

# Is Slum Upgrading Enough?

Reframing the World Bank's Approach to  
Inclusive Cities

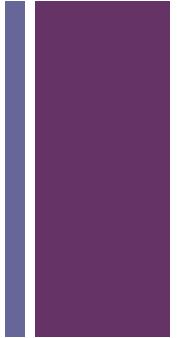
# + Why Inclusive Cities?

As the world becomes increasingly urban, there is a demand to better understand how the benefits of urbanization can be shared more equitably among its residents and develop inclusive cities where everyone, including the most marginalized, have access to basic services and the opportunity to build a prosperous future.

Benefits	Challenges
Cities are pathways out of poverty	Poverty is rapidly urbanizing
Cities are engines of economic growth	High un-employment rates in cities and rising inequalities
Cities offer better quality of life	1 in 3 urban residents live in slums and under-serviced low income areas
Cities are places where people have the opportunity to create new identities	Most marginalized people in cities often do not have voice

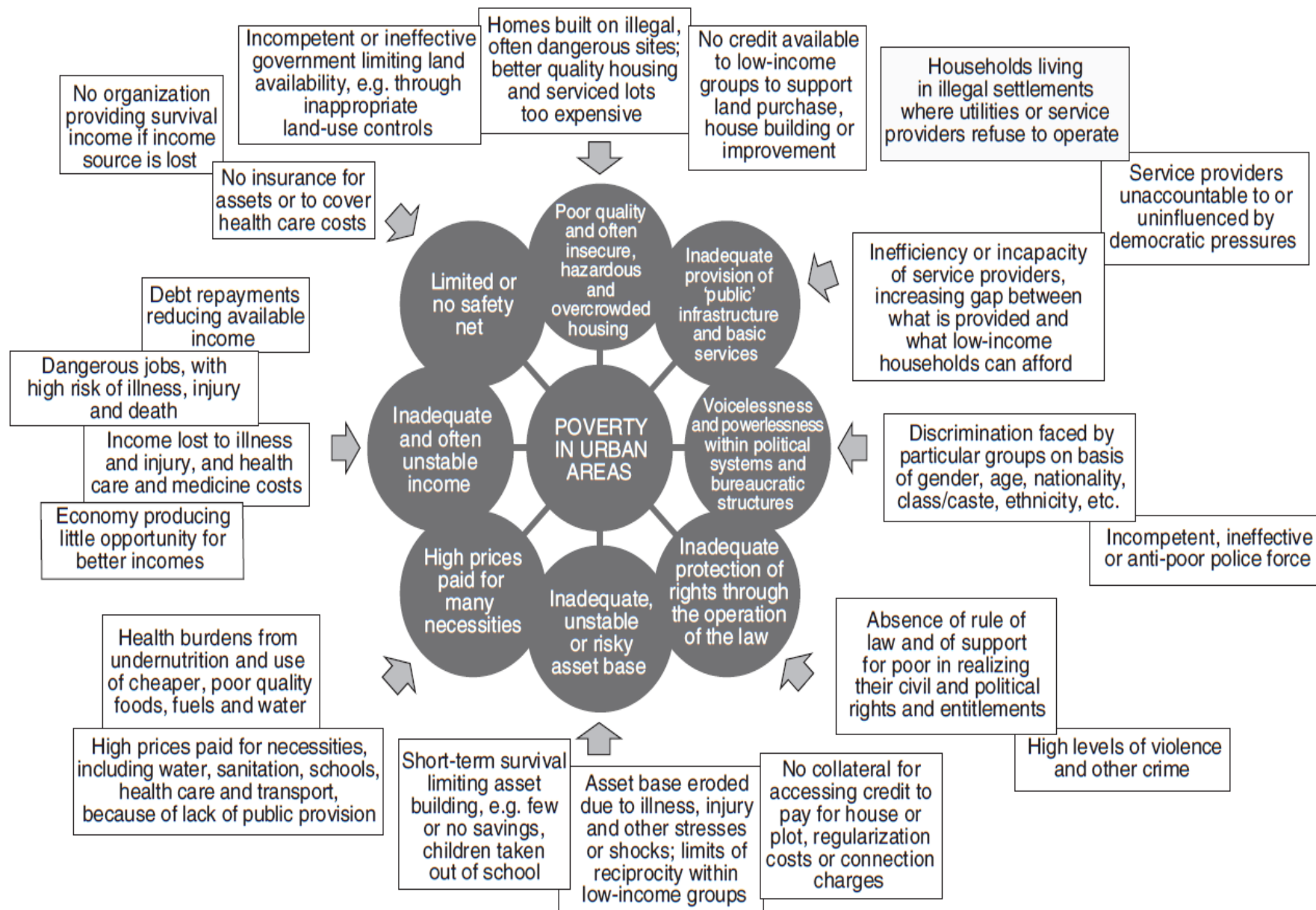


# Dimensions of Exclusion in Urban Areas



- *Physical/ Spatial exclusion*: intra-urban inequalities between various neighborhoods in terms of access to land and housing, infrastructure, basic services, and public amenities (slums and non-slum areas).
