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Financing Investments in Slums and Informal Settlements

Introduction

Slums and informal settlements remain a significant challenge for many urban centres around the world, and the implications for municipal and local governments are profound. In many regions, the numbers of people living in slums are growing—a trend with significant implications for urban sustainability. Around one-quarter of the world’s urban population lives in slums, and since 1990, the number of people living in slums has risen by 213 million, to close to one billion.¹

Over 90 per cent of urban growth is occurring in the developing world, and an estimated 70 million new residents are added to urban areas of developing countries each year. Over the next two decades, the urban population of the world’s two poorest regions—South Asia and sub-Saharan Africa—is expected to double.² This suggests dramatic growth in the number of residents of informal settlements and slums in these regions.³



In sub-Saharan Africa, in 2014 over half of the urban population (55.9 per cent) lived in slums, and by 2050, Africa's urban dwellers are projected to have increased from 201 million in 2014 to 1.2 billion. In Asia, home to half of the world's urban dwellers (53.2 per cent in 2014), about 27 per cent of the urban population resides in slums.⁴ Globally, if no immediate action is taken, the number of people without adequate housing living in slum conditions will triple to three billion by 2050.⁵

The challenge posed by a growing global slum population is compounded by the fact that an increasing number of countries and cities struggle with the effects of conflict, natural disasters, or environmental degradation. These calamities have resulted in 40.8 million⁶ internally displaced persons (IDPs) and 21.3 million international refugees,⁷ who mainly settle in camps along the city periphery or in cities themselves. In addition, recent large-scale urban development projects have forcibly displaced 65.3 million people, pushing them into socially, culturally, and economically vulnerable situations. Integrating IDPs, refugees, and forcibly displaced persons into the urban fabric and providing adequate support poses significant challenges for many city administrations.

Slum upgrading is essential for the quality of life and social and economic future not just of those living in slums, but of all city inhabitants. This is because widespread slums and informal settlements undermine the prosperity and sustainability prospects of all urban residents—even the comparatively wealthy living in the developed portions of the city. It is thus necessary to rethink municipal financing priorities and approaches in order to reduce urban poverty and achieve more inclusive and sustainable urbanization.

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This chapter explains how financing participatory slum upgrading promotes inclusive urbanization, adequate living conditions, and prosperity for all. The chapter begins by explaining the need for large-scale, well-targeted investments to finance inclusive and sustainable urbanization. It then analyzes various instruments for ensuring up-scaling of participatory slum upgrading through creating an enabling environment for local authorities and communities. These tools include national urban policies, people-centred citywide strategies, and locally managed funds and partnership strategies. The chapter concludes by examining a promising template, UN-Habitat's Participatory Slum Upgrading Programme, and detailing its financing models and partnerships.

The need for large-scale and well-targeted investments to finance inclusive and sustainable urbanization

Investment in both slum upgrading and adequate housing has been neglected in many world regions in the last 20 years, despite having been identified as a global development priority by the Millennium Development Goals. The Sustainable Development Goals—which seek to, among many other things, “ensure access for all to adequate, safe and affordable housing and basic services, and upgrade slums” by 2030 (Target 11.1)—provide opportunities to address this unfinished business. So too does

the New Urban Agenda, which places municipal and local government in a key role for promoting partnerships and governance structures for sustainable urbanization. It also calls for innovative and partnership-based financing arrangements and for governance arrangements that promote a range of financing options—both top-down and bottom-up.

For a number of countries, the scale of the challenge has been a barrier in addressing this issue. Not many governments can manage the levels of investment required, nor do they have the legal supporting framework in place or show political will to prioritize this. In particular, many local authorities are not financially or institutionally empowered to respond directly to the challenge, and many still lack inclusive governance systems that connect slum dwellers to the formal city.

