

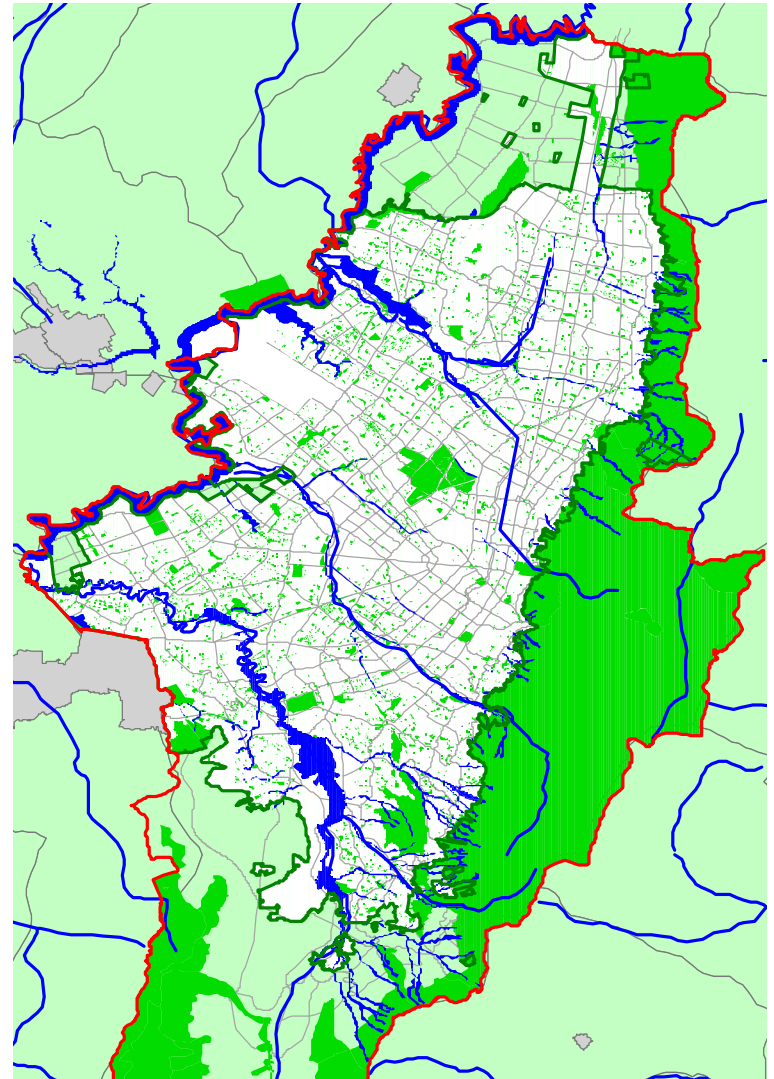


Drilling Down in Bogota

Urban Forum
March 12, 2009

BOGOTA: In Context

- Population 2008: 7.6m (30th largest in world)
- Density: 172 persons per hectare for district (7th most dense amongst 100 largest after Hong Kong, Mumbai, Dhaka, Ahmedabad and others)
- GDP of US\$42.7m, larger than Costa Rica, Uruguay and Panama; per capita GDP US\$ 6,700
- Accounts for 25% of national GDP
- AAA Local Currency Risk Rating (Duff & Phelps)



