

## THE CITIES ALLIANCE

### ENHANCING ACCESS OF THE URBAN POOR AND VULNERABLE GROUPS IN VIETNAM TO BASIC INFRASTRUCTURE AND SERVICES

#### TASK 2 – REVIEW OF RECENT AND ON-GOING URBAN UPGRADING PROGRAMS – SUMMARY OF STUDY FINDINGS

##### Background to Study

Recently there has been a revived interest in upgrading poor urban communities in many developing and transitional countries across the world. In the 1970's and 1980's international donors supported many projects which sought to upgrade low income communities but interest faded such that few projects aimed specifically at the urban poor were embarked upon through the 1990's. Fortunately the renewed interest has prompted many multi-lateral and bi-lateral agencies to again focus on programs and projects aimed directly at improving the quality of life of the urban poor.

Many millions of people live in the poor urban communities in often squalid, unsafe and unhealthy environments that lack basic infrastructure and services. These communities often referred to as slums are growing rapidly and are projected to double in size in the next 25 years. To date efforts have largely been locally driven with limited resources hence serving only a few lucky deficient communities.

In May 1999 a global partnership was formed which included the UNCHS and the World Bank with other UN agencies, regional development banks, bilateral agencies, local authority associations, NGOs and the business community. This multi-donor alliance and their development partners were named The Cities Alliance. The CA marshals the resources, experience and knowledge of its partners to focus on the two priorities of action. It was conceived to improve the efficiency and impact of urban development cooperation in two key areas, namely a) linking the process by which local stakeholders define their vision for their city, analyse its economic prospects and establish priorities for action, with investment strategies for implementation, and b) making unprecedented improvements in the living conditions of the urban poor by moving to city wide and nationwide scales of action. In September 1999 the "Cities Alliance Cities Without Slums" Action Plan was prepared and distributed at the World Bank's Annual Meetings.

Within this context, namely citywide and nationwide upgrading of low income communities to improve the environmental circumstances of the urban poor this study, "Enhancing Access of the Urban Poor and Vulnerable Groups in Vietnam to Basic Infrastructure and Housing", was approved for funding by The Cities Alliance following a Government/Donor/NGO workshop held in Vietnam in October 2000.

The Study was framed to include 5 main inter-related tasks. These were:

- Task 1- Assessment of Constraints faced by the urban poor in housing and infrastructure;
- Task 2- Review of Recent and on-going urban upgrading programs and comparison with international best practices;
- Task 3 Development of a National Policy Statement on the provision of shelter and access to basic infrastructure and services for the urban poor;
- Task 4 Development of a detailed action plan for a selected city based on the policy developed in task 4;
- Task 5- Dissemination and Capacity Building.

The overall objective of Task 2 was to evaluate past and current upgrading interventions, both national and local, which have targeted the urban poor and make a comparison with world-wide best practice, all to serve as a guide to future initiatives for the urban poor. Projects past and present were examined in order to determine the key factors that have contributed to the successes and/or failures of urban upgrading efforts in Vietnam and in other selected countries. A comparison of various projects and their upgrading typologies was made and from the findings of the study challenges and recommendations for the VUUP were identified.