Remedying this is especially important because slums and informal settlements generate a large majority of economic activity in cities and towns. In many countries, this share is around 90 per cent. Furthermore, although slum dwellers might not pay fees such as property tax and land tax, they do contribute to the overall national budget through their often low-paid work and the fees they pay (such as market fees and value-added taxes on goods). In addition, slum dwellers often pay 10 times more for basic services—such as water supply, for example—than residents of the formal city. In short, slum dwellers play a significant role in broader urban economic dynamics in many towns and cities—a role that could be enhanced through investments in slum upgrading.

Financing slum upgrading, then, is as much about direct investment in urban infrastructure as it is about providing a “leg up” to slum and informal settlement dwellers so that they can overcome

poverty, benefit from living in an intact urban environment, and contribute even more fully to the urban economy.

Moreover, investing in improving slum dwellers’ lives is an investment in human rights reflective of globally agreed-upon frameworks that say all urban dwellers must be engaged and included. It is also critical for the urban sustainability agenda. No country has ever achieved economic growth without urbanizing, and those urban areas that engage and include slums and slum dwellers are more likely to be prosperous, equitable, and socially sustainable.

Furthermore, it is important to note that practices such as forced evictions, unlawful re-locations, or the “do nothing” approach ultimately cost towns and cities money and entrench negative spatial and social divides in urban areas that result in dangerous health and security risks. In other words, not investing creates a larger, more intractable challenge, which ultimately demands more investment and risks social unrest.

In many countries and for many national and local governments, this broader approach to financing slum upgrading is a significant departure from conventional understandings—but an important one. While national governments play a key role in policy, legislation, and financing of urban development and even slum upgrading, local governments often lead efforts to address the growth of slums and to integrate slum dwellers into the city (see Case Study 1). Addressing slum upgrading must be seen as part of the local investment agenda for social, economic, and environmental sustainability—and not as a one-off project unrelated to other major municipal goals.

Case Study 1: Upgrading housing with resilience and sustainable finance in Lima, Peru

CLIMAsinRiesgo, a joint project between the Development Planning Unit of the University College of London (UCL) and the Urban Economy Branch of UN-Habitat, aims to improve living conditions in two major neighborhoods in Lima, Peru: (1) Barrios Altos (BA), a highly regulated area due to its high historical value that is suffering from depressed private investment and absentee landlords, both of which have created an environment in which slums could develop, and (2) José Carlos Mariátegui (JCM), located in the periphery of Lima, which faces challenges such as unplanned development and rapid growth. The project, which is currently in the planning phase, has two main objectives: (1) identify the variables that produce risk traps⁸ for vulnerable inhabitants in the area, and (2) develop tools to prevent risk traps.

In an effort to improve housing infrastructure in these two areas, the Urban Economy Branch of UN-Habitat has developed a financial scheme built upon the premise of providing adequate housing in a sustainable way for both the investors and the inhabitants. This means that housing finance alternatives include subsidized down payments or interest rates; incremental upgrades (loans according to the payment capacity of the households); and a community mortgage. The financial scheme covers six main areas: lot acquisition, titling, land flattening, house structure, public services, and daily risk reduction. The costs were estimated according to actual housing conditions, and the feasibility to pay back house improvements was estimated according to inhabitants' everyday socio-economic restrictions. It is within this context that



Lima cityscape, Peru © Flickr/Sergey Aleshchenko

the different financial alternatives were developed, leaving space for interventions from both the private and the public sector.

Moving forward, UN-Habitat and UCL plan to partner with a local financial institution in the implementation of this project, which will impact more than 3,000 people with limited access to the traditional banking sector, and who live in an environment typified by rock slides, unautho-

rized access to houses, and a high propensity for contracting diseases (respiratory diseases are the most common, with cases in more than 30 per cent of the houses). A house upgrade will cost on average PEN11,267.41, which is approximately US\$3,390—an amount that a household will not be able to access in the traditional financial sector or through community saving schemes, and which will represent a huge expense for the municipal or national government.