BOGOTA and the Metropolitan Region

Área Metropolitana de Bogotá

18 Municipalities

Population: 8.361.031

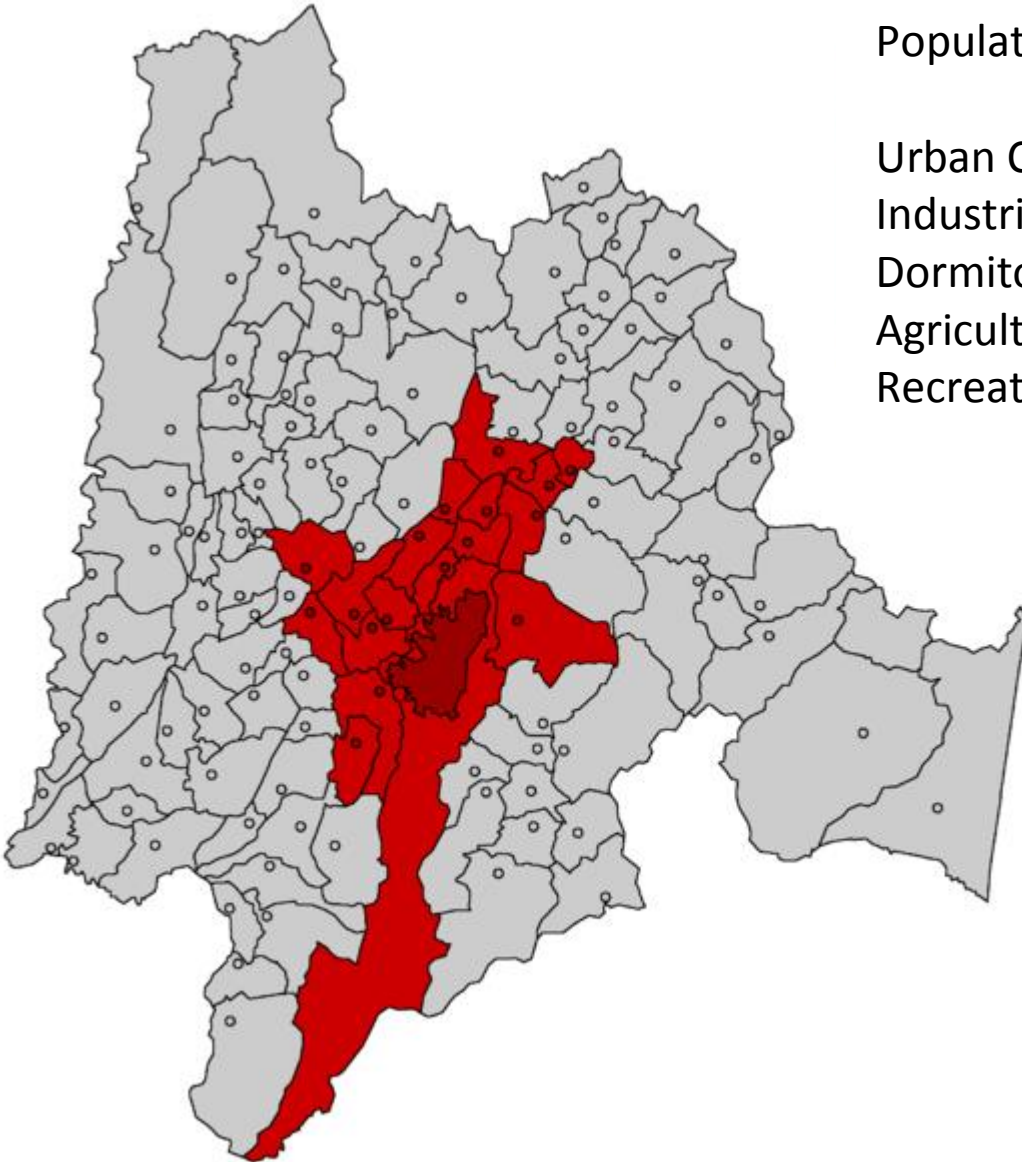
Urban Core: Bogotá

Industrial Cities: Tocancipa, Mosquera, Sopo

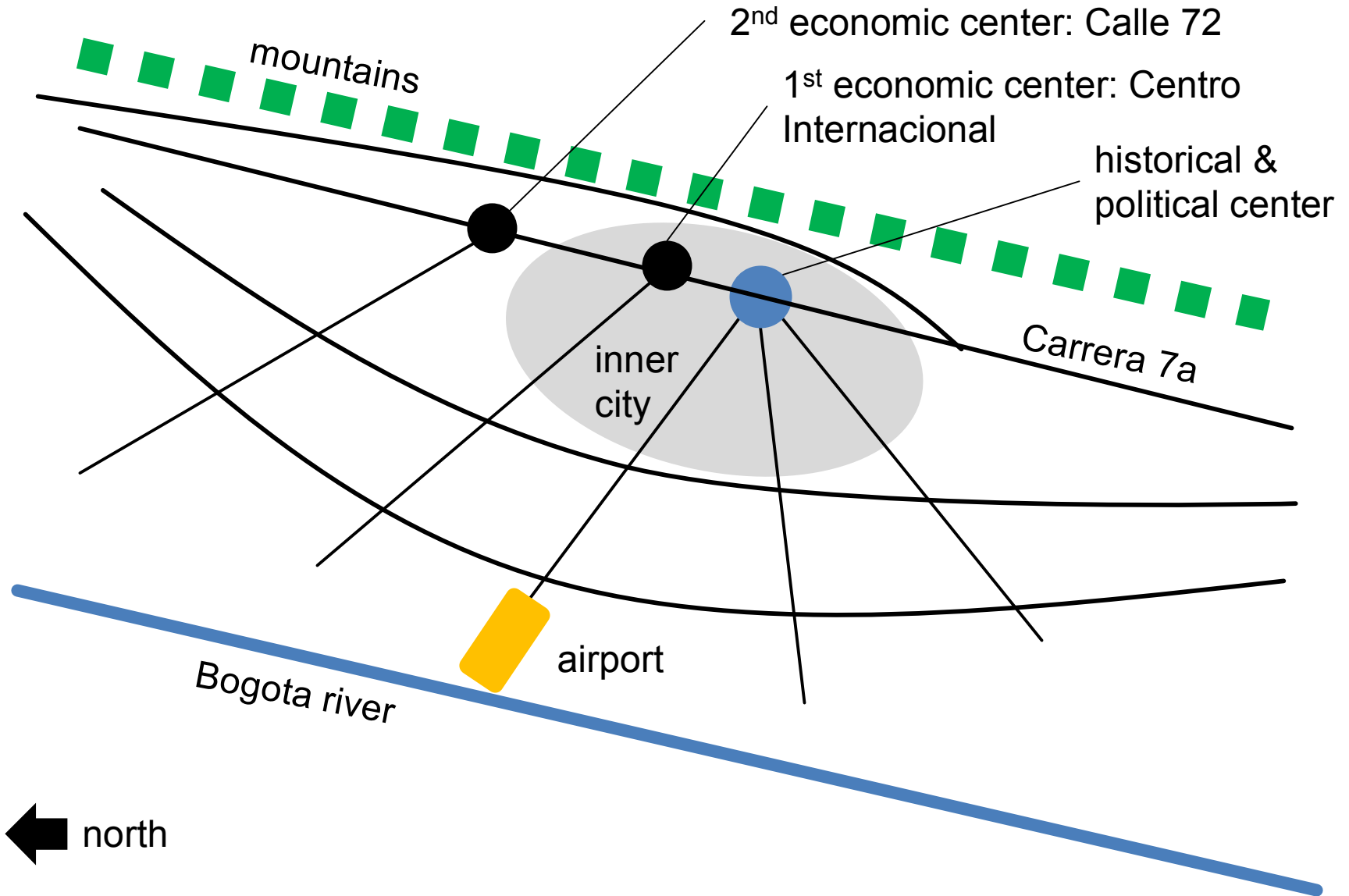
Dormitory Cities: Chia, Cota

