

**Integrated Urban Upgrading for the Poor:  
The Experience of Ribeira Azul, Salvador, Brazil**

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“Análise de um Programa de Desenvolvimento Urbano Integrado, na Perspectiva de seus Beneficiários, através de uma Abordagem Qualitativa”, 2005, Ana Cecília de Sousa Bastos, Leny Alves Bomfim Trad, Mônica de Oliveira Nunes, Miriã Alves Ramos de Alcântara

“Analisando os Impactos Sociais e na Pobreza do Desenvolvimento Urbano Integrado na Bahia, Brasil, Levantamento de Dados Quantitativos, Novos Alagados 2ª Etapa”, João Pedro Vilela

“Institutional Analysis of Integrated Urban Development in Ribeira Azul”, 2004, Celina Souza.

“Sustainability Issues for Scaling Up Viver Melhor”, 2005, Francesco Notarbartolo di Villarosa.

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**Judy L. Baker**

## **Summary**

This study looks at the experience of integrated urban upgrading in a low-income neighborhood of Salvador, Bahia, Brazil. Infrastructure and social investments have been made in the community through a government program, with community participation playing a major role in the design and implementation. This approach is now perceived to be highly successful in terms of its implementation and positive impact on living conditions, and will provide the basis for a major state-wide program. This paper analyzes the lessons learned from the experience, with implications for scaling up as well as applications for other urban upgrading programs.

## **I. INTRODUCTION AND STUDY APPROACH**

An integrated approach to urban upgrading has been implemented in the neighborhood of Ribeira Azul in Salvador, Bahia, Brazil since 1999 under the *Viver Melhor* program. This program combines infrastructure and social interventions and has been perceived as highly successful in terms of its implementation and positive impact on living conditions. The integrated and participatory approach has been implemented by the state with the assistance of grant funding from the Italian government through Cities Alliance for the provision of TA and social development activities. This integrated approach is now the basis for the State's urban development strategy and will be implemented state-wide through a World Bank Project. The state program is called *Viver Melhor/IBRD*.

In preparation of the Integrated Urban Development Project, the World Bank carried out Poverty and Social Impact Analysis (PSIA) to assess the potential impacts of the policy reforms and investments under the project. The approach to the PSIA work was to draw on the lessons from the existing experience in Novos Alagados II within the Ribeira Azul Program, implemented from 1999-2004 with analysis of the implications for scaling up.

Ribeira Azul is a relatively small area in Salvador, Bahia, Brazil, covering approximately 4 square kilometers along an inlet with 40,000 families and 135,000 individuals. This represents 6 percent of Salvador's municipal population. Ribeira Azul is part of a broader area which has been characterized as 'high risk' situated in a flood prone area, with a large number of squatter settlements, insecure land tenure, a highly polluted environment by household and industrial waste, poor social indicators (the worst in the city), and very limited access to infrastructure and basic services.

At the start of the project, some 2500 families in the area lived in precarious stilt houses (*palafitas*) informally constructed over the inlet. Conditions were quite dangerous, particularly for children who would frequently fall into the water, in some cases leading to death.

The Ribeira Azul Program combines physical interventions with investments to improve the social and economic conditions of the area's population. This includes housing and infrastructure improvements (roads, water, sanitation, public lighting), and programs in health care, child nutrition, education, training, and employment generation through cooperatives. Community participation has been a fundamental aspect of the program. The project has been implemented by CONDER (Urban Development Company of the State of Bahia), and AVSI (Association of Volunteers for International Service), the Italian NGO implementing the social interventions working in partnership with a local NGO, CDM (cooperação para o desenvolvimento e morada humana).

### **A. PSIA Approach and Methodology**

The PSIA work focused on answering four key issues which would have implications for scaling up. These include:

- *What has worked well with the integrated urban upgrading approach and what has not?*
- *How cost effective were the interventions?*
- *With the multi-sectoral approach, what are the institutional arrangements, how have they worked? What are the lessons learned?*
- *What are the main sustainability issues and how will these impact on the poor over time?*

Several methodological approaches were used for carrying out the PSIA, combining quantitative and qualitative tools. The area of study was the Novos Alagados II neighborhood in the Ribeira Azul area, chosen because here the full range of physical, economic, and social interventions have taken place.

For the first issue of analysis, what has worked well and what has not, an extensive qualitative study was carried out in Novos Alagados II involving focus group discussions and in-depth interviews. Focus groups were organized around the themes of housing, education, health, employment/cooperatives, and institutional actors. Cross cutting themes that were discussed include specific issues of children and youth, leisure, violence, knowledge of the program and perceptions of the integrated approach.

The cost effectiveness analysis used available data on costs, physical interventions, and number of beneficiaries provided by the government agency CONDER (Urban Development Company of the State of Bahia) and AVSI, CONDER's partner in implementing the social interventions. A unit cost was calculated for 12 indicators. While assessing the relative value of each cost can be somewhat subjective, the data

provide overall guidance on comparative costs for interventions which is useful for policy decisions in scaling up the Program.

The institutional analysis drew on interviews with key informants from the main stakeholders both at the policy level and in the field: government agencies (CONDER, SEDUR), the World Bank, Cities Alliance, AVSI, CDM, and community residents. The sustainability analysis also drew on in-depth interviews with key stakeholders, combined with the existing literature on the sustainability of slum upgrading experiences from Brazil and other developing countries.

Background papers were prepared on each of the topics and are available separately as listed in the Acknowledgements.

## **II. PERSPECTIVES FROM THE COMMUNITY**

Focus groups and in-depth discussions were carried out with residents in Novos Alagados II to better understand their perceptions on what has worked well with the integrated urban development approach and what has not. Feedback from beneficiaries point to many positive aspects of the Ribeira Azul Program. These include a range of perceptions from general improvements in quality of life to reductions in urban violence, health and nutritional improvements from the social programs, expanding educational and training opportunities for children and youth, positive impacts from having educators in the community, and increased opportunities in the labor market through the cooperatives. All of these elements contributed to an increased sense of dignity which residents emphasized in many of the discussions.

Among the ‘negative’ aspects of the Project mentioned by beneficiaries was a demand for increased opportunities through the Project, ultimately a result of the positive perceptions mentioned above. Residents voiced the need for more spaces in the education, nutrition and training programs so that more people could participate. Issues related to housing generated the most negative views. Beneficiaries complained about the poor quality of materials used, the size of the houses, lack of privacy (and resulting increases in domestic violence), and uncertainty related to the ownership of the housing units.

