Integrating slums more closely into the formal sphere of the city can threaten the informal economic ecosystem that has developed. This is problematic because this ecosystem encompasses local bureaucrats and politicians who have brokered *détentes* with informal service providers, youth leagues, labor syndicates, and sometimes even criminal gangs. As such, altering the social and economic balance may inflame ethnic, religious, class, and racial differences, or organized crime.<sup>126</sup> Maintaining the status quo can avoid sparking conflicts among rival interests.

The uncertain permanence of slums also can give politicians pause. If there is a chance that as development advances it will become possible to raze and redevelop areas through major public-private redevelopments, public investments made today to incrementally improve areas may be a

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disproportionate political representation by providing them with subsidized housing.

<sup>125</sup> Fernandes, 2011, p. 36; D. Cymet, *From Ejido to Metropolis, Another Path: An Evolution on Ejido Property Rights and Informal Land Development in Mexico City*, 1992, p. 44; L. Weinstein, "Mumbai's Development Mafias: Globalization, Organized Crime, and Land Development," 2008, pp. 22-39; M.O. Smolka, "Informality, Urban Poverty, and Land Market Prices," 2003, pp. 4-7; P. Rabaroux, "La Regularizacion en Recife," 1997, p. 24.

<sup>126</sup> D. Esser, "The City as Arena, Hub and Prey Patterns of Violence in Kabul and Karachi," 2004, pp. 31-38; P. Marcuse & R. van Kempen, "Conclusion: A Changed Spatial Order," 2008, p. 8.

waste. In addition, with limited resources to invest in improving urban areas, politicians may feel it is not worth it to try to improve some small fraction of poor communities.

In fact, governments themselves may actively reach out to foreign direct investors to help them succeed in visibly “modernizing” the built landscape.<sup>127</sup> The lure of this kind of transformation appears to have been behind the effort in Mumbai to initiate a slum demolition agenda to clean the streets, modernize transport, promote new urban development, and make Mumbai a “World Class City.”<sup>128</sup> This urban transformation exacted a high price— from December 2004 to March 2005 the government razed over 90,000 homes viewed as an impediment to the city’s modernization.<sup>129</sup> So great is the desire or pressure to remove slums from city centers that they may be demolished despite the fact that redevelopment often sparks protests and strife.<sup>130</sup>

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<sup>127</sup> A. Escobar, “Planning,” 1992; C. McFarlane, “Governing the Contaminated City: Infrastructure and Sanitation in Colonial and Post-Colonial Bombay,” 2008, p. 429; Satterwaithe, 2009, pp. 299-307.

<sup>128</sup> McFarlane, 2008, p. 429.

<sup>129</sup> UN-Habitat, *Mumbai’s Quest for ‘World City’ Status*, 2006.

<sup>130</sup> In Dharavi, the government’s failure to furnish publicly available redevelopment plans and respond to community concerns on resettlement and indemnification provoked costly delays and protracted community resistance (S. Patel & J. Arputham, “An Offer of Partnership or a Promise of Conflict in Dharavi, Mumbai,” 2007, p. 505). And as another example, starting in 1989 the Mexico City government—itsself reeling from the budget shortfalls that fiscal decentralization had wrought—sponsored a downtown development plan that would create “urban renewal” and

Thus, many politicians are torn between not wanting to disrupt the status quo much and wanting to take action. And in taking action, they are torn between incrementally improving slums and demolishing or redeveloping them altogether.

As a result, there is seldom a deliberate national or even local strategy towards slums or the political will to formulate one. Instead, responses are situational. When slums pose significant public health threats or are exposed to threats of natural disasters, pressure builds to remove them. When private interest in redeveloping a slum site builds, it often results in displacement that ranges from partial to complete. When infrastructure placement for roads, rails, power lines, and the like is planned to run through informal settlements, the residents seldom have the power to resist it. But when slums are functional to the city (which they nearly always

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attract luxury residential apartments and headquarters for multinational corporations in areas of the city that were poor, characterized by informal land and business activities but mostly formally built structures reasonably well serviced by municipal infrastructure (D. E. Davis, “Conflict, Cooperation, and Convergence: Globalization and the Politics of Downtown Development in Mexico City,” 2006, p. 146). Conflict ensued when the downtown neighborhood’s small business owners and low-income residents realized that the urban megaproject would displace them from their homes and businesses. The downtown development project crystallized two competing agendas: that of the low-income, informal sector workers, and that of the ambitious political and economic agenda of the city’s politicians. Although the project was ultimately implemented in 2002, citizens mobilized and rejected the project when it was proposed in 1989, 1991, 1994, and 2001 (Davis, 2006, p. 146).

are) or are a source of electoral power, there is a tendency to leave them alone or make incremental improvements to them either through government programs or international NGOs. It takes redevelopment pressures, natural disasters, or policies intended to remove slums to “modernize” an area to trigger much more than benign neglect and toleration of NGOs operating to improve slums.

This hodgepodge approach nonetheless results in a significant amount of displacement and redevelopment for the reasons mentioned. But mostly it results in the status quo and underfunded efforts at making incremental improvements. It also produces a haphazard and too often uncoordinated approach to making incremental improvements when they do occur. Finally, it creates a strong sense among slum dwellers and their CBOs that the locus of control over their lives and communities lays beyond their borders in the hands of powerful players that negotiate outcomes outside the public eye.

### **SCARCITY OF REVENUES AND FINANCIAL INCENTIVES FOR INNOVATION**

The second major obstacle to inclusive and sustainable urban development is the simple fact that there are not enough government revenues and private capital to address the enormity

of urban poverty.<sup>131</sup> Serving the poor often requires the government to make up the gap between the cost of public or private provision of infrastructure and what the poor can afford to pay for it. To stimulate private investment, it also often demands that the government or philanthropic organizations subsidize the cost of insuring against financial risks or take the lead in insuring against financial risks.

To spark private investment and improve planning for inclusive and sustainable urban development, government should provide:<sup>132</sup>

- Spatial plans that will guide the broader city’s investments in order to give a clear continuous message of the direction of development;
- Publicly-accessible and geo-coded information on slums, including economic activities, households, housing, infrastructure, and the flows of goods and labor to and from slums;
- Land use regulations that provide greater certainty around the development rights and responsibilities of owners so they can be confident that investments in improving their properties will be legally sanctioned;

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<sup>131</sup> UN-Habitat, *Cities in a Globalizing World*, 2001; J. Freireich & K. Fulton, “Investing for Social and Environmental Impact: A Design for Catalyzing an Emerging Industry,” 2009.

<sup>132</sup> For an overview of these issues in practice, see: UN-Habitat, *Slums of the World*, 2003; UN-Habitat, *Planning Sustainable Cities*, 2009.

- Public subsidies to support employment-generating and asset-building activities for the poor;
- Essential infrastructure, including transportation, energy, sewerage, potable water, schools, public markets, recreational spaces, waste disposal, and medical facilities;
- Public safety; and
- Credit insurance to facilitate private lending for housing, community infrastructure, and enterprise development, as well as tests of risks and returns in slums.<sup>133</sup>

To various degrees, these public goods are underprovided in urban areas. All levels of government are resource-constrained and hard-pressed to improve the provision of these goods. Municipal governments are especially constrained and, despite efforts to decentralize authority and resources to the local level, national and state/provincial governments still play a

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<sup>133</sup> In India alone, the mortgage market for low-income housing is estimated to include 20 million households and is valued at US \$182 million (A. Deb, A. Karamachandi, & R. Singh, *Building Houses, Financing Homes: India's Rapidly Growing Housing and Housing Finance Markets for the Low-Income Customer*, 2010, p. 1). Of these households, many already make regular rent payments of about 20 percent of their income and they have expressed interest in home mortgages (Deb, Karamachandi & Singh, 2010). But, despite the demand for financial services, inaccurate—or nonexistent—information on slums warps perceptions of risk, economic activity, and business opportunities, thus compounding the shortage of capital in slums (Baker & McClain, 2009, pp. 6-7).

significant role in investing in and managing urban regions.

### ***Credit Guarantees***

Of course, the above list is long. While all of the items on it are important, providing credit guarantees to facilitate community infrastructure or housing investment is an especially promising avenue for government intervention.

Lending for community infrastructure and housing requires a scale larger, and a term of lending longer, than microfinance. Thus, risk in lending for these purposes must still be tested and explored, with different approaches studied for their loss rates.

Although infrastructure guarantees are common for larger projects, they are much less common for smaller-scale infrastructure that serves slums.<sup>134</sup> The smaller size of the investments makes it more difficult to attract capital and cover fixed due diligence costs. In addition, uncertainty surrounds the demand for the infrastructure and the ability of providers to recover costs through fees, stemming from the fact that many slum dwellers find ways to tap into existing infrastructure without bearing any costs (for example, slum dwellers may tap into electricity lines or carry potable water into slums that others are charged for to use). Furthermore, there is concern that

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<sup>134</sup> World Bank, *Reshaping Economic Geography*, 2009.

collections of past due accounts could prove difficult in slums. Yet there are successful examples of community groups acting as the collection service for providers, guaranteeing upfront to pay for metered use at the community level.<sup>135</sup>

One example is the extension of water to slums in Manila. In the mid-1990s the Manila Municipal Government established a public-private arrangement with two private concessionaires to expand municipal water distribution while reducing operational inefficiencies. The municipal government used fines coupled with an economic incentive to access new customers in slums to ensure that the city's two water concessions delivered near-universal water service to rich and poor alike. To meet these requirements, the concessions innovated their infrastructure installation and pricing systems: land title is no longer required for a metered water connection. Instead of uniform infrastructure, water is delivered in pipes that vary in diameter according to restraints imposed by the built environment in slums; depending on income and resources, slum dwellers may choose between three types of connections—single household, multi-household, and community-taps—to receive water; and users and communities can pay for infrastructure installation in installments. By 2001 these enhanced delivery methods provided 238,000 new connections, 54

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<sup>135</sup> Baker & McClain, 2009; UN-Habitat, *Housing the Poor in Asian Cities*, 2008.

percent of which were in impoverished neighborhoods.<sup>136</sup>

Still, efforts to recover the costs of extending municipal infrastructure to the poor by charging them user fees are surprisingly uncommon. But there are enough examples of success that this is a tractable problem, and the ability to recover costs should make it possible to offer guarantees for community infrastructure to cover tolerable loss risks.

In the housing arena, many countries create special circuits of capital using a variety of methods.<sup>137</sup> For example, employers in the formal sector may be required to contribute to pension funds that are used to invest in housing.<sup>138</sup> In addition, banks, pension funds, insurance companies, or others may be required to invest a certain amount of their funds in housing assets.<sup>139</sup> But these usually serve only a fraction of the population in developing countries and do not cover people—middle class also but mostly poor—that work in the informal sector. Indeed, nearly all the resources allocated to low-income housing demand through the finance system tend to be concentrated on workers in the formal sector.<sup>140</sup>

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<sup>136</sup> Asian Development Bank, *Bringing Water to the Poor: Selected ADB Case Studies*, 2004, p. 55.

<sup>137</sup> World Bank, *Reshaping Economic Geography*, 2009.

<sup>138</sup> *Ibid.*, pp. 215, 277; Joint Center for Housing Studies, *The State of Mexico's Housing 2003-2004*, 2004.

<sup>139</sup> World Bank, *Reshaping Economic Geography*, 2009, p. 36.

<sup>140</sup> Arnott, 2008, p. 23; UN-Habitat, *Cities in a Globalizing World*, 2001, p. 81; World Bank,

To address needs in informal settlements, there has been increasing and productive experimentation with **micromortgages**, some of it supported by national governments but much of it funded by donors and non-governmental organizations tapping donor support.<sup>141</sup> The same holds true for the financing of micro-businesses in slums.<sup>142</sup> But given the size of loans necessary for housing finance and their longer repayment horizons, an intermediate-scale financing approach may work best. Either way, like community infrastructure, crafting and widely deploying guarantees of housing finance for slum improvements should be tractable and could greatly expand capital investment.