- *Economic exclusion*: inability to enter formal labor markets, obtain capital for business development, or the education necessary to be considered for employment.
- *Social exclusion*: on the basis on age, gender, race, caste, religion, ethnicity, or disability impacts an individual's participation and voice in the governance of the city.

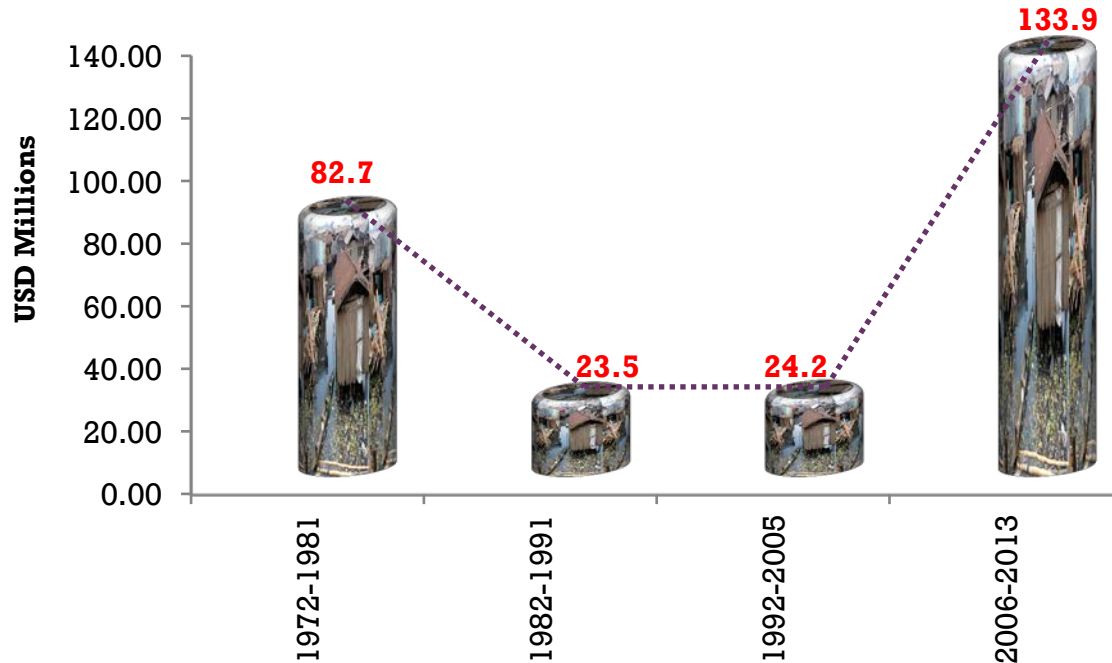
# Deprivations Associated with Exclusion in Urban Areas



# + What has been done?

- Policy and program responses to urban inclusion have included mass public housing projects, affordable housing, basic service provision, 'sites and services', and slum upgrading programs. Of all, slum upgrading programs are the most prevalent.
- The trend in Bank's urban sector work related to inclusive cities also indicates **increased focus on slum upgrading**. From 1972-2013, slum upgrading lending totaled US\$2.5 billion, accounting for about 13% of the overall housing portfolio.