Agriculture: Facatativa, Madrid, Mosquera

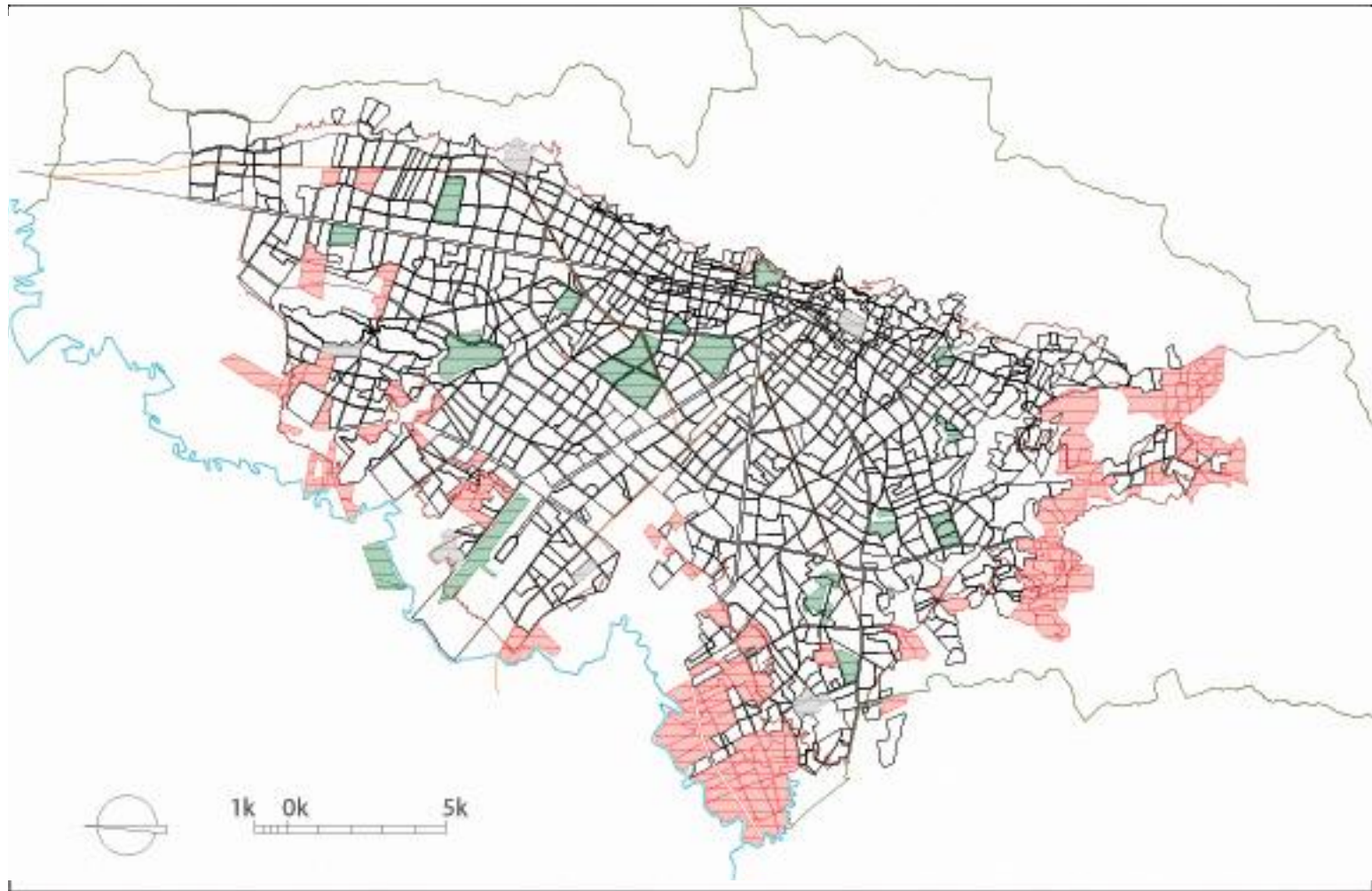
Recreation: La Calera



BOGOTA: Urban Structure









BOGOTA: Development Pattern



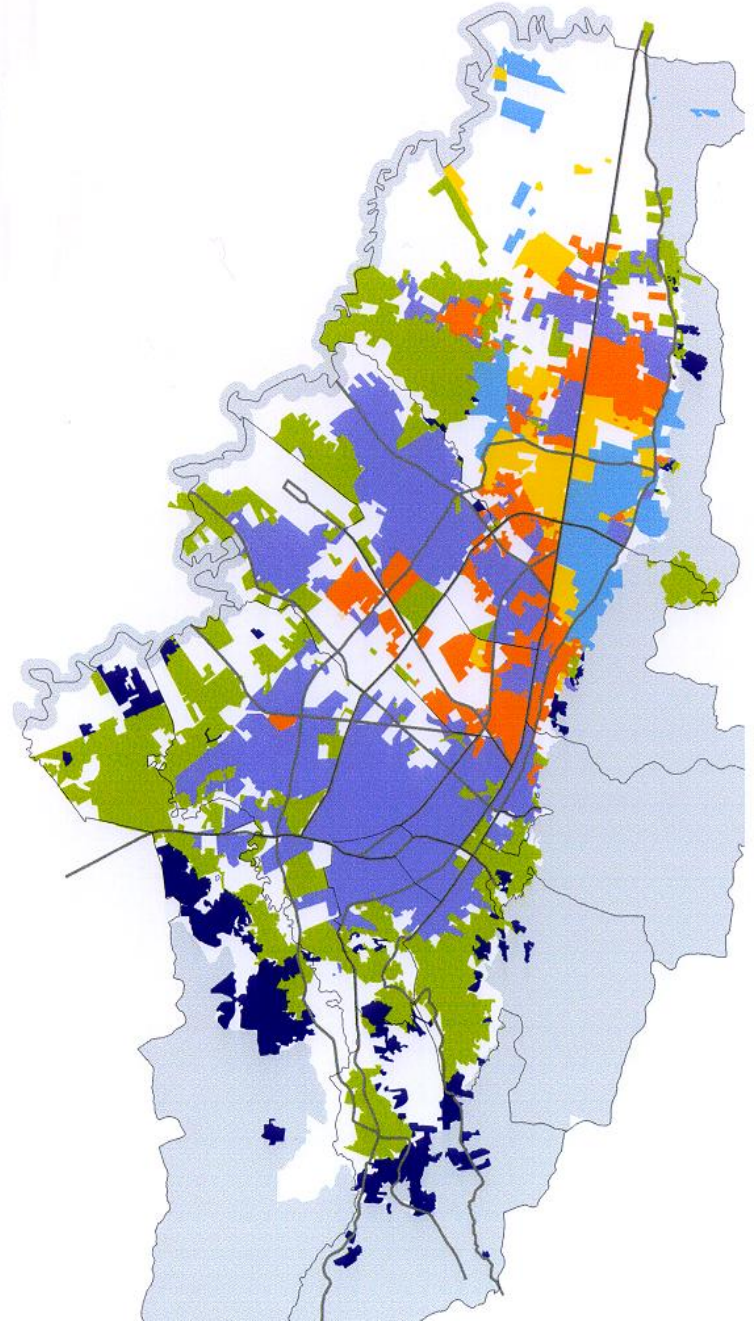
History and consolidation: From 1538 to 2000