The full background paper discusses the results of the focus groups in great detail. Below we summarize findings for the main categories where interventions have taken place -- infrastructure, housing and social interventions.

### **A. Infrastructure Works and Housing**

The Ribeira Azul program included a number of infrastructure investments in the community including improved access roads, storm drainage, water supply and sanitation, solid waste collection, housing improvements, and resettlement to new housing for those living in risk areas, particularly the *palafitas*. The new homes ranged in size from 20 to 40 square meters.

Residents were, on the whole, quite positive about the infrastructure investments referring to overall improvements in quality of life. Among the positive aspects that were specifically mentioned were the reduced pollution and re-growth of the mangroves, a reduction in health problems due to better environmental conditions, more opportunities for leisure, improvements in access to urban transport, and a perceived reduction in urban crime and violence. While this reduction has not been verified by police reporting, residents attributed less crime to the opening of roads that resulted in more mobility of people through the area, including the police, making it more difficult for criminal acts. In addition, with the removal of the *palafitas*, it is thought that there are fewer hiding places for criminals.

Other perceptions of the infrastructure investments which were less positive were related to poor quality materials used, a lack of maintenance of services with the problem of garbage considered particularly serious, and complaints about malfunctioning drainage pipes which due to what was perceived as poor quality, backed up, overflowed, and caused health risks. There was also discussion in the focus groups reflecting an expectation of ‘support’ whereby problems at the household and community level would be resolved by the institutions that provided the infrastructure investments.

The issue of housing caused the strongest reactions, with much divergence and contradiction in opinions. Much of the discussion focused on problems with the new housing, yet one of the key recommendations was additional units.

On the positive side of the housing improvements, residents talked about the benefits of having a fixed address, and the social status and dignity associated with that, reductions in health and morbidity risks (particularly for children) due to the safer conditions in the improved and new houses, increases in property values, and rights associated with tenure. Residents also saw the manner in which the houses were distributed as equitable and fair. The majority of houses went to women, which was seen as appropriate given that the high proportion of female-headed households in the neighborhood.

Despite these benefits, many residents had substantial complaints about the new houses, particularly about the size, quality of materials used, deficiencies in the hydraulic system and sanitation, and lack of privacy. With regard to size, various commented that they had more living space previously (which may have been linked to perception) and that the houses made it difficult to accommodate families. They also complained about the basic comfort of the house and bathroom, and sharing walls which made privacy difficult as everything could be heard by neighbors. Residents referred to an increase in domestic violence due to the size and lack of privacy in the new houses. Many residents also mentioned that they could not afford to spend resources on further housing improvements.

A surprising theme that came up a number of times in the focus groups was nostalgia for the *palafitas*. This specifically referred to perceptions of less space

constraints, and a resistance to assuming new financial responsibilities for services such as water, sanitation and electricity in the houses. Previously, these were obtained through illegal connections.

The negative perceptions around the housing are somewhat perplexing given that the size is relatively standard compared to average middle-class housing in Brazil, and certainly no smaller than the size of the *palafitas*. The basic construction is by far more secure than the *palafitas* and the benefits of running water, sanitation, and security seem as though they would be perceived positively.

Participants in the focus groups were asked about any recommendations they had for further infrastructure improvements in the community or optimizing the interventions already made. Their suggestions included: neighborhood infrastructure improvements, especially with regard to basic sanitation and drainage, using better quality materials and more appropriate technical approaches; more activities for public education on maintenance (for example garbage disposable); construction of new community infrastructure (public square with lighting and gardens); sports field; church; medical post (24 hour); police stop; and additional housing for new families that can no longer live with parents.

**Table 1: Summary of perceptions of infrastructure and housing actions**

<b>Infrastructure</b>	
<i>Positive</i>	<i>Negative</i>
Opening of roads Better garbage collection Reduction of urban violence More opportunities for leisure Re-growth of the mangroves (reduced pollution) General improvements in quality of life Dignity	Poor quality materials Increase in domestic violence against children
<b>Housing</b>	
<i>Positive</i>	<i>Negative</i>
Secure housing, fixed address (which gives dignity) Reduction in risks to health and deadly accidents (especially for children) Fairness in allocating the houses Increased rights associated with the house Increased property value Problems presented to CONDER are addressed	Size of the houses Quality of the building materials Problems related to the foundation, hydraulics, plaster and finishing Feeling of insecurity due to the quality of construction Common walls and lack of privacy Inadequate land Use of media Uncertainty related to ownership of the housing units

## **B. Social Programs**

A number of social programs were introduced in the area including health, education, day care, nutrition support, assistance to children and youth at risk, job training, and income generation through support to local cooperatives. These were implemented through PATS, the Ribeira Azul Technical and Social Assistance Project run by AVSI and CONDER.

Perceptions concerning the social interventions were highly positive with perhaps the biggest complaint being unmet demand for more services. Detailed aspects of the specific programs are discussed in the background paper by Bastos, et.al, 2005. In health, the child nutrition program was seen particularly favorably, with parents observing positive improvements in the behavior of the children. There were complaints related to a lack of services to meet the needs of the local population, a demand for better access to specialized health services, and for access to medications that were prescribed but then unavailable.

In education, residents are very satisfied with the quality and the services offered and mentioned positive impacts in the development of the children. There was also discussion of the positive benefits of links with the neighborhood education programs and government programs such as *Bolsa Familia* and *PETI* which focus on keeping children and youth in school. As with health, a major complaint was the limited number of available spaces.

The discussions on the training programs and cooperatives highlighted their importance for residents in providing skills and opportunities for income generation. A number of cooperatives have been supported under PATS including cooperatives for sewing, housing maintenance, fishing, and dispatch of construction materials for local works.

Recommendations from participants of the focus groups on the social programs included the following: increasing the number of places in the João Paolo II education center, the training center, and education programs; extending education programs to other population groups, such as mothers; guarantying the supply of prescribed medicines, improving access to medical specialists; constructing a 24 hour health post to attend to emergency services; and better organizing households to facilitate the impact of interventions in the neighborhood.



