LESSONS LEARNED ON URBAN UPGRADEING

Presentation Prepared for

WORLD URBAN FORUM
Nairobi, Kenya
April 29 – May 3, 2002

Presented by
Alan Carroll
Lead Urban Specialist
World Bank, Africa Region

Norway-World Bank Urban Environment and Poverty Initiative for Africa
NTF-WB URBAN ENVIRONMENT AND POVERTY INITIATIVE

- Urban Upgrading
- Managing the Environment Locally in SSA
- Clean Air Initiative
PAST RESPONSES TO LOW-INCOME URBAN SETTLEMENTS

1960s
- Demolition
- Public Housing
- Rural Development

1970s
- Self-help paradigm
- Sites and services
- In-situ upgrading of low-income, unplanned areas
ESSENTIAL FEATURES OF UPGRADING

- Direct targeting of existing low-income, unplanned urban areas
- Combination of infrastructure investments and related interventions
- Usually multi-sector investments
- Community participation
- Some cost recovery through user fees
- Other components: tenure regularization, employment generation, plot redistribution
1980s: CRITIQUES OF UPGRADING

Micro Level:
- Slow implementation
- Poor management
- Inadequate community participation
- Complex and unwieldy projects
- High design standards too expensive
- Inadequate operation and maintenance

Macro Level:
- Not replicable financially or institutionally
- Lack of fit with emerging focus on urban policy, city-wide issues, municipal development
- Upgrading viewed as stop-gap measure
1990s: LOCAL GOVERNANCE AGENDA

- Decentralization and local government development
- Public sector reform; fiscal management reform
- New generation of interventions:
  - Programs, not projects
  - Long-term approach with phases
  - Performance and incentives-based
  - City-wide development strategies
  - Tied to government and municipal reform programs
REVISITING UPGRADEING

- Re-introduce direct poverty targeting in municipal development programs
- Integrate community-driven approaches into local governance system
- Role of communities in:
  - Pressuring local governments to perform
  - Improving effectiveness of service delivery (demand-response)
- Role of municipalities in:
  - Implementing
  - Allocating resources
  - O + M
NTF-WB UPGRAADING INITIATIVE
2001-2003 - ACTIVITIES

Lessons learned
- 10 country case studies
- Interim analytical synthesis
- Impact surveys in 4 cities
- Final analytical paper

Case studies
- Burkina Faso
- Cameroon
- Côte d’Ivoire
- Ghana
- Mali
- Namibia
- Senegal
- Swaziland
- Tanzania
- Zambia
NTF-WB UPGRAADING INITIATIVE 2001-2003 - ACTIVITIES

Knowledge sharing
• Conferences and workshops
• Materials on web sites
• Networking with African institutions

Scaling Up
• Financing studies to support large-scale upgrading programs in 4 countries
REVIEW OF EXPERIENCE AND LESSONS LEARNED

- Capital investment financing
- Cost recovery
- Standards for infrastructure and development
- Community participation
- Operation and maintenance
- Income generation
- Tenure security
- Gender
- Institutional aspects
CAPITAL INVESTMENT
FINANCING FOR UPGRADING

- Largely donor funding
- Few examples of large-scale government funding (Indonesia KIP; now South Africa)
- More central and local government co-financing

*Lessons:*

- Integrate external funding with local government finance mechanisms
- Harmonize with sector-specific policies on capital investment of local infrastructure (e.g. water)
COST RECOVERY

- User contributions to capital costs intended to:
  - Reduce investment costs to treasury
  - Promote “ownership” by users
  - Serve as an indicator of economic demand for services
- User fees for operation and maintenance
- Indirectly through municipal general revenues
COST RECOVERY

- Previously often project-specific; not tied to general policies
- Track record mostly unsatisfactory

*Lessons:*

- Poor should not pay more than middle or upper classes
- Cost recovery should be consistent with sector policy (e.g., water, roads, etc.)
- Selection of investments and service levels based on willingness to pay
STANDARDS FOR INFRASTRUCTURE AND DEVELOPMENT

- Tradeoff: affordability/lower capital cost vs. durability/lower O&M cost
- Recent programs have used very low per capita costs ($50-$100-$150 p.c.)
- Evolution to more flexibility on standards
- Resistance today more on technical grounds

Lesson:

- Need to codify flexibility in regulations
COMMUNITY PARTICIPATION

Objectives:

- Ensure types and levels of investments are really in demand by users
- Promote community commitment to maintenance
- Ensure mobilization of community contributions to capital costs
- Facilitate relocation and compensation
- Resolve tenure issues
Lessons:

- General acceptance of community participation as essential element of upgrading
- Definitions remain unclear as to
  - What constitutes a “community” and who represents it
  - What constitutes acceptable community participation
  - The role of government bodies, NGOs, and civil society
- Thus need to focus on achieving the above objectives rather than imposing ideas on “how”
OPERATION AND MAINTENANCE