## Comparison of Upgrading Typologies

|   | <b>Typology</b>  | <b>Description of Typology/Method/Approach</b>   | <b>Advantages/Disadvantages</b>   | <b>Country Examples</b>  |
|---|--|--|---|--|
| 1 | Classic – plots sold (CS)  | Comprehensive, multi-sectoral, integrated with land title/plot title given and based on cost recovery with plots priced to cover capital cost of infrastructure provision calculate on a “saleable square meter basis and plots priced according to size. Plots become “legal” and ultimately contribute to costs for maintenance through formal local taxation system (e.g. property rates) | <u>Advantage</u><br>Sustainable (covers capital costs) and “legalizes” beneficiaries, bringing them into the city and into payment for O&M<br><u>Disadvantage</u><br>Complex and time-consuming and expensive for low income and thus protection for “destitutes” required.   | Swaziland<br>Namibia   |
| 2 | Classic-plots rented (CR)  | Comprehensive, multi-sectoral, integrated with no land title/plot title given but a rental agreement and rentals based on partial capital cost recovery over time through rent   | <u>Advantages</u><br>Legalizes beneficiaries and gives them some security. Provides a formal housing option for those unable to afford.<br><u>Disadvantages</u><br>Long term financing required and housing management by LA of Housing Authority needed.   | Namibia  |
| 3 | Integrated Infrastructure with cost or partial cost recovery (ICRNT) | Comprehensive, multi-sectoral, integrated but with tenure issues not addressed and with capital cost recovery via a betterment levy or similar payment for infrastructure provided.  | <u>Advantages</u><br>Sustainable.<br><u>Disadvantages</u><br>Loses opportunity to give beneficiaries secure tenure.   | Pakistan   |
| 4 | Integrated Infrastructure without cost recovery (INCRT)              | Comprehensive, multi-sectoral, integrated but with tenure issues not addressed and without capital cost recovery thus a government-subsidized approach.  | <u>Advantages</u><br>Comparatively quick and easy to implement.<br><u>Disadvantages</u><br>Subsidized.  | Ghana<br>Tanzania<br>Nigeria<br>Indonesia<br>THLG Pilot in HCM, Vietnam<br>Cambodia<br>India |
| 5 | Sectoral with cost recovery or partial cost recovery. (SCRNT)        | Single sector (usually) but with tenure issues not addressed but capital costs partially recovered from beneficiaries direct.  | <u>Advantages</u><br>Comparatively quick and easy to implement<br><u>Disadvantages</u><br>Loses opportunity to give secure title, to create a visible impact thus encouraging people to maintain infrastructure provided. Can create and imbalance in infrastructure provision and create inefficiencies in future with piecemeal provision and disruption and waste. | Vietnam  |
| 6 | Sectoral without cost recovery (SNCR)                                | Single sector (usually) but with tenure issues not addressed and without capital cost recovery thus a government/utility subsidized approach   | <u>Advantages</u><br>An improvement in service level in sector(s) upgraded<br><u>Disadvantages</u><br>As for above plus relies on subsidy.  | Zambia<br>(upgrading cannot take place without area being declared)                          |

### Challenges and Recommendations for the VUUP

1. A number of challenges face Vietnam's government and local government in preparing and subsequently implementing an urban upgrading project. Although in recent years there have

been moves towards decentralization, and the giving of more autonomy to local government, much still needs to be done to reduce constraints to helping the urban poor and to the upgrading of their basic services and living environment. Important factors and issues identified are summarized below and both short term and long term recommendations are made to address them.

2. *Master Plans, Detailed Area Plans and Community Upgrading Plans.* Although such plans should be city-specific and hence contributed to by those affected and produced by city administrations, at present these are produced centrally. International experience of physical plans that apply rigid planning standards, are not linked to social and economic development plans and which are prepared without consideration of both financial and implementation capacity to implement them are thus rarely implemented in their projected time frames. Furthermore, rather than be a stimulus to providing innovative solutions to help cities and ALL their citizens develop, they tend to achieve the reverse and place difficulties in the way of such efforts. All cities should have visions as to how they would like to develop in the future and strategies to get there but these should be realistic. Urban upgrading programmes and projects which focus primarily on the provision of basic infrastructure and services for the poor should not be seen as a final solution to a particular area but as a first, incremental step and strategic element in achieving these visions. Unless this is so it is likely that nothing will be done in such areas and these unplanned, informal, infrastructure deficient communities will grow, and they and the neighbourhoods that surround them, will suffer further environmental degradation. ***In the short term it is recommended that local government consider existing approved Master plans and detailed local area plans as long term visions and apply them in a realistic, flexible manner. In the absence of realistic formal (legal) plans the Community Upgrading Plans to be prepared for Phase 1 communities in the VUUP sub-projects, which should not be only physical plans but management plans which set out all community upgrading details, costs, recovery arrangements, management arrangements and agreements between stakeholders should prove most useful tools. In the long term, consideration should be given to modifying the planning process such that plans cover, among other things, the following; i) are produced locally; ii) link social and economic development goals; iii) are costed; iv) take account of the financial and human resource capacity to implement them.***

