Dear Members of GDLG and others joining us on Friday:

Please see attached a rough working draft of the Urban Poverty Special Initiative Refresh Manuscript. Please note that as per agreement with Jeff and Sylvia, this is deliberately heavily weighted on Look Back and Scoping with a rougher, more open-ended Look Forward that we hope to refine further and discuss in our co-chair meeting and flesh out in future analysis and grantmaking.

As per our discussion in the GDLG retreat last year, what we are trying to do is make the shift from a pure learning initiative focused largely on means – capacity and voice – towards one starting to think more deliberately about ends – impact on the lives of the poor. In a hugely complex and dynamic space, there are no easy answers to this question, but we have agreed with Jeff and Sylvia that after nearly four years of learning it is a good time to take stock and try to craft a more deliberate path forward while keeping urban poverty as the "anchor" issue for Special Initiatives. We know we have an enormous amount still to learn but continue to believe that this is an area of work with huge potential for impact and also some synergies with other parts of GD and GH.

We very much welcome your comments and advice and look forward to a great discussion.

Thank you...

Melanie and Mark

DRAFT

Urban Poverty Draft March 15

Look Back

The 18 months of scoping we undertook in 2005-6 before receiving authorization to commence grantmaking in 2007 led us to conclude that the incredible pace and scale of urbanization in the developing world required a rethinking of traditional methodologies to meet the needs of the rapidly growing numbers of poor living in slums. In particular, we realized that the meager donor support offered for urban development was largely dysfunctional, disconnected from the realities on the ground, and for various reasons – not reaching the poorest. The *dysfunctional* funding stems from poorly planned and executed pilot projects not taking into account the multidimensional nature of urban poverty. The *disconnection* arises from governments moving towards political, regulatory and economic decentralization while donors remaining wedded to an outmoded model of support at the central level, trapping funds centrally.

From this starting point, we identified two gaps: lack of capacity for organizations working on the ground with the urban poor and failure to integrate the voice of the poor into the municipal planning process. Our working theory of change therefore was that investments into building community and municipal capacity would have a direct and measureable effect on the quality of life for the urban poor and effect change across multiple key areas such as housing, municipal finance, urban planning, and governance.

As a learning initiative, we began with a set of questions, but not a clear theory of change. These questions helped us navigate the landscape and inform our search for indicators of urban poverty alleviation. Because of our ground zero start and magnified by the multi-dimensional nature of the problem, our initiative has undergone several major shifts over the past few years.

After our first year of grantmaking, we realized that **process indicators were not sufficient to guide decision-making** and that most of our partners were not only capable of but active in data collection when the metrics were relevant to their interests. While our impact assessments look different grant to grant, we are closer to a theory of change and a more coherent set of indicators across the portfolio.

A second strategic shift in our initiative arose from external portfolio reviews we conducted with experts, select governments, donors, and private sector partners. At the time, our grants were either focused on building from the bottom-up, or linking these groups with top-down sympathizers. The recommendation to support organizations that sat in between the communities and international actors was taken. We operationalized this suggestion by **shifting the node of focus to organizations in the "middle"** which included both city governments and NGO networks offering direct support for communities. We support these middle-tier actors because they have authenticity derived from bottom-up legitimacy and professionalism from top-down executive heritages.

Taking all of this into account, we built the Urban Poverty learning initiative around the idea that directly engaging the poor and their local governments would accelerate poverty alleviation among the vulnerable – and do so more sustainably as it could potentially work across sectors, interest groups, and

with social resources to weather political shocks that often contribute to the failure of such efforts. We operationalized this vision through our grantmaking, by putting a premium on the *means* to meet three ends[1]: **strengthening community-level organizations, developing livelihood opportunities for the urban working poor, and promoting inclusive municipal governance**.

