SUMMARY OF

SLUM UPGRADING AND PARTICIPATION: LESSONS FROM LATIN AMERICA

BY

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AND

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Slum Upgrading and Participation: Lessons from Latin America presents the results of a study on participatory strategies in slum upgrading[1], provision of services for the urban poor, and low-income housing initiatives in areas of urban poverty in Latin America. The study was carried out by the Brazilian consultancy Diagonal Urbana, under a contract with the Private Sector Development Division of the World Bank, with financial support from the Swiss Agency for Development and Cooperation. The study's results have been published in book form in 2003 as part of the World Bank's *Directions in Development* series, under the auspices of the Cities Alliance, with a foreword by Oscar Arias, Nobel Peace laureate and former president of Costa Rica, and a preface by Françoise Lieberherr-Gardiol, of the Swiss Agency for Development and Cooperation.

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[1] At its most basic level, slum upgrading involves improving the physical environment of slums. This includes improving and/or installing basic infrastructure like water, sanitation, solid waste collection, access roads and footpaths, storm drainage, electricity, public lighting, public telephones, etc. Upgrading also deals with regularizing security of land tenure and promoting home improvement, as well as improving access to social programs (e.g. health, education, child care), transportation and municipal services.

PARTICIPATORY SLUM UPGRADING: A ROAD MAP FOR GOING TO SCALE

The book aims to provide practical, hands-on guidance to local officials and policymakers (urban planners, municipal managers, and social sector workers) confronted with the task of designing and managing slum upgrading and shelter programs and projects at the local level. It is particularly relevant to people and organizations that need answers to the following questions:

- How can we increase service provision to low-income areas?

- How can we increase the impact of projects and the durability of the improvements they bring about?

- How can we enhance projects' financial sustainability?

- What are the key issues this kind of initiative needs to address?

To provide answers to these questions, we studied five geographically and institutionally diverse cases in Latin America (see table 1) with a wide variety of funding arrangements and donor involvement. Relying on a qualitative approach to gather information on how key issues were addressed—and with what results–one of the fundamental lessons we learned was that major progress can be made in urban upgrading through a strong, demand-responsive supply structure and enabling framework to aid community participation. The cases we studied have shown us the following:

- On the demand side, there exists a strong desire and powerful potential within low-income communities to take care of their own affairs, manage financial matters, and create sustainable assets in infrastructure and shelter.

- On the supply side, with the appropriate enabling environment created by a strong and demand-responsive supply structure, this potential can be realized, deeply influencing the impact and sustainability of development initiatives and allowing slum upgrading programs to go to scale.

A strong, demand-responsive supply structure and an appropriate enabling environment will allow a project to reap the benefits associated with participation. These benefits include the development of demand-responsive solutions, efficient use of project benefits, a sense of ownership, and development of a culture of rights and responsibilities conducive to long-lasting project benefits and to future development initiatives. The ultimate objective is not to achieve the maximum possible level of participation or to replace the state, but to *achieve the level of participation that is appropriate to the circumstances*, taking into account project objectives and local constraints and opportunities. Using a qualitative and process-oriented approach, the book provides information and examples that will help project designers identify the level and modalities of participation that will work for them and the components of the environment that they will need to set in place to do so.