**Table 2: Summary of perceptions of main social programs**

<b>Health</b>	
<i>Positive</i>	<i>Negative</i>
The professional character of COF Improvements in the growth and development of children Improvements in the relationships between mother-child Development of new social interventions in the family and between neighbors Awareness of preventative actions	Limited number of spaces
<b>Education</b>	
<i>Positive</i>	<i>Negative</i>
The continuity of services The range of activities Expanding educational and occupational opportunities for youth (particularly through the cooperatives) The presence of resource people (educators) in the community Indirect impacts on the family and their habits	Low coverage Difficulty in access (long waiting list)
<b>Training and Employment Programs</b>	
<i>Positive</i>	<i>Negative</i>
Opportunities for cooperatives in the labor market Some level of education is required for entrance to the program Existence of skilled workers in the area Integrated approach	Coverage restricts the youngest Perception that the cooperatives are closed to new members

### **III. COST EFFECTIVENESS**

The project area of Novos Alagados II included 2020 households, or 7800 people. A total of R\$22.1 million was spent from 2001-2004 on physical infrastructure, equivalent to R\$11,000 (US\$3928) per household. Unit cost data for a range of 11 indicators presented in Figure 1 show substantial variation.

The highest expenditure under the Project was for the construction of new houses for those resettled from the precarious *palafitas*. The costs ranged significantly

depending on size – the average cost of the larger houses in the range of 20-40 square meters were R\$11,600 (US\$4143), and for the smaller units (20 square meters), R\$5600 (US\$2000). This compared with under R\$2000 (US\$714) for improvements to existing housing. Resettlement costs are generally higher than in-situ upgrading, and the larger the house, the higher the cost. The terrain in the Novos Alagados area also required heavy engineering which increased the costs of new housing.

Per capita costs for the social programs varied as well, from a high of R\$3500 (US\$1250) for the CEDEP (*Centro de Educação Desportiva e Profissionalizante*) training program (in housing maintenance skills) to a low of R\$180 (US\$64) per year for the CEDEP sports programs.

Comparative data on such costs are rare. A recent study (Flood, 2004) estimated costs for upgrading on a regional basis. The estimates for the Latin America and Caribbean Region were US\$2440 per *household* (based on 5 persons per household) for the construction of basic housing, and another US\$712 per *person* for other upgrading activities including land, infrastructure (including social infrastructure), and capacity building.<sup>1</sup> A study of self-help housing programs in Central America estimated the average costs at US\$3168 for new housing of 36 m<sup>2</sup>; US\$2112 for new housing 25 m<sup>2</sup>; US\$1584 for 18 m<sup>2</sup>; and US\$792 for the smallest units at 9m<sup>2</sup>.<sup>2</sup> Other upgrading costs totaled US\$2018 per household, or US\$404 per person for land and infrastructure. These costs are not dissimilar from the estimates for Novos Alagados II.

The 2004 study with comparative data noted that the estimation of costs can depend greatly on several factors.<sup>3</sup> Among them, i) upgrading of densely populated informal settlements can be considerably more expensive than building new units in available plots. This is due to several factors -- the land is of poor quality, access is difficult, the operations have to be done in an area already inhabited, and some removals are always necessary, implying high resettlement costs; ii) upgrading costs depend on the nature of the site. Informal settlements are generally built on steep hillsides, sloping or rocky ground, heavy or unstable soils, flood-prone sites, or areas with poor drainage where it is particularly expensive to upgrade; and iii) house construction costs depend on the materials and technology used, the size of house, and the quality of fittings. These findings seem to be consistent with the cost data from Novos Alagados II.

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<sup>1</sup> See Flood, Joe 2004, "Cost Estimate for Millennium Development Goal 7, Target 11 on Slums." Background Report for UN Millennium Project Task Force on Improving the Lives of Slum Dwellers and UN-HABITAT, Urban resources, Elsternwick, Australia, also in, Millennium Project, 2005, *Improving the Lives of Slum Dwellers*, <http://www.unmillenniumproject.org/documents/Slumdwellers-chapters5-8.pdf>

<sup>2</sup> See, Millennium Project, 2005, *Improving the Lives of Slum Dwellers*, <http://www.unmillenniumproject.org/documents/Slumdwellers-chapters5-8.pdf>; Adapted from FUNDEVI, 2001, (*Fundacion para el Desarrollo de la Vivienda Social Urbana y Rural*); Angel, et.al., 2004, "Rapid Urbanization in Tegucigalpa, Honduras: Preparing for the Doubling of the City's Population in the Next 25 Years." Woodrow Wilson School for Public and International Affairs, Princeton, University, Princeton, N.J.; Acevedo and Pleitez, 2003, *Opciones de Financiamiento Para Una Politica de Vivienda Populare en el Salvador*, San Salvador, Programa de las Naciones Unidas para el Desarrollo. .

<sup>3</sup> Flood, 2004.