3. *Community Participation.* Experience in many countries in recent years has concluded that if conditions in poor communities are to be improved and the improvements are to have a better chance of being sustained then such communities need to be actively and seriously involved in what is planned and what is implemented in their respective communities. If this is done then communities, even if poor, are usually willing to contribute to efforts to improve their environment and, more importantly, to see that improvements are looked after. ***In the short term the preparation of the Vietnam Urban Upgrading Project should ensure the active participation of the selected low income communities, as well as other stakeholders (e.g. utility companies, local District and/or Ward administrations) in the planning and implementation of the upgrading proposals for their areas which should respond to their requirements. In the long term the formal planning process should make such participation mandatory on local government that in the future should have responsibility for preparing plans to guide development***

4. *Human Resource Capacity.* Experience in many countries, which have embarked on upgrading programs, is that it is often not finance that is a constraint to preparing and implementing such programs, in both desired and given time frames, but the local capacity in terms of staff and procedures. Whereas in Vietnam there appears to be no shortage of technical expertise, there are few persons experienced in participatory planning and community motivation. ***In the short term projects will have to be realistic in what can be reasonably achieved in a given time frame. In the longer term the appropriate establishments (e.g universities, institutes) should give greater focus to capacity building in this field as well as in the field of modern town planning.***

5. *Approval Processes.* In addition to the above rules and regulations and the many sectoral approval processes required mean that considerable time, and much effort, is required to get from concept to implementation. This is usually made more tortuous when donors are also involved because of the addition of their procedures to the local processes. The pilot project in Tan Ho- la Gom in HCMC has provided valuable lessons with regard to this matter. ***In the short term local government should give consideration to streamlining the approval processes. This could be done through Project Management Units and their Steering Committees where key infrastructure delivery departments and utility companies could be represented. In the longer term greater responsibility should be given at the local level (District and/or Ward) for issuance of approvals with regard to such matters as upgrading plans, planning, design and construction standards etc.***

6. *Security of Tenure and Unregistered Citizens.* International experience has shown that giving some form of secure tenure to the poor, who have often migrated to cities in search of employment and settle in informal, squatter areas, is the best way to stimulate such people to invest in their own shelter needs. Such security of tenure may take many forms and depends on many things including culture and history. In countries which have suffered oppressive, restrictive regimes in the past (e.g. South Africa) which have resulted in much relocation, official title documents giving security of tenure are invariably top of the list of demands of poor communities. In other countries (e.g. Indonesia, Ghana) the fact that government has decided to invest in the upgrading of the infrastructure in such areas and has crated significant visible impact in so doing, has been sufficient to stimulate both housing improvement and the establishment of small enterprises. In upgrading schemes in these, and many other countries, land and tenure issues were not addressed as part of upgrading projects. In Swaziland however the issuing of formal 99 year leases to existing occupiers (long term squatters) of plots at leasehold sale costs that covered the cost of the infrastructure provided was a cornerstone of the upgrading project. In Vietnam, whereas the difficult situation government finds itself in endeavouring to control the influx of migrants into its towns and cities is well understood, international experience has shown that it is difficult, and not humanely possible, to control such movement. The contribution that "illegal" migrants make to city development could be further extended (e.g. through greater investment by themselves in their housing needs) if they were made legal. The giving of official addresses and the formal registration of such people could have a significant affect on housing and environmental conditions in the poor, infrastructure deficient areas to which new entrants to cities migrate. Furthermore, in some cities (e.g HCMC) utility providers are prohibited from providing a formal service connection (i.e. water, sewer, electricity). This results in the poor buying their basic service needs at up to 5 times more than they would have to pay the utility companies if they were allowed formal service connections or alternatively making illegal, and often dangerous connections to city utility systems. In addition the utility companies, in the process of becoming more commercially oriented, and which have often invested in networks to serve the "legal" occupiers of an area, are prevented from expanding their customer base and thus generating more revenue. Thus the policy of preventing "illegal: city dwellers from having a formal service connection appears to be a "no win" situation for the poor and the utility companies alike. ***In the short term, local governments and others should ensure that incoming migrants once settled are permitted to have an official address or whatever is needed to ensure that utility companies are able to provide formal basic water, sewerage and electricity services. In the longer term consideration should be given to phasing out the "registration" process such that people were free to move wherever they chose.***