Common Themes and Targets

1. *Strengthening Community-Level Organizations*

Sample grants					
Organization	Amount (USD mil)	Aspiration	Success / Failure	Reason(s)	Inference
Slumdwellers International	7.0	Organize slumdwellers and link them to their city governments	Success	Consistent community-based rituals and methods allow rapid scale	Savings and enumerations provide visibility and credibility
Asian Coalition for Community Action	11.0	Community-planned and managed upgrading and livelihood projects	Success	Graduation from small to large community projects ensures capacity	Sweat equity and co-finance keep partners motivated
Carolina for Kibera	1.0	Youth-focused integrated development in urban Kenya	Failure	Difficult metrics for youth programs as they are highly mobile; lack of viable business model	Wrong population target
Pamoja Trust	0.3	Community-led development in Kenyan slums	Failure	Competing community interests; obstructive government	Wrong geographic choice

Approximately 35% of grant funds have been dedicated to exploring whether and how increased capacity within the community leads to real change. Through a variety of grantees, many of whom are member-based organizations of the poor, we are learning about how key organizing principles evolve over time and what is required to mobilize communities towards collective action that improve their lives. In addition to encouraging a number of rituals and practices, these collectives also build social fabric and stability. Two of the most powerful early organizing principles we have seen are community savings[2] and enumeration.

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[1] Comparative advantage is defined as our ability to produce a particular good or service at a lower opportunity cost than another party, with the highest relative efficiency.

[2] Rubina Islam & Shams Mustafa, "Poverty Impact Assessment: Local Partnership for Urban Poverty Alleviation," United Nations Development Program, 2006; C.S. Reddy & M.B.S. Reddy, "Poverty Reduction and Women Empowerment: Role of SHG Federations in Urban Areas – "APMAS Experiences" from the National Workshop on Urban Poverty Eradication Strategies, Hyderabad 2008; Arsene M. Balihuta, "Approaches to Poverty Reduction in Urban Sub-Sahara [sic] Africa," World Bank Municipal Development Program, 2001.

Though savings, credit, and information fill critical gaps for the urban poor and are an important entry point to build united communities (and track progress), it is the strength of the collective that is the greatest lever for change. By strengthening these community-level organizations, we support the development of productive assets, democracy, and a self-help (versus entitled) mindset.

2. *Developing Livelihood Opportunities for the Urban Working Poor*

Sample grants					
Organization	Amount (USD mil)	Aspiration	Success / Failure	Reason(s)	Inference
Women in Informal Employment Globalizing and Organizing (WIEGO)	12.5	Create or improve jobs for millions of urban working poor	Success	Use of community networks and investment in voice of the poor enables identification of barriers and solutions	Right sectoral focus (foci) and partners
Self-Employed Women's Association (SEWA)	10.0	Full employment for women poor workers in India	Success	Organic program development and modules added based on demand (ie, SEWA Bank)	Multi-dimensional and integrated approaches create more robust livelihood opportunities
Aarong	1.0	Full employment for home-based garment workers in Bangladesh	Success	Clear understanding of the supply chain and market	Competitiveness with formal sector must be taken into consideration
SEEP Network	6.0	Microenterprise development in diverse urban environments	Failure	No linkage to markets or municipal governments; "retail" efforts without potential for scale	Partner too far removed from field
Idealab	0.5	Affordable housing technologies	Failure	Partner inflexible on intellectual property, not interested in local manufacturing (jobs) or stakeholder input	Wrong (sub)partner

Through community-led development grantmaking we tackle the social aspects of poverty; our second set of grants (nearly 35% of portfolio commitments) squarely targets the economic aspects of poverty. Given the demographic overlap, we have found that there is both synergy and dependence between savings-based groups (as those described above) and livelihood-oriented networks. Due to historical conflict over resources and message, these groups are still learning how to trust/work together. While complementary and closely linked, different tools and approaches are required for groups that organize around social or economic issues. We are one of the few organizations to invest in both and recognize their interdependence. Whether it is livelihood or asset development, the poor are equally susceptible

to market forces and competition as everyone else. The academic delineation between formal and informal economies is artificial as all markets respond to a bottom line. Through our grantmaking, we seek to balance the appetite for innovation with a competitive workforce. In addition to identifying emerging markets/sectors, we foster rural-urban linkage that grow local economies and remove binding constraints. We view our investments as complementary and catalytic to growth, rather than a substitute for an existing practice that has a zero-sum yield.