**Average annual investment in slum upgrading  
increased more than five fold after 2006**



# + What do we need to do differently?

- Majority of investment towards physical aspects of slum upgrading.
- Physical dimension of exclusion cannot be entirely separated from its economic and social dimensions since it is usually culturally and economically marginalized groups that inhabit physically deprived spaces.

## Need to move beyond 'brick-and-mortar' approach

- Slum upgrading efforts are 'after the fact' interventions and there is little importance given to forward looking slum prevention strategies.

## Need to promote preventive strategies and policies



# Inclusive Cities Program

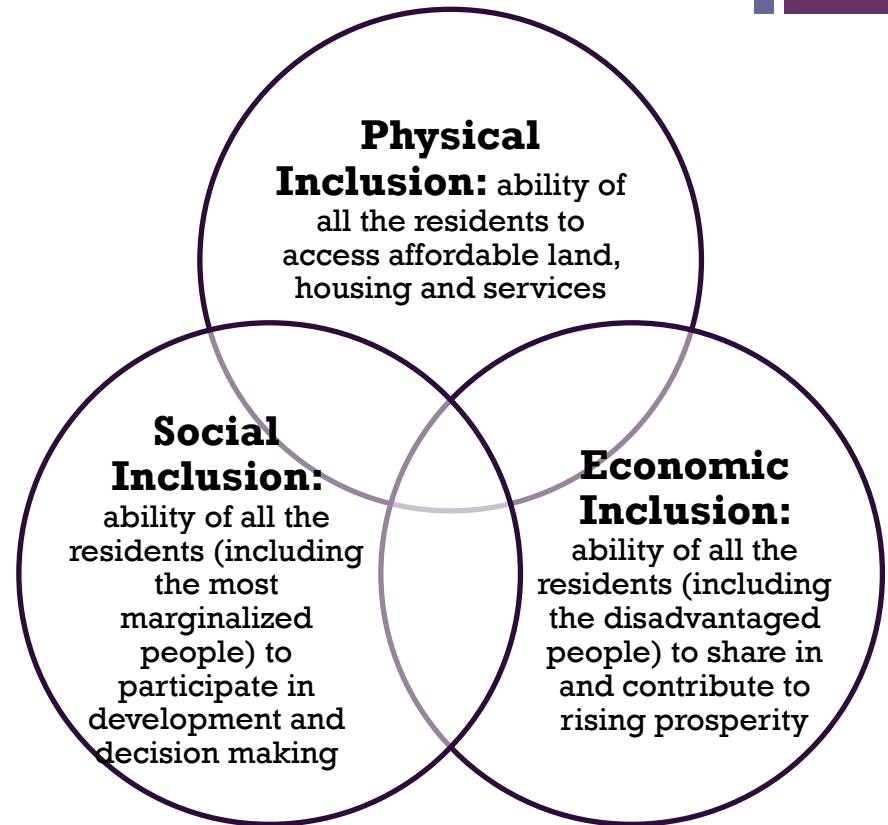
## ■ Pillar 1: Towards a new framework for Inclusive Cities

- Four background Notes on possible axes of inclusion
  - Access: Access to land, housing and infrastructure
  - Opportunities: Economic opportunities
  - Participation: Engagement of marginalized population
  - Rights: Lessons learnt from 'Right to the City' approach in Brazil
- Consultations and Workshops
- Approach Paper

## ■ Pillar 2: Operationalizing 'Inclusive Cities' Framework

- Tools and policies to mainstream 'inclusive cities' in urban operations
- Pilot the newly designed 'inclusive cities' framework