TABLE 1. MAIN FEATURES OF THE CASES STUDIED

Feature	Ley de Participación Popular, Bolivia	Guarapiranga Program, São Paulo, Brazil	Programa Habitat Popular Urbano, FUPROVI, Costa Rica	Programas de Obra Social Comunitária, Tijuana, Mexico	Comunidad Urbana Autogestionaria de Villa El Salvador, Lima, Peru
Type of action[1]	Slum upgrading; social investment (schools, clinics, community centers); rural infrastructure	Slum upgrading; environmental sanitation on a river basin-wide scale	Low-income housing; urban upgrading	Slum upgrading	Slum upgrading; social investment (schools, clinics, community centers)
Scope	Nationwide	One water catchment in a metropolitan area (pop. 600,000)	Nationwide (although active mostly in San José metropolitan area)	Citywide	One district of a metropolitan area (pop. 360,000)
Innovative features	National legal framework; mandatory participatory budgeting at local level; transparent subsidies	Horizontal institutional arrangement; private sector provides most services, including socio-technical support; large-scale	Community management of mutual-help construction made possible by intense capacity-building and socio-technical support; transparent subsidies	Communities operate at a very high level of cost-consciousness and control; community contribution; transparent subsidies	State support and an area development plan have made a great difference; participation has allowed the community to make the most of limited resources
Duration	1994–present	1993–2000	1988–present	1993–present	1971-present
Investment[2]	100 (yearly)	190	14	40	330
Promoting agency	National government	Local government; state government	National government; NGO	Local government	National government; local government; community-based organization
Funding sources	National government	Local government; state government; multilateral donor	National. Government; bilateral donor	Federal government; state government; local government; community	National government; local government; donor agencies
Participatory strategies	Participatory budgeting; community control of local government spending	Information; consultation; negotiation; organized community pressure on policymaking	Participatory planning; community management	Participatory budgeting; community management	Participatory planning; organized community pressure on policymaking; community control of local government
Cost recovery strategies	High level of cost consciousness	No explicit strategy	High level of cost consciousness; community management of resources	High level of cost consciousness; community management of resources; upfront community financial contribution	Innovative strategies for land tax and service fee collection; metering and consumption-based tariffs for water sanitation and electricity

Gender strategies	Design process included an explicit gender strategy, but there is little evidence of its concrete application	No explicit strategy; women normally take the lead in community organization	Support to women-headed households through World Food Program packages, government subsidies and group solidarity	No explicit strategy; women normally take the lead in community organization	A very active and increasingly influential women's movement (FEPOMUVES) has a major role in addressing issues such as nutrition and basic education
Resettlement strategies	Very little impact on housing or resettlement; need for resettlement is limited, for reasons similar to the Mexican case	Very elaborate strategy, including temporary lodgings, building of new units within the settlement and housing schemes outside the settlement	Not applicable (FUPROVI helps associations build new housing)	Very little need for resettlement since the *colonias populares* are planned informal subdivisions with a regular grid pattern and access to all plots	Villa El Salvador was a major initiative to provide a resettlement alternative for families occupying other areas; planned as, and became, a city

[1]In terms of physical assets built.

[2]Millions of U.S. Dollars.

KEY CONCEPTS

Participation, arguably the most powerful idea and trend currently shaping development cooperation thinking and practice, has been the object of an intense international debate in recent years. For the purposes of this study, we used the following working definition:

> Participation is a process in which people, and especially disadvantaged people, influence resource allocation and the formulation and implementation of policies and programs, and are involved at different levels and degrees of intensity in the identification, timing, planning, design, implementation, evaluation, and post-implementation stage of development projects.

Overall, studies have found that *participation improves project performance and increases their impact and sustainability*. The evidence also points to the costs of participation, which, although normally outweighed by the benefits, also need to be adequately addressed. Participation costs incurred by local people, related to lost wages and transaction costs, as well as the costs of the necessary support services for participation, can be considerable. They can severely hamper the successful implementation of a participatory initiative if not adequately addressed.

Levels and Degrees of Participation

The definitions of participation suggest that it comes at different *levels*. Here also, the terminology is revealing: people *influence*, *share control* over, or *control* the process or project. These differences in perception translate into different approaches, and the idea of different levels of participation emerges, as shown by Goethert,[2] who identifies five different levels of participation: none; information, or indirect; consultation; shared control; and full control. The quality of participation, however, depends not only on the *level* but also on the *degree of intensity* of participation. Even though it is true that the majority of

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[2] Goethert, Reinhard. *Presentation Notes.* Thematic Group for Services to the Urban Poor – MIT – SIGUS – Special Interest Group in Urban Settlement. The World Bank. Washington, DC, June 3, 1998.

development projects do not reach the highest levels of participation, sometimes the levels of communication and negotiation already imply a great intensity of participation and deeply influence the progress, impact, and sustainability of projects. In other words, although community management may be considered the highest level of participation, it is not the only possibility for community engagement to achieve significant results.

Participation Does Not Work Without a Project

Participation does not depend only on the initial degree of organization and/or other characteristics of a community. *Organization and participation can be developed*, as shown by many of the cases we studied. With the appropriate enabling environment, the potential that exists within low-income communities to take care of their own affairs may be mobilized. Encouraging participation is therefore a matter of creating the appropriate channels and an overall enabling environment, and allocating the needed resources to the promotion of participation. In this context, a development project may be seen as an externally generated enabling framework for harnessing and building people's capacity and resources. This can be summed up in one phrase: *a demand-driven project needs a strong and specialized supply structure*. Generating an enabling environment for participation requires technical assistance and specialized services such as socio-technical support, as well as a sound management framework, and the seed money that is needed to leverage local resources. These are the essential components of the required supply structure. The level of participation thus depends greatly on the will of external support agencies to plan and budget for the capacity-building and technical assistance that is needed for the intended level of participation.