Bogota: Where are the poor and how do they live?

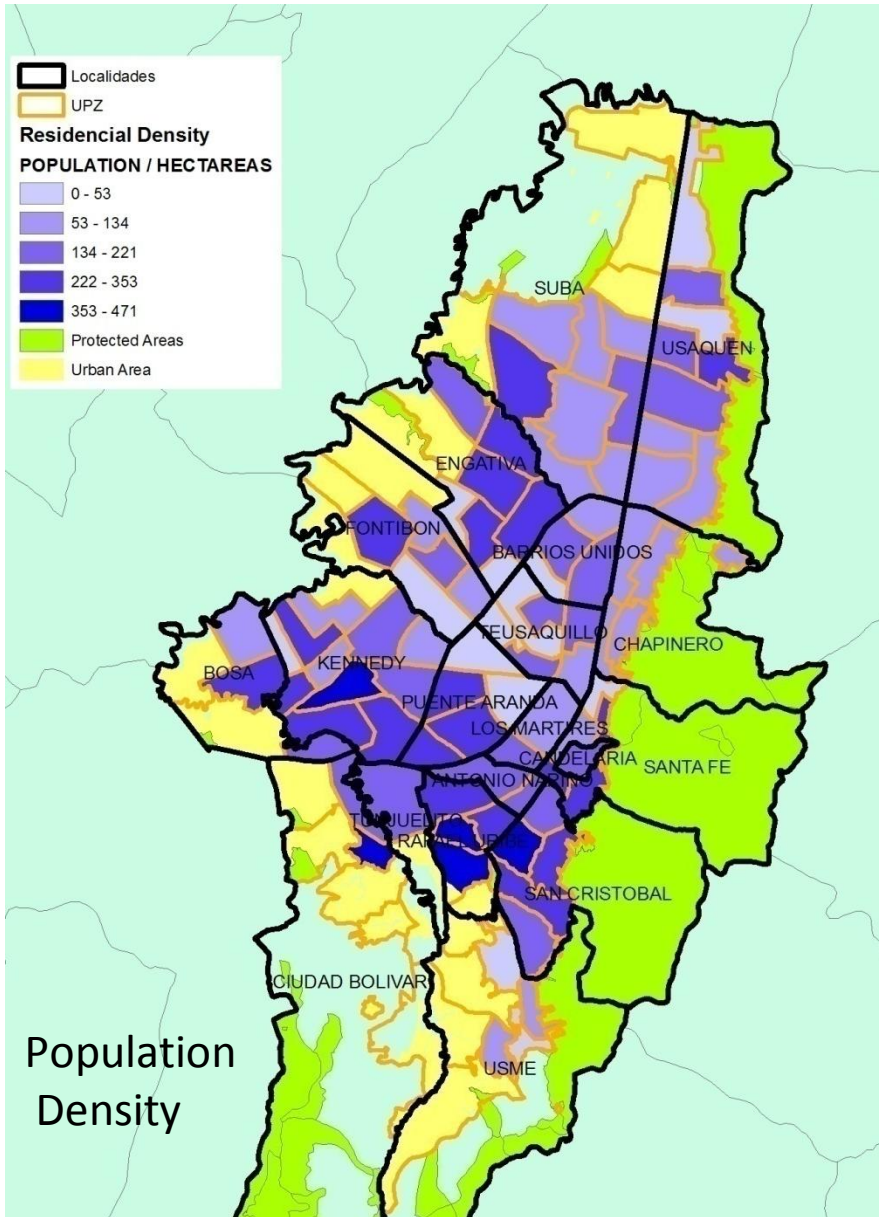
Significant Socio-economic Stratification

Estrato 1	6.59%	US\$213	
Estrato 2	36.11%	US\$283	
Estrato 3	44.47%	US\$789	
Estrato 4	7.61%	US\$2.247	
Estrato 5	3.02%	US\$3.457	
Estrato 6	2.20%	US\$3.590	