7. *Scaling-Up Urban Upgrading.* There are many examples of urban upgrading pilot or demonstration projects throughout the developing world where there has and continues to be rapid urbanization and government (central and local) systems that are unable to respond appropriately through both financial and institutional constraints. Vietnam is one such example. There are a number of upgrading initiatives that have taken place over recent years through wholly local efforts (e.g. the alley improvement schemes), through NGOs (e.g the Enda/VeT initiatives in HCMC) or through donor efforts in tandem with local government (e.g. THLG upgrading scheme in HCMC with BTC support and the community participation program as part

of the UDP in Nam Dinh with SDC support). So the world is full of upgrading pilot projects. The challenge and the difficulty is to move from pilot projects to city-wide and nation-wide programs. With such programs now being more “demand driven” from the bottom up and the active participation of communities being a key project principle there are opportunities but also dangers when scaling up. With community “buy in” to efforts to upgrade their communities then support for programs and the likelihood of improvements being sustained are significantly higher than with the former “top down” approach. However gaining community consensus, and actively involving the communities throughout the planning and implementation process, is both time consuming and expensive. A balance has to be struck and project planning and implementation put within some boundaries. If not informal areas will grow faster than the process will be able to address their upgrading needs. A danger in targeting upgrading specifically on low income communities is that infrastructure and service provision can become inefficient. The planning and implementation of basic network infrastructure (e.g. drainage/sewerage, electricity supply and often water supply) has to be looked at on catchment area, supply zone basis) if sense is to be made of service provision. On the other hand dangers inherent in scaling up upgrading efforts is that much good work done in involving communities and that may have resulted in micro-infrastructure improvement may be undone if such efforts are disregarded when planning and implementing schemes on a wider scale. However unless efforts are scaled up so that the majority of urban poor communities can be significantly improved within the lifetimes of many of their residents then pilot projects which often give significant benefit and support to a few to the exclusion of the majority will continue. ***In the short term (preparation and subsequent implementation of the VUUP) planners, engineers and service providers generally should constantly remind themselves that the project is taking a “bottom up” approach and a key principle is the active participation of communities throughout. Likewise social planners/community participation specialists should constantly remind themselves that urban poor needs usually centre around basic infrastructure and service needs and that the efficient provision of these has to be viewed on a wider scale, not only for the benefit of the poor communities themselves but the city as a whole and of the service providers.***