### Inclusive Cities Framework



# +Brazil: Including Slums in the System

## National Context

- BACKGROUND: STABLE AND DIVERSIFIED ECONOMY (90's)
- i) **SOCIAL INCLUSION**: flagship cash transfer program Bolsa-Família.
- ii) **ECONOMIC INCLUSION**:
  - compulsory business microcredit from banks (Law 11.110/2005)
  - support and incentives for micro entrepreneurs (Law 123/2006)
  - policy for real increase on minimum wages – 70% in 10 years (Law 12.382/2011 – link to GDP growth)
  - apprenticeship law (Decree 5.598/2005)
- iii) **THE RIGHT TO THE CITY**: PROPERTY RIGHTS AND ZONING LAWS PRO POOR. Legal framework + social mobilization + federal government campaigns.
- iv) **LIVING CONDITIONS**: direct investments + scale up private sector:
  - slum upgrading – PAC program – 2007
  - Housing subsidies (+loans) program “Minha Casa, Minha Vida” - 2009



2001

**Approval of the City Statute:** i) right of informal dwellers to remain in the land they already occupy ii) instruments for municipalities to enable the regularization process and to reserve vacant land in the city for low income housing.

2003

**National Ministry of Housing**

2004

**Council of Cities created and the National Housing Policy:** a deliberative body with representatives from civil society and government (private sector, social movements, professionals, etc.). For: propose and approve new policies and plans.

2005

**National Social Housing System (SNHIS) and the National Social Housing Fund (FNHIS):**

2006

**National Housing Plan and public debate launched**

-----**Historic Benchmark for slum upgrading policies in Brazil and globally**-----

2007

**The Growth Acceleration Program (PAC):** establishing **slum upgrading** as priority investment area for the country, *Reach: 1.8 million families. Allocation: US\$ 30 billion* in slum upgrading, sanitation and housing construction projects

2008

**The National Housing Plan (PlanHab):** long term planning for housing, typology of subsidies and targets, intensive civil society participation. Slum upgrading was considered as a fundamental axis for economic and social development in the country.

2009

**MCMV (Minha Casa Minha Vida) program:** stimulus package for new housing with a clear income segmentation, connecting up front subsidies and credit. *Target: 3 million houses, until 2014*

2010

**PAC and the MCMV Phase 2 Launched**

2011

**MCMV Phase 2 Operational**

# + The Growth Acceleration Program (PAC)

- slum upgrading as a fundamental axis for economic and social development
- Great importance in given to keep population on the land they already occupy, near facilities and workplaces, but in an effort to eliminate excessive density or natural disaster risks.
- Construction and acquisition only in case of necessary relocations due to geological and/or construction risks.
- Water and sanitation services, rainwater draining, solutions for garbage disposal, roads, mobility, etc.
- Land tenure regularization: all units produced should reflect commitment to the constitution of land tenure rights in favor of the slum dwellers.
- Social Work: Stimulation of community organization, creation of job opportunities and post-occupation social and economic development (minimum 2.5% of investments).

# + The Growth Acceleration Program (PAC)



- Execution is local, taken on by municipalities or state governments. Local units were created for each construction project.
  - Open bidding for constructions companies, various sizes.
  - Project design: residents, participatory approach.
- Project assessment, follow up and funding flow by a public financial institution (CAIXA) with great territorial reach and technical capacity.
- Presidential priority and leadership.

# + The Growth Acceleration Program (PAC)



Paraisópolis slum in São Paulo, before and after upgrading  
Source: Municipal Housing Secretary.



# + The Growth Acceleration Program (PAC)



Infrastructure in slums of Rio: Cantagalo. Source: Government of Rio de Janeiro.

# + The Growth Acceleration Program (PAC)



- Challenges:
  - limited execution capacity,
  - diversity of investments required and types of intervention;
  - consolidation in the long term and expand the program to all slum areas in the country;
  - expand physical development to socioeconomic indicator;
  - housing improvements component is weak.
- PAC slum upgrading is a “curative” intervention, the subsidy program “Minha Casa, Minha Vida – MCMV”, was designed to avoid new slums – preventive.