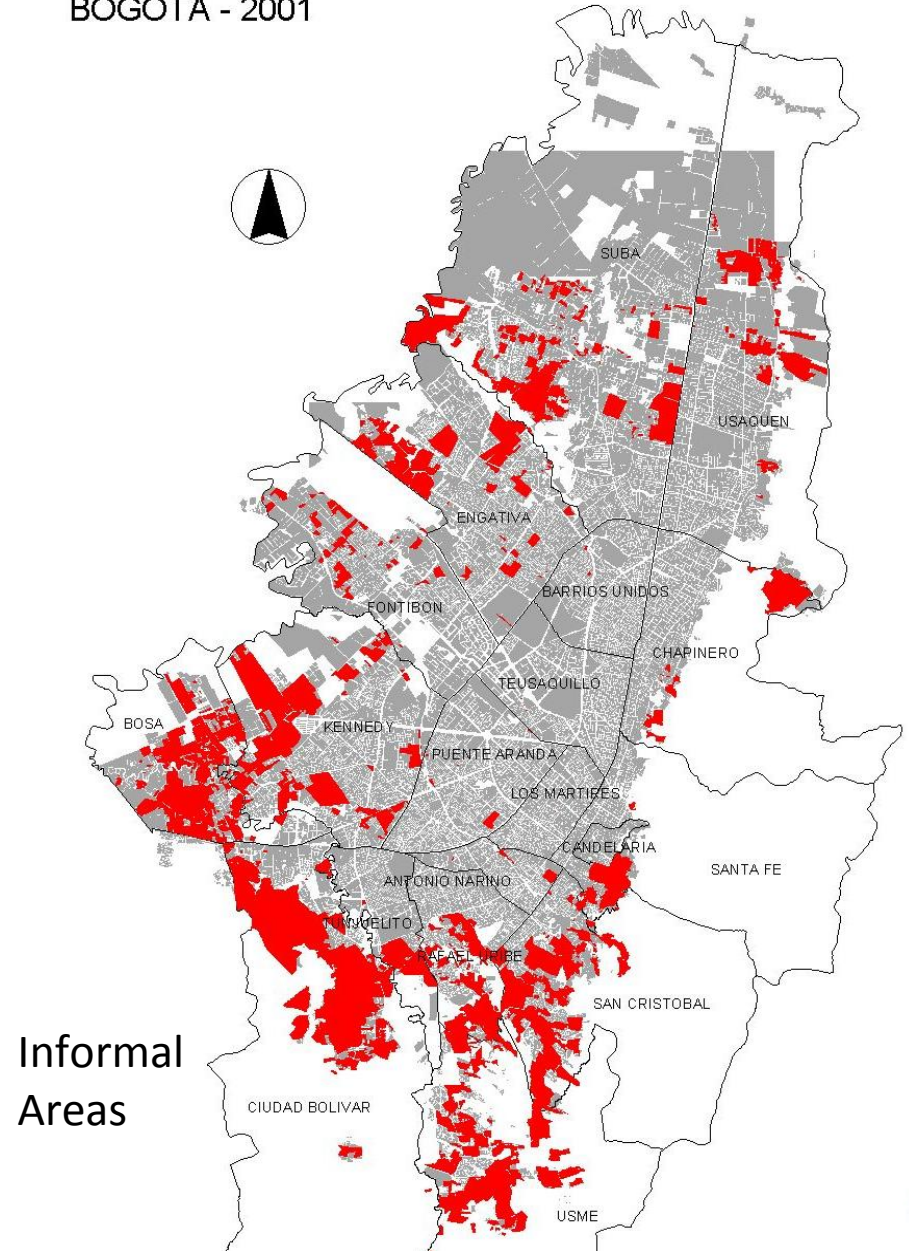
Average Household Income



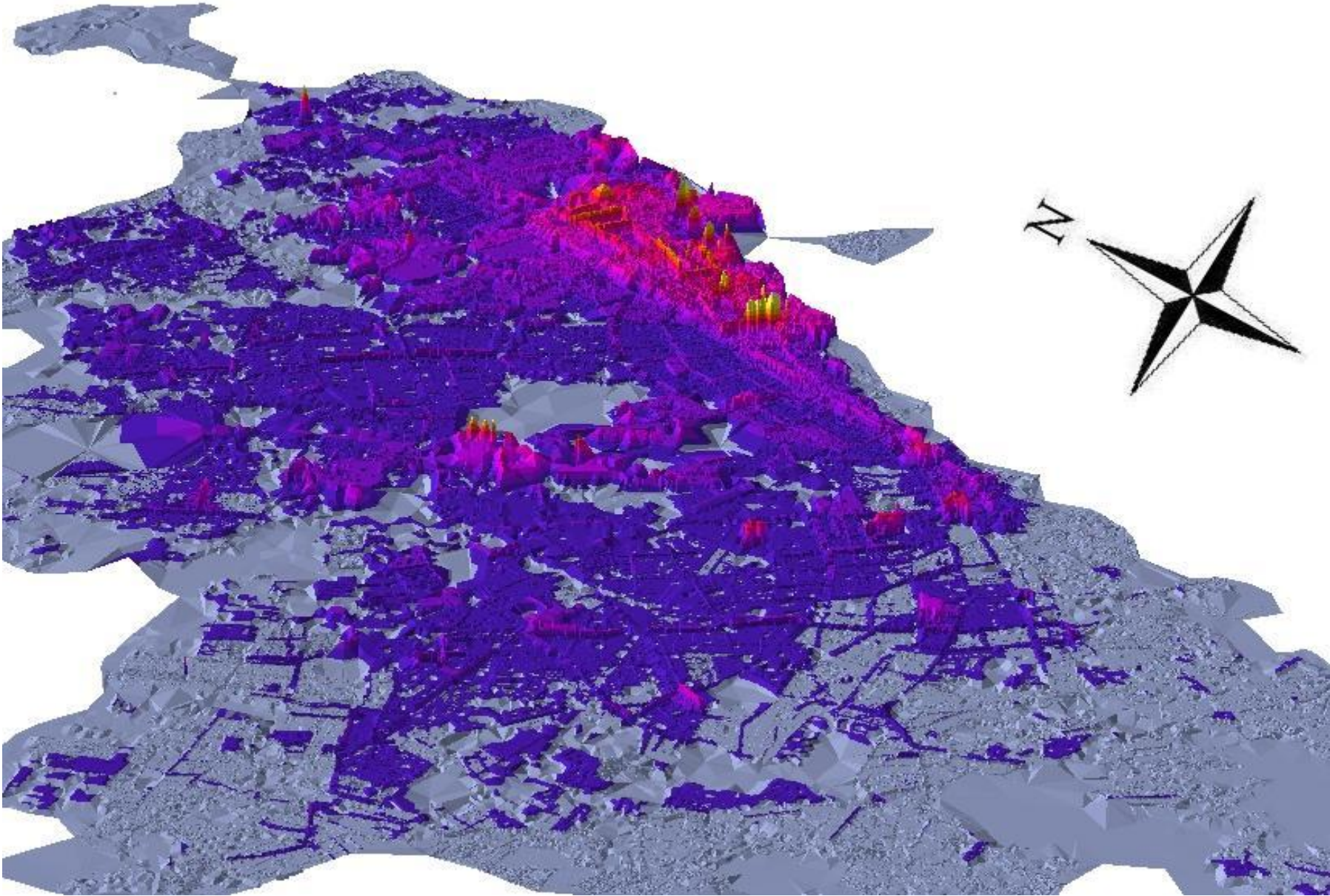
BOGOTA: Where are the poor and how do they live?