Financing must be considered in terms of capital investment but also in terms of other resources—labour, time, and other community assets. Financing is needed not only for physical improvement but also for capacity building, legislative adjustments, and institutional changes. The latter are usually much smaller amounts but tend to be forgotten in budgeting and work plans for slum upgrading. Financing must also—and perhaps most importantly—be considered in terms of a mindset requiring governance and institutional arrangements that can support a “financing approach” to improving the lives of slum dwellers.



Investing in slum upgrading is clearly necessary for social, economic, and environmental sustainability.

People-centred citywide strategies for slum upgrading

Investing in slum upgrading is clearly necessary for social, economic, and environmental sustainability. As local governments undertake these investments, it must be acknowledged that slums and informal settlements cannot change overnight. Such a wide-scale transformation requires long-term engagement and calls for sustainable incremental transformation in several neighbourhoods at the same time (see Case Study 2). Too often national and city leaders seek quick solutions like resettlement, eviction, large investment in one particular neighbourhood that then becomes unaffordable to most of its residents (resulting in gentrification), or city beautification that hides the reality of slums through walls or other barriers. All of these approaches exacerbate social divides, exclusion, inequality, and urban poverty and increase the costs of overcoming these societal ills at later stages.

Case Study 2: Brazil's Growth Acceleration Programme

Brazil's Growth Acceleration Programme is a good example of how slums and marginalized populations can be addressed with an investment perspective and a strategic approach for long-term socio-economic transformation.

In 2007 the Brazilian government announced the Growth Acceleration Programme, the world's largest slum upgrading programme, with an average annual investment of US\$4.3 billion (for a total investment of US\$30 billion) that aimed to reach 1.8 million families. In a very innovative approach, slum upgrading was considered as part of an economic growth package that included investments in the infrastructure of the country as a whole. This was a major breakthrough because it caused slum upgrading to be viewed as fundamental to the country's economic and social development. Slum upgrading was now recognized as an investment and not solely as a social expenditure.

One of the programme's key ideas was to keep the slum population on the land they already occupied, near facilities and workplaces. The programme's goals were to (1) promote urban integration through infrastructure investment, (2) achieve "decent" housing through house improvements or resettlement/purchase of existing houses when relocation is necessary due to construction needs or risks, (3) integrate land titling regularization into housing interventions, (4) raise the environmental awareness of the target population through sanitary and environmental education plus interventions for environmental recovery when needed, and (5) foster social inclusion through the social work program component.

Brazil's experience in slum upgrading shows a clear evolutionary trajectory, from a unidimensional approach focused on individual urban components to a multidimensional approach where different urban components are integrated, and where socio-economic and institutional dimensions also gradually gain more centrality.



View of Porto Alegre, Brazil © Flickr

Source: World Bank, *World Inclusive Cities Approach* (Washington, World Bank, 2015), p. 76.

Forced evictions and unlawful relocations have major impacts on slums and slum dwellers. These include the interruption or destruction of socio-economic networks—consequences that negatively affect not only individual livelihoods, but also potentially the entire city.

Therefore UN-Habitat promotes inclusive pro-poor policies and participatory citywide slum upgrading and prevention strategies which emphasize in-situ upgrading. The concepts discussed in this section enable linkages to broader economic goals and to community investment and improvement programmes undertaken at various levels of government. Furthermore, they help to leverage the potential of the whole city and enable inclusive growth and development. Additionally, they allow for more-focused prioritization and the engagement of diverse investment partners.

Benefits of a participatory, citywide approach

To achieve sustainable transformation, city leaders should take a participatory citywide approach that engages all relevant stakeholders. This allows for joint agreement on principles, aims, and strategies and fosters mutual understanding of the abilities and limitations of each stakeholder. This approach secures commitment from all stakeholders at the outset and makes everyone part of the process, which fosters shared risk-taking. By enabling citizens to take on public responsibilities, it also promotes democratic values. Furthermore, a participatory citywide approach has the potential to trigger engagement of often underrepresented groups, such as women and youth, in urban development and management processes.