Figure 1: Unit Cost Data, Novos Alagados II

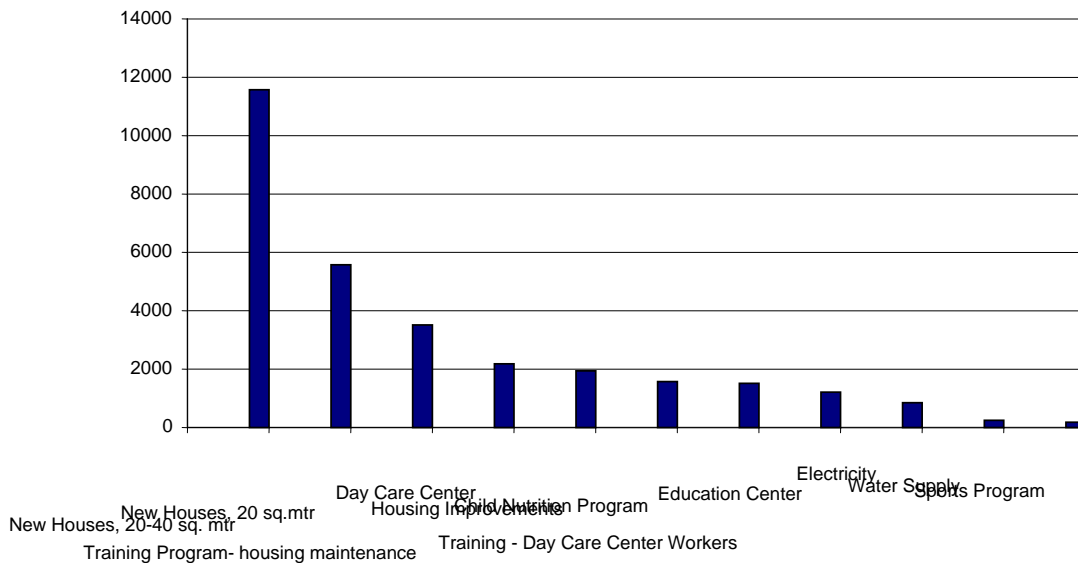


Table 3: Unit Costs for subprojects in Novos Alagados II, 2001– 2004

Subproject	Number of beneficiaries	Average Unit Cost (R\$)	Total Cost (R\$)
Housing construction, 20-40 m <sup>2</sup>	398 households	11,600	4,656,600
Housing, 20 m <sup>2</sup>	215 households	5600	1,216,700
Housing improvements	164 households	1960	321,000
Electricity	610 households*	850	518,800
Water supply	1591 households	240	375,740
Drainage	n.a.	n.a.	1,418,800
Child Nutrition Program	57 children (annually)	1550 per year	110,600
CEDEP Training Program (Housing Maintenance)	150 students	3500 per year	521,240
CEDEP Sports program	442 youth (10-16)	180 per year	90,500
Education Center Joao Paolo II	335 students (grades 1-8)	1200 per year	400,000
Creche Joao Paulo	150	2200 per year	330,000
Course of Creche Monitors	30 ann.	1510 per year	45,290
All physical interventions	2021 hh/7782 people	R\$11,000 per family	22,132,974

Source: CONDER and AVSI data.

#### IV. INSTITUTIONS

The institutional arrangements for the Program in Novos Alagados II can be considered complex. Under the new Program, the scale will be considerably greater and thus it is important to understand the dynamics, what has worked well, and what the lessons are. The main partners were the State's urban development company (CONDER), the NGOs AVSI/CDM, the World Bank, and the Cities Alliance. Local community organizations have played an active role, while the municipal administration has played a relatively small role.

Management of the project is carried out by a Project Management Unit - *Unidade de Gestão do Programa* – UGP (Project Management Unit) headed by two technicians, one from CONDER and one from AVSI. The institutional arrangements for implementation also include a Tripartite Committee, made up of representatives from the State Government, the Government of Italy, and the Cities Alliance which meets at least once a year. UGP and the World Bank Task Manager hold meetings every three months with a group of around 50 community representatives to discuss project development and implementation issues.

A formal agreement for implementation of the Ribeira Azul Program was signed in 2002 between the State Secretary for Planning, to which CONDER was linked at that time, and AVSI and CDM representatives. This formal agreement briefly outlines the role of these institutions in the Ribeira Azul Program and the Program's resources provided by the state government and by AVSI. A more detailed agreement was also signed outlining the specifics of the management, organization, and operational procedures of the main institutions, as well as the role of the officials involved in the social components of the Program.

In practice, many of the procedures set up in this agreement such as regular meetings, signed papers, etc. have been replaced over time with more informal procedures, built on trust between the two partners as discussed below.

Inter- and intra-governmental relations take place on many levels. Once a subproject has been identified, if it is under the jurisdiction of an agency other than CONDER, the managers of the Program Management Unit (generally the CONDER representative), and the president of CONDER or one of his deputies, step in to negotiate with the relevant agency. There are, however, no formal or systematic mechanisms for negotiating with Government agencies. Among the main municipal agencies involved in Ribeira Azul are LIMPURB, in charge of garbage collection and street cleaning, drainage (under the responsibility of SUMAC), construction permits (under the responsibility of SURCAP) as well as the Municipal Secretariat for Education and the Municipal Secretariat for Health. At the level of the state government, the main agency that is involved is the State Secretariat for Public Security. The state agency for water and sanitation, EMBASA, also plays a role.

Duplication among governmental agencies has not been identified as a problem because the community informs field workers on what has been done, and more generally because the need for infrastructure and services is very high.

Community involvement has been strong in Ribeira Azul, with the community involved in the management of the Program through participation in specific activities developed in the field as well as in discussions on the development of the Program with its senior managers. The Program has worked primarily with existing Community Associations (CAs). In those cases where the communities were less organized, field managers have a direct relationship with residents.

The Community Associations are also regularly involved in discussions on program development with senior managers, and are actively involved in field activities such as providing programs on environmental education, reading and writing courses, courses for construction workers, and administering nursery schools with the financial support of the Program and under the supervision of field officers.

Several incentives have been provided to the CAs to stimulate cooperation; grants for improving their training courses on how to apply for resources and how to design Programs; and grants for improving the physical conditions of social services facilities provided by them, such as nursery schools. This strategy, however, has brought about some disputes among CAs given their lack of financial resources.

### **A. Successes and Challenges**

When Program implementation initially began, the institutional arrangements within the Program Management Unit were seen to be somewhat fragmented. This has gradually evolved to meet the Program's increasing demands and is now perceived by stakeholders as a strong and effective working relationship which has contributed to the general success in implementing the Ribeira Azul Program. That being said, there are also a number of institutional issues that remain as challenges for improving implementation.

#### *Successes*

Based on the interviews for this study, the key institutional factors that are considered to have contributed to successful implementation were: agreement of clear roles and responsibilities between CONDER and AVSI; the benefit of time and flexibility to allow for the relationships between main institutions to evolve as was necessary; trust built through personal relationships; and complementary skills between agencies. Communications were generally considered satisfactory between managers and field teams, as well as with the community. Novos Alagados II, and more broadly, the whole Ribeira Azul, also had a strong base of community organizations which contributed positively to implementation. These successes are further summarized below:

- The lessons of the early Novos Alagados II experience highlighted the need for clear institutional arrangements. This objective was met through detailed signed agreements. While signed agreements are not unusual in the Brazilian context, they are usually too general and signed only by the heads of the organizations, without the participation of officials responsible for implementing the agreement. The details of the agreement helped to ensure clarity in roles, responsibilities and procedures.
- Over time, the procedures set out in the agreement became more informal as trust and confidence was built by CONDER and AVSI. This trust and confidence was important in resolving problems and getting things done
- Centralized Program management, although shared, was seen as the best way to achieve integration, articulation, cooperation, and coordination given the complexity of the Program. At the same time, other partnerships for implementation were also necessary because of the complex realities and challenges in the poor areas requiring multiple institutions.
- Maintaining a parallel structure of joint CONDER – AVSI management in the field office helped to ensure consistency in cooperation. The introduction of these joint field officers led to the establishment of what is called a ‘Nucleus of Social and Environmental Management’, an informal and virtual network that aims to bring together all public, private, and community organizations acting in the area. These nuclei, already functioning in the Alagados 4 and 5 projects, involve around 60 officials hired by AVSI and CDM, including officials at CONDER and AVSI headquarters.
- The partnership between CONDER and AVSI brought together two different sets of skills: CONDER’s expertise in implementing infrastructure interventions; and AVSI’s expertise in introducing social development in an integrated approach. By working together, staff from both agencies have acquired additional skills, which has generated a much more holistic and integrated approach to urban development. The technical capacity of the institutions involved is also perceived to be a positive factor which contributed to success.
- The local NGO CDM (headquartered in Belo Horizonte and with offices in Salvador) has worked alongside AVSI in the project implementation with AVSI transferring some of its staff to CDM. CDM has grown substantially, signing independent agreements with the public and private sector, and forming partnerships with other local NGOs. However, its financial independence (from foreign NGOs and Government) is still to be achieved.
- Internal communications between the project team, including the Co-Directors and the team in the field was considered satisfactory. Most communication is made through cell phones. Some officials claim that more regular meetings are necessary, including for exchanging information, though lack of time is a major constraint.

- Communication between the team of the Program, including Co-Directors and the community has also been considered satisfactory. An important mechanism has been the community meetings where attendance is considered quite high. Videos shown at these meetings on what has been done in each area have also been considered effective.
- The area of the Ribeira Azul Program had a strong base of community organizations to work with which contributed to Program implementation.
- The impact of the Program on the community and on the interviewees' personal lives is widely recognized. They highlighted the replacement of the *palafitas* by *embriões*, sewerage system, garbage collection, street paving, cleaning up of the inlet, training courses for community residents, and the school which provides extra tutorial classes for school children as the most positive impacts.
- The involvement of several financial sources in supporting the Ribeira Azul Program has been perceived as important to the Program's continuity and for the expansion of the Program's objectives. However, it has also increased managerial responsibilities and bureaucratic complexity of the Program as each financing source has different requirements.

### *Challenges*

Most of the problems were in some way related to the implementation of works, particularly housing. This included general problems with construction, as well as with the community in their dissatisfaction in the size and other features of the housing units. Other challenges exist with inter and intra governmental relations, and resulting gaps in service delivery in the Ribeira Azul area. The challenges in implementation are further summarized below:

- Sorting out problems with the housing units has been a big challenge for the Program. Initially, there were many conflicts between community leaders and senior managers of the Program around the issue of the relocation of families (who would move to the new housing units, dissatisfaction with the type of housing (the units, called *embriões* have no separating walls) , the size of the units, and the length of time to resolve problems.
- Other problems related to the implementation of construction works were directly attributed to the quality of work by the private companies carrying out the construction. Resolving these problems has been very time consuming and prevents field managers from concentrating on other management activities. There have also been malfunctions with the new sewerage system, which works well in some areas but not in others.
- At the level of intergovernmental relations, there are challenges in communications between agencies which lead to gaps in Program implementation, particularly with

regard to the health care units. Further complexity is found in inter-governmental relations, specifically between the local government of Salvador and the main agencies implementing Programs in Ribeira Azul's (CONDER and AVSI) leading to gaps in public service delivery. The greatest gap is in health care units and health care workers, which have been taken over by municipalities since the late 1990s. Community members also cite poor level of services for garbage collection, street cleaning, drainage and construction permits, and maintenance of public security by controlling drug trafficking. All but public security and controlling drug trafficking are local government responsibilities. It is interesting to note that of these services, garbage collection was perceived to work better than the other local services because of its decentralized management.

- Additional training would be beneficial for some Program staff to improve their performance, though lack of time for this training is a constraint.
- While the financial capacity of the institutions involved has been reinforced by the existence of several sources of resources, in the last year attracting resources to the Program has been more difficult.
- Senior managers of the Program are aware that once the community gets involved in the Program, if implementation fails, it jeopardizes the entire Program and the credibility of their institutions.

## **B. Scaling Up: What Can Be Learned About Institutions ?**

Several favorable conditions, and even some unexpected events, have come together to minimize the problems of coordination and cooperation that are likely to happen in multi-sectoral projects. A substantial number of physical and social interventions have taken place in the community, and improvements are widely recognized by beneficiaries. Despite the challenges and gaps in implementation, these constraints are generally not directly related to the institutional arrangements for project implementation but rather are linked to broader issues of inter and intra-governmental relations that have seldom or never been addressed.

The partnership between AVSI and CONDER in the Ribeira Azul has been a positive, win-win experience. AVSI has gained from CONDER's experience, and the state government's capacity to attract diversified funds for the Program. CONDER has gained substantially from AVSI through their approach of integrating social and physical interventions. It has also learned how to strengthen the relationships with local communities.

In scaling up from Ribeira Azul to the broader Viver Melhor/IBRD Program, there are a number of key differences that may present challenges in implementation. First, is the scope of the Program. Ribeira Azul covers a relatively small area. The scale of Viver Melhor/IBRD will be much greater, encompassing a much larger number of



communities and municipalities. This is likely to require some differences in institutional arrangements for implementation

Second is the fact that the Ribeira Azul area already had a considerable number of active community associations working on aspects of economic and social development. This is not necessarily common in other communities in Salvador, nor in other municipalities in the State of Bahia. Third, the participation of AVSI, an NGO with world-wide experience in dealing with social action, community mobilization, and participation, benefited the Program greatly. This level of involvement may not be possible in every area where Viver Melhor/IBRD is planned.

Finally, the Viver Melhor/IBRD Program will have a new stakeholder, the Secretariat for Urban Development – SEDUR. SEDUR will have responsibility for managing the Viver Melhor/IBRD through a unit already created called Management Unit of the Program – UGP. SEDUR is to play a strategic role in overall coordination and regulation, whereas CONDER is to play a technical and executive role. In specific areas of the Viver Melhor/IBRD Program, CONDER and AVSI will share technical and methodological implementation responsibilities. This differs from the Ribeira Azul Program, where there were only two effective managers in the implementation process, CONDER and AVSI.