BOGOTA - 2001



Bogota: Land Values follow Development Pattern



Why Drilling Down in Bogota?

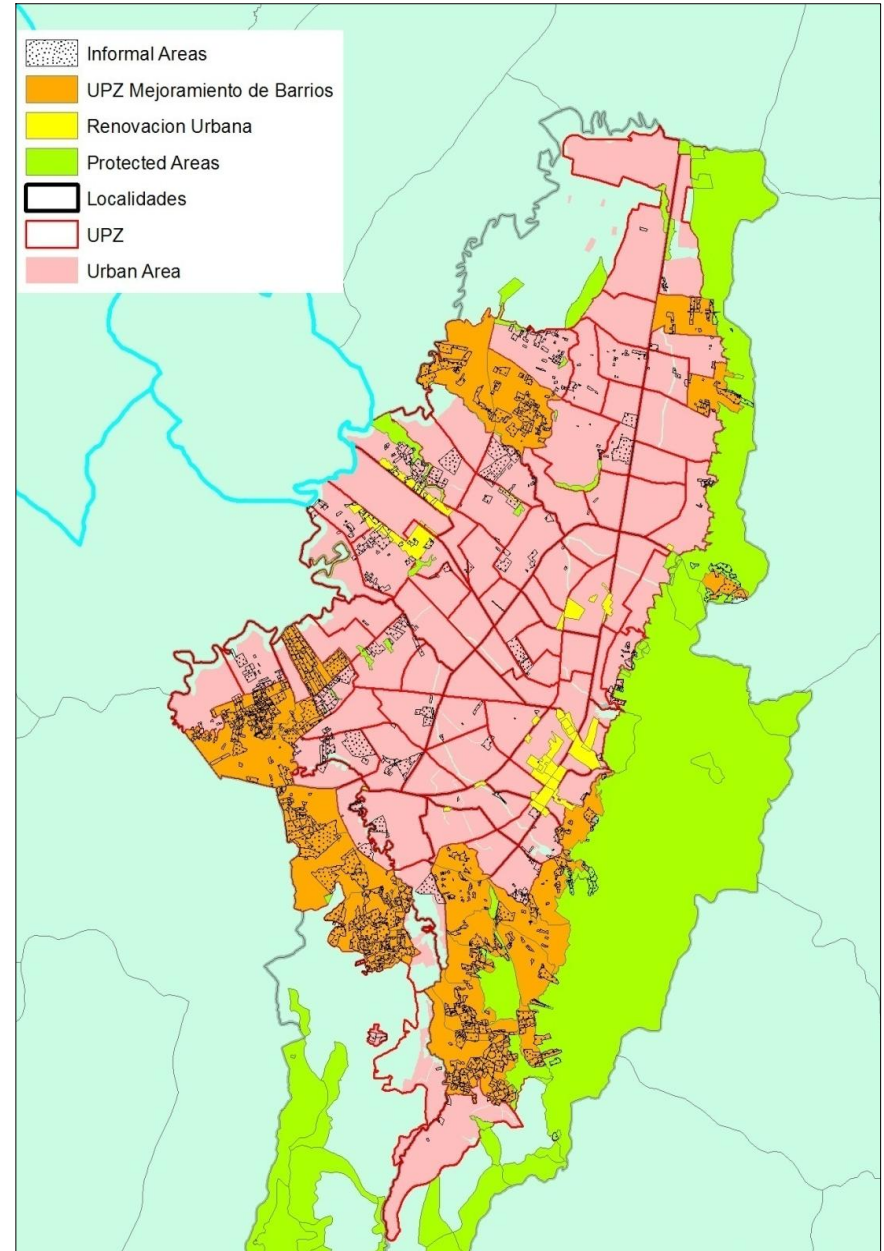
Part of a Broader Medium-Term Strategy to Expand the Reach of and Revitalize the Formal City

Upgrading of Informal Settlements

- Water, sanitation, transport and tenure regularization for informal slums
- Target 26 UPZ; of which 13 complete
- 944 neighborhoods of illegal origin covering 281.000 parcels 13% of Urban Area
- Targeting 2.2m inhabitants of which 1.9m are strata 1 y 2.