3. Promoting Inclusive Municipal Governance

Sample grants					
Organization	Amount (USD mil)	Aspiration	Success / Failure	Reason(s)	Inference
Cities Alliance	15.0	Link urban upgrading programs and communities to national poverty alleviation programs and resources	Success	All stakeholders in alignment with decentralized national planning	Domestic resources available for local projects can be substantial
Sister Cities International	8.0	Long-term technical assistance for secondary cities	Success	Low cost projects make partnership affordable and most "big sister" cities in partnership have technical capacity to spare	Successful small projects are good stepping stone for larger ones
City of Monrovia	5.0	Create a municipal solid waste management system	Success	Dynamic leadership and community with very little opportunity	Easier to create systems that create jobs and have visible outputs
City of Lilongwe	2.5	Create a city planning division	Failure	No mayor and no sense of "urban" yet in rural-economy even though it is Africa's most rapidly urbanizing city	Need executive decision-maker and not decision by committee

While local elections create social turbulence and select geographies have a clear political bent, developing-world city governments are generally as pro-poor as their constituency. Most cities aspire to be inclusive and to upgrade the living conditions of the urban poor, but lack the basic capacities required to make change. Our work with service delivery, job creation, and municipal planning has demonstrated that local governments can be more prosperous and stable if they foster participation. The grants above demonstrate that projects of escalating responsibility build strong capacity, citizen confidence and have a greater chance of long-term success.

Lessons from our Grantmaking

Lesson 1: "Nothing for us, without us"

- **Community organizations can implement nationally-allocated domestic resources effectively.** Our $15 million "Land, Citizenship, and Services" grant to the World Bank's Cities Alliance has begun to attract government focus, resources, and commitment. This grant, our largest single investment, partners urban poverty alleviation programs and communities in Uganda and Ghana, and will soon expand to Vietnam and Burkina Faso. Bolstered by $355 million[3] in commitments over the next 5-7 years from the World Bank, this grant allows national governments to engage with their local counterparts and directly with organizations of the urban poor to upgrade their living conditions and improve their livelihood opportunities through land allocation and improved service delivery.

- **Communities have a greater sense of urgency and change can happen fast.** Funds put close to the ground, into the hands of communities, are managed with accountability, expediency, and much greater scrutiny than elsewhere. Our $7 million grant to the Asian Coalition for Community Action (ACCA) program is two years ahead of schedule at full scale in 106 cities. The project works by prioritizing, organizing, and implementing small and medium-sized community development projects funded by 35% community savings, 30% local government funds, 15% donor funding and 20% debt.[4] Our grant has to date catalyzed nearly 550 community development projects, tripled the savings rates for almost 1,000 communities and leveraged local government resources across Asian cities of all sizes. These outputs lay the groundwork for better jobs, more secure housing, and access to government at an unprecedented level.

- **Community organizations build and leverage local resources.** With nearly $15 million of our direct funding (now matched nearly 2:1 by bilateral and private foundation resources), Slum Dwellers International (SDI) has demonstrated their ability to draw on the power of savings-based community organizations to be a powerful local driver for poverty reduction. At the center of this is an Urban Poor Fund which is a self-governed financial facility that matches capital to slumdweller savings federations undertaking community-level and incremental urban improvement and housing projects. The fund currently supports hundreds of community groups in more than 30 developing countries. Our startup grant, regarded as controversial and risky by other funders because it was being made directly to a community group with limited capacity and geographic reach, has since grown in scale and reputation to the point that the World Bank's Cities Alliance has extended an invitation to join their advisory board (the first community group with such a distinction) and made SDI one of their major partners for urban upgrading in Africa.

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[3] Based on joint planning with SDI and Cities Alliance, we were able to secure $200 million from the World Bank in Uganda this year for a five year national urban renewal program, led by the Ministry of Housing. Ghana is on track to receive $155 million this summer, with similar community-driven processes.

[4] This blend of capital is fairly consistent throughout the ACCA Project. Debt may be up to 30% in some cases and is obtained through local capital markets by leveraging community savings or other community assets.