External support agencies are the institutions or organizations that promote development initiatives in an area. They may be any of, or any combination or partnership among, the following:

- public sector agencies at the national, provincial, or local level;

- not-for-profit private organizations such as foundations, development NGOs, or institutions providing social services such as education and health;

- private for-profit organizations such as those providing services in the context of an upgrading project (e.g., planning and engineering firms, contractors, providers of socio-technical support); and

- international development aid agencies such as development banks, agencies of the UN system, bilateral aid agencies and international NGOs.

The degree of control exerted by outsiders over the process may give rise to negative effects, such as political manipulation of participation, but it is not necessarily a bad thing in itself. We have seen that the resources, technical assistance, and coordination provided by outsiders provide an essential enabling framework for participation. In the cases we have studied, the supply structure set up by external support agencies ensured that the level of participation would at least reach a certain minimum that was defined by project design. We have also seen that, in many cases, the level and degree of participation exceed what is originally envisaged by external support agencies. Although the level of participation of a project or program is normally defined by the external support agency's strategy, this is a dynamic process, and it often evolves over time.

The pre-project situations of the cases we have studied were examples of the Latin American paradigm of societies whose populations had, as in John Turner's famous phrase, 'the freedom to build.' It was, however, the freedom of one who is left to his own devices, lacking the support and protection of financial, administrative, and technical systems. Then the externally supported projects came, seeking to mobilize resources, including technicians and professionals, in enough quantity and of enough quality to ensure the population received sound technical and material support. The improvements thus obtained were evident, in a much shorter time frame than that in which the settlements were originally built. This leads us to yet another key concept of our book: while it is usual to say that upgrading projects do not work well without participation, the reverse is also true. *Participation does not work, or at any rate does not achieve its full potential, without a project.*

Entry Points for Participation

The *rationale* or *opportunity* for participation in urban upgrading and shelter projects varies significantly according to the situation. Broadly speaking, the participatory approach is directly linked to the very nature of urban upgrading and shelter projects, and to the reason for undertaking such a project in the first place. Projects stem from needs and demands to be fulfilled through state intervention and/or collective action, and such needs and demands need to be organized. Problems need to be clearly identified and understood; priorities need to be established; and the groundwork for sustainability needs to be laid by securing stakeholder ownership, responding to effective demand, and clearly defining stakeholder roles and responsibilities. In practice, however, the perspectives of the external support agencies vary greatly. As we have seen in our case studies, *participation is sometimes introduced in response to specific problems in a reactive manner, and sometimes it is incorporated into project design in a proactive manner.* Overall, motivations for designing participation into a project stem from any combination of the following:

- enhancing project feasibility, by ensuring stakeholder collaboration through demand-responsiveness and opening clear channels for communication of grievances;

- overcoming resource constraints through community labor or financial contributions;

- making use of local information and know-how to ensure that the project management unit makes more informed decisions;

- improving targeting, by knowing more about beneficiary communities and the needs of the various groups that compose them;

- improving the odds for future cost recovery, by promoting stakeholders' cost consciousness and fostering in them a responsible relationship to urban services and infrastructure;

- enhancing sustainability, by ensuring stakeholder ownership, making information available and developing local capacities, which will strengthen the odds for further development initiatives in the aftermath of the project;

- enhancing transparency and accountability in the management of public funds; and

- promoting democratization and decentralization of resource allocation.