Urban Renovation

- Sidewalks and 'bolardos'; green spaces and bikepaths
- Downtown restoration



Why Drilling Down in Bogota? Part of a Broader Medium-Term Strategy II

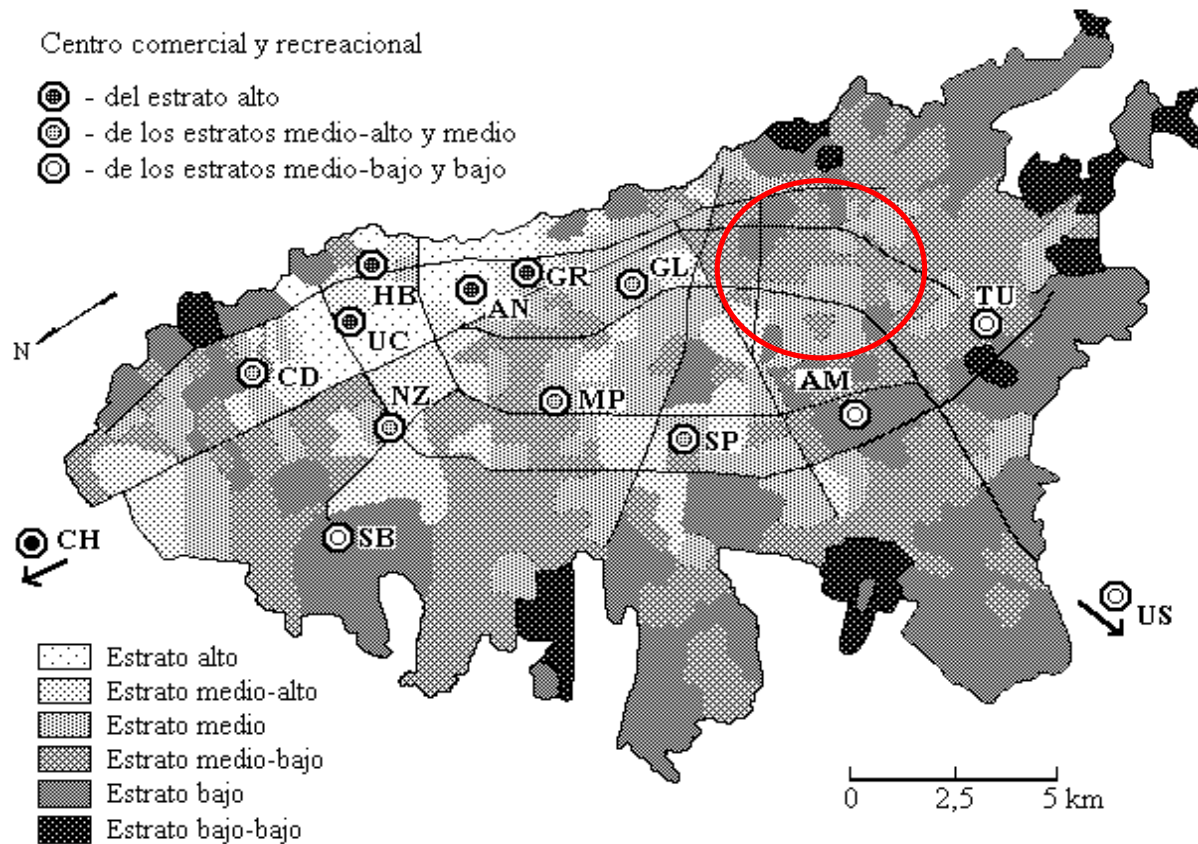
Improve Access to Services – Transmilenio BRT

- Broad city-wide network with feeder routes
- Over 1.0m daily ridership



Does the Private Sector Under-Target Poor Neighborhoods? The Case of Mega-Malls

- Multi-purpose mega-malls are largely being developed along the city's northern corridor