### ***Land and Real Estate Development as Sources of Government Revenue***

Municipal governments often already rely on land and real estate as revenue sources through the sale or lease of public lands, the levy of property taxes, and imposition of development fees. But these revenues are insufficient to fund the many critical functions of city government. As an example, property taxes in Latin America account for less than 0.5 percent of GDP. In contrast, property taxes in Canada and the US are

equivalent to 3 to 4 percent of a much larger GDP.<sup>143</sup> In part, revenue collections usually fall short of their potential because many resist paying local taxes when they see few benefits in return. This can create a vicious circle of no confidence: when services do not improve, people are less apt to pay taxes, in turn providing fewer revenues to improve services.

The challenges of raising revenues at the local level are often compounded by the failure of public sector institutions to put in place or fully enforce land use laws and regulations that tap the value created by granting clear ownership and development rights to private investors. These include mechanisms such as permitting fees, tax-increment financing, development impact fees, exactions such as inclusionary zoning or requirements to re-house displaced poor residents offsite, and basic property taxes.

As a result, opportunities to tap the value of real estate to fund regularization and other slum improvements are often missed.<sup>144</sup> For instance, from 1996 to 2004, the Government of Peru's Commission for the Formalization of Informal Property, in conjunction with the World Bank, spent \$66.3 million to issue 1.5 million property titles to 5.7 million urbanites. The commission did not charge significant titling or registration fees

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*Reshaping Economic Geography*, 2009; N. Lalwani, K. Merchant, & B. Venkatachalom, *Micromortgages: A Macro Opportunity in Low-Income Housing Finance*, 2010.

<sup>141</sup> UN-Habitat, *Cities in a Globalizing World*, 2001; Lalwani, Merchant, & Venkatachalom, 2010; Satterwaithe, 2009, pp. 302-304; J.F. Linn, *Urban Poverty in Developing Countries*, 2010.

<sup>142</sup> Linn, 2010; Freireich & Fulton, 2009.

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<sup>143</sup> Smolka, 2003, pp. 4-7.

<sup>144</sup> Smolka & Biderman, *Housing Informality: An Economist's Perspective on Urban Planning*, 2011; Maloney, 2004.

despite the fact that registration increased home and land values. Only in retrospect did the government commission realize that many households would have been able to pay for the cost of property registration.<sup>145</sup>

Similarly, Smolka and Biderman (2011) argue that up to two-thirds of the cost of land regularization could be recouped with a minimal property tax over a 30-year period.<sup>146</sup> Not only would many households have been able to cover these costs, they might have been willing to pay them in exchange for the certainty of land rights and the opportunity to profit from them.

There are examples of municipalities that have successfully implemented **value sharing** mechanisms for large-scale urban redevelopment, such as the Puerto Madero project in Buenos Aires or in several neighborhoods of Sao Paulo, as well as examples of inventive uses of government funding, such as the projects of the firm Elemental in Chile, which have contributed to the rewriting of the Chilean Housing Policy. Still, these techniques have not been widely deployed in slums to fund regularization or infrastructure projects.<sup>147</sup> Thus, a promising avenue for expanding investment in inclusive and sustainable urban development is to capture the value of public land and of granting real estate development rights on public or private land.

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<sup>145</sup> Fernandes, 2003, p. 34.

<sup>146</sup> Smolka & Biderman, 2011, pp. 3, 10-11, 15.

<sup>147</sup> *Ibid.*, p. 12.

## **INSUFFICIENT INVESTMENT IN CBOs AND TRAINING ENTREPRENEURS**

Community-based organizations play a critical role in deploying capital to produce targeted social impacts, financial returns, or both for a range of investors including donors, governments, businesses, and other NGOs. In addition, CBOs are vital to gathering vital spatial information on their communities, articulating their communities' social and economic structures, representing community interests, and helping develop physical plans for slum development across a range of sectors such as housing, transportation, sewerage and water infrastructure, etc.

Yet as we have seen, meaningful dialogue and mutual initiatives between CBOs and municipal governments are often lacking even though NGOs, donors, and many private businesses have awakened to the value of working through CBOs. CBOs and local government agencies may lack the experience and tools to support participatory planning and enter into fruitful public-private partnerships;<sup>148</sup> instead, when decisions are made about

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<sup>148</sup> P. P. Houtzager, *Coalition Building from Below. Changing Paths: International Development and the New Politics of Inclusion*, 2003, pp. 90, 93; P. Evans, "Government Action, Social Capital, and Development: Reviewing the Evidence of Synergy," 1996, pp. 1119-1132. Some research suggests that weak bureaucracies tend to be especially ineffectual at engaging citizen groups, hampering opportunities for public participation (P. Cleaves, "Implementation Amidst Scarcity and Apathy: Political Power and Policy Design," 1980, p. 285; Houtzager, 2003, p. 93).

slums, they often have an aura of opacity and it is often unclear, with so many overlapping levels of government and agencies, which authority is even accountable or responsible for any given slum or decision.<sup>149</sup>

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<sup>149</sup> In Mexico City, for instance, most slums developed in the peri-urban ecological conservation lands to the south of the city. As of 2005 the Mexico City Government estimated that irregular settlements had expanded by 350 hectares a year for the past 60 years, and an estimated 60 percent of the metropolitan area's population lived in some type of irregular settlement (A. G. Aguilar, "Peri-Urbanization, Illegal Settlements and Environmental Impact in Mexico City," 2008; *Gaceta Oficial del DF*, 1.8.2000). Slums in the peri-urban area defy the accepted division between urban development and environmental conservation, and their growth has outpaced the capacity of Mexico City's planners to deal with them. According to both the city's urban development laws and environmental conservation laws, both urban and environmental agencies have a mandate to address slum growth in these areas. To enforce urban development laws, the Mayor, the city's Legislative Assembly, the Secretary of Housing and Urban Development, and Borough Presidents are all tasked with administering slum areas. Concurrently, however, the Mayor, Secretary of the Environment, and the Solicitor for Environmental Law and Territorial Planning are all required by law to intervene in instances of unplanned growth in environmental conservation areas (M. Scheingart and C. Salazar, *Expansion Urbana, Sociedad y Ambiente*, 2005, pp. 49, 54). This has twofold results. One, slums are enshrouded in opaque government institutions, and no institution risks acknowledging these neighborhoods for fear of shouldering the blame. Two, regularization programs in these areas are complex and lengthy. Not only do they require a presidential expropriation decree, they also require coordination across the aforementioned agencies and their state and federal counterparts (A. Azuela, "Taking Land Around the World: International Trends in Expropriation for Urban and Infrastructure Projects," 1989; Aguilar, 2008; Fernandes, 2011: 26; Scheingart and Salazar, 2005 [http://www.ucl.ac.uk/dpu-projects/Global\\_Report/pdfs/Mexico.pdf](http://www.ucl.ac.uk/dpu-projects/Global_Report/pdfs/Mexico.pdf));. This

In addition, investment in encouraging local entrepreneurs is largely limited to lending to microenterprises. There is not much attention to recruiting and training entrepreneurs interested in serving the market demands of the poor, innovating products to serve them better, and organizing productive activities that grow to larger scale.

## DEARTH OF PLANNING CAPACITY AND TOOLS

The fourth obstacle to inclusive and sustainable development is the dearth of capacity and tools for spatial, regional, anticipatory, participatory, and coordinated planning for urban regions, municipalities, and the complex tapestry of communities that make up the urban built environment. The institutional, human, technical, and financial resources to overcome these capacity gaps are woefully lacking.

What makes planning for existing slums especially bedeviling is that any intervention is bound to lead to some degree of displacement and disruption of activities and shelter vital to the poor. The risks of displacement and disruption stem from at least four conditions, which have been highlighted throughout this report

First, most informal settlements were *unplanned or poorly planned* from the

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complicated array of institutions puts slums in a legal limbo. Indeed, most slums develop with a politician's tacit approval and hamstringing planning or remediation programs (A. Azuela, *La Ciudad, La Propiedad Privada y El Derecho*, 1989).

start. This means that planning for them inevitably involves figuring out how to make urgently needed improvements in infrastructure while simultaneously minimizing disruption to densely settled areas. Second, because cities have grown up around slums that sprung up in areas close to city centers, many slums have come under *redevelopment pressures*. Third, in other cases, many slums sprung up on fragile land that others would not build on and may be so *susceptible to natural disasters* that authorities decide to relocate them. Fourth, much of the land ownership, building, and economic activities in many slums are *informal*—in the sense that they are out of conformance with the law. This means slum dwellers are at *risk of being removed without compensation* because activities and ownership claims can be legally challenged.

The whole question of how to think about informality and what to do about it presents its own and additional challenges. Even creating laws and regulations that are intermediate between the state of noncompliance and full compliance with regulations and taxation can risk condoning activities, housing conditions, and infrastructure that politicians and the public view as unacceptable. In addition, there is concern that establishing legal rights to land and sanctioning housing development may encourage the formation of new informal settlements and limit the future ability of politicians to remove or

substantially redevelop slums without having to compensate those displaced.

Furthermore, the fact that many informal settlements fall outside the reach of regulation means that planners lack important regulatory tools to shape development and generate public revenues from it. Indeed, the tools used to ensure that the public shares in the private value created in land are rarely operable in informal places. As a result, land regulations may not even be considered as a mechanism to generate public revenue or spark private investment by regularizing land ownership and creating certainty around development rights.

Faced with this reality, the complexity of social organization in slums, and urban politics surrounding slums, planners are often ill equipped to know what to do.

Making matters even worse, urban authorities have difficulty resolving complex issues or undertaking ambitious projects in slums because they lack the financial and human resources to engage the poor in urban planning and increased public investment in slums. Municipalities also often do not maintain basic planning data—let alone geo-code it—on households, economic activity, employment, social and community institutions, social and physical infrastructure, and traffic. This makes meaningful spatial planning next to impossible and hinders private investors from even considering serving or tapping markets for labor, housing,

municipal services, and consumer products and services in slums.<sup>150</sup>

It is not surprising, then, that there are still only a limited number of best practices to draw on for addressing concentrated urban poverty, they have not been much studied, and they are not widely disseminated. There is a strong need, therefore, to learn more from efforts to create stronger planning tools such as those highlighted in this report. There is also a strong need to provide incentives for countries, urban regions, municipalities, and communities of the poor to experiment with best practices or create new methods for driving more inclusive and sustainable urban development.

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<sup>150</sup> For an in-depth discussion of these issues, see: World Bank, *Reshaping Economic Geography*, 2009; Suzuki et al., 2009.

## Chapter 5

# How to Move Forward

The recommendations that follow focus on what can be done to overcome three of the four obstacles discussed above: 1) the dearth of regional planning capacity and governance structures, 2) insufficient investment in community-based organizations and entrepreneurship, and 3) scarcity of funding and incentives to innovate financial products to serve poor borrowers and communities. As for strategies on how to tackle the political complexity of addressing urban poverty, a limited set can be found in Appendix C. Though the political will to address urban poverty is important, real progress in addressing urban poverty can be made even when that will is not well developed.

### **BUILD REGIONAL AND URBAN PLANNING CAPACITY AND TOOLS**

There is an urgent need to build regional and urban planning capacity and tremendous potential benefit to doing so. The case for improved planning and what it should encompass was made in Chapter 3. The recommendations that follow here focus on how this capacity can be strengthened.

### ***Support the Formation of National Urban Development Commissions***

As already discussed, there is enormous benefit to securing a broad-based national commitment to inclusive and sustainable urbanism and in formulating a coordinated strategy to achieve it. This is the intuition, for example, behind India's JNNRUM and the McKinsey Global Institute's recommendations on what such a commitment and strategy should look like for India.

Thus, we lead off this exposition of recommendations for capacity building with a suggestion to form national commissions on inclusive and sustainable urban development.

National governments can catalyze inclusive and sustainable urban development and are in the best position to fund it. Yet few countries have national strategies for driving urban development through investments across their city systems or for considering how intergovernmental structures and authorities, laws, and regulations either enable or impede inclusive and sustainable urban development (ISUD).