# Minha Casa Minha Vida (MCMV)

Integrated to a full slum upgrading project - for resettlement cases

Low income families –  
municipality driven  
process  
up to US\$ 800

Low income families –  
community driven  
process  
up to US\$ 800

Market houses –  
emerging middle class  
up to US\$ 5,000 (up  
front subsidies limited  
to US\$ 1,640)

Rural housing  
(association/community  
driven))  
up to  
US\$ 15,000/annual  
income

Small municipalities  
up to US\$ 800

**Target: Access to one million homes for families with monthly incomes of up to 10 minimum wages. This target was expanded in a second phase of the program to 3 million houses**



# Minha Casa Minha Vida (MCMV)



- Families up to US\$ 800/monthly income:
  - Basic requirement: no previous recipient of housing subsidy and/or loan
  - Formal or informal income: proof of income is self declaration
  - No need for previous savings (program created under pressure of economic crisis)
  - Price cap: by region according to a list published periodically by Ministry of Cities and Caixa. For each location a reference cost for single house and HDH
  - Maximum prices: São Paulo (HDH)– US\$ 35,000 – Central/Northern (single house) – US\$ 25,000.
  - Subsidy = [cost of house – what families can afford] = 90 – 95%
  - Loan 10 years = repayment on monthly installments of maximum 5% of income
  - Guarantee: special Brazilian law property remains in the name of the bank until full repayment
  - Non-payment rates - low comparative to previous programs: 20%



# + Minha Casa Minha Vida (MCMV)



Ihéus -Bahia



Salvador – Bahia



Floriano - Piauí



Embu das Artes – Metro São Paulo



# Minha Casa Minha Vida (MCMV): Key Challenges



- MCMV has managed to bring house to millions of Brazilian families, but there still remains many bottlenecks :
  - Difficulties in promoting sustainable city development due to lack of urban/metropolitan planning strategies
  - Adequate provision of infrastructure such as integrated transport system, water and sanitation system
  - Not enough areas earmarked “social interest zoning”
  - real estate markets booming in some cities, pushing developers to higher income demand
  - need to strengthen the quality of social work and support community driven development

# + Social Work Component in Slum Upgrading

- Focus on social, economic, environmental sustainability
- Physical intervention necessary but not sufficient condition for improving livelihoods for urban poor. Besides housing and infrastructure, they need support in terms of health, education, social assistance, transport, productive inclusion, etc.
- Three Axes: (i) community organization and participation; (ii) sanitary and environmental education; and, (iii) income and work generation
- Aiming at integrating to, rather than substituting, local social policies.
- Intersectorality at the core, social staff as brokers, local development plan for post-occupation.
- Three methodological kits: (i) Integrated knowledge-building and planning including participatory diagnostic and planning; (ii) Strengthening of civil society organisations; and (iii) Work and income generation.
- Area of intervention & surroundings – regionally-focused development and functional integration to the city fabric.



# Instruments for Productive Inclusion



- One of the axes of the social work component – ‘Income and Work Generation’ aims at Productive Inclusion
- The physical works under PAC generated 9,800 jobs and 60% of them went to workers from the local community
- Improvement in infrastructure benefit small scale business
- Positive synergies emerge when two axes of social work component – social capital strengthening and income/work generation – are integrated

# + Conclusion

**slum upgrading** and housing –  
**INVESTMENTS** not social expenditures:

+

**LARGE SCALE LOW INCOME HOUSING SUBSIDY PROGRAM**

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**Inclusive urban planning**

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**reduction of poverty** = expansion of **CONSUMER MARKET**

+

**complementary social and economic development programs and policies**

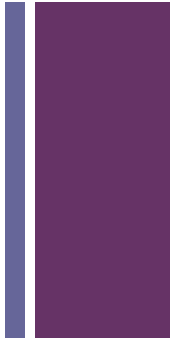
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**A NEW ECONOMIC DYNAMIC EMERGES ON BRAZILIAN SLUMS:**

flourishing of formal and informal **BUSINESS** + improved **SOCIAL** indicators

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**Inclusive CITIES**





Thank you.

# Deprivations Associated with Exclusion in Urban Areas