- **Competent support organizations will continue to build community capacity even after grants end.** Customer demand for services from support organizations will continue to grow, provided the terms of their engagement are sufficiently attractive to the customer entities. Our portfolio has supported three types of support organizations, in some cases as sub-grantees to the primary partner to ensure that their support needs are being met.

    o Academic institutions to instill reporting, transparency, and communication capacity into a large network of CBOs (IIED, Asian Institute of Technology).
    o Sophisticated subject-matter expert firms to advise CBOs on sound technical practices for their solid waste management, infrastructure, or financial innovation (Waste Concern, Sustainability Institute, Affordable Housing Institute).
    o Transnational organizations to facilitate high level government discussions to inform, bolster, and align work being done locally (WIEGO, UNESCAP).

Lesson 2: Follow the Money

- **Grants can create and improve jobs.** More than 70% of the workforce in developing world cities works within the informal sector, with very little opportunity for fully formalized (wage labor) employment.[5] These individuals are among the poorest in the world, often earning less than $2 a day. In January 2009 we funded a $50 million package of grants called the Inclusive Cities Project with the aim of improving the livelihoods of the urban working poor.[6] Through five grantees—WIEGO, SEWA, Fundación AVINA, Street Net, and Home Net—and more than a dozen sub-grantees[7] throughout Asia, Africa and Latin America, this project has focused on building the capacity of member-based organizations of the poor in the areas of organizing, advocacy and policy analysis. With enhanced capacity along these dimensions, these groups aim to create or improve jobs through inclusive spatial planning, zoning, regulations, greater access to urban infrastructure and services.

- **Trash is cash.** Municipal solid waste management is the only urban service with a large financial upside. In late 2008, we funded a two-part, $10 million grant, to the UN Economic and Social Commission for Asia and the Pacific (UNESCAP) and Waste Concern, to introduce a new mechanism for building the capacity of cities and citizens to sustainably process urban organic waste in Asia. By formalizing relationships between municipalities and the urban poor through a decentralized set of processing stations we call Integrated Resource Recovery Centers (IRRC), our grantees are building community-level solid waste management projects in 10 Asian countries. The unique characteristics of the 10,000+ tons of daily solid waste generated in each of the developing world's secondary cities can be exploited to create jobs (6-12 per ton of waste), reduce municipal costs, improve health, and transform urban environments. Our gains exceed $100 million per year, which are reinvested into developing world city solid waste systems through our Waste To Resources Fund (W2R) with significant growth anticipated.

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[5] International Labour Organization, Global Wage Report 2010/11: Wage policies in times of crisis (Geneva: ILO, 2010).
[6] For more information please see: www.inclusivecities.org.
[7] Including Asiye eTafuleni, KKPKP, Recicladores Sin Fronteras, Global Alliance for Incineration Alternatives, Chintan, among others.

- **Potential for private sector development.** AVINA Americas was granted $3 million to broker projects in several Latin American countries between *Recicladores Sin Fronteras* (*Wastepickers Without Borders*) and international partners like Coca Cola, PepsiCo, and Danone. Through these engagements, we link the private sector to inputs generated by wastepicker cooperatives.

- **Using simple technology can link people with work.** LabourNet[8] is an Indian social enterprise which seeks to improve earning opportunities, working conditions, skills and security for workers in the informal sector (90% of India's workforce). LabourNet uses mobile technology, including automated, multilingual SMS messaging, GIS and GPS applications, to announce daily job openings for urban informal workers. It provides training opportunities, access to health insurance, ability to open bank accounts, and assistance receiving proper identification cards for workers been denied these social benefits. The system also offers assistance to the growing professional class and mid-sized business community who find it difficult to access workers.

Lesson 3: Good governance is more than a process

- **Community voice and participation in local government decision-making is an antidote to corruption.** Local or municipal governments are more likely to be responsive, accountable, and transparent in relationships with their constituents if there are mechanisms through which CBOs can express their priorities and concerns and monitor local government processes. These mechanisms include municipal oversight councils with CBO representation, shared budgeting exercises (or in some cases, even grants/contracts), and participatory or transparent planning.