Perhaps among the most meaningful steps that could be taken to elevate ISUD on the international stage would

be for international or regional bodies to enlist and support member states in the formation of national commissions on ISUD that would operate under a specific and common charge and an obligation to report back regularly to international and regional bodies.

There are a number of intergovernmental bodies that could promote the development of national commissions. These include the Governing Council of UN-Habitat comprising 58-member states, the regional Ministerial Conference for Housing and Urban Development (Africa, Asia and Latin America and the Caribbean), and the Habitat III Conference in 2016 established by the General Assembly to elevate sustainable urbanization. Member states could agree to promote the development of National ISUD Commissions and use Habitat III both to report on progress and highlight innovations.

In parallel, and as a means of supporting the preparatory process to Habitat III, the international community could further promote commissions at sessions of the World Urban Forum and through the World Urban Campaign.

This would help kindle the political will to tackle the difficult challenge of addressing urban poverty and slums and would also promote international accountability to make progress on them.

These commissions would have multiple goals:

- To draw international attention to the issue;
- To charge participating countries with developing nationwide and citywide plans to advance the goals of ISUD; and
- To promote transparency and knowledge sharing among countries.

While participating nations would ultimately have to decide on a common charge, at a minimum the aim of the commissions should be to 1) study and prepare plans to improve governance structures and institutional capacity for ISUD planning at all levels of government, 2) establish national urban development goals and policies across the city system, and 3) prepare plans to fund and manage improvements to housing and infrastructure.

Although the charge would be shared, the plans each country develops would reflect differences in culture, political systems, resource constraints, and institutional capacity. A more detailed list of what could be in the charge is contained in Figure 3 (see following page).

While formation of such commissions takes political will to grapple head-on with urban poverty and environmental sustainability, the commissions themselves can help build the will to do so by encouraging governments to address these issues and demonstrating the value of doing so.

### Figure 3: Common Charge to National ISUD Commissions

- *Understand how existing laws and policies encourage or discourage inclusive and sustainable urban development*
- *Gather and map basic information on slum dwellers, economic activities, infrastructure, circulation patterns within and transit access to and from slums, and susceptibility to environmental hazards*
- *Assess the potential to use sales of public land and regulation of private development rights to fund improvements to slum communities and compensate displaced residents*
- *Propose a policy and timeline for land regularization in slums to encourage private investment by existing owners and residents and provide them with security from eviction*
- *Establish a plan for strengthening community-based organizations in poor communities and engaging them in broader urban planning*
- *Evaluate the laws and regulations on takings of land and just compensation*
- *Establish clear responsibilities and authorities at each level of government and plans on how to build governance and government planning capacity at each level*
- *Review what public goods and services governments could provide to encourage private investment in slum housing, infrastructure, services, and businesses*
- *Charge urban regional authorities with reviewing infrastructure needs across metro regions, including slums, and considering appropriate alternatives to large-scale infrastructure projects*
- *Charge urban regional authorities with spatial planning for coordinated land use, economic development, and infrastructure planning both at the broader metropolitan and community levels*
- *Report back to regional and international bodies in order to share knowledge and best practices as well as to elevate these national efforts and keep peer pressure on governments to make meaningful progress on the goals of their commission*

### ***Create Regional Planning Funds for Participatory Multi-Stakeholder Initiatives***

Short of national initiatives, funders could, and already are, funding multi-stakeholder initiatives aimed at regional, participatory, and spatial planning. While there are examples of select urban regions that have created a long-term vision and spatial plan for ISUD, it would help to fund and launch such initiatives in more urban regions. This funding could be used as an incentive to get governments to coordinate and integrate spatial plans and investments across jurisdictions and sectors as well as create the mechanisms to do so through municipal governance reforms.

An advantage of establishing or investing in such Regional Planning Funds is that they can steer urban regions towards the best practices discussed in Chapter 5 by demanding them as a condition for receipt of funds. **Cities Alliance** is an excellent example of the use of funding criteria to improve and shape municipal planning and investment.

To be a significant inducement, these funds would ideally offer a minimum of \$100 million per metro investment (thus likely requiring co-mingling of grant funds, donor aid, domestic investors, and national governments to reach that level of scale). Funding to evaluate these initiatives would also be important to spread best practices and learn from mistakes. Donors or

philanthropy would likely have to be the catalyst for the creation of such funds; in particular, urban regions working through field offices.

### ***Develop Government Capacity to Direct Large-Scale Public-Private Infrastructure Partnerships***

Increasingly, as we have discussed, large investments in infrastructure are being made through public-private partnerships. These investments have a profound impact on the spatial form of urban growth, including on existing residential patterns and slums. Placement of this infrastructure alters land values and creates opportunities to coordinate land use and infrastructure planning, improve interconnections among urban areas, and serve existing residential areas better.

However, in many cases, decisions about where to place infrastructure and what infrastructure to invest in are made outside the public view and do not involve a meaningful public process to solicit input from organizations that represent the interests of the affected communities, particularly of poor communities. Large corporations without sufficient local expertise and knowledge may drive consequential decisions.

Whenever a large investment in infrastructure is being contemplated, there is an opportunity to drive better, more inclusive, and more sustainable urban outcomes. Governments may lack the capacity to maximize the public

benefit from such investments, minimize costly disruption of existing activities and investments including those being made in slums, and negotiate with the corporations for the best deal possible for the public good.

Technical assistance and capacity building to help national, regional, state, or local governments forming these partnerships to seize these opportunities is a strategic way to drive better ISUD outcomes at an opportune moment. This not only can optimize the use of scarce public resources but it also can introduce stronger and more rational spatial and participatory planning techniques into the process.

### ***Build Government Capacity for Land Value Sharing***

In this report we have noted the importance of tapping the value that is created when land is developed. This value can be tapped through exacting concessions from real estate developers for public purposes, including in-kind contributions of infrastructure, housing, or other real estate. It can also be tapped through the sale of public land for its true value and using the proceeds to fund inclusive and sustainable urban development or through simple taxes and fees on development and property.

Building municipal government capacity to maximize public value when granting development rights or selling public land can help drive inclusive and sustainable development. Tools such as inclusionary zoning, linkage, tax-

increment financing, impact fees, property taxes, infrastructure and land dedications, and transfer of air rights are all widely used techniques to accomplish this.<sup>151</sup> Crafting such policies takes highly specialized skills so that private capital still has sufficient incentives to proceed with development but does not earn economic rents.

Given intense redevelopment pressures on many slums due to their proximities to now booming downtown areas, failure to build these skills can result in developers earning extraordinary returns from getting development approvals without enough of those returns flowing to the residents of communities being redeveloped. In addition, when governments do not involve CBOs and slum community residents and leaders in planning these redevelopments, opportunities to minimize disruptions and improve the spatial planning of the slums are lost. But when land value sharing for public purposes is paired with participatory spatial planning, powerful and much better outcomes can result.

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<sup>151</sup> See for example: R. Briffault, "The Most Popular Tool: Tax Increment Financing and the Political Economy of Local Government," 2010; B. Burke, *Understanding the Law of Zoning and Land Use Controls*, 2009; A. M. Cuomo & C. A. Perales, *Transfer of Development Rights*, 2011; D. Netzer, *The Property Tax, Land Use and Land Use Regulation*, 2003; J. Schuetz, R. Meltzer, & V. Been, "31 Flavors of Inclusionary Zoning: Comparing Policies from San Francisco, Washington D.C., and Suburban Boston," 2009; and J. Schukoske, *House Linkage: Regulating Development Impact on Housing Costs*, 2009.

### ***Develop a Diagnostic Tool to Improve Urban Planning and Governance***

An important step that could help advance the cause of ISUD is to develop a diagnostic tool to help national and municipal governments assess how well their existing laws, governance structures, investment policies, and institutions support ISUD.

The purpose of the tool would be to help identify the policies, programs, governance structures, and regulations that influence the ability to drive ISUD. In applying the tool, policymakers would examine the panoply of factors that enable or deter ISUD and then decide what steps they wish to take to enable it. Such a tool would in many respects be a normative one. A noteworthy example of an attempt to do this for housing is Habitat International's Global Housing Indicators Assessment Tool.<sup>152</sup>

### ***Identify and Invest in Best Planning Practices and Processes***

There are several advantages to identifying successes like those identified in this report<sup>153</sup> and investing in them, as shown in Figure 4.

### **Figure 4: Advantages of Identifying and Investing in Best Planning Practices**

- *Helps to understand the conditions conducive to innovation*
- *Helps agencies and organizations remove specific barriers impeding their progress*
- *Allows evaluators to test the effectiveness of different approaches to overcoming barriers*
- *Encourages organizations to broaden their activities to encompass additional features of next generation planning*
- *Fosters identification and dissemination of success factors*
- *Helps build lasting institutional capacity to generate a self-sustaining process of change*
- *Mobilizes local organizations and agencies to articulate new ways that national and municipal regulatory reforms, governance structures, and investments could facilitate stronger ISUD and planning.*
- *Draws international attention to successes and leads by example*
- *Rewards these initiatives and builds on their capacity to engender change*

<sup>152</sup> For details see:

[http://www.habitat.org/sites/default/files/gov\\_global\\_housing\\_indicators.pdf](http://www.habitat.org/sites/default/files/gov_global_housing_indicators.pdf).

<sup>153</sup> This report chronicles several examples that capture multiple aspects of what it takes to plan and invest effectively, including the Parivartan Slum Upgrading Project (Das & Takahashi, 2009); the Jawaharal Nehru National Urban Renewal Mission (Government of India); Singapore's Urban Development Authority (World Bank, *World*

*Development Report*, 2009); Mexico City's Executive Commission for Metropolitan Coordination (Frug, 2007); Tanzania's Kahama Strategic Urban Development Planning Framework (Halla, 2002); Curitiba, Brazil's integrated BRT and land use policies (Suzuki, Dastur, & Moffat, 2009); the RE-DHARAVI project in Mumabi (SPARC, 2010); the Map Kibera project in Kenya (Hagen, 2010); Porto Alegre's Municipal Budgeting Program (Novy & Leubolt, 2005).

It would pay to conduct a global scan to identify as many promising initiatives as possible for potential further study and investment. The purpose of such a step would be to identify success factors across a wide range of different activities and places that can be shared with others and used to inform policy, planning, and practice. Initially, the goal would not be to conduct detailed case studies but rather to use structured interviews with stakeholders in each place to solicit their views of what has allowed them to achieve a modicum of success and what they see as preventing them from achieving even more success or from broadening their activities to even more effectively drive ISUD. It is equally important to understand the conditions that provided fertile soil for the launch of improved planning initiatives but also the conditions that may have hindered or are still hampering efforts to do more.

In addition, it would pay to invest in expanding and strengthening successful initiatives to build on local progress. Decisions about how to build on existing initiatives should be made in *partnership* with the local institutions that have been driving ISUD.

***Fund Research, Planning Tool  
Development, and Knowledge-Sharing  
Conferences***

Research could be conducted and conferences held on important topics related to ISUD and planning. These are listed in Chart 5.

The aim of such conferences would be to share knowledge, critically assess successes and failures and the conditions that give rise to them, publicize promising examples, and probe to better understand what worked and did not.

In Appendix D we also provide supplemental recommendations on how to improve regional planning capacity and governance.

**STRENGTHEN CBOs AND TRAIN  
ENTREPRENEURS**

A critical link in the chain between investments and positive community outcomes is the strength of community-based organizations to deploy capital productively and in the community interest. To strengthen this link it is important to invest in building the capacity of community-based organizations, both nonprofits and for-profits, that are committed to the health and vitality of the communities in which they are based. In addition, underinvestment in the development of local entrepreneurs should be addressed.