8. ***Support Programs.*** Although the majority of urban upgrading programs and projects most often focus on the provision of basic tertiary infrastructure and services, as these are usually the highest priorities of the poor communities being addressed, other components often form part of an overall upgrading program and can be equally as important. Social infrastructure facilities (e.g. pre-schools, primary schools, primary health care clinics, market improvements) are often included as part of, or parallel with, basic infrastructure and services initiatives. In addition micro-finance programs which can provide small loans for small scale enterprise development at the household or community level and also small loans for house improvements (e.g toilet/septic tank provision) are also quite common upgrading program components as is already the case in some projects in Vietnam (e.g. provincial cities community development program). Where security of tenure and the issue of land/plot/house titles is deemed critical then programs to support improvements to the land, cadastral and registration institutions and systems is also often necessary and is a support component either as part of the upgrading program or as a parallel initiative. Thus upgrading programs can become very complicated and this presents a danger. In covering basic engineering/utility services, which require the input of local government and utility agencies such multi-sectoral programs are already complicated. With the addition of social infrastructure, health and education departments also have to become involved as often does the financial/banking sector if micro-finance components are also included. Thus great care has to be taken that well-intentioned upgrading programs and projects, which attempt to respond to the various demands of communities, do not become so complex as to make their timely implementation very difficult if not impossible. The old adage of “keeping it simple” should always be borne in mind. In framing upgrading initiatives it is not imperative to include ALL components in one program with management and implementation responsibilities in one department or Project Management or Implementation Unit. ***Consideration should be given to “support” programs being separate programs, complementing the mainstream upgrading activities, but managed by the specialist departments responsible and financed and implemented***

***separately. This may give all activities a greater chance of being implemented in a timely manner.***

9. *Comprehensive, Multi-Sectoral Approach.* As can be seen from the “Typologies” table earlier there are many differing approaches and typologies that have been used to improve basic services for the poor. The usual approach has been the single sector approach, which is usually the normal way of delivery of infrastructure and services for all income groups across the cities of the world. Whereas such an approach is the simplest it has a number of shortcomings particularly in the provision of services in poor, often informal and unplanned communities. A common objective of upgrading programs is to give existing residents, often living informally or illegally, a sense of security that they will not be evicted. As stated earlier in some countries (e.g. South Africa) this has to be a formal title but in others (e.g KIP in Indonesia) the mere fact that government has invested in an area is sufficient security and people invest in their own houses and small scale businesses. However for this to happen there is a need for improvements to be very “visible”. This means that single “in ground” sectoral improvements, although often greatly benefiting individual households do not always achieve the visible impact required to stimulate the community as a whole to invest in, and subsequently take greater pride in, their community. In addition if communities actually see the impact of upgrading efforts they are also more inclined to pay their local dues (e.g property taxes) such that the responsible authorities have less excuse for not maintaining the infrastructure provided. Another criticism that most communities (all income levels) often level at local government and delivery agencies is that there is continued disruption in communities due to the piecemeal provision of services. Stories of Water Companies, for example, laying new water supply lines in roads soon after the roads have been constructed or resurfaced are heard all over the world. The same applies to drains and sewers and electricity cables. In poor communities, which have little in the way of existing infrastructure, there is thus an opportunity to provide a package of service that respond to the people’s demands and that can be constructed together for maximum impact and minimal future disruption. This has been achieved with considerable success in many places (e.g. all the four international experiences described in this report). ***The adoption of the multi-sectoral approach to upgrading is however a considerable challenge for Vietnam where there appears to be a greater rigidity in infrastructure and service delivery agencies and a very sectoral approach. Nevertheless it is considered that if the VUUP is to be a success such a multi-sectoral, comprehensive or inclusive approach has to be adopted.***

10. *Standards, Service Levels and Community Choice.* Both from “ownership” and limited financial resources of government (central and local) contributions from communities are often sought. Willingness to pay and affordability are thus key considerations in the participatory process. Financial considerations have to be part of the dialogue with communities when priorities, standards, service levels, and choice is discussed. One of the greatest mistakes that many governments and the responsible agencies have made in many places is providing infrastructure to standards and service levels that people do not need. This is a waste of scarce resources and usually ends up providing a high service level to a few and no services to the majority. In dialogue with communities many programs have benefited from using a costed matrix of basic infrastructure and services, which indicates arrange of possible service levels and the cost implications of choosing one as opposed to another. Both capital and recurrent cost implications on households regarding the community’s choice of service level can and should be shown. The establishment of such a costed matrix also has other advantages and that is for those involved in costing overall programs and in making ultimate decisions on standards and service levels. A sample of such a matrix is set out in this report. ***It is recommended that consultants to be engaged in the planning and design of upgrading programs should develop such a matrix in each city in concert with the respective service delivery agencies which should be used as one tool in the community participation process as well as a quick, order of magnitude tertiary infrastructure costing tool.***