A people-centred approach to slum upgrading also fosters economic, social, and environmental resili-

ence among individuals and communities. It identifies the barriers to prosperity communities face and increases their economic potential by providing services and infrastructure, thereby improving the business environment and linking slums' economic activities to those in the rest of the city. It strengthens social connections by creating a sense of ownership among citizens. And it improves environmental conditions by reducing the potential for damage by floods, landslides, and hurricanes, which can upend several years of development for people and communities in minutes or even seconds.

Multi-level governance coordination mechanisms and capacity development

A people-centred approach to slum upgrading should be complemented by multi-level governance coordination mechanisms and capacity development. In the past, national governments often took the lead in implementing slum upgrading programs. For example, previous slum upgrading programs such as Cities Without Slums in Morocco, the Kenya Slum Upgrading Programme (KENSUP), and Minha Casa Minha Vida in Brazil were national schemes rather than city-specific undertakings. Increasing human and financial capacity as well as progressive decentralization and devolution have enabled many cities to take the lead in urban development and management processes, including slum upgrading. Therefore, creating a strong link between national and local government for developing and implementing slum upgrading is essential. In addition, local development committees can support the process by highlighting the issues that need to be addressed, proposing indigenous solutions, and taking part in implementation.

Using the comparative advantage of every level of government has the potential to create complementary top-down and bottom-up efforts to efficient-

ly address slum upgrading. Central governments should ensure national laws and regulations are in place to facilitate slum upgrading, such as land acts, national housing finance schemes, planning regulations, and building codes. Often they are also able to set aside funds for slum upgrading based on general tax revenues and other central government revenue sources, which can then be distributed to local governments. They are also often the stakeholder that negotiates with international development partners for grants and loans. For their part, local governments should ensure that local development plans and strategies address the city-specific issues pertaining to slums and ensure there is sufficient capacity to address them. Local government should also be the main body to coordinate a participatory approach that facilitates exchange among all stakeholders. Their local knowledge of the situation and of the abilities and liabilities of stakeholders is vital to the success of a citywide slum upgrading approach. This also includes ensuring the participation of service providers, which (depending on the country) can be governmental, parastatal, or private entities.

In addition, capacity development and community empowerment are necessary to facilitate full participation in community-driven socio-economic transformation and to leverage local knowledge and experience. Capacity development encompasses, among other things, participatory planning and human rights; community organization; neighbourhood planning; community-driven projects; community data collection, analysis, monitoring, and evaluation; inclusion of vulnerable groups and their particular needs; incremental housing; and strategic projects that build resilience in communities (see Case Study 3).

Women should play an integral part in the capacity-development process, as women are crucial to families' livelihoods in slum communities. Many households are headed by single women with children and are particularly vulnerable. Special attention should also be given to youths' potential to boost prosperity and adapt quickly to change and economic opportunities.

Case Study 3: Harnessing “people power” to create inclusive microfinance mechanisms in Thailand

The success of the Government of Thailand's Baan Mankong program, implemented by the Community Organizations Development Institute (CODI), illustrates that small-scale micro-financing efforts and networks can be harnessed and turned into effective tools to finance citywide slum upgrading.

Baan Mankong centres on providing infrastructure subsidies and housing loans to low-income communities to support slum upgrading in situ wherever possible. Support for projects is provided

not only to community organizations formed by the urban poor but also to their networks. This allows them to work with city authorities and other local actors and with national agencies on citywide upgrading programmes. It seeks to “go to scale” by supporting thousands of community-driven initiatives within citywide programmes designed and managed by networks working in partnership with local actors. With regard to financing, Baan Mankong provides micro-financing through the local community networks that became part of

CODI, which managed the roll-out of the community-led micro-financing mechanism.

The Thai experience highlights how local savings and credit activities teach vulnerable communities to manage their own savings and public finances. This helps ensure that knowledge and capacity are strengthened and that the people themselves become key actors in the development process. The case also shows how the networks and institutions required to implement slum upgrading can be broad and inclusive and have a strong degree of management and input by the community and slum dwellers themselves.



