6
The World Bank's Direct Involvement in Low-Cost Housing

Most of the World Bank's initial low-income housing projects were in capital cities. They attempted to show that basic housing services, such as shelter, water, and sanitation, could be provided at much lower cost than the housing then being provided by the public sector. The objective, in many ways, was to show that in rapidly urbanizing, low-income countries, very basic shelter designs that were affordable could be provided on a larger scale. While this may seem a relatively straightforward notion now, at that time there was considerable resistance to it. Public housing agencies in most developing countries produced expensive and heavily subsidized housing that met only a fraction of demand.[1] These projects also provided an alternative to demolishing squatter settlements, which was being done in many developing countries at the time. Peru was one of the early countries to carry out an early sites-and-services program, as discussed in box 6.1.
In a number of countries, private sector emulators provided sites on legally owned land with few or no services, and often illegally subdivided the land. Some middle-income countries, including Brazil and Mexico, partially incorporated sites-and-services policies into their low-income housing strategies. Nevertheless, with some exceptions, sites-and-services projects failed to go to scale as a low-income housing option in the poorest countries.

From the mid-1950s, slums began to grow beyond city centers, to the periphery of cities. As land became scarcer, slum dwellers began to occupy environmentally vulnerable and hazardous areas. In response, the Bank started lending for slum upgrading projects. The Bank launched these projects in the late 1970s and 1980s, which included some successful large-scale projects in the East Asia, notably in the Philippines and Indonesia, as detailed in box 6.2.[3] During the 1970s, slum upgrading projects had the second-largest share of urban lending, over twenty percent. Upgrading projects countered the slum removal philosophy with the paradigm of upgrading in situ. Under this approach, settlements were relocated only when necessary in order to address hazardous environmental or other conditions. Given

Box 6.1 Going to Scale with Sites and Services in Peru[2]

In 1975, the leftist military regime of Velazco Alvarado decided to do something about the booming informal settlements in and around Lima. South of the city, dwellers had already built Villa El Salvador, which housed some 4,000 families in a well-designed settlement with clusters of blocks organized around recreational and service areas. The design was reached through discussions between an ad hoc government agency and the incipient community. Building upon this experience and armed with a metropolitan development plan, SINAMOS identified a vast area northwest of the city, where plots were surveyed and where thousands of families were relocated from squatter settlements that occupied hazardous areas or areas destined for other uses. The community provided most of the labor, laying out the plots and then building the homes. In addition to providing legal land for the program, the government provided transportation for households, brought in water with tankers, and established a military field hospital. At the time, a small boy living there was asked what he did. "I'm an engineer," he said. He explained that he was helping the surveyors draw chalk lines for the lots and therefore was an engineer. A generation later, the area is an integral part of metropolitan Lima, with a series of low- to-middle-income neighborhoods that have paved streets, piped water, and street lighting. These communities are now the target of a Bank-supported land registration and titling program.

Source: Authors.

the inherent complexity of slums, upgrading projects, however, took a large amount of time and resources to prepare.[4]

Community participation became fairly standard practice in slum upgrading projects in Latin America. Projects in El Salvador (1974), Peru (1976), and República Bolivariana de Venezuela (1998) all relied heavily on active community involvement.[5] Similarly, in El Mezquital in Guatemala (1988) a highly organized slum community initiated an upgrading program, first with the assistance of the United Nations Children's Fund (UNICEF) and then with the Bank. In some ways, the now institutionalized community-driven development initiative had its origins to a great degree in urban projects, which in some cases had notable success, such as described in box 6.2.

As a general rule, however, low-income housing projects undertaken by the state did not empower the poor, and therefore the Bank's approach to involving the community did not replicate or become institutionalized in the

Box 6.2 Sustainable Slum Upgrading in Indonesia

The Kampung Improvement Program (KIP) started as an Indonesian initiative in 1969. The Bank became involved in 1977 through the Jakarta Urban Development Project, supporting the program through 15 integrated projects that covered 200 communities. It is arguably the largest slum upgrading program anywhere, and ranks among the best in terms of urban poverty relief. Residents are better educated, household sizes have declined, and more residents are employed. Piped water and sanitary education have had a significant impact on water-borne disease and child mortality. Several factors contributed to the program's success: (a) KIP was an indigenous initiative that built upon a long tradition of mutual aid and self help; (b) KIP had strong political support over the years; and (c) multidisciplinary local KIP teams replicated the program, following strict design, engineering, and cost standards. The governor who launched the original KIP was convinced that his staff had to go out into the *kampungs*, talk to the people through the existing political structures, and attain basic improvements in a short period of time at minimum cost. These KIP units, with selected staff from local governments and infrastructure sector departments, carried out detailed planning and implementation of the physical works, emphasizing wide and rapid coverage of the target areas through an integrated package of improvements across the sectors. This set the stage for further improvements by the participating communities. KIP has since been replicated throughout the country, benefiting hundreds of thousands of urban poor.