Despite these potential differences, there are several important lessons that can be learned from the Ribeira Azul experience in scaling up. Among these are:

- For some of the Viver Melhor/IBRD Program areas, the participation of AVSI and of CDM is being currently negotiated. In these areas, there is no reason to change implementation practices nor the institutional arrangements for implementation adopted in Ribeira Azul, although it has to be adapted to incorporate SEDUR's supervisory role.
- Trust among managers is possible and can play an important role in facilitating implementation. Clear rules are important for providing the basis for working together, however, as the Ribeira Azul experience shows, these rules have slowly evolved to more informal practices mainly based on mutual trust. Thus, the selection of coordinators and their representatives in the field will require careful consideration from stakeholders and senior managers of the Program.
- In complex and multi-sectoral projects the most important management decision may be to allow for flexibility in institutional responsibilities. Rigid procedures will not allow for the complex challenges in implementing multi-sectoral projects. It is also important to allow for flexibility and adjustments in Program management practices as the project develops. As practices evolve, changes can enhance performance.

- Construction problems need to be addressed as they can have a negative impact on the work of field managers. Intensive use of performance indicators may be an effective tool for implementation.
- NGOs may perform various roles in the implementation process through both partnerships set with the state government and as contracted executors of activities in the communities. For local NGOs, investments in capacity building can be highly beneficial.
- The Viver Melhor/IBRD Program may also need to allocate resources for leadership building to allow community participation given the possible lack of social capital in the areas covered by Viver Melhor/IBRD.
- Intra-governmental relations, or horizontal relations among state agencies, although not really stressed as a problem by the interviewees except for the issue of public security, might require new governmental efforts and the creation or the consolidation of networks to provide information to those responsible for the Program in the state government, about each state agency's performance (or lack of performance) in the Program.
- Although the prospects of making local governments in Bahia partners to the Viver Melhor/IBRD Program present a big challenge, actions to improve their technical and management capacity should be included in the design of Viver Melhor/IBRD in order to assure the Program's sustainability, and the maintenance of infrastructure and social services when the state government steps down.

## **V. SUSTAINABILITY**

Project and policy interventions of this nature raise important questions related to longer term sustainability. Once the Viver Melhor/IBRD Program has been implemented and the Project team moves on from the area, how will the policies and programs put in place fare over time? To analyze this, several key issues were identified: a) financial sustainability, b) tenure security, c) prevention of slum expansion, d) operations and maintenance, e) environmental sustainability, and f) job creation.

### **A. Financial Sustainability**

The costs of most of the physical and social interventions appear to be in line with current spending patterns for the State. Providing housing under the resettlement program, specifically for the larger houses, is somewhat costly and affects issues of affordability and cost recovery for the State. In Bahia there is a strong culture of entitlement for goods and services provided by the Government which is difficult to change. Thus attempts at cost recovery have generally not been successful.

Currently, CONDER subsidizes 80 percent of the cost of new houses and house improvements, with 20 percent to be repaid by beneficiaries within 10 years. This comes

out to approximately R\$20-40 per month, with the amount not to exceed 10 percent of one minimum salary (which is currently R\$30). Under the existing Viver Melhor program, the default rate is very high, estimated at 80 – 90 percent. This is attributed to the culture of entitlement to donations and resistance to payments rather than the value of the payments. Attempts to provide incentives, such as a scheme which allows the funds from repayments to be reinvested in the community, have not worked.

The enforcement mechanism currently in use by the State makes the issuance of property titles conditional on repayment. This has, however, been ineffective as a culture of informality prevails, and residents can buy and sell their new or improved homes using informal documents. CONDER is trying to create a database with the names of all beneficiaries of its interventions in order to have control on the transactions of houses it builds and avoid duplications in benefits.

Another potential source of cost recovery in most countries is property taxes. However, in the municipality of Salvador, based on municipal law, property taxes (called IPTU) are not collected in *favelas*. The problems with cost recovery are not limited to housing. For water and sanitation services, the default rate is estimated at approximately 40 percent.

Within this context, one exception that has worked relatively well is that of COELBA, the privatized electricity utility of Bahia. AVSI is working for COELBA in a project to provide outreach whereby about 100 social agents from local communities in Salvador act as an interface between COELBA and the community. On the one hand the agents inform the company of irregular connections, and on the other, they provide the community with information on how to obtain subsidies, reduce consumption, negotiate debts, get maintenance done, etc. They also mediate in negotiations when the company decides to cut the connection to long-term debtors (this is a last resort as the cost of cutting is high for COELBA). No cost recovery data are available but the repayment rates are thought to be much higher than other services.

As the Program expands to cover a much greater number of households, policies to encourage improved financial sustainability are necessary. A key area is to explore the policy options for providing serviced land and access to credit rather than housing. While this would be a major policy shift for the State, there are relevant experiences in other countries which have worked well. A second area is to explore options for collecting property taxes in the urbanized areas, including a targeted subsidy for the poorest. Income levels in the precarious settlements received upgrading interventions are somewhat heterogeneous and some families can afford to contribute. This will provide some additional revenue for the Municipality and may improve its level of accountability for service delivery. Third, is the possibility of introducing a micro-credit scheme for financing housing improvements or new housing. This has not been experimented in Ribeira Azul but there are a number of well-known examples from other countries. Finally, the experience with community agents of COELBA has been a positive one. Expanding the system to include cost recovery of housing and other services could enhance long term financial sustainability of the overall Program.

## **B. Sustainability of Land Tenure**

Despite the widely recognized benefits of land tenure regularization, large gaps exist in this system. The processes for land regularization are long and costly, and normally paid for by the public sector (typically the municipality). Even the alternative of *usucapião* – granting land property after five years of uncontested occupation – is difficult to enforce due to inefficiencies in the judiciary system. There are also serious deficiencies in the system governing property transactions and registration, and the opposition of legal owners, especially when private lands have to be regularized.