Lumphini Park - Bangkok, Thailand © Flickr/Qsimple

Source: Adapted from Somsook Boonyabancha, "Baan Mankong: Going to Scale with 'Slum' and Squatter Upgrading in Thailand," *Environment & Urbanization*, vol 17, no 1 (2005), p. 45.

Enabling new partnerships and innovative financing mechanisms

Slums and urban poverty present a significant financing challenge requiring new ways of thinking about urban financing, new partnerships, different approaches, and innovative technical solutions. Partnerships with communities are essential as well; they are key for accessing financing, reducing the costs of investments, and finding locally adapted solutions.

Local funds are an effective instrument for financing sustainable improvements and are often the only feasible way to address large-scale slum issues. One example of a complex but sustainable local financing mechanism following a people-centered approach is a community revolving fund, which acquires small financial contributions from community members themselves. In general, a revolving

fund is a longer-term financing mechanism that aims to fully recoup the investment and therefore allows for cycle-like financing, maintaining the fund contributions as a "credit" source. Having the community in the centre of such a revolving fund is a powerful tool to strengthen community decision-making processes and create sustainable, well-targeted business models that can be replicated in other neighbourhoods and are fully driven by the local community with little input from national authorities. It is therefore an attractive solution in environments where government systems are weak. Further, revolving funds are built on existing social capital, enabling localities to overcome systematic barriers that hinder up-scaling. In particular, community revolving funds provide an opportunity to finance infrastructure that would have otherwise been impossible to finance. Due to the nature of the fund, care must be given to the

type of investments made, and priority should be given to projects that generate income, such as the upgrading of local markets whereby the fund will profit from market fees.

Citywide slum upgrading also provides entry points for diverse investment partners. It provides direct, highly visible investment opportunities. This assists in mobilizing private sector investments as well as attracting multilateral and bilateral financing partners.⁹ For example, the European Commission has expressed interest in piloting the EU's blended financing mechanism for participatory slum upgrading in countries in Africa, the Caribbean, and the Pacific islands. The innovation of the EU blending mechanism is to combine EU grants with loans or equity from public and private financiers. The EU grant element can be used in a strategic way to attract additional financing for important investments in EU partner countries by reducing exposure to risk.

A further interesting new partnership can be built with the insurance sector. Various maladies that affect slums—such as crime, pollution, and deteriorating infrastructure—also negatively impact this sector. For this reason, the insurance sector has realized that it can ultimately be less costly to proactively invest in preventing some of these scourges from occurring in the first place.¹⁰



Two fundamental concepts are at the core of PSUP: A mix of instruments is necessary to address the strategy's variety of needs, and at the city level no single stakeholder has the capacity (financial or otherwise) to address slum upgrading alone.

UN-Habitat's Participatory Slum Upgrading Programme, its financing model, and its partnerships

A promising template that exemplifies many of the concepts discussed in this chapter—one that has mobilized partnerships in implementing participatory slum upgrading to achieve inclusive urbanization, adequate living conditions, and prosperity for all—is UN-Habitat's Participatory Slum Upgrading Programme (PSUP). It was designed over 2008–2016 through continuous learning. It is based on a tripartite partnership initiated by the Secretariat of the African, Caribbean, and Pacific Group of States, as well as the European Commission as financing partner and UN-Habitat as implementing partner.

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PSUP uses and recommends a variety of tools and approaches to finance slum upgrading. In particular, it takes a participatory approach, which has implications for financing opportunities. A participatory approach makes all urban stakeholders aware of the challenge, builds capacity for addressing city-specific issues, fosters mutual understanding of all partners' abilities, creates partnerships, determines ownership, and opens up collaboration opportunities. The creation of a sense of common ownership of the process and the outputs is key for discussions on financing the slum upgrading intervention (see Case Study 4).