Source: Authors.

first phase of sites-and-services projects. The result was that the early Bank supported sites-and-services projects became, in effect, low-cost public housing programs rather than an exercise that captured the initiative and imagination of the beneficiaries. In many ways, as shown by Baross (1990), in these projects, the aspirations of enabling and empowering the poor to house themselves remained unfulfilled. In these places, Bank projects helped scale back the costs of the units produced, but the public sector often remained the producer.

Progressive development was a key feature of sites-and-services projects and slum upgrading. In sites-and-services projects, this approach was manifested in a range of options, including supplying just a surveyed plot, supplying a plot with a sanitary core (known as an "embryo" housing unit), and targeting different income levels. Over time, these became solid dwellings and the main asset of most households. Even when this approach was accepted in many places, however, it still ran contrary to

official building codes and land use regulations, and involved lengthy discussions and compromises by both sides.

Lessons Learned

Aside from the issue of overall impact on slums and urban poverty, a number of lessons can be distilled in terms of what worked and why. Some broad conclusions are below.

What Worked…

The concept of progressive development that underlies sites and services, upgrading, disaster reconstruction, and other low-income housing is sound. Indeed, it is the way most low-income housing is traditionally built and hence is readily adopted by beneficiaries. Accepting this principle in building codes and land use regulations is key to enabling the poor to provide for themselves. However, many countries still have a long way to go. For instance, secondary cities in less developed countries frequently copy capital city building codes, regardless of their applicability.

Upgrading in situ, when possible, makes economic sense in many country contexts. Though cases of bulldozing slums are less frequent now, some countries still resort to this approach as part of urban renewal programs. Bank experience has shown instead that upgrading does not exclude urban renewal. There are examples of successful urban renewal that involve increasing the density of urban areas to accommodate low- and middle-income households and mixed uses without having to relocate large numbers of slum dwellers.

Relocation, particularly from encroached infrastructure, can also be an effective strategy. In many densely populated cities, transport infrastructure—roads, railways, and canals—is so encroached by slum dwellers that the service degradation exceeds the cost of relocating the families to another site with better facilities. Relocation also makes sense when slums are located on high-risk or environmentally dangerous areas.

Subsidiarity, that is, devolving responsibility and accountability to the lowest appropriate level, is arguably the most critical factor in the success of urban upgrading. Ownership and empowerment are the underlying principles behind successful community-driven development, as there is a direct relationship between the degree of beneficiary participation and the sense of ownership and prospect for ongoing sustainability.[6] Indeed, following Appadurai (2004), many parties now coming to recognize that the empowerment of the poor through such projects is at least as important as the investments undertaken. Though local community groups cannot build and maintain power and water companies and should not be expected to do so, the Bank has recognized that in the right circumstances, greater

community involvement, not only for slum improvement programs but more broadly for poverty alleviation efforts, can play a significant role in improving project outcomes.

Finally, the success of the KIP (as discussed in box 6.2) continues to the highlight the importance of mobilizing local political in any slum upgrading or sites-and-services program.

…And What Did Not Work

Despite the success of sites-and-services and urban upgrading projects, these projects encountered problems. Frequently, sites-and-services projects became enclaves of relative privilege in the larger urban environment. They failed to go to scale for a number of reasons, including the fact that as pilot programs, they were exempted from building codes and land use regulations. The policy environment was often not addressed by these projects. Few citywide programs, such as the program in Lima, Peru, were launched, and only later were projects cast with a larger scope, such as the national program in Tanzania.

Most sites-and-services and urban upgrading projects relied on varying levels of community participation, at least involving labor and financial contributions from the poor. For a number of years, debate took place about full cost recovery versus explicit subsidies in shelter projects.[7] Despite success stories of community participation, some projects were still seen as central government endeavors, not as community or local efforts. In such projects, patronage, clientelism, and co-option often occurred.

Sustainability remains a critical issue. Both pilot projects and larger programs assumed that the relevant utilities and urban services would eventually take over maintenance and operation of infrastructure and services. This was improbable in urban areas, where utilities and urban services were poorly managed and covered only a fraction of the city. Once subsidies ended, the level of urban services declined. This is discussed further in chapter 5 of this book.