11. *Costs.* Linked to the above is the question of costs, affordability and the most efficient use of scarce financial resources. For communities, local government and utility agency planners

and engineers it is necessary to set out some cost parameters at an early stage. Unless this is done a project can finish up using its limited resources to benefit only a few thus defeating its objective of providing functional improvements to many rather than high service levels to a few. Right from the early days of KIP in Indonesia the concept of total and sectoral cost limits has been applied in many schemes. It is still considered an appropriate concept to avoid imbalances in service provision both between and within communities. Adjustment is of course need depending on the particular existing conditions in any community. **However generally cost per household or cost per hectare limits (more appropriate for network infrastructure costing although not for household discussions) should be developed and adhered to unless in exceptional situations. Thus for different density and service level scenarios realistic upgrading costs on a per hectare, per household/capita basis should be developed by the preparation consultants in conjunction with the relevant agencies and once agreed as maximums should be adhered to during project development and implementation.**

12. *Primary and Secondary Infrastructure.* A problem that has occurred in the past on many upgrading initiatives internationally is that in planning and designing the tertiary infrastructure for upgrading communities scant attention has been paid to the primary and secondary infrastructure that is required to adequately serve the tertiary infrastructure proposed. To a degree this has occurred in the Community Participation component of the Nam Dinh Urban Development Project where micro level improvements for one small group of households has not adequately considered the implications for adjacent communities and on the secondary infrastructure availability and/or needs. There have been too many instances of new water distribution systems installed but little water and/or insufficient pressure to serve them. **In planning and designing the tertiary infrastructure components of upgrading programs therefore due consideration must be given to the secondary and primary infrastructure position such that the tertiary infrastructure may be effectively served.**

13. *Resettlement.* Unless households have settled on hazardous areas which places their lives in danger (e.g. canal banks, railway lines) or where the functioning of, for example natural watercourses, is seriously impeded, then every family that has to be resettled should be seen as a failure on the part of policy makers, planners and engineers. It means that they have failed in developing innovative and flexible policies, plans and solutions to try to keep households in place. Considering people first rather than planning standards and infrastructure would likely avoid much resettlement in Vietnam's cities and hence much cost and disruption of families. Funds saved, by reducing compensation payments allows more funds for positive in-situ improvements. Where resettlement is unavoidable people should be relocated in appropriate shelter close to where they currently reside such that they are not worse off economically. **A fundamental principle of upgrading projects from very early days was that the removal and resettlement of families as a result of upgrading schemes should be minimized. It is recommended that this be a fundamental principle in the planning and design of the VUUP.**

14. *Operation and Maintenance.* An important aspect of upgrading projects relates to the sustainability of infrastructure provided. Sustainability in this case means the arrangements put in place to ensure the investments provided are properly operated and maintained. Unless appropriate arrangements are made there is a risk that the infrastructure provided will soon fall into disrepair particularly given the high densities and thus heavy use that the infrastructure receives. With "ownership" by the communities and often high levels of unemployment and under-employment there are opportunities for involving communities in maintenance tasks, certainly those that are labour-intensive. At the same time the poor should not be asked to do, and pay for, what the better off have never done or paid for. Also the authorities that are legally responsible for maintenance should not be allowed to escape their responsibilities. **As part of the participatory planning exercise O&M responsibilities need to be discussed between all stakeholders and it should be agreed and clearly understood who is to be responsible for what, who pays, what sanctions may be applied etc. and details should be set out in the Community Upgrading Plans.**