PSUP addresses the ownership question through early co-funding requirements on the part of local and national governments. This is in line with the programme's sustainability principle, which holds that interventions should be planned in a manageable way and should first rely on locally and nationally available resources. Basing slum upgrading on locally available funds also ensures planning interventions that are later able to be maintained by the local government, the community, or other local mechanisms are in place, which contributes to the sustainability of the interventions. The co-funding discussion with national and local governments is important for lobbying within the national and local budgeting process. Also important is the creation of a budget line for slum upgrading, an expenditure that many ministries and local governments overlook. National and local governments must also be ready to receive, administer, and spend funding received for slum upgrading, which PSUP's experience has proven not to be a given. Therefore PSUP supports governments' attempts to remedy this weakness and releases funds for programme implementation to national accounts where possible.

A successful slum upgrading strategy also requires institutional and policy interventions to be identified early in the process. Some activities, such as policy and regulatory reviews, can be scheduled in regular work plans and budgets of ministries and local governments. An important financing strategy for addressing required institutional changes such as capacity building, restructuring, and infrastructure improvement is strategic partnerships. As the issues at hand are mostly very concrete, time-bound, and visible, this presents an opportunity for city-to-city partnerships, corporate social responsibility activities, and philanthropic contributions whereby

the partner can gain visibility. Often the financing of physical infrastructure is the largest and most challenging issue. Therefore the strategy has to be two-fold: (1) finding options that are adapted to the city situation and are cost realistic, and (2) identifying the right financing mechanism. Depending on the ability of the city, there are plenty of available mechanisms, including redistributive taxes/charges, lending, blending, and drawing together sector budgets into one common project/program budget.

A last point on slum upgrading finance is to look at the way projects—especially physical projects—are implemented. There are a variety of options, ranging from large-scale international contractors to national companies to community-managed funds.¹¹ All have their advantages and disadvantages in terms of management and financial implications. PSUP advocates implementing a capacity-building approach by working together as much as possible with national institutions, NGOs, consultants, and the community. It is advisable to implement a pilot project, wherein a process driven by the national or local governments with significant involvement of the target community is implemented. This addresses capacity building on the three governance levels, often proves more cost-effective, creates a link between indigenous solutions and livelihoods, and builds trust among stakeholders for larger-scale undertakings.



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Case Study 4: Cameroon's experience with PSUP

The Government of Cameroon has partnered with the UN Secretariat of the African, Caribbean, and Pacific Group of States; the European Commission; and UN-Habitat on PSUP since 2008. Initially the country undertook no slum-upgrading activities, nor did it allocate funds for this purpose. Further, eviction seemed to be the country's only approach towards slums. Since 2008 the PSUP approach, including the financing component, has been fully institutionalized. Slum upgrading has been delegated to local authorities through a review of legislation, a pro-poor urban policy is on the way, and most importantly a diverse resource base for slum upgrading has been established.

At the national level the Ministry of Housing and Urban Development allocated funds for policy and legislation review, as well as for technical support to local authorities for PSUP. Further, it lobbied the Ministry of Finance and FEICOM, a national financing institution that aims to equip local authorities with financing for sustainable development. PSUP was selected as a funding priority, which enabled the approach to be replicated in two more cities. Further, a broad coordination mechanism was established with representatives from several national and local authorities, NGOs, residents, and the private sector.

PSUP has therefore managed to foster ownership and investment among all parties. All local authorities have allocated funds for slum upgrading. NGOs have provided in-kind co-fi-

ancing and other investments in the slum neighbourhoods, and most importantly have assisted in leveraging financial contributions from community members. For example, a trash collection and recycling service was established by youth. The local authority provided the public equipment for the service, including specially designed vehicles to access the dense slum neighbourhood in Yaounde. The community pays around US\$2 per household per week for trash collection. PSUP provides the potential for communities to invest in small-scale business initiatives such as these.

In addition, the private sector was mobilized from the beginning and has been made responsible for providing infrastructure. In return, it will be able to sell services, such as water and electricity.