## Figure 5 Potential Topics for Conferences

- *Spatial and physical planning for traditional infrastructure (transportation, water, sewer, and power) and social infrastructure (schools, markets, clinics, and community gathering places and recreational spaces) to foster community cohesion and both social and human capital development*
- *Neighborhood scalar studies that differentiate slum types and develop a new lexicon in the field to describe slums and thus the scaling-up and repetition of projects*
- *Metropolitan-wide projective planning processes that include physical planning for social, economic, and environmental improvements that anticipate growth*
- *Resident-led planning organized by community-based organizations and participatory planning tools, methods, and protocols aimed at engaging slum residents and their representatives in planning and design*
- *Laws, regulation, valuation, and negotiating strategies to help municipal governments tap and put to public use the value of public lands sold to developers and value unlocked by granting redevelopment rights to private developers of slums*
- *Governance structures, negotiation skills, and spatial and participatory planning practices to inform public officials engaged in large-scale public-private partnerships for infrastructure*
- *Data collection and spatial representation techniques to foster greater political acceptance of and facilitate planning for slums as functional components of the rest of the city*
- *Financing models for incremental housing improvement and community infrastructure that move beyond microloans and difficult-to-scale models*
- *The extent of informal economic activities taking place in slums and the reasons informal sector activity remains such a significant fraction of housing and economic activity in developing countries as well as the political and social relations they spawn*

### ***Invest in Community-Based Organizations and Their Intermediary Organizations***

One of the most compelling lessons from the history of efforts to improve slums and alleviate poverty is the critical importance of participatory planning

and strong CBOs.<sup>154</sup> It is worth underscoring that community-based NGOs are a special type of NGO because

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<sup>154</sup> See: Patel, d’Cruz, & Burra, 2002; I. Imparato & J. Ruster, *Slum Upgrading and Participation: Lessons from Latin America*, 2003; Evans, 1996; E. Ostrom, “Crossing the Great Divide: Coproduction, Synergy and Development,” 1996; UN-Habitat, *Housing the Poor in Asian Cities*, 2008; UN-HABITAT, *Sustainable Cities*, 2009.

they are rooted in specific communities, have long-term commitment to carry projects through, draw on residents to staff operations and populate governing boards, and gather information on the needs and aspirations of their communities.

Indeed, much of the effort of philanthropic organizations in the US to promote community development has been to build the capacity of such organizations, including community development corporations (CDCs), larger housing enterprises that operate in more than one community but are embedded in each one, and community development financial institutions (CDFIs) that operate in one or more communities in an embedded way.<sup>155</sup> Both government programs (which provide set-asides for nonprofits or support CDFIs) and regulations (such as the Community Reinvestment Act) have evolved to direct capital to these organizations or their intermediaries. The most notable national intermediaries supporting this network of organizations are Enterprise Community Partners, Housing Partnership Network, Local Initiatives Support Corporation, NeighborWorks America, and Opportunity Finance Network.

There are numerous excellent examples of strong community-based NGOs and of intermediary membership organizations that serve them in developing countries. Perhaps the most

noteworthy intermediary is [Slum Dwellers International](#).

### ***Invest in Training and Developing a Pipeline of Local Entrepreneurs***

In addition to building the capacity of government agencies and social/civic organizations, it is important to build human capital through fostering private sector entrepreneurship. Small businesses are often the source of great innovation and are often more in touch with how best to meet market needs. In the case of grappling with urban poverty this is especially true.

Investing in efforts to identify, train, and support entrepreneurs with deep local knowledge of the needs of the poor and how resources can be assembled to meet those demands can pay lasting dividends. An excellent example of an attempt to do so is the recently founded [Indian Institute for Sustainable Enterprise \(IISE\)](#).

IISE weds an interest in eco-friendly solutions with meeting the needs of underserved markets. It endeavors to meet demand by identifying and training entrepreneurs with the local knowledge it takes to produce and deliver goods and services economically. One of its strategies is to link up domestic and international corporate investment with entrepreneurs trained to meet the demands of and employ people in the “Bottom of the Pyramid.”

Supporting and spreading initiatives like this can help mobilize private

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<sup>155</sup> See Belsky, 2012.

international and domestic corporate capital, create employment for the poor, develop new green products, and speed commercialization of existing products and services that meet the needs of the in poor in affordable and appropriate ways.

## **FUND AND FINANCE SLUM IMPROVEMENTS AND ASSET BUILDING**

Government has an important role to play in providing certainty and fairness in markets, providing public goods (including data and community infrastructure), channeling public and private investments, and coordinating them to have maximum effect. This includes providing incentives and opportunities to leverage private capital and tap the entrepreneurial drive of people at all income levels for sustainable and inclusive urban development.

Even in the absence of a national commitment and strategy for addressing urban poverty and spurring inclusive and sustainable urban development, the following recommendations can produce positive outcomes and in particular places by opportunistically funding innovations in finance and social entrepreneurship.

The recommendations that follow complement others already discussed that also would generate additional funding for slum improvements and asset building, including “Regional Planning Funds,” strengthening government capacity to pursue greater

public benefits for ISUD from public-private partnerships, and strengthening government capacity to tap public benefits from conferring private development rights and from public land sales.

### ***Form and/or Guarantee Financing Innovation Funds***

With limited government revenues and domestic savings that can be mobilized to fund inclusive and sustainable urban development, it is important to have a way to invest in promising new approaches and, if worthy, help take them to scale and propagate them. This can take the form of Financing Innovation Funds that invest in or provide credit enhancements to innovative financing schemes for housing improvements and construction, community infrastructure, and larger-scale slum upgrading. Especially needed are novel efforts to finance large-scale upgrading.

In the case of financing home improvement, self-built construction, and community infrastructure in slums, there has already been a great deal of innovation both in financial structures and institutional arrangements.<sup>156</sup> Still, innovation and experience in this area are not as great as for microenterprise lending.

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<sup>156</sup> Prahalad & Hammond, 2002; Segel, 2004; Baker and McClain, 2009; Das and Takahashi, 2009; Freireich & Fulton, 2009.

Lending for housing and community infrastructure is quite different than for microenterprise. Unlike microenterprise lending to businesses, housing loans and community infrastructure loans must be larger and longer term, and in the case of self-built housing and improvements, must be paired with technical construction assistance to borrowers. This form of finance may be described as “mezzo” housing and community infrastructure finance. In places where homes do not provide clear security of title that lenders can use to make asset-backed loans or there is concern with the collectability of fees for community infrastructure use, innovative institutional arrangements are especially important.<sup>157</sup>

Loan guarantees can be a particularly potent way to steer private capital to an ISUD agenda and test risks and returns that might go untested by the private sector absent government guarantees. Banks and lending institutions confront the task of assessing risk in slums, which is difficult to measure according to standard metrics because it hinges on a distinct set of political and social factors, often including ambiguous land tenure, risk of natural disasters, an unpredictable political context in which displacement may occur, lack of price discovery on property transactions, and a dearth of information on slum

dwellers’ income, savings, and experience with loan repayments. Loan guarantees bridge this gap and reduce the risk to lenders by ensuring principal repayment in the instance of default. This plays a critical role in transitioning pilot projects for slum upgrades into city and nationwide programs with sustained funding.<sup>158</sup>

One promising example of an attempt to use an innovative financial arrangement to leverage capital for large-scale slum redevelopment is the Kenya Slum Upgrading Facility. In this scheme, Crown Lands were to be used as security against loans for the upgrading of Kibera. But this kind of innovation is a rarity when it comes to large-scale slum upgrading and has not been implemented. Experimenting with loan guarantees and new forms of loan security are promising avenues to attract more capital for large upgrading.

In both the case of investments and credit guarantees, an important part of the Financing Innovation Fund concept is to document program design carefully and assess performance and outcomes in order to promote evaluation, improvement, and replication of successful innovations.

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<sup>157</sup> One example of a financing innovation fund is the Urban Poor Fund International of Slum and Shack Dwellers International. Retrieved from: <http://www.sdinet.org/media/upload/documents/UPFIAnnualReport2011.pdf>.

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<sup>158</sup> See Un-Habitat, *Guarantees for Slum Upgrading*, 2009; World Bank, *Reshaping Economic Geography*, 2009, pp. 417-438; S. Griffith-Jones & A. Fuzzo de Lima, *Alternative Loan Guarantee Mechanisms and Project Finance for Infrastructure in Developing Countries*, 2004.

### ***Form and/or Guarantee Social Venture Capital Funds***

Numerous studies have underscored the willingness of the poor to invest in their homes and businesses in their struggle to improve their quality of life and build assets.<sup>159</sup> Moser's detailed work in Ecuador drives home the point that there is a discernible process through which the poor—even in the absence of formal land rights—invest in and consolidate communities, creating economic value for themselves and others, as well as a path to later establishment of formal rights.<sup>160</sup>

Remarkably, the process of asset building among the poor has occurred largely in the absence of venture funds that might allow poor entrepreneurs to take their businesses to another level. While microcredit has begun to emerge, more “mezzo” level credit for small businesses, just as for housing and community infrastructure, has not.

Either way, equity investments are especially rare. Establishing Social Venture Capital Funds to provide mezzo-level credit and equity investment could start to change this. These funds could be set up not only to invest in nonprofit and for-profit entrepreneurs living in slums, but also others interested in commercializing

promising existing technologies, products, and services to meet the needs of the poor. It is just such activities that the Indian Institute for Sustainable Enterprise wants to fund through its model of identifying local entrepreneurs and then connecting them to corporate industry clusters to drive development and commercialization of products that are tailored to the demands of the poor (see earlier sidebar).<sup>161</sup>

The intention of these funds would be to support private capital formation by entrepreneurs, develop and share best practices for identifying local entrepreneurs, and take promising startups to scale. As with Finance Innovation Funds, the design of the programs should be carefully documented and outcomes carefully—and publicly—evaluated.

### **CONCLUSION**

The problems of urban poverty in developing countries are daunting. Unless strategies are developed to tap the human potential of those at the bottom of the pyramid and to address the dismal conditions of slums, national economic and social development and the quality of urban life will continue to suffer. Inclusive and sustainable urban development is, simply put, a critical element of social and economic development as well as a central humanitarian goal.

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<sup>159</sup> Fernandes, 2011; Deb, Karamachandi, & Singh, 2010; Moser, 2006; Satterwaithe, 2009; G. Payne, A. Durand-Lasserve, & C. Rakodi, “The Limits of Land Titling and Home Ownership,” 2009, p. 452; Segel, 2004.

<sup>160</sup> Moser and Felton, 2007, pp. 15-50.

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<sup>161</sup> See <http://theiise.net/>.

Creating workable strategies to address urban poverty and slum conditions will take stronger spatial planning and stronger governance capacity at all levels of government but especially the regional and local levels. Doing this strategically means looking for nations, specific urban regions, and community organizations willing to step up to the plate to try to build this capacity. It also means helping build the capacity of governments engaged in financing large infrastructure projects to negotiate with private parties brought in as partners to plan, finance, construct, and sometimes also operate this infrastructure. It means helping governments better

capitalize on the value of public land and concession of private development rights to fund inclusive planning and investment. And it means helping governments diagnose the laws, governance structures, policies, and programs that may be hampering efforts to drive inclusive and sustainable urban investment and how to reform them.

Not just government capacity needs building: the capacity of CBOs and entrepreneurs that serve or hire in slums must be bolstered as well. This can be accomplished through direct investment in them but also in

**Figure 6: Remedying the Deficiencies**

<b>Deficiency</b>	<b>Remedy</b>
<i>Weak regional governance and spatial investment planning capacity</i>	<ul style="list-style-type: none"> <li>• <i>Create National Urban Development Commissions</i></li> <li>• <i>Create regional planning funds for participatory initiatives</i></li> <li>• <i>Develop government capacity to direct large public-private infrastructures partnerships</i></li> <li>• <i>Develop government capacity for land value sharing</i></li> <li>• <i>Create diagnostic tool to improve urban planning and governance</i></li> <li>• <i>Identify and invest in best planning practices</i></li> <li>• <i>Fund research, planning tool development, and knowledge-sharing conferences</i></li> </ul>
<i>Insufficient investment in civil society, particularly in community-based organizations and entrepreneurship</i>	<ul style="list-style-type: none"> <li>• <i>Invest in community-based organizations and their intermediary organizations</i></li> <li>• <i>Invest in training and developing a pipeline of local entrepreneurs</i></li> </ul>
<i>Scarce funding and incentives to innovate financial products for poor borrowers and communities</i>	<ul style="list-style-type: none"> <li>• <i>Form and/or guarantee financing innovation funds</i></li> <li>• <i>Form and/or guarantee social venture capital funds</i></li> </ul>

intermediary organizations that support them through directing capital to them, providing them with technical assistance, and identifying, building on, and disseminating best practices and innovations in their networks.