The official process of regularizing land tenure is easier in informal settlements where the public agencies have provided urban improvements, and the informal settlements where the improvements (at least in housing) have been made by local residents only. In both cases, the cost of the legalization process (for the land and property) is generally covered by the public sector and considered to be relatively expensive at about R\$200 for each plot. These costs are high due to the overall technical work involved as well as the registration costs. Alternatives which would reduce the cost of registration are being discussed by the country as a whole. In Brazil, the registration is inherent to the property right and the contract between the state and the beneficiary would not be valid without registration. On costs, it is estimated that registration currently represents about 25 percent of the regularization process. The issue is also being discussed within the State Government with proposals for the State to assume the costs up to a certain level, and then each household would take on the remaining amount.

In the Ribeira Azul area, the State Government has directly assumed the responsibility of land regularization for 9,000 families (of the 35,000 benefiting from the program). This approach is contrary to that used in other areas in the city where the Municipality of Salvador has implemented the instrument of land use concession for regularization, and is perceived to be performing well (some 50,000 - 60,000 plots have been legalized). These plots, however, are located in already consolidated favelas where the public sector has not provided any improvements, hence the process has not been hampered by problems of cost recovery.

As the State embarks on a comprehensive program of urban development, it will be crucial to tackle the issue of land tenure. There are places where regularization through concessions is working relatively well, specifically in those areas where urban improvements have not been made. Yet scaling up in a situation where a relatively large number of plots will need to be legalized within a shorter period of time will present major challenges, both financially and administratively. The new Program will provide an excellent opportunity to identify an approach to making the process more efficient and less expensive. The introduction of accessible credit programs for residents would ensure that they could actively participate in the cost recovery scheme, ultimately enabling them access to definitive titles.

### C. Prevention of New Slum Formation or Expansion

Urbanization is likely to continue in Bahia and thus preventing new slums from forming will be a key challenge. The State is 66 percent urbanized which is well below the national average and even below averages for the Northeast region. As the Government moves forward in upgrading the existing informal housing stock, it will also be a challenge to prevent new invasions.

The formal supply of land and housing in Brazil is limited due to existing policies and the regulatory and legal frameworks. National and local norms follow imported models which establish strict rules with regard to zoning and land use, subdivision of land and dimensions of plots, and density and patterns of construction. These regulations are impossible to enforce because they are costly and require substantial administrative capacity. On the other hand, demographic pressure and demand for urban housing is strong and the supply of affordable serviced land is low, with the resulting solution for the poor urban migrants being some form of informal housing. Estimates are that some 700,000 families annually in Brazil come to urban areas and invade lands, purchase lots illegally, or crowd into existing informal settlements.

The experience of Ribeira Azul has been successful in preventing new invasions in the Program area from the start. This is attributed to the intensive presence of AVSI and CONDER, outreach to the community getting them to play a monitoring role, and physical interventions specifically designed to prevent invasions (such as a “border” road between the houses and the sea which blocked the construction of new *palafitas*). The turnover in the community as a whole has also been relatively low which contributes to general stability.

Despite these successes, a new invasion has recently appeared in a neighboring community just outside Novos Alagados II, in part motivated by the proximity to the relatively high quality of services in the area that was upgraded. CONDER is working on trying to resettle these residents.

Urban upgrading of precarious settlements can also generate incentives to invasions indirectly, as there are often incentives for beneficiaries to sell their houses and invade elsewhere. A CONDER/AVSI survey indicates that a relatively low number of residents in a section of Ribeira Azul (17% of a 280 sample) sold their homes to move elsewhere. These data, however, refer to formal transactions only, and thus it is not known if and how many houses have been sold informally. In any case, according to impressionistic perceptions by field workers, the turn-over of residents has been quite low. In contrast, in other upgraded *favelas* in Salvador the picture is strikingly different – for instance, in the *favela* Silvio Leal (in the region of Pau da Lima), the turn-over of residents was about 75 percent. This appears to be closer to the norm in Salvador.

Beyond the approaches used in Ribeira Azul, a more systematic approach to slum prevention will be necessary for scaling up. One of the new policies being considered is the provision of serviced land for the poor. While the availability of appropriate public

land in Salvador is possibly a constraint and partnerships with the private sector will be necessary to generate sufficient supply, this option could provide a viable solution for preventing new slum invasions as it will allow the absorption of part of the new demand for housing. A progressive urbanization process could be phased in to keep costs relatively low. Both the State and the Municipalities will need to play a role in identifying suitable land. A similar approach State-wide would provide alternatives for those migrating to other cities as well as contribute to absorbing the demand generated by urban population growth.

#### **D. Operation and Maintenance**

In the Ribeira Azul Program a major challenge has been a lack of involvement of the Municipality of Salvador in the operations and maintenance of community improvements. The Municipality is responsible for garbage collection, and the maintenance of paved roads, public spaces, and drainage. This execution of these services is intended as the municipal counterpart contribution to the Program. This has not functioned well, in part due to resource constraints. As no property taxes are collected in the *favelas*, funds for operations and maintenance are scarce.

In contrast, the responsibility for operations and maintenance of water and sanitation infrastructure has been transferred to EMBASA, the State water company, and this has been working relatively well.

Communities have not explicitly taken on any responsibilities for operation and maintenance, though there have been some educational activities to familiarize residents with the use of specific services. This is thought to have generated beneficial behavioral changes. For example, there has been a reduction in the garbage being thrown in the sea or inappropriate places in the streets.

Experience from other countries shows that successful operation and maintenance of infrastructure requires several inputs. First is involvement of stakeholders, specifically public service providers and communities in the preparation and execution of a project as it creates a sense of ownership and generates incentives to assume responsibilities for conservation of the benefits generated by a project. Second, the long term presence of an agency which can provide social and technical support well after the completion of works can greatly facilitate sustainability. And third, is the promotion of partnerships between utilities/public service providers and local community associations. Evidence has shown that the idea that communities should provide operations and maintenance free has proven to be unrealistic, however, contractual relationships with specially trained local cooperatives or micro-enterprises can function well.

In scaling up the Program the issue of operation and maintenance will need to be addressed firstly by the municipalities. Their role is crucial to sustainability and thus involving them from the start is essential. Raising public awareness on issues of operations and maintenance through education can also play an important role and ideally will be included as a Program sub-component. A third possibility will be the contracting

of local cooperatives or micro-enterprises which have been formed and trained under the Program to carry out necessary operations and maintenance work. This would provide local employment, and contribute to the sustainability of infrastructure investments.