- **Cities will tackle tough challenges if they have learned from each other.** In 2010, Sister Cities International launched the $8 million Africa Urban Poverty Alleviation Program (AUPAP), a three-year project to alleviate poverty in 25 African cities through water, sanitation, and health initiatives led by U.S. and African sister city programs. Through this unique project, U.S. sister city programs collaborate with African counterparts to identify and address critical problems that form a barrier to sustained development in urban areas. While the projects attempted in each city are small, each one meets a critical community need and builds capacity for participation and basic project management, motivating the city to tackle similar problems at larger scale. This program demonstrates that cities can deliver on their vision, and three cities have graduated to larger projects funded through their own national governments.

- **Partnering cities and community organizations creates new opportunity for poverty alleviation.** The Global Project for Inclusive Municipal Governance (GPIMG) is a $25 million five year package of grantees and contractors supporting 5 African cities to create sustainable and inclusive municipal processes that deliver new or improved jobs, services, or shelter for the urban poor. We have chosen rapidly urbanizing cities as laboratories where we can compare and contrast their experiences and results. We are the first international organization to make grants

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[8] LabourNet is a sub-grantee of CHF International's $8 million "SCALE-UP" project that works to promote livelihood opportunities in secondary cities of India and Ghana. They also received funding and business development assistance from our "Urban Value-Chain Development" grant to the SEEP Network. For more information on this organization please see www.labournet.in.

to city governments in the developing world (as we have been for community and member-based organizations); though it is too early for results, as with SDI our move is catalyzing the space. Our first tranche of cities has allowed us to experiment with different tools, as suggested by our reviewers, to guide future city-level grantmaking:

- o Implementation by bilateral (intermediary) organization: Cairo[9]
- o Implementation by NGO: Luanda
- o Extreme transparency measures: Harare
- o Engagement with municipal assemblies and no mayor: Lilongwe
- o National government Ministries as fiscal agents: Monrovia

- **City governments have too few capable people.** Qualified personnel for finance, planning, and monitoring systems are in short supply at the municipal level. Since our targets aspire to practical outcomes (and not process), capacity building support can only complement the necessary experiential learning and must be time-limited so we hand over the task to local actors. For now, capacity is being built internally, through grants made directly to Harare or Monrovia City Assemblies, and also through partnerships and contracting arrangements with private sector firms or NGOs capable of supporting local and municipal governments. In some cases the grants are shared (requiring joint sign-off on deliverables for payment) and in others, support is given for imbedded long-term technical assistance, which we are doing through solid waste management, drainage, planning, and housing projects.

Lesson 4: Sometimes we miss the target

- **Our weakest grantmaking has been in the area of micro-enterprise development** (individual vendors, laborers, or craftsmen), as philanthropic capital is essentially free money that creates unfair advantage to micro-lenders and has the unintended consequence of drying up long-term development of local access to capital. The projects also tend to be "retail" and best left to financial institutions who understand local demand, markets, and risk. This should be clearly differentiated from small-enterprise development (cooperatives or organized worker groups), where we see greater collective benefit and more enduring links with wider local economic development.

- **Local land markets are not readily accessible and are intermeshed with the political landscape.** Outsiders are tools to be used and discarded by various factions. Entry into this space (for example, Kibera) risks political alignment that is best left to democratic processes within communities and revisited in areas where reforms are likely to take root. While we cannot *resolve* land issues, our grantmaking can facilitate their resolution by offering information via new technologies like GIS mapping and more inclusive enumerations as part of cadastral efforts. Detailing the settlement patterns allow for municipalities to provide services, such as water, sewer service and electricity. Mapping is more than technical; the resulting information compels catalyzing the politics. Mapping slums provides the first step toward land governance,

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[9] Despite the political challenges in Egypt and Zimbabwe, our city-level projects in Cairo and Harare have been among the most stable and outperformed those being implemented in less volatile situations.

recognizing investments, allowing for land to be used as collateral to help bring the populations out of poverty. It also provides the means for setting up property taxes to offset new services.

- **Housing is not an end in itself but the physical manifestation of building the urban poor's assets.** A home by itself is not transformative; instead transformation arises when the home, however informal, becomes a place to build assets and a family asset in itself. Conversely, aggressive intrusion of philanthropic capital distorts local financial markets even as it produces too few homes to improve them. Land and titling issues also complicate investment by outsiders.