Beyond these capacity building actions, it will take investing in what is already working in inclusive and sustainable urban development in order to build on success and understand the conditions that have given rise to it. And it will take funds to spur innovation, risk-taking, and learning around small business development, recruiting and developing social entrepreneurs,

community infrastructure investment, and housing investment.

While the political will to grapple with urban poverty is not universally present, it is present in enough places to kindle it and direct it towards a building movement around the world towards inclusive urban social and economic development that is environmentally sensitive and sustainable.

Opportunistically investing in strengthening and empowering this movement is essential to moving it forward.

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## Appendix A

# Important Differences Among Slums for Purposes of Planning

Slums appear worldwide and consist of many different types of communities. The differences between them greatly affect how to plan and invest in them.

Some basic dimensions that differentiate slums include:

- Proximity and access to employment centers
- Population and land use density of settlement (though it is typical for them to be very dense, even when mostly low-rise)
- Spatial form of the urban fabric (tree or grid urban form with orthogonal or un-orthogonal development)
- Degree to which land ownership and tenancy are clearly and formally known, recorded, and enforced
- Permanence of built structures
- Degree to which building standards are out of compliance with existing laws and regulations
- Extent of existing land uses not in compliance with existing laws and regulations
- Degree of enforcement of land use and building laws and regulations
- Quantity of social organization of
- residents
- Homogeneity of residents by race, ethnicity, or religious affiliation
- Strength of community-based organizations
- Degree of economic activity occurring within the slum, including small enterprises
- Extent of taxation of activities and land uses
- Level of infrastructure and municipal services (and whether fees are collected for them)
- Degree of investment in improving self-built housing
- Political economy,
- politics, and history
- Role of women within the society and culture

## Appendix B

### Case Studies and Best Practices

#### **Baan Mankong**

The Baan Mankong program, implemented in Thailand by the Community Organizations Development Institute (CODI), is a slum and squatter upgrading program that began in 2003. The program utilizes government funding to provide infrastructure subsidies and soft housing and land loans, which are used for on-site upgrades and the development of new homes in low-income communities. The money is provided directly to community members, who are responsible for planning and implementing improvements to housing, their environment, basic services, and tenure security. Unlike the Kenya Improvement Program, slum communities and their networks are at the center of the process for developing equitable solutions.

Baan Mankong is intended to support community organizations and low-income households as they work with local government, professionals, and NGOs to survey and plan upgrades in their communities over a time span of 3–4 years.

Initially, the program had a goal of improving housing, living, and tenure security for 300,000 households in 2,000 communities across 200 Thai cities in 5 years. This accounts for approximately half of the Thai urban poor community.

The success of this program is based on the recognition of the capacity and ability of slum residents to manage their own needs and resources in order to upgrade their services and homes. Due to the program's success it is no longer a pilot program but has expanded countrywide. As of January 2011, 858 total projects had been approved in 277 cities encompassing 1,546 communities and 90,813 households. Of the total number of projects, 62.64 percent of the funding was directed to upgrading and reconstruction of housing.<sup>162</sup>

#### **TransMilenio Bus Rapid Transit in Bogotá, Colombia**

In 2000, Bogotá's Mayor, Enrique Peñalosa, unveiled the TransMilenio Bus Rapid Transit (BRT) system, a public transit system that was initially fraught with problems but later celebrated because it prioritized the long-term mobility needs of residents who do not

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<sup>162</sup> S. Boonyabanha, "Baan Mankong: Going to Scale with "Slum" and Squatter Upgrading in Thailand," 2005, pp. 21-46.

own cars, many of whom are poor. The TransMilenio consists of dedicated BRT lanes along with over 357 km of bike lanes, and a 45 km greenway of promenades and bike paths for pedestrians and cyclists. As a result, low-income neighborhoods are now connected to downtown services and employment through a transportation system that supports 1.8 million trips daily carrying over 1.7 million people per day.

The city has greatly benefitted from the BRT system. By 2006, traffic fatalities had decreased by 89 percent and carbon dioxide emissions dropped by 40 percent. There has been a 32 percent reduction in average travel times along the BRT corridors. Travel time is now approximately 14.7 minutes per rider and residents pay an affordable fare of US\$0.36. Overall, TransMilenio has increased accessibility to the city for low and middle-income citizens who comprise 37 and 47 percent of respective ridership.

The project was financed through several funding streams: 46 percent came from a local surcharge on gasoline, 28 percent from city revenues, 20 percent from national government grants, and 6 percent from the World Bank. The total project cost was US\$213 million, equivalent to approximately 5 million per km,<sup>163</sup> and significantly less than the original proposal considered by the city, which comprised an urban expressway of six highways with two rings and four radial-ways that would have cost an estimated US\$1.5 billion.

## **Cities Alliance**

Founded in 1999, Cities Alliance is a global coalition of cities committed to promoting sustainable development by scaling up successful approaches to poverty reduction in urban areas. It is comprised of 24 members including NGOs, local authorities, bi-lateral and multi-lateral development organizations, governments and associate members.

Cities Alliance supports action-oriented strategies that promote equitable growth in cities and include a long-term vision to realize inclusive urban development through reforms that achieve systemic change, including: citywide and nationwide slum upgrading programs, city development strategies, and national policies on urban development and local government. Its slum-upgrading program is designed in accordance with its action plan and promotes tenure, access to shelter finance, and policies to help cities prevent the growth of new, unplanned slums.

The members of Cities Alliance provide the funding for the organization, and its projects are supported via a Catalytic Fund. Matching grants are given in support of City Development Strategies (CDS) and slum upgrading, both of which advocate for participation and sustainable growth in cities. Recipients of grants include cities, local

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<sup>163</sup> Institute for Transportation and Development Policy, *The Life and Death of Urban Highways*, 2012.

authorities, and associations of local authorities and/or national governments. According to Cities Alliance, the two major strategic objectives of the Catalytic Fund is to 1) catalyze urban transformation processes that promote more inclusive cities, and 2) advance collective know-how through learning distilled from project experiences. Grants are awarded twice a year through a competitive selection process and range from \$50,000 to \$250,000.<sup>164</sup>

The Cities Alliance uses nine criteria to evaluate proposals:

1. **Targeting the Objective:** The proposed activity must promote pro-poor policies, reduce urban poverty (including promoting the role of women in city development) and/or support slum upgrading and/or city development strategies.
2. **Government Commitment and Approval:** The activity must have government/local authority commitment and approval.
3. **Linkage to Investment Follow-up:** Where appropriate, development banks and private and public sector investment partners should be clearly identified and involved from the beginning in the design of the activity to increase the odds of investment follow-up.
4. **Partnerships:** Proposals should incorporate participatory and democratic processes involving local stakeholders, the private sector, and community organizations. They must include appropriate strategies and actions to ensure participation of and ownership by resident communities. Proposals should demonstrate the nature and extent of participation by all relevant stakeholders.
5. **Co-financing:** All proposals should include co-financing, combining seed funding from the Cities Alliance with at least 20 percent financing of the total project budget from the cities themselves and other sources. Co-financing can be in the form of in-kind contributions.
6. **Coherence of Effort:** Activities should be designed to maximize collaboration between Cities Alliance partners.
7. **Scaling-up:** The proposal should include designs to scale-up to the urban or national scale rather than solely focusing on a single pilot project.
8. **Institutionalization and replication:** Activities should contribute to the creation of mechanisms that help cities and their national associations institutionalize support

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<sup>164</sup> See Cities Alliance, [www.citiesalliance.org](http://www.citiesalliance.org).

for city development strategies and citywide and nationwide upgrading programs so as to facilitate replication in other cities.

9. **Positive Impact on Environment:** Activities supported by the Cities Alliance are expected to improve the urban environment, especially with regard to the living conditions of the urban poor.<sup>165</sup>

### **Community Led Infrastructure Financing Facility (CLIFF)**

The Community Led Infrastructure Financing Facility (CLIFF) is a US\$10 million dollar venture capital facility set up to organize the urban poor and help them access public, private, and civil society sector resources. It was created by Homeless International, the UK's Department for International Development (DFID), and the Swedish International Cooperation Agency (SIDA). CLIFF facilitates the provision of affordable loans from financial institutions to the urban poor and their community organizations. Capital grants and loans are used to fund projects, representing 75 percent of the CLIFF budget. Loan guarantees from Homeless International help the urban poor acquire loans from financial institutions, and loan repayments are used to support new projects.

Homeless International coordinates the program globally, but the projects are implemented locally by communities of the urban poor with the support of NGOs. This funding is utilized for housing and infrastructure service projects in informal settlements, but has the potential to be scaled-up for greater benefit.

CLIFF's first phase went through March 2010. DFID and SIDA recommitted for a second phase which runs until March 2014. CLIFF was piloted in India by the Indian Alliance, SPARC, National Slum Dwellers Federation, Mahila Milan, and SPARC Samudaya Nirman Sahayak. In 2005, it was implemented in Kenya and in 2007 it was implemented in the Philippines by the Philippine Action for Community-led Shelter Initiatives.<sup>166</sup>

### **Community Organization Development Institute**

The Community Organization Development Institute (CODI) grew out of the Urban Community Development Office (UCDO), which was an organization created within Thailand's National Housing Authority. CODI was established as an independent public organization in 2000, and its status has helped it apply for funds, promote wider linkages, and establish new collaborations between urban and rural groups.

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<sup>165</sup> <http://www.citiesalliance.org/sites/citiesalliance.org/files/Brochure/about-ca-english.pdf>.

<sup>166</sup> Cities Alliance; Homeless International:

[http://www.homeless-international.org/document\\_1.aspx?id=0:59668&id=0:59663&id=0:59166&id=0:59153](http://www.homeless-international.org/document_1.aspx?id=0:59668&id=0:59663&id=0:59166&id=0:59153).

CODI provides subsidies and soft housing and land loans to community cooperatives for on-site infrastructure and housing upgrades. The land is typically collectively owned or leased. These collective tenure arrangements help prevent default and provide a collective sense of security for community members.

CODI has begun a pilot project to help low-income residents receive funding from formal sector banks. Thailand's Government Housing Bank (GHB) has agreed to refinance housing loans CODI had provided to community cooperatives involved in the program. CODI will return half this amount to the GHB in the form of a guarantee fund. Community repayments of the loan will also be made to GHB, which allows CODI to have more funds to grant to other cooperatives and community housing projects.<sup>167</sup>

### **Favela Bairro**

The Favela Bairro program instituted in Rio de Janeiro, Brazil in 1995 is another example of a successful neighborhood improvement program. Funded with US\$80 million from the Inter-American Development Bank, the Favela Bairro program encompasses 253,000 residents across 73 communities and has the potential to benefit approximately 25 percent of Rio's favelas' and subdivisions' residents, making it one of the largest squatter settlement programs in Latin America. The program combines projects designed to convert slums into livable neighborhoods by integrating them into the city fabric through infrastructure upgrades, an increase in services, and provision of low-cost housing.

The project is primarily concentrated on combining basic infrastructure services and upgrades with social development. This includes focusing on integrated urban development, assistance for children and adolescents, job and income programs, and institutional strengthening. The success of these projects resulted from a committed, flexible city government and the use of partnerships between NGOs, the private sector, churches, and the community. Additionally, these projects hinged on grassroots participation and the incorporation of local infrastructure experts to work as project managers and consult with both government and community members. These projects continue today as a \$150 million loan from the Inter-American Development Bank was granted in December 2010 to upgrade 30 favelas and 6 unregulated settlements, benefitting 100,000 people.<sup>168</sup>

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<sup>167</sup> Homeless International; Boonyabanha, 2005.