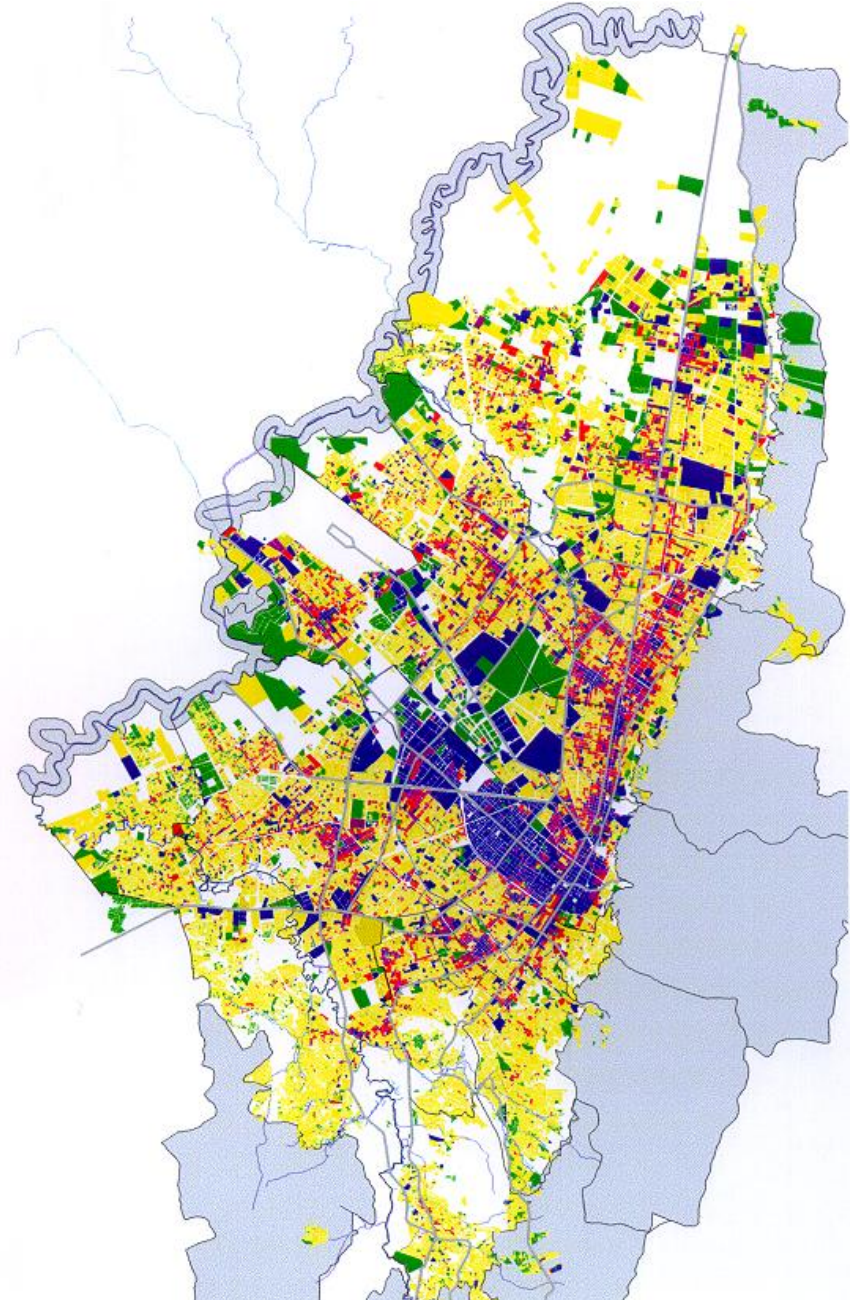


Mega-Mall Development

Does the Private Sector Under-Target Poor Neighborhoods?

- The distribution of commercial establishments is also disproportionately along the northern corridor

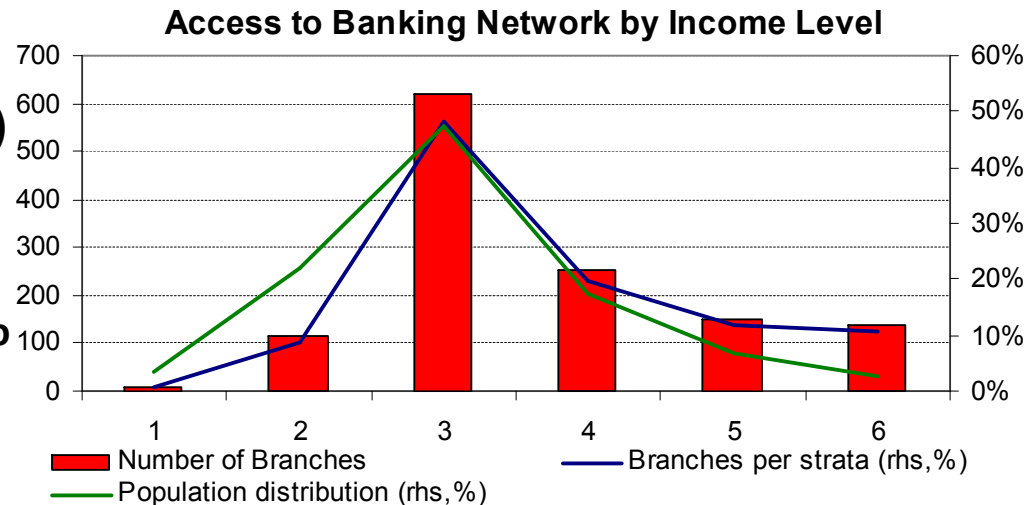
Commerce  Housing  Industry 



Does the Private Sector Under-Target Poor Neighborhoods? Access to Financial Services

Is the Bank Network too Small?

- Yes, it could be better (UK = 30; Spain = 90)
- Yet access to banking network may not be key constraint – 11 branches in Colombia for each 100,000 resident compares well to regional comparators (MX and Chile = 7; Brazil and AR = 10)



Or is the Banking System Underestimating the Bankability of the Poor?

- Only 38.4% of households have access to formal financial services (savings, credit and insurance products)
- 20.5% of strata 1 and 22.2% of strata 2 as compared with 67.5% of strata 5 and 6 households
- Broad perception that lower income segments are simply not bankable
- Credit risk for low income segments not prohibitive (NPL rates for SME microfinance under 5%)

Multiple sources of public and proprietary data exist

1. General Public Sector (DANE household 'micro-consumption' and 12 city surveys; Bogota quality of life survey; Bogota cadastre)
2. Infrastructure service provision (electricity, water and sanitation, solid waste)
3. Health Services (SISBEN – socio-economic data, public and private health insurance schemes)
4. Microfinance Institutions, credit cooperatives and *Cajas de Compensación*
5. Banks targeting low income segments (Colmena, Banco Agrario, Megabanco, Banco Popular)
6. Private sector firms with large distribution networks for consumer goods (Unilever, Coca Cola, Postobon, National Chocolates, Fenalco, Frito-Lay, etc.)
7. Mobile and land telephone service providers
8. Credit rating agencies
9. Real estate transactions
10. Universities and market research firms

Doing a Drilldown in Bogota – A Few Key Challenges

Measuring in a context of informality

- 51% of households primary income source is from the informal sector
- SMEs and households disproportionately access informal credit

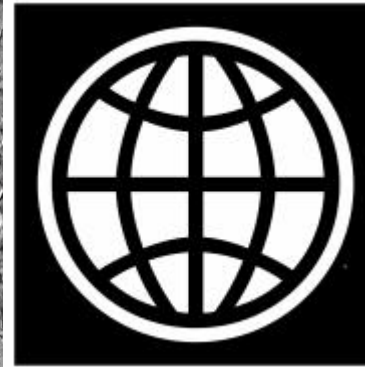
How to shake the proprietary data loose – strong and convincing sell

- Beverage and consumer good manufacturers see distribution network as primary source of comparative advantage
- CONDESA (privatized electricity company) uses service network to extend consumer credit for household durable goods through sister company

Selecting where to to start drilling – multiple options

- Recently regularized and upgraded slum
- Low-income settlement strategically located near parallel investment (phase 3 of Transmilenio BRT)
- Depressed mixed-use residential and commercial zone of city center targeted for renovation
- Deeply underserved informal settlement on periurban fringe

Making the leap – how to wrap Drilldown around a LED strategy or program



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