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At the heart of the challenge of designing a successful participatory project is the need to match two very different things: *a development project or program* and *a social process*. The difficulties involved in such a match may be part of the reason why relatively few projects can be considered truly participatory, in spite of the widespread recognition of the advantages of participatory projects. The program's funding, technical assistance, operations, and procedures need to be made able to interact with a community and its complexity of demands, expectations, levels of understanding of the project and its requirements, willingness to participate, trust in the process, vested interests, and internal power disputes. In short, all that constitutes the *social process of participation*. Projects, the usual instrument of development initiatives, create an environment with a variety of *external actors*, each with its priorities and hidden or explicit agendas, rules and regulations, knowledge base, management styles, etc. Projects also have their *funding mechanisms*, with the different conditions that may apply. They have a *time frame*, which is influenced by financial years, elections, and other political and institutional constraints and events; and a *system for measuring success*, whose indicators are often based on easier-to-measure means rather than ends. The key elements that are needed to bridge the gap between the project and the social process may be summed up thus:

- the availability to the community of information on the process, disseminated by a good communication strategy;

- the use of adequate participatory planning tools, based on participatory information gathering and analysis, so that the community may influence the process and planning may benefit from local knowledge;

- the existence of a strong social intermediation structure, capable of establishing links across disciplinary areas and between the community and other stakeholders;

- a change of attitude on the part of the staff of the agencies promoting projects, which needs to be brought about by a change in the incentive structure;

- the institutional arrangement (i.e. the project coordinating unit, its links to its parent institution and coordination arrangements with other institutions involved) needs to be integrated, flexible, and demand-responsive, which again requires the right incentives; and

- the appropriate skills and capacity to establish links between the social and the technical spheres need to be available.

In all this, the importance of incentives cannot be overstated. Once the quality of the participatory process becomes as important a success criterion as the rate of disbursement, project staff will be encouraged to give some of their attention and energy to areas that were previously considered a waste of time, or were taken for granted.

Participation Needs Good Social Intermediaries

Intermediaries between project promoters and beneficiaries are perhaps the key component of the link between the development project and the social process that needs to be created for participation to succeed. From an operational point of view, the critical factors in this regard are the existence of organizations that are qualified and willing to act as intermediaries and the allocation of sufficient

resources to cover the cost of such intermediation. Intermediary organizations also provide technical assistance and training, and often have a key role in project management and execution. A wide array of skills needs to be mobilized to fulfill this role, which is described by some as *socio-technical support* and by others as *social engineering.*

The cost of socio-technical support is part of what may be called "the cost of participation." This may be represent a significant portion of project cost. The Costa Rica and São Paulo cases were the only ones in which the full costs of project "software" were tallied. The term *project software,* which encompasses the non-physical components of a project, includes: (a) Engineering and planning; (b) Project coordination and management; (c) Information gathering and diagnosis; (d) Construction management and quality control; (e) Socio-technical support, or social intermediation; (f) Technical assistance for land tenure regularization. In San José, the cost of FUPROVI's services as a percentage of the actual cost of the houses it helps people build ranges between 16 and 23 percent, depending on location, size of the units, and complexity of the project. In São Paulo, the cost of project software ranges from 12 to 20 percent of total project cost per household. In the case of São Paulo, there seems to be an inverse relationship between total project cost per household and the percentage of it that is devoted to project software.[3]

Designing a Participatory Strategy

The design of a participatory strategy needs to consider the diverse characteristics of the various *collective actors* in a settlement with regard to the objectives of the project. The collective actors in a settlement can be subdivided into those that have a broad development agenda for the area and those that focus on a special issue or interest. Area-based community organizations generally are larger organizations, with a wider membership base; are formed with a view to the development of the neighborhood with a wide range of purposes and concern themselves with problems that have a large constituency within the community; have a longer-term, and more broadly developmental, perspective; and have greater access to the authorities and greater political representativeness and legitimacy. Special interest groups or specific-purpose community organizations, on the other hand, generally are smaller and more agile; are created to act on a specific problem; and are normally more compact and with fewer internal conflicts, also because their sphere of action and interest is more limited.

Neighborhood area-based organizations, when they do exist, are important partners, since they are often legitimized by their previous history, and are usually the main vehicle for wider community demands. At the same time, social cohesion tends to weaken when a community is large or dispersed over a large area, and the monitoring of individual behavior becomes more difficult. For this reason, it is preferable to formalize rules to delegate decision-making, or to create smaller working groups. Special interest groups are effective partners for many specific matters within a project, and are often easier to work with from the operational standpoint. The most interesting results are obtained when a project has the capacity to involve both types of organizations at different levels.