### **E. Environmental Sustainability**

The Ribeira Azul Program was carried out in an environmentally sensitive area to begin with and has raised the attention of environmental groups. The apparent environmental impact is considered to be positive, as evidenced by the renewed growth of mangroves and the related ecosystem in the bays once the *palafitas* were removed and sanitation problems solved. This resulted in the elimination of solid waste and wastewater disposal in the environment. The longer term effects of the land fill built along the coast of the Bay are not known but the maintenance of this land fill may require heavy engineering interventions. Hence it will need to be monitored closely.

An indirect environmental concern affecting the area is a consequence of problems deriving from other areas. Wastewater disposal from some neighboring communities flows from these areas into the sea, causing pollution in the bays where the residents of Ribeira Azul live.

The longer term environmental sustainability will require a more systemic vision to environmental management. In a city like Salvador, neighborhood-specific investments are not sufficient to ensure city-wide environmental improvements. In scaling up the Program, it would be beneficial to have this systemic vision, clearer institutional responsibilities in environmental management, and close links between environmental management and operations and maintenance of infrastructure.

### **F. Employment Creation**

An explicit objective of the Program has been the creation of jobs through training and support to local cooperatives. Less direct impacts are expected through supporting local daycare (enabling women to work), improved access to public transport, and better access to health care. Teacher training, financial and technical support have been provided both to schools run by the community and to cooperatives. Training was initially provided through an agreement with the National Industrial Training Service, SENAI (*Serviço Nacional de Aprendizagem Industrial*), with 330 people trained. Subsequently a specific center was opened by the Program providing 6 month courses for building maintenance. Support to cooperatives is provided for the first 18 months. At present there are seven cooperatives working in the Ribeira Azul area in the fields of sewing, fishing, food production, and construction.

While there is no official data available on employment, interviews indicate the programs are considered to be successful in terms of employment generation, albeit on a relatively small scale. One of the construction cooperatives has been recently contracted by CONDER to build 100 houses. Cooperatives for fishing are smaller and provide fish

both for sale and for self-consumption. The sewing cooperative has contracts with several enterprises and has become well known in the market.

The longer term prospects for employment are unknown though this will remain a major challenge for residents of Ribeira Azul and other low-income neighborhoods. While many of those living in the *favelas* migrate to the cities in search of work, unemployment in Salvador is reported at around 20 percent, almost twice the national average.<sup>4</sup> While data are not available for Ribeira Azul, the unemployment rate is thought to be substantially higher.

International evidence on youth training programs has been mixed.<sup>5</sup> Four evaluations of programs in Latin America (Argentina, Chile, Peru and Uruguay) show that intensive investments which combine training and work experiences with other services including psychological development, vocational assessment, etc. can be beneficial. Implementation involves important roles for civil society and the private sector requiring flexible, competitive and decentralized service delivery. While the impacts on employment and earnings in the short run (size months to one year after the training) appear to be quite positive, little or nothing is known on the impact over time.

A recent study in the United States analyzes the impact of investments in human development at different stages in people's lives on competence and coping skills and concludes that investments in early years of life, even before the formal school system, give the greatest return.<sup>6</sup> From an economic perspective, this would indicate that investing in early childhood education will yield a much higher return. Linking this back to the unit cost data in Section III, annual costs for youth training were almost 60 percent higher than the costs for early childhood programs (R\$3500 for training versus R\$2200 for the *crèche*).

The job creation programs in Ribeira Azul are considered to be effective by those interviewed, though given the relatively high cost and mixed international experiences, it would be important to further investigate the economic efficiency of these programs vis-à-vis other social programs such as the early childhood programs. As the Viver Melhor/IBRD Program scales up, linking the training and cooperatives to the demands in the labor market will be important to ensuring opportunities for employment. Partnerships with specialized and well-experienced agencies such as SENAI and the national service for micro-enterprises, SEBRAE (*Serviço Brasileiro de Apoio às Micro e Pequenas Empresas*) will also be necessary to ensure broad coverage.

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<sup>4</sup> *IBGE Social Indicators 2003/PNAD*.

<sup>5</sup> Betcherman, G., Olivas, K. and A. Dar, 2004, *Impacts of Active Labor Market Programs: New Evidence from Evaluations with Particular Attention to Developing and Transition Countries*, Social Protection Discussion Paper Series No. 0402, World Bank, Washington, D.C.

<sup>6</sup> Carneiro and Heckman, 2003



## VI. CONCLUSIONS

The overall experience of integrated urban development in the Ribeira Azul Program has been quite positive. Scaling up will present considerable challenges. First, the scope will be much greater including many more communities and agencies. This may require a different way of working and other institutional arrangements. Second, in the case of Ribeira Azul, there was already a base of active community organizations which may not exist in other communities. Community participation was critical to the success in implementation and thus additional efforts will be needed to foster participation from the start. Third, the heavy involvement of AVSI with its international experience and ability to attract foreign donations may not be possible to such a great extent in a larger number of communities under the new Program. Without such presence, it is unclear if and how that gap would be filled. Finally, there are several questions of longer term sustainability which remain unaddressed. As the Program goes forward, it will be important to identify and implement appropriate policies to ensure the long-term success and viability of investments.

Among the key lessons for scaling up gleaned from this work are:

- Participation is critical to successful implementation and sustainability.
- Clear roles and responsibilities are needed in the institutional arrangements, but flexibility is also needed.
- Municipalities will need to play a greater role from the start, particularly to ensure program sustainability.
- With the high costs of providing housing and the fact of continuing invasions of new slums, there is much scope for a policy shift towards providing inexpensive serviced land and access to credit rather than housing.
- Problems related to construction quality should be addressed early; performance-based contracts may be an effective alternative.
- Capacity building for community associations can be highly beneficial.
- Strengthening inter-governmental relations could improve service delivery.
- The existing system of land regularization requires reform to make the process more efficient and less expensive.
- Community agents such as those used by COELBA can provide an important interface on issues of cost recovery and service delivery.
- Public awareness campaigns for issues of operations and maintenance have been quite successful.
- Environmental planning for individual community needs to be integrated with a broader systemic plan at the city and state level.
- The economic returns to investments in early childhood education are high, thus investing in this group will ultimately yield long-term positive benefits.

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