Further, a high priority for communities has been to create local economic mobility by connecting the neighbourhood to the formal city and by creating public space for economic activities. Women in particular have benefited; it facilitates care for their children as well as small-scale economic activities within the city (products are often bought in the formal city and sold in smaller, more affordable amounts in the slum neighbourhood).

Thus Cameroon has leveraged participatory slum upgrading to create financial engagement at all governance levels and to respond to community needs through a bottom-up approach.

Source: Sipliant Takougang, UN-Habitat Participatory Slum Upgrading Programme implementation experience and report



A view of Douala, Cameroon © Flickr/Colette Ngo Ndjom

The following unique features of PSUP have helped it to facilitate diverse financing partnerships:

- PSUP's guiding principles, such as securing early co-funding through a formal agreement, allow for the inclusion of slum upgrading in national budgeting processes and enable sector ministries to more successfully negotiate with the Ministry of Finance. The creation of a budget line in general is also important for having the institutional means to receive money from other partners for slum upgrading. Also important is testing the financial procedures of countries for receiving and disbursing funding for slum upgrading.
- PSUP gives priority to developing capacity and investing in human capital through training, community-managed funds, and local-level projects—which all build upon the initial investments.
- PSUP created the enabling environment and pre-conditions for the EU “blended approach” to slum upgrading, which requires different

levels of government—international, national, and local—to work together.

- PSUP emphasizes the requirement to link with other key urban developments and plans.
- PSUP fosters the creation of a multi-stakeholder country team working on slum upgrading, which encourages actors to point out successful funding mechanisms that can also be transferred to other sectors.
- PSUP blends political will and financing commitments.
- PSUP conceives the citywide slum-upgrading strategy as a long-term vision for guiding prioritization and future investments in an efficient way.

Through PSUP, in 32 out of 35 countries slum upgrading has become a national priority and new financing opportunities have arisen. This is due in no small part to the establishment of national and municipal budget lines and country-specific partnerships with non-governmental organizations, the private sector, donors, and development banks.

Conclusion

Overcoming inequality, exclusion, and inadequate living conditions in slums requires inclusive governance systems. This demands the full engagement of national governments through participatory slum upgrading and affordable housing programmes, municipal leadership guided by citywide slum upgrading strategies, and people-centred approaches strengthened through locally managed funds and community upgrading plans.

Resources for slum upgrading remain scarce; therefore, a strategic, multi-level governance, and multi-partnership approach is absolutely essential. While this approach requires a larger input in time and human resources, it provides the opportunity for up-scaling and replication. An inclusive citywide slum upgrading strategy is therefore a key instrument for integrating the informal city with the formal city and for targeted and efficient long-term engagement and investment.

Locally managed funds, participatory budgeting, and community-led projects are particularly important, and are new recommendations for sustainable transformation and slum upgrading.¹² Locally managed funds have the potential to overcome

barriers to citywide transformation and large-scale investments, thereby enabling large-scale and long-term transformation through replication and up-scaling.¹³

Additionally, community-driven resource implementation reduces costs. “Authentic partnerships” are the most feasible set-up for long-term transformation and incremental improvements in line with the financial capacity of slum dwellers in developing countries. In short, participatory approaches pave the way to achieve more with limited resources.

However, in tandem with the creation of bottom-up investment, it is important to create innovative large-scale financing mechanisms with long-term vision in order to facilitate citywide transformation and full integration of marginalized and poor neighbourhoods. Large-scale financing mechanisms that enable multi-sectoral investment and basic infrastructure projects are needed, and the international community and development banks as well as the private sector need to fulfil their roles in providing required funds to transform slums and the lives of slum dwellers in a sustainable manner.

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Endnotes

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- 8 A risk trap is associated with the economic concept of a poverty trap, in which everyday hazards and episodic, small-scale disasters accumulate.
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Roadside drainage channel in St. John's, Antigua and Barbuda © UN-Habitat