<sup>168</sup> Inter-American Development Bank, March 23, 2011, Improving living conditions in low-income neighborhoods in Rio de Janeiro. Web story available at: <http://www.iadb.org/en/annual-meeting/2011/annual-meeting-article,2836.html?amarticleid=9164>.

## **Indian Institute for Sustainable Enterprise**

The Indian Institute for Sustainable Enterprise (IISE), located in Bangalore, India, was started in 2011. The IISE is a pilot program initiated by the Educational Trust of India LLC (ETI), an organization that seeks to further higher education exchanges between the United States and India through collaborative endeavors. The IISE was inspired, in part, by C.K. Prahalad's work on expanding business strategies to include Bottom of the Pyramid (BoP) populations.

The mission of the IISE is to produce a new model of business education and entrepreneurial training by focusing and promoting the development of inclusive and environmentally sustainable businesses for BoP populations. This is accomplished through their program offering a Post Graduate Certificate in Sustainable Enterprise and comprised of a mix of students consisting of "intrapreneurs" from Indian companies, entrepreneurs from villages and slums, and participants from companies outside of India. The Institute will be actively involved in research focusing on next practices rather than best practices and strategies that will serve to help promote the use of new "green" technologies in BoP populations and underserved areas.

In addition, the IISE plans to raise \$25 million to finance a Green Leap Seed Fund, which will allow the institute to establish an equity position in ventures arising from the school to link the educational mission with its financial performance. The establishment of ventures will be further facilitated by the Institute's Green Leap Lab, which will act as an incubator and hub for ideas both locally and globally that address the environmental and business challenges of the 21st century.<sup>169</sup>

## **Indian Institute for Human Settlements**

The Indian Institute for Human Settlements is a national education institution that strives to achieve the equitable, sustainable, and efficient transformation of Indian settlements by training professionals in multi-disciplinary learning so they can take on leadership roles in creating cities. The Institute houses an Interdisciplinary Masters and Undergraduate program that focuses on urban development transformation and innovation and emphasizes the multi-sectoral and multi-dimensional challenges of urbanization. The curriculum is based on both theory and praxis of a number of disciplinary areas to better integrate this learning and inform comprehensive urban planning.

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<sup>169</sup>See Indian Institute for Sustainable Enterprise, <http://theiise.net/index.html>.

IHS is incorporated as a not-for-profit company that deploys local and regional knowledge into a forthcoming network of institutions across South Asia. This will allow it to connect global best practices to the primary campus in Bengaluru.<sup>170</sup>

### **Integrated Land Use and Transportation Planning in Curitiba, Brazil**

Integrated land use and transportation planning policies in Curitiba, Brazil exemplify how spatial planning can deliver sustainable and inclusive urban development. In the last 50 years, Curitiba has effectively balanced economic growth, transportation planning, and environmental protection, despite the fact that between 1960 and 2008 its population quintupled from 361,000 to 1.8 million. How was it able to realize these goals in the face of rapid urbanization that normally bedevils planners? The answer centers on three interrelated urban planning efforts: an effective, non-partisan urban planning institution, context appropriate infrastructure investments in transportation, and spatially coordinated housing, transportation, and economic development.<sup>171</sup>

Curitiba's Institute for Research and Urban Planning (IPUCC) was established in the 1960s and has since delivered, analyzed, planned, and implemented the city's master plan independent of changing political administrations.<sup>172</sup> As a result of this institutional longevity, the IPUCC has consistently maximized the government's limited budget by selectively installing municipal infrastructure, guiding commercial and residential growth, and coordinating government infrastructural expenditures in terms of land use, economic development, and housing. The linchpin in this coordinated plan is Bus Rapid Transit (BRT).

BRT is a seemingly simple and intuitive transportation investment that delivers huge cost savings. Lanes in existing roadways are allocated solely for large, articulated buses, which passengers board from an elevated platform. Akin to a subway, passengers pay before entering the platform, thus expediting boarding. Because BRTs build on extant infrastructure they save municipalities huge capital investments as well as long-term management costs. Curitiba's BRT system cost US\$3 million/km, compared to an estimated \$8-\$12 million/km for a tram system or \$50-100 million/km for a subway system. BRTs, unlike other transportation systems, also tend to be fiscally self-sufficient. In Curitiba, BRT fare revenue exceeds operational costs, which eliminates the need for government subsidies and garners private sector interest.<sup>173</sup> In contrast, a study of German cities revealed that light rail revenues only covered 30 percent of operating costs and required subsidies from the federal government.<sup>174</sup>

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<sup>170</sup> Indian Institute for Human Settlements, [www.iihs.co.in](http://www.iihs.co.in).

<sup>171</sup> Suzuki et al., 2009, p. 173.

<sup>172</sup> J. Rabinovitch, "Curitiba: Towards Sustainable Urban Development," 1992.

<sup>173</sup> Suzuki et al., 2009, p. 174.

<sup>174</sup> *Ibid.*, p. 174.

In Curitiba, the BRT's success is intertwined with land use planning. In anticipation of acute population growth, the municipal government purchased land alongside the planned BRT routes, placed social housing along these axes—by 1992, 17,000 families had been placed in these housing units<sup>175</sup>—and prescribed density requirements for new development in these areas. As a result, the BRT system serves 90 percent of the city and 45 percent of all commuters use the system, thus ensuring equitable access to jobs and social services.<sup>176</sup> At a regional scale, the city clustered industrial development in a single suburban area that communicates with the city and obeys stringent environmental regulation. In the 1990s the city enjoyed some of the highest air quality ratings in Brazil while its industries generated 30 percent of the state's GDP, approximately \$100 million annually.<sup>177</sup> More recently, the industrial park's 700 companies have generated an estimated 50,000 jobs, as well as 150,000 jobs in secondary industries. They have generated 20 percent of the State of Parana's exports, which account for 25 percent of industrial tax revenues.<sup>178</sup>

This integrated approach thus provides one example of how spatially integrated investments are financially sound and economically, socially, and environmentally sustainable. For instance, a 2002 study found that Curitiba lost an estimated \$2.13 million a year, about \$1.19 per capita, to fuel expenses and traffic congestion, which pales in comparison to Sao Paulo, which lost \$153.17 million annually—\$14.07 per capita—and Rio de Janeiro, which lost \$40.94 million, about \$7 per capita.<sup>179</sup> By increasing density and boosting accessibility, the city does not have to invest in sprawling infrastructure, and the municipal government has been able to shift its focus to upgrading slums, creating affordable housing, preserving the historic downtown, increasing the city's green spaces, and fine-tuning urban governance.

### **Jawaharlal Nehru National Urban Renewal Mission**

India anticipates imminent economic development and urban growth—by 2021 the urban population may expand by up to 40 percent, and urban areas already produce over half of the country's GDP—and the Jawaharlal Nehru National Urban Renewal Mission (JNNURM) is a national effort to adapt, guide, and capitalize on the opportunities this transformation will bring about in India's cities.

The JNNURM's mission is to enhance the operation and management of urban infrastructure as well as bolster community participation in urban development, improve urban governance, and enhance governmental accountability. Developing and

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<sup>175</sup> Rabinovitch, p. 65.

<sup>176</sup> Suzuki et al., p. 171.

<sup>177</sup> Rabinovitch, p. 67.

<sup>178</sup> Suzuki et al., p. 177.

<sup>179</sup> *Ibid.*, p. 173.

upgrading the country's infrastructure is critical for long-term economic growth and sustainable urban development, especially for the urban poor, who still lack access to basic shelter and many municipal services. The JNNURM aims to achieve its mission by focusing on seven objectives: integrate infrastructure services in urban areas; develop linkages across asset creation and management of infrastructure and urban development; provide funds to overcome deficient urban infrastructure; plan urban development, including in peri-urban communities and other areas of acute urbanization; ensure delivery of civic amenities and utilities to the urban poor; emphasize urban renewal in historic city centers to reduce congestion; and provide basic services to the urban poor, including land tenure, housing, sewerage, sanitation, education, and health and social services.

The JNNURM emphasizes infrastructure development and finance in its mission, but as a national plan it is notable because it also acknowledges the plight of the urban poor. By articulating the need to bridge infrastructure development and with public participation, housing, and economic opportunities for the urban poor, the JNNURM outlines a new approach that national government agencies can take to guide local economic development and ensure equitable urban growth.

### **Kampung Improvement Program and Bandung Walk-Ups**

The Kampung Improvement Program (KIP) in Indonesia is one of the first upgrading and housing programs implemented. The KIP program was conceived by the Jakarta City Council in 1969 to upgrade underserved urban settlements (Kampungs) and provide basic infrastructure and services. The program targeted the poorest third of the Kampungs, who suffered from pronounced environmental degradation. Although central coordination of the projects was provided by the national Directorate General of Human Settlements of the Ministry of Public Works, the planning and development of physical projects was led by KIP units comprised of staff from local government and infrastructure departments. Additionally, community and neighborhood organizations were consulted during the building process.

Initially, local governments provided two-thirds of the program's financing while the central government funded the remaining one-third. From 1969 to 1989 KIP benefitted 15 million people over 50,000 hectares. It was used by 300 local governments by the time of its completion in 1989. Four projects were supported partially by the World Bank from 1975 to 1988. These Urban Development Projects accounted for about a quarter of the total program coverage, approximately 13,000 hectares and 4.7 million recipients. A new phase for the program was implemented in the late 1980s that sought to increase community-based, participatory planning for the projects. Stronger emphasis was placed on community and NGO contributions to the process of upgrading neighborhoods and providing funding sources. During this phase, the World Bank

supported an additional project in Jakarta. The KIP program is largely viewed as a success but also has its failings, at least at the start of the program regarding community participation and regarding the maintenance of infrastructural upgrades.<sup>180</sup>

One aspect of the KIP program involved the replacement of substandard housing with multiple story walk-ups in Bandung, freeing up space for redevelopment without forcing residents to move. The walk-up program evolved to engage residents in housing design, ensuring that the new housing met community needs and helped to maintain the existing social structure.

### **Micromortgages**

Microfinance is often defined as the provision of financial services to micro-entrepreneurs and small businesses that lack access to traditional banking and related services. Therefore, microfinance for housing encompasses financial and non-financial services that institutions make available to clients to provide for their housing needs.

These enterprises typically view the poor or very poor as customers for small loan amounts that do not require collateral and have a short repayment period. Borrowers typically use these loans to finance home improvement measures or for the purchase of a house or land for development. Originators of these loans include financial institutions, such as Grameen Bank in Bangladesh, as well as NGOs, developers, and building material suppliers, like CEMEX in Mexico.

In India, the model of providing microfinance for homebuilding and purchasing has expanded into the creation of micromortgages, a form of “small ticket” housing finance that operate similarly to traditional mortgages but are geared towards lower income, informal sector customers. As part of the redevelopment process in informal settlements, financing is provided to facilitate the purchase of homes in settlements as they are rebuilt with the house acting as collateral for the loan. Examples of companies servicing this market in Mumbai and Ahmedabad include MAS Financial Services, Value and Budget Housing Corporation (VBHC), Micro Housing Finance Company (MHFC), and Neptune. The wider adoption of this model could offer benefits for both the lenders and customers. For lenders, micromortgages provide greater security as the house acts as collateral securing the loan. Customers would benefit from receiving the lower interest rates offered on micromortgages, approximately 12 to 14 percent rather than the 18 to 36 percent offered by traditional microfinance institutions.

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<sup>180</sup> Kessides, 1997.