One of the essential points, when outlining the organizational profile of a community, is to evaluate the quality and representativeness of its leaders. In fact, analysis of the communication flows and decisionmaking processes of our field reports clearly shows that almost everything passes through the

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[3] The figure is at around 20 percent for upgrading projects that cost $2,500 per household, 15 percent for projects that cost $4,000 per household, and 12 percent for projects that cost $7,500 per household, the upper limit that was considered in the study.

mediation of community leaders. The behavior and motivating factors of the leaders condition, at least in part, the collective behavior. In the attempt to enter into a productive relationship with the community, the project cannot choose the leaders, and even when it tries to foster new leadership, existing leaders cannot fail to be reckoned with. The operational consequence that is derived from the above considerations is the need for systematic procedures for the identification of leadership and the verification of their representativeness, *modus operandi* and legitimacy, to know what to expect and how to deal with the different types of leaders.

The Issue of Gender and Vulnerable Groups

Shelter and infrastructure projects have a direct impact on the quality of life of the whole population, but they certainly have a particular impact on the lives of women. They do this by reducing the female work load, as well as the material penury and health risks to which women are subjected to a greater extent than men. Also, an improvement in infrastructure and shelter usually reduces the incidence of psychological and social problems tied to poverty that hit women particularly hard: marital separations, domestic violence, school abandonment. For all these reasons, the level of interest of women in urban upgrading and housing projects is very high, as shown by their key role and high degree of participation. This is a fact that merits recognition, and that should have a far greater impact on project design than it does at present. That none of the cases we have studied had an explicit gender strategy is a sobering realization, especially considering that we selected programs and projects for our study that are considered to have an above-average success rating. In general, as we saw in relation to gender, projects give little specific attention to the most vulnerable groups, and they distribute benefits and obligations with little differentiation. The absence of any differentiation in the subsidy policy, for example, is a striking feature of all the cases covered by our field reports.

Social Marketing Strategies

During project implementation, there is a particular need for social marketing strategies to ensure that critical information about the project reaches all local people. For this, it is important to differentiate among different segments of the beneficiaries (such as disadvantaged or vulnerable groups, or special interest groups of various kinds). Especially in the case of the most disadvantaged, it is necessary to work consciously to counteract the tendency many projects have of unwittingly leaving them out of the information loop—a situation that often excludes them from participating and reaping a fair share of project benefits. Leaders, as we have seen elsewhere, carry out the important task of informing their constituencies, and at the same time "filtering" information, according to their own vision and agenda. They have an essential function in the flow of communication, which is part of the reason why they profoundly influence the reaction and behavior of other inhabitants. As we have seen in our field reports, many of the leaders are women. We have also seen that, even when the leader is a man, women play a central role in improving infrastructure and shelter. It follows that the communication strategy of a project should focus above all on how to garner the attention of both leaders and women.

Participatory Information Gathering and Analysis

Urban development projects that aim for the improvement of shelter and infrastructure require—as a first step—the *description* of the settlements under consideration, and a *diagnosis* of their problems. The lack of organized information on practically any subject is a key defining feature of the informal city. Information gathering is thus essential for planning an upgrading intervention. One of the key aspects of

organizing participation in urban upgrading is setting up a truly participatory process of information gathering and analysis. The benefits of participatory processes for the collection and analysis of information are manifold:

- They conform a vision of the problems that includes, in addition to technical aspects, the knowledge, views and expectations of the community.

- They transform the local residents involved into communicators and resource persons, strengthening the link between the population and the project.

- They create trust and establish a working relationship between socio-technical support providers and local residents.

- They help create a core group of community organizers with attitudes and skills that will be necessary throughout the project.

- They contribute to the building of an interdisciplinary vision that takes into account the community's diversity and contributes to the compatibility of the proposed solutions.

Participatory Area Development Planning

A participatory area development plan is an instrument that provides a long-term overall vision of the development of an area. The process of preparing such a plan is as important as the product, since it provides a forum for negotiation and comparison of different views, involving local residents and the other key stakeholders of a project. This is a consensus-building and partnership-forming process. The plan is developed by a committee of local residents, with support from planners, engineers and social workers. It is based on the participatory process of information gathering and analysis described above. The information is organized and analyzed by an interdisciplinary team, and presented to the community in a series of meetings with area-based and special interest groups. Out of the analysis of the information and the discussions in the community meetings, a coherent pattern of problems and priorities emerges. It is then possible to begin to propose and discuss alternatives for intervention, in an interactive process in which the community, through established representation mechanisms, eventually reaches decisions that reflect real demand. The technicians' support is there to ensure that the chosen alternatives are affordable and technically sound. The final product of the exercise is a logical long-term sequence of activities and an agreed blueprint for the improvement of the area.