Key flaws in past:
- Centralized implementation
- Lack of policy frameworks
- “Enclave” project units
- Too much emphasis on community responsibility for O&M

Lessons:
- Capital investments should be scaled to projected financial capacity for O&M
- O&M arrangements sector-by-sector based on existing policies and structures
- Complemented by NGOs and CBOs where feasible
- Formal agreements (e.g., MOUs)
INCOME GENERATION

Considered a key component of earlier generation of upgrading projects

Mechanisms:
- direct employment in project construction
- provision of markets and workshops for small enterprises
- micro-finance programs directly through projects or linked to them

Lessons:
- Direct interventions add much complexity and risk
- Micro-finance components within projects have poor records
- Little analysis of sustained impact has been done
- Informal/small-scale enterprise development should be handled separately through specialized institutions
- Reform of standards should facilitate renting out units or rooms
TENURE SECURITY

Seen as necessary to:
- prevent demolition and stabilize communities
- provide collateral for household credit
- promote household investment in housing
- allow legal provision of infrastructure

Lessons:
- Formal titling experience: slow, complex, difficult
- Little evidence of effect on financial sector
- Upgrading by itself is often enough to confer sufficient security
- Upgrading & tenure regularization have different time frames; they should be decoupled
Mostly ignored in upgrading project design

Issues:
- Women have weaker tenure rights
- Women tend to have different priorities on needs, willingness to pay
- Important economic/financial impacts on women-headed households

Gender issues need to be addressed explicitly in planning and implementation
INSTITUTIONAL ASPECTS

1970s and 1980s:
- central government management
- “enclave” implementation units
- local councils marginalized
- complex projects were institutionally unwieldy

1990s:
- upgrading fell out of favor because of a lack of a sustainable institutional model
- emergence of single-sector approaches (e.g. peri-urban water and sanitation)
INSTITUTIONAL ASPECTS

Lessons:

- Implementation of upgrading is a municipal/local government responsibility
- Central government role is provision of enabling policies
- Need concurrence & cooperation of utility companies
- Still don’t have a good handle on “mainstreaming” community participation aspects: some interesting models (Fondation Droit a la Ville, Senegal; NGO-donor Forum in Zambia)
## MAINSTREAMING OF UPGRAADING: A NEW PARADIGM FOR SUSTAINABILITY

<table>
<thead>
<tr>
<th>ELEMENT</th>
<th>OLD</th>
<th>NEW</th>
</tr>
</thead>
<tbody>
<tr>
<td>Poverty reduction objective</td>
<td>Ad hoc</td>
<td>Poverty Reduction Strategies (PRSPs)</td>
</tr>
<tr>
<td>Policy framework for upgrading</td>
<td>None</td>
<td>Policies in place</td>
</tr>
<tr>
<td>Institutional context</td>
<td>Centralized state</td>
<td>Decentralization &amp; PSP</td>
</tr>
<tr>
<td>Implementation</td>
<td>PIU</td>
<td>Municipalities, utilities</td>
</tr>
<tr>
<td>Time horizon</td>
<td>Short</td>
<td>Long, multiple phases</td>
</tr>
<tr>
<td>Context</td>
<td>Separate activity</td>
<td>Part of municipal development program</td>
</tr>
<tr>
<td>Design</td>
<td>Complex; numerous objectives</td>
<td>Primary focus on infrastructure for the poor</td>
</tr>
</tbody>
</table>
# Mainstreaming of Upgrading: A New Paradigm for Sustainability

<table>
<thead>
<tr>
<th>ELEMENT</th>
<th>OLD</th>
<th>NEW</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital financing</td>
<td>One-off project</td>
<td>Part of local government finance mechanisms and sector investment strategies</td>
</tr>
<tr>
<td>Operation &amp; maintenance</td>
<td>Project-specific</td>
<td>According to sector policies</td>
</tr>
<tr>
<td>Cost recovery</td>
<td>Special arrangements</td>
<td>Equitable, according to local government &amp; sector policies</td>
</tr>
<tr>
<td>Community participation</td>
<td>Central government resistance</td>
<td>Local government collaboration</td>
</tr>
<tr>
<td>Gender issues</td>
<td>Absent</td>
<td>Explicit</td>
</tr>
</tbody>
</table>
**“SCALING UP” OF UPGRADING**

NTF is supporting scaling up according to the new paradigm in four countries:

<table>
<thead>
<tr>
<th>Country</th>
<th>Estimated Investment</th>
<th>Estimated Number of Beneficiaries</th>
</tr>
</thead>
<tbody>
<tr>
<td>South Africa</td>
<td>$150 million</td>
<td>350,000</td>
</tr>
<tr>
<td>Nigeria</td>
<td>$30 million</td>
<td>750,000</td>
</tr>
<tr>
<td>Swaziland</td>
<td>$15 million</td>
<td>100,000</td>
</tr>
<tr>
<td>Tanzania</td>
<td>$30 million</td>
<td>200,000</td>
</tr>
</tbody>
</table>