## **Orangi Pilot Project in Pakistan**

At 13 million inhabitants, Karachi is Pakistan’s largest city and its population growth has outpaced private-sector housing construction—Karachi has a housing deficit of 80,000 homes. In turn, katchi abadis—unauthorized settlements on government land—and subdivisions of peri-urban agricultural land have arisen to redress this shortcoming. Katchi abadis house approximately 9 million residents in Pakistan and an additional 15 million live in informal subdivisions. Of this 9 million nationwide, 6 million live in katchi abadis in the city of Karachi. These neighborhoods are largely built beyond the pale of urban services, but acquire water, electricity, gas, and social infrastructure over the course of several years. Sewerage, however, is the exception, and effluent commonly accumulates in cesspools or other natural drainage systems around these settlements.

The Orangi Pilot Project Research and Training Institute is an NGO that was created to improve housing and sanitation services in informal settlements throughout Pakistan and specifically in Orangi, a collection of katchi abadis in Karachi with a population of 1.2 million. Unlike other upgrading arrangements, the project is noteworthy because it supports community financing to develop “internal” sewerage: sanitary latrines inside homes, underground sewers in lanes, and neighborhood collector sewers. These systems are linked to “external” sewerages such as trunk sewers and treatment plants, which the local government builds and maintains. Mapping has been an essential component of these projects as the communities have developed sanitation systems that take advantage of the terrain’s natural topography. As of 2006, an investment of US\$1.4 million had provided the financing for the construction of approximately 5,479 sanitation lanes and channels, which serviced some 98,527 homes. As a result, infant mortality in communities with sewerage has declined from 128 deaths per 1,000 in 1983 to 37 deaths per 1,000 in 1993.<sup>181</sup>

## **Patrimonio Hoy and Self-Help Housing in Mexico**

CEMEX, a global manufacturer of building materials, has been pioneering a model in Mexico called Patrimonio Hoy that offers a “total housing solution” and provides financing, cement, materials, technical assistance, storage, and customer service to its low-income customers in order to facilitate self-construction of low-income housing.

Patrimonio Hoy was initiated in 1998 and seeks to alleviate the Mexican housing deficit and provide help for the 20 million residents living in inadequate shelter. Through the program, CEMEX helps low-income families form self-financing groups and expedites the incremental homebuilding process in many slums that normally lasts for many years. CEMEX and its affiliate companies finance 80 percent of the material cost, fix prices

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<sup>181</sup> A. Hasan, “Orangi Pilot Project: The Expansion of Work Beyond Orangi and the Mapping of Informal Settlements and Infrastructure,” 2006.

during project cycles, provide design advice and technical assistance, warehouse services, and set-up community service centers where they offer temporary employment and help families produce building materials, like concrete blocks to be used in home construction. This reduces construction time of incremental house-building by 60 percent and cost by 30 percent. More than 70,000 families have taken advantage of this program. Repayments to CEMEX are US\$13.50 weekly per person with 99.2 percent of materials and services sold paid on time.<sup>182</sup>

### **Piso Firme Program in Mexico**

Mexico's Piso Firme—"firm floor"—program demonstrates the benefits that targeted, *in situ* upgrades can provide for the urban poor. The program replaces dirt floors with cement floors, and despite its simplicity it has had profound impacts. A 2007 World Bank evaluation found that replacing dirt floors with cement floors leads to a 78 percent reduction in parasitic infections, a 49 percent drop in diarrhea, an 81 percent reduction in anemia, and a 36 to 96 percent improvement in cognitive development.<sup>183</sup> These benefits also extend to the community—surveyed adults reported a 59 percent increase in satisfaction with housing, a 69 percent increase in perceived quality of life, a 52 percent drop in self-reported depression, and a 45 percent reduction in perceived stress.<sup>184</sup>

The Piso Firme program began in the northern Mexican state of Coahuila in 2000, and by 2005 the program had installed 35,000 cement floors, leading to its adoption by the federal government in 2007. Although the program has provided an estimated 300,000 homes with cement floors, there is still much ground to cover. According to the 2000 census, there are a total of 3 million homes with dirt floors across the country,<sup>185</sup> yet one of the factors limiting the program's widespread implementation is fundamentally intrinsic to slums—ambiguous land tenure. Only householders with proof of home ownership are eligible for the program, which severely limits its applicability where it is most needed.

Despite its shortcomings, Piso Firme is one of the most valuable government investments in the country's future. Because the program provides a healthy living space and thwarts parasitic diseases that impair cognitive development in young children, its benefits accrue over the long-term and may contribute to higher levels of school enrollment, increased lifetime earnings, and improved welfare.<sup>186</sup> In fact, the program has a more profound positive impact on child cognitive development and

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<sup>182</sup> Schmidt & Budinich, 2008.

<sup>183</sup> M.D. Cattaneo et al., "Urban Water and the Politics of Citizenship: The Case of the Mexico City Metropolitan Area During the 1980s and 1990s," 2007, p. 3.

<sup>184</sup> *Ibid.*, p. 4.

<sup>185</sup> *Ibid.*, p. 5.

<sup>186</sup> *Ibid.*, p. 4.

nutrition than other distinguished programs, including the anti-poverty conditional cash transfer programs Oportunidades and Progresa, which provide cash payments to families for school attendance, regular health clinic visits, and nutritional support.<sup>187</sup> Given Mexico's imminent demographic boom—the median age is 27 and 28 percent of the population is under 14 years old—Piso Firme may be one of the most important investments in the country's social and economic development.<sup>188</sup>

## Porto Alegre

In Brazil, Porto Alegre's participatory municipal budget program has successfully ushered in an era of transparency and responsive governance. Starting in 1989, the participatory budget mandated that elected community representatives, rather than bureaucrats, scrutinize the municipal budget and allocate its resources according to consensus and need. And its participation rates reflect its utility: between 1989 and 2003 the number of participating citizens increased from 1,510 to 23,520, and today an estimated 50,000 citizens participate. Indeed, the program has provided a forum for underrepresented groups—the urban poor, racial minorities, and women are all strongly represented—and it has also fostered transparency while reducing corruption and clientelism.<sup>189</sup> Because the budget is attuned to citizen needs, there are fewer large scale, headline-grabbing projects and more small-scale, neighborhood interventions. As such, from 1989 to 1996 household access to the sewage network increased from 46 to 85 percent and access to running water rose from 80 to 98 percent, which means that 465,000 households now have drinking water.<sup>190</sup> Additionally, 30 km of roads have been paved annually since 1989 and revenue has increased by almost 50% because of payment of taxes.<sup>191</sup>

Several important administrative changes coupled with active community organizations contributed to the program's success. Paralleling the decline of Brazil's military dictatorship in the mid-1980s, in 1988 Brazil approved a new constitution that decentralized resources and administrative functions to municipalities, while a concurrent progressive tax reform increased municipal budgets.<sup>192</sup> Simultaneously, popular social movements were afoot across Brazil. In the early 1980s disenfranchised, poor urbanites formed grassroots movements in the city's peri-urban neighborhoods to demand improved municipal services and to combat social exclusion.<sup>193</sup> In this way, democratic representation and community organizing combined with administrative

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<sup>187</sup> Ibid., p. 4; D. Coady, *Alleviating Structural Poverty in Developing Countries: The Approach of Progresa in Mexico*, 2003.

<sup>188</sup> CIA World Factbook, <https://www.cia.gov/library/publications/the-world-factbook/geos/mx.html>.

<sup>189</sup> Novy & Leubolt, 2005, pp. 2029, 2031.

<sup>190</sup> Ibid., p. 2028; IHC, 2009, p. 25.

<sup>191</sup> D. Lewit, "Porto Alegre's Budget Of, By and for the People," 2002; World Bank, *Porto Alegre, Brazil: Participatory Approaches in Budgeting and Public Expenditure Management*, 2003.

<sup>192</sup> Novy & Leubolt, 2005, p. 2027.

<sup>193</sup> Ibid., p. 2026.

and fiscal changes created fitting conditions for the participatory budget program's success.<sup>194</sup>

However, Porto Alegre's success was not inevitable. Public participation can easily devolve into mere "consultation workshops" where bureaucrats present stakeholders with plans that have already been approved. Similarly, entrenched political interests can stymie social movements by thwarting, absorbing, or co-opting their leaders.<sup>195</sup> In this sense, transparency and accountability are laudable public administration goals—ones that were a serendipitous product of decentralization and citizen mobilization—but political, clientelistic, and institutional inertia can also conspire to reinforce the status quo and hamstring reform.

### **Re-Dharavi Redevelopment Plan**

Dharavi is a slum in Mumbai, India that has recently demonstrated notable community planning and organizing in response to threats of forced redevelopment and resettlement. Its experience captures both the importance of public participation in urban planning, and the difficulties slum dwellers face in asserting their rights and protecting their assets when rule of law is inconsistent and government agencies are opaque.

In 2004 the Maharashtra State government initiated the Dharavi Redevelopment Plan (DRP), which proposed clearing the Dharavi slum in Mumbai to create a new Central Business District, which private sector developers would construct. In response, slum dwellers collaborated with community organizations, NGOs, planners, and architects to protest the plan and its wide-ranging deficiencies. Government planners had formulated the redevelopment plan under a veil of opacity, and neighborhood population, ownership, environmental and infrastructural surveys were either nonexistent or hidden from public scrutiny. In turn, the uncertainty surrounding expropriation schemes, dubious compensation, and resettlement arrangements prompted local concern and resistance. Initially, politicians responded to the slum dwellers' organized resistance: community groups received political attention and convinced Maharashtra State officials to conduct household surveys and consider community-driven upgrading for the area instead of wholesale demolition. In fact, slum dwellers even united and collaborated with local architects and planners and created Re-Dharavi, their own redevelopment plan that featured spatial strategies and plans to install infrastructure into the neighborhood, mitigate the disruptive effects of construction and redevelopment in slum dwellers lives, and reconcile the various community and business interests at the heart of the conflict. Indeed, in an open letter to government officials, slum dwellers recognized the need to redevelop Dharavi—it is

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<sup>194</sup> *Ibid.*, p. 2026.

<sup>195</sup> *Ibid.*, pp. 2031, 2034.

proximal to Mumbai's financial district—but asked to be consulted and included in the redevelopment.<sup>196</sup>

However, the initial governmental response did not successfully propel the slum dwellers' cause. Despite notable community organizing, public participation, and even a community-based redevelopment plan, the slum dweller coalitions have been unable to translate the Re-Dharavi plan into action. Although a government appointed redevelopment committee of experts reviewed and recommended the plan to the Maharashtra State government, a senior committee of state secretaries rejected the community's redevelopment proposal and Dharavi's future is currently uncertain.<sup>197</sup>

### **Self Employed Women's Association**

Founded in Gujarat, India in 1972, the Self Employed Women's Association (SEWA) was an outgrowth of the Textile Labor Association (TLA), a union of textile workers formed in 1920 in India. SEWA is officially recognized as a trade union comprised of poor, self-employed women workers who earn a living through their own labor or small business. Trade union recognition is unique as the self-employed are typically unorganized. SEWA changed this by establishing a union of people who do not have regular salaried employment, representing 94% of the female labor force in India.

SEWA is not only a trade union but is a movement to organize workers to achieve full employment and self-reliance encompassing work security, income security, food security and social security or at a minimum: health care, child care, and shelter. In this capacity, it is an NGO that builds assets especially for women. This goal is accomplished through a strategy of development activities that provide bargaining power to acquire new life alternatives. Membership in the union is open to all self-employed women who pay an annual fee of Rs. 5. The organization's membership is classified under the following categories: hawkers and vendors, home-based workers, manual laborers and service providers, and producers. In 2008, total membership was 966,139.<sup>198</sup>

Two significant entities and programs that the organization runs are the SEWA Bank and the SEWA Academy. SEWA bank was established in 1974 and is a large membership cooperative bank that includes self-employed women as its shareholders. The bank maintains a credit loan fund built from its members' savings and provides financial services, such as savings accounts, loans, and insurance services, to support SEWA's work of socio-economic empowerment and self-development.<sup>199</sup> In addition, the SEWA Academy was formed in 1991 and serves as the focal point for SEWA's training, capacity

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<sup>196</sup> Arputham & Patel, 2010.