Privatized Utilities and the Urban Poor

In most Latin American cities, informal settlements house between 30 and 50 percent of the population, and thus represent a market that cannot be ignored by utilities. On the one hand, universal access to services is a political imperative and a cornerstone of most concession agreements. On the other hand, the present situation, characterized by illegal connections and lack of cost recovery, makes for low service quality and undermines the viability of private sector service provision and the profitability of privatized utilities. The first step in overcoming this situation is trying to know more about the needs, preferences, consumption patterns and purchasing power of the urban poor. This will allow utilities to: (a) Base extension of coverage and service upgrading in an accurate perception of demand; (b) Identify needs for subsidies and negotiate their management with the state; (c) Devise a marketing and commercial strategy

that takes the reality of the poor as a consumer group into account; (d) Extend service coverage in a financially sustainable way, by matching their investment and cost recovery strategies.

All this needs to be coupled with an effective outreach strategy. Most utilities have weak consumer relations strategies across the board. Some have launched efforts at improving the situation, but such efforts have seldom targeted the poor. In this context, some of the recently privatized electricity utilities in Brazil, such as Rio's *Light* and Bahia's *COELBA*, have realized that there is a gap that needs to be bridged in establishing new relations with the urban poor, and that they are ill-equipped to bridge the gap on their own. This gap consists of lack of knowledge about the poor and their settlements, but also of: (a) social and cultural differences; (b) lack of a culture of consumer rights and responsibilities; and (c) a heritage of paternalistic relations with the state which perpetuates the low-level equilibrium between low-quality services and lack of cost recovery. Bridging this gap requires an array of social intermediation techniques, and specialized personnel to apply them. Accordingly, utilities like Light and COELBA are forming partnerships with social intermediary organizations.

FOCUSING ON PROCESS: PROGRAM DESIGN AND ROLLOUT STRATEGIES

To establish the participatory process in the face of resistance of entrenched interests requires an exceedingly clever and well-thought-out plan. The specifics of the solution selected will vary with location and circumstance; the common denominator of success is that sufficient thought and attention are given to *process*. The program design and rollout cycle is subdivided into five stages: (1) consensus building, or pre-identification; (2) pre-feasibility, or program identification; (3) feasibility studies and program design; (4) setting up a system for monitoring and evaluating program implementation and impact; and (5) program rollout.

Stage 1. Consensus Building

The consensus building stage, which may also be called the *pre-identification* stage, is an attempt to turn the initial contacts with stakeholders and potential program partners, something that happens at the start of each program, into a less hurried and superficial exercise. We propose to turn the initial contacts with key stakeholders and potential program partners into an opportunity to establish strategic alliances and ensure that the program receives the necessary measure of support. At this stage, the program design unit identifies potential program partners and begins to formalize their role in the project and contractualize their contribution. This is done proactively by consciously organizing an inclusive and open consensus building stage, in which:

- key stakeholders and potential program partners are identified;

- information about the basic aims and outlook of the program is provided;

- the views of key stakeholders and potential partners are expressed;

- channels for negotiation and conflict resolution are established from a very early stage;

- local rivalries that may stand in the way of a program are identified and dealt with;

- tentative basic agreements regarding the roles to be played by potential program partners are reached.

Stage 2. The Pre-feasibility Stage

During the pre-feasibility stage, which may also be called the *program identification* stage, some of the most important work of program design is carried out. This is the most creative stage of program design, during which:

- essential information on local conditions is collected and collated;

- identification of key stakeholders and potential program partners is finalized;

- alternatives regarding the key features (type, scope, format and structure) of the program are formulated and discussed; and

- an evaluation of the different alternatives regarding program features, according to local constraints and opportunities, is carried out.

This allows the development of a proposal regarding program features, including institutional arrangement and implementation strategy, to be tested and refined during the following stage.