<sup>197</sup> Ibid.; Patel and Arputham, 2008; Arputham and Patel, 2010.

<sup>198</sup> Self Employed Women's Association, [www.sewa.org](http://www.sewa.org).

<sup>199</sup> SEWA Bank, [www.sewabank.com](http://www.sewabank.com).

building, research and communication efforts. The academy provides leadership training for SEWA members through a collective approach to the overall development of women. It also reinforces and promotes SEWA's ideological framework by conducting and disseminating research and producing training resources for capacity building leadership development.<sup>200</sup>

### **Slum Dwellers International**

Launched in 1996, Slum Dwellers International (SDI) consists of an alliance of country-level organizations referred to as "federations" of the urban poor from 33 countries in Africa, Asia, and Latin America. The mission of SDI is to connect poor urban communities in cities throughout developing countries and transfer and adapt successful mobilization, advocacy, and problem solving strategies throughout the region. SDI also advances an agenda to create inclusive cities that integrate rather than marginalize slum dwellers in urban development and planning processes. SDI concentrates its work on the areas of savings, empowering women, enumerations and mapping, developing partnerships, and slum upgrading. SDI emphasizes the use of horizontal and community exchanges as a learning strategy to promote information sharing between groups and within communities.

In order to advance the creation of inclusive cities, SDI utilizes an equity model for project funding and operates an Urban Poor Fund International (UPF-I) as its own finance facility. UPF-I provides seed monies and Federation strengthening funding for innovative pilot projects to its affiliates, Urban Poor Fund Nationals (UPF-N). The UPF-N then provides capital to savings federations affiliated with SDI to undertake land, infrastructure, and shelter related activities for urban improvement. This gives the urban poor direct control of capital to help them co-manage the improvement programs. Recoveries of cash and capital flow back to the UPFs to create UPFs that are autonomous, self-sustaining, and capable of funding future projects.<sup>201</sup>

### **Society for Promotion of Area Resource Centers (SPARC)**

Since 1984, Society for Promotion of Area Resource Centers (SPARC) has been working to reduce urban poverty by supporting housing, infrastructure, and community organizing for slum dwellers. SPARC is an NGO that is a founding member of Slum Dwellers International (SDI) and forms part of an alliance with the National Slum Dwellers Federation. SPARC is also a member of the Indian Alliance which supports communities that receive grants and loans from the Community Led Infrastructure Financing Facility (CLIFF) to finance housing and infrastructure projects. SPARC also has

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<sup>200</sup> SEWA Academy, [www.sewaacademy.org](http://www.sewaacademy.org).

<sup>201</sup> Slum Dweller's International, [www.sdinet.org](http://www.sdinet.org).

a nonprofit construction company called SPARC Samudaya Nirman Sahayak (SSNS) that helps construct community housing projects throughout India.

SPARC's work incorporates a variety of community-centered efforts that, taken together, empower communities and provide avenues for slum upgrading. These efforts include: creating Area Resource Centers, which serve as meeting places and a base for activities in a community; encouraging community members to join local savings and credit programs that build local assets and capacity; leading community mapping and enumeration projects to make slums visible and organize communities; promoting peer exchanges between communities to foster learning and knowledge transfers; supporting dialogue and engagement between communities and government authorities; and advocating pro-poor policies, such as land tenure agreements. In practice, these efforts have a myriad of benefits. Local credit and savings arrangements provide small loans in communities, those displaced by urban infrastructure are resettled with SPARC's help, community infrastructure and housing conditions have improved, and communities have gained a lasting voice in the city.

Most recently, SPARC's efforts in the Dharavi slum in Mumbai have garnered widespread attention. SPARC has worked to help slum dwellers organize and plan an alternative redevelopment scheme for the neighborhood that balances housing and infrastructure upgrades while reducing forced displacements and facilitating large scale real estate and commercial development.<sup>202</sup>

### **Value Sharing (Land Value Capture)**

Unlocking and capturing land value in developing countries is critical to reducing urban poverty. Value capture is defined as the public recoupment of increased land value generated by earlier investment in either private or public land. Monetizing land assets and collecting higher property taxes are two methods that governments can use to create and capture land value, and there are several models that have been used successfully in developing countries that have allowed for the leveraging of land values to provide financing for investments in infrastructure and redevelopment. Examples include the levying of betterment taxes on land value gains in Bogotá, Columbia, the proceeds of which were invested in infrastructure improvements to the road network, and the transformation of the riverfront in Ahmedabad, India into public space and sewage infrastructure, where the government secured loans for the project based on projected land prices to be realized after project completion.

Alterations to land use and zoning regulations can also increase land value by maximizing capital. Floor space can be viewed as a proxy for land value in urban areas and increasing the amount of permissible floor area ratio (FAR) provides for greater use

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<sup>202</sup> UN-Habitat, *Housing the Poor in Asian Cities*, 2008.

of the land parcel. Sales of land which offer higher FARs can provide additional financing for city infrastructure. In addition, Transfer of Development Rights (TDRs) also serves to facilitate the financing of developments and infrastructure. They provide incentives for developers to build affordable housing or private property owners to relinquish land for public use by allowing them to build additional floors beyond the permitted FAR. This has been done with limited success in Mumbai, India.

### **Water Privatization in Argentina**

Under the government of President Carlos Menem, water and sanitation services in Argentina were privatized from 1991 to 1999. The privatization initiative encompassed 28 percent of the country's municipalities, which contained 60 percent of the population. A public health study of this program found that child mortality decreased by 5 to 7 percent overall but the steepest decrease was in the poorest municipalities, where mortality fell by 24 percent. Privatization was credited with reducing deaths from infections and parasitic diseases, preventing 375 child deaths per year.<sup>203</sup>

Community organizations have taken the lead in facilitating housing financing and upgrades in several developing countries, particularly in India, Thailand, and the Philippines. These organizations serve as financing institutions, assisting and acting as intermediaries on behalf of low-income communities.

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<sup>203</sup> R. J. Struyk and S. Giddings, *The Challenge of an Urban World: An Opportunity for U.S. Foreign Assistance*, 2002.

## Appendix C

# Addressing the Political Complexities of Informal Settlements

There are many steps that countries can take—with or without the aid, support or encouragement of international and regional donors and governing bodies, though *far better with them*—to address the political ambivalence towards slums, which diminishes the political will to pursue ISUD in some places. In addition to the formation of National Urban Planning Commissions charged by international intergovernmental bodies with formulating inclusive and sustainable urban development strategies, the following smaller steps would help strengthen resolve:

### ***Create International Recognition and Reward Programs***

Political leadership on these issues is not easy or common. An important way to support and encourage such leadership—as well as to get the word out about successes that do not sugarcoat what it takes to achieve them—is to create a highly-visible and distinguished international recognition and reward program to acknowledge national, provincial, and local political leaders that have made especially praiseworthy efforts to spur ISUD. The aim would be to inspire and guide others but also to elevate and provide overdue acknowledgement of bold and decisive leadership. Some organization should elevate and applaud special advances and leadership in this area with the prestige that winning the Nobel Prize does for peacemakers and others.

### ***Publicize Successful Examples of Regularization and Infrastructure Cost Recovery***

In addition to praising and rewarding political leadership and in the process drawing attention to a limited number of successes each year, another step that could be taken is to publicize successful efforts to recover some or all of the costs of the provision of municipal infrastructure and services through user fees or the new collection of property taxes. An effort to identify as many cases in which this has occurred as possible could help drive home a point that recovery is possible. This could help break through the skepticism holding political leaders back from doing more to upgrade municipal services and infrastructure in slums and other poor parts of an urban region. While the full cost recovery of all upgrades needed in slums is impractical, illustrating the potential of the poor to contribute can help garner political support as well as enable governments to stretch their limited resources further.

### ***Publicize Successes in Moving Towards More Formality and Safety Net Protections***

In addition to encouraging political leaders to engage in a “difficult dialogue” nationally about informality, another step worth taking would be to identify and extract best practices from places that have successfully increased formalization of land, housing, and economic activities. As noted above, the scholarly community is still assessing informality and its role in the political economy of cities and nations. Investing in a scan of places that have moved more towards formality and researching what has been learned in the process would be productive. In this area, the Lincoln Institute for Land Policy has played a leading and productive role when it comes to both land value sharing and regularization of land. Building on these and helping disseminate information on successes in regularization and paths to achieve them, especially in a format that is accessible to political leaders, would be worthwhile. So too would be an effort to identify, study, and disseminate findings on broader efforts to extend regulation and taxation to informal areas and activities. Together, this would help policymakers appreciate the possibility and potential benefits of moving towards formality and ideas for how best to do so.

## Appendix D

# Planning and Governance Capacity for Inclusive and Sustainable Urban Development

The following are additional recommendations on building regional planning and governance capacity.

### ***Develop Planning Tools to Address Informality***

There is a need to further study who benefits and loses from informal settlements and activities as well as who wields power in these communities, how, and why. In this case, the aim would be to help politicians understand how to work through the complicated dynamics and conflicts in bringing more formality (including the rule of law, recourse to courts, land rights, government-provided or supported public goods, and protection and security) to these places. This would enable elected officials and planners to make prudent, appropriate, deliberate decisions on how to regulate and whether to tax activities that are now informal.

### ***Study Decisions by Slum Residents to Invest in Housing and Businesses***

Short of setting up investment and financing innovation funds, a productive step to help planners and policy-makers mobilize private investment and support asset building by the poor would be to study how slum residents make housing and business investment decisions, where they get the funds to do so, and if municipal laws help or hinder their investment. The purpose of the study would be to understand the conditions that have led to more or less investment. It would have the aim of identifying municipal and donor policies and programs and regulations that would support greater resident investment.

### ***Fund City Level Data Sharing Initiatives***

Given that the need for cities to improve municipal and regional planning, it is helpful to be able to compare cities to one another. There currently is not a well-funded comprehensive facility for city-level data beyond those of demographics as collected by the UN Population Division. An example of a response to the urgent and compelling need for a single, master system of global city indicators that measure and monitor city performance and quality of life is the GCIF that was established by the Government of

Japan with the World Bank and is now precariously held at the University of Toronto, Canada. GCIF has established a set of city indicators, with globally standardized methodology to allow for sharing and comparability. The Facility enables cities to input, monitor and update the indicators of their city in a web-based relational database—allowing cities to lead the process and “own” the product.

### ***Fund Post-Secondary Institution and Municipal Partnerships to Create Inclusive Geo-Coded Maps***

In the absence of accurate mapping and data for planning, innovative partnerships could be developed to provide this information in conjunction with learning opportunities for the students of the institutions while contributing a public good to the municipality and institutional research. Additionally, these types of studios or research projects for planning would develop training tools and exposure for the future generations of urban planners and designs.

### ***Develop Professional and Post-Professional Training Curricula***

It is important to start to build ISUD into professional curricula so that when the next generation of planners graduates they are equipped to deal with the special challenges of ISUD. A good example of such a program is the [Indian Institute for Human Settlements \(IIHS\)](#).<sup>204</sup> Its intention is to train “urban practitioners” who will advance social inclusion and environmental sustainability.

The curriculum and approach to education that IIHS develops could serve as a model for all planning and design programs in both developing and developed nations. Indeed, the IIHS is already involving scholars in leading planning programs worldwide in its design and implementation.

An important consideration in crafting executive training programs for practicing planners is to combine spatial planning skills with public engagement techniques. Such a skill set would enable planners to engage and organize communities, translate their concerns into a vision and plan that sequences and arranges steps towards consensus-derived objectives, and bridge community vision with public policy outcomes.

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<sup>204</sup>See <http://www.iihs.co.in/>

***Create a Scholarship Program Tied to Placement with Municipal Planning Agencies***

To help ensure that once planners complete their graduate educations, as well as to attract the best and brightest to specialize in ISUD planning, it would be desirable to establish scholarship programs that stipulate a period of post-graduate employment with a pre-arranged municipal planning department. This would also serve to reward and support municipal agencies serious about building their capacity to conduct ISUD planning.