Stage 3. Feasibility Studies and Program Formulation

In the pre-feasibility stage, the program's features were preliminarily defined through data gathering, analysis, and discussions with key stakeholders. Next, feasibility studies need to be undertaken in each of the key areas of concern in program design. This allows the program design unit to test the assumptions of the pre-feasibility stage, as well as the proposed program features, and to move on to detailed program design, in collaboration with program stakeholders. Discussion of the results of the feasibility studies with key stakeholders leads to further definition of program features and procedures, through the preparation of a preliminary version of a strategic plan and an operating manual. The design of the program is then finalized through a last round of discussions with key stakeholders, which leads to the final version of these two important documents. The *strategic plan* provides the general program framework and strategic context, outlines the program rationale, defines program features, design options and institutional arrangements, including roles and responsibilities of key stakeholders, sources and uses of funding, and flow of funds arrangements. The *operating manual* presents, in a clear and concise manner, the program's operating rules and procedures. It usually has annexes presenting terms of reference and templates for frequently used documentation.

Stage 4. Setting up a System for Monitoring and Evaluating Implementation and Impact

Monitoring and evaluation, including measurement of program impact, provide essential feedback for the successful implementation of an urban upgrading policy. In fact, one of the main reasons for the partial failure of many upgrading initiatives is the lack of a reliable monitoring and evaluation system that may sound an alarm when things are going less than well. On the other hand, the lack of emphasis on monitoring and evaluation makes it difficult to gauge the real impact of many projects that seem successful. It also makes them difficult to replicate, since there is rarely an audit trail or record of how decisions were made and actions taken, what the situation was before the project started, and what changes were brought about by the project. We differentiate between project monitoring and program monitoring. Monitoring and evaluation need to be undertaken as a regular feature of the projects that make up a program. Information from project monitoring and evaluation, coupled with that drawn from program-wide monitoring, will make up the program's monitoring and evaluation system.

Stage 5. Program Rollout Strategies

A good rollout strategy is essential for a successful program. The first year or so of operations usually needs to be devoted to setting up and testing the institutional and administrative machinery of the program. This should not be seen as a waste of time, but rather as an insurance policy on future performance.

Two aspects need particular attention: the administrative/operational side and the project/process side, namely:

- Administrative/operational issues, which have to do with building central implementation capacity at the program level, through the following actions:

  - organizing the program management unit,

  - starting out small, and

  - setting up a pool of service providers.

- Project/process issues, which have to do with building capacity on areas that are essential for the implementation of each of the projects that make up the program, as follows:

  - setting up a social marketing strategy,

  - participatory information gathering and analysis,

  - participatory area development planning, and

  - engineering and design.

The first key issue to be addressed during the program rollout stage is to organize the program management unit, the agency that will direct and coordinate the process and the relations between the different partners. The decision as to the institutional affiliation, location and degree of autonomy and decentralization of program management functions is taken in the feasibility and program design stage, following the analysis and discussion of alternatives that takes place in the pre-feasibility stage.

SCALING UP: THE POLICY LEVEL

Scaling up upgrading initiatives to a sustainable citywide strategy with long-term impact is a challenging task requiring several indispensable conditions. Our review of five cases of participatory urban upgrading in Latin America highlights some of these, as outlined below.

- *Political Will.* The most important element for the promotion of large-scale urban upgrading with community participation is political will. Lack of political will to support upgrading projects not only means a lack of interest and funding on the side of governments, but severely limits any effort to improve unserviced or underserviced settlements. In absence of political will, the necessary supportive policy environment cannot be created.

- *Policy/Legal and Regulatory Framework.* To put a policy environment that favors up-scaling into place, a citywide policy framework for upgrading projects has to be established. This involves building an appropriate information base on the city's informal settlements. It also means eliminating legal, regulatory and procedural bottlenecks that impose unreasonable requirements for physical planning, building codes and land use. Furthermore, this citywide

strategy includes promoting the preparation of participatory development plans, including physical plans, for each settlement. Finally, funding arrangements with a built-in long term perspective have to be established. There are other areas, however, in which legal and regulatory frameworks are usually national, and that impact heavily on upgrading and provision of services for the poor, such as land rights and land registration systems or technical standards for infrastructure.

- *Area-Based Needs Assessment and Implementation.* In general, when planning an upgrading project, a broad long-term vision of the development of the squatter settlement needs to be the axis and connecting thread of the project, and not the particular requirements of any single type of infrastructure. This includes the elaboration of an integrated approach to needs assessment and implementation. Upgrading programs are usually complex, and cannot be undertaken successfully without the following three key elements: (1) an area-based plan, taking into account community demands and technical requirements of the different branches of infrastructure; (2) a coordinating agency whose authority is recognized by the community and the various utilities and branches of government, with overall command of the operations and the power and resources to hire specialized technical support and executing companies; (3) adequate socio-technical support to the participation of local residents in the preparation of the area plan, the implementation of the works, and post-implementation activities aimed at enhancing sustainability.

- *Development of Appropriate Institutional Arrangements.* Area-based needs assessment, planning, and implementation has been identified as a key requirement of urban upgrading. The potential for conflict with traditional line agency-based institutional structures is a very real one, and the program's institutional arrangements need to establish a strong coordination mechanism that is accepted by all parties.

- *Land Tenure.* Secure land tenure is one of the most important factors for the sustainability of any intervention in informal settlements. It can be seen as the key that unlocks investment in home improvement and motivates residents to help maintain new infrastructure and engage in further improvements. As we found in our Mexico and Peru cases, some Latin American governments have dealt successfully with legal and regulatory constraints to organize long-term sustained efforts to regularize land tenure in existing settlements.

- *Land Release Mechanisms.* Another way to reduce the formation of new slums is to work on mechanisms to release sufficient affordable land into the market. In Peru, for example, land was made available in a reasonably orderly way. This helped to avoid the worst long-term problems of squatter settlements, even though services take a long time to come to an area. Land release mechanisms are an important element in any urban upgrading strategy, and a crucial one in cases in which there is need for much involuntary resettlement.

- *Subsidy Structure and Cost Recovery Strategy.* Another crucial factor for a citywide upgrading program is the need to establish a clear subsidy structure and cost recovery strategy. The Latin American record in this regard is mixed: in some cases there is a real effort to address these issues, while in others the community's willingness to pay was not significantly tapped. Furthermore, in order to circumvent perceived, and often real, capacity to pay constraints, a

transparent mechanism for subsidizing lower-income and vulnerable segments needs to be developed.

■ ***Strategic Alliances.*** Urban upgrading cuts across disciplinary and institutional boundaries and involves a wide range of stakeholders, including local residents, public authorities, public and private utility companies, formal and informal landowners, slum landlords and tenants, NGOs etc. It is crucial for a successful upgrading program to identify the right partners and involve them in the process. This choice presents a challenge, since every stakeholder has distinct interests and priorities, diverse backgrounds and levels of power and influence. It is crucial to achieve a unified and shared vision of the objectives and strategic plan. This process of partnership building should make it possible for each participant to be heard and involved in the definition of his or her precise tasks and responsibilities.

■ ***Program Format.*** With regard to program design, the program format has to be selected carefully. Two main formats can be identified: the "social investment fund" format and the "comprehensive upgrading program" format. In the first one, communities present requests to a facility that selects and funds projects. This format has the advantage of ensuring response to direct demand, and the disadvantage of encouraging a piecemeal approach to upgrading, since community requests are normally not based on any coherent plan. In the comprehensive upgrading program format, investments fit into a coherent overall plan, and the interactions among infrastructure systems are taken into account. However, unless every effort is made to involve the community in the discussion of alternatives and their cost, comprehensive upgrading may end up selecting costly solutions that preclude tariff-based cost recovery.

■ ***Decentralization.*** Upgrading programs can be implemented much more efficiently if carried out in a decentralized political environment. Over the past 30 years, the concept of decentralization has been translated into policy and in turn into projects, by decision- and policymakers at all levels. The idea behind this is that decentralization, by delegating resources and responsibilities to the lowest appropriate level, brings government closer to the people it serves, recognizing that local governments have more knowledge about local constraints and resources. However, decentralization processes are often not as well thought out and well managed as would be desirable. Often they lack important elements, such as equally shared responsibility, bureaucratic simplification and sufficient local knowledge. Most of the time, lower levels simply lack resources.

■ ***Development of a Critical Mass of Local Capabilities.*** Last but not least, the operation of participatory programs and projects in upgrading and housing requires the availability of a range of specialized services that are described throughout the book, including: socio-technical support; urban planning through a participatory approach; architecture and engineering services and technical guidance in technology choice; program coordination services; project and contract management services; construction skills in tune with the specific needs of informal areas; quality control in engineering and construction; affordable building materials; and microfinance, including credit and savings services. Developing such local capabilities requires not just training, but also attraction of the appropriate outside expertise and active creation of work opportunities in the urban upgrading field to allow the emergence and consolidation of local organizations

providing the necessary services. In this context, the continuity of the funding stream for upgrading and low-income housing is very important: there needs to be a market for specialized organizations to be able to survive and thrive.