- **Service delivery is best explored by the WSH team and Special Initiatives Governance portfolio.** Though we have found services to be a good proxy or outcome measure for some of our city-level projects, we do not see service delivery as an endpoint for our grantmaking – with the exception of solid waste, which we have targeted it is the *only city service that generates revenue for poor people and cities.* As very few cities have recognized this, and there is growing interest from the private sector, we see this as a major opportunity to generate resources and create jobs.

- **There are several additional areas that we will continue to monitor for potential, but have yet to identify a clear opportunity for foundation engagement that would benefit the poorest.**
  - **Housing technologies:** Affordable, efficient and durable housing materials remain one of the greatest aspirations for slumdwellers around the world. We do not believe the foundation is in a position to endorse any particular product, and instead have introduced these products for evaluation directly to the organizations of the urban poor. Groups like SDI, India's Monitor Group, and South Africa's Sustainability Institute, serve as our primary resource partners in this area.
  - **Municipal finance:** Traditional municipal infrastructure projects tend to benefit "cities" in aggregate, rather than offering a direct benefit to the poorest. New financial tools are emerging that support focused efforts at urban upgrading, but these have yet to mature. Julie Sunderland and the CFO's office liaise with external partners like OPIC and the World Bank on our behalf and continue to monitor progress in this area. A related area, metafinance[10], was pioneered within our portfolio and continues to thrive and provide broad community benefit by leveraging pooled savings and municipal concessions to attract resources for basic community-level infrastructure.
  - **Advocacy:** As our thinking around urban poverty evolves and stronger linkages can be established to our internal priorities, our ability to add value in this space may increase. The best advocacy arises when grantees lead the charge, but situations may arise where our voice, in chorus, can legitimize or globalize a local experience. Specifically, if we can demonstrate cost effective and replicable models, external advocacy may be warranted. Currently, we practice selective external advocacy only with like-minded donors, and avoid

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[10] For more about the evolution of metafinance and our role please see:
http://affordablehousinginstitute.org/blogs/us/2008/03/meta-finance-part-1-the-challenge-of-group-benefit-lending.html

advocacy at the project or community level, largely at the request of our grantees as they seek to engage and deliver on their own terms.[11]

Overarching Themes

Going to Scale

While there have been many sectoral pilot efforts in the past, few have had a material impact on macro-indicators of poverty. As we are learning across the foundation, the challenge of scaling up is not about bigger projects or bigger organizations, but rather about achieving sustainable results in a large number of communities. In order to effect real change at the macro level, replication must take place in many communities simultaneously with increasing efficiency and not simply be a reproduction of pilots at the same or greater cost. Principles for scaling up community projects are therefore exercises in business planning since execution and sustainability are at the heart of every project. We discovered this through our annual external portfolio reviewer process, when evaluators recommended more attention to capacity (specifically related to approval and disbursement) so that our partners could benefit from efficiency of scale, reap more immediate benefits, reduce delays, and respond expeditiously to landscape changes and demand.

We have to date been agnostic about whether scale is best achieved through networks of CBOs or through a larger number of small CBOs, since both have demonstrated ability to deliver. As CBOs learn by doing and their capacity increases, a subset of CBOs may grow into larger networks, or unite more formally with public sector processes as we have seen with SDI and others. For other contexts, processes will remain driven by a growing number of small CBOs. While it is abundantly clear that alignment with national urban policies and an enabling and interested local government are clear pre-conditions for engagement, two different models for scale up show promise, depending on context:

- *Clustering of program activities.* Concentrating livelihood or asset-building activities into a nodal area or micro-region can be an effective strategy for focusing inputs in the initial stages, rapidly demonstrating impacts, convincing neighboring groups of the benefits of collective action, gaining credibility, spreading information, and self-mobilizing demand for project activities. Over time, numerous nodes emerge; each one acts as a demonstration project to motivate surrounding communities to participate in community-driven development.
- *Promoting networks among CBOs.* As outcomes are verified and reputations grow, lateral communication between communities and grassroots organizations can become very valuable. For example, networks like Street Net or SDI can inform member groups about changes in procedures or policies that affect their work. They can also coordinate activities, support horizontal learning, accelerate the establishment of new CBOs, build social capital and relationships, and branch out into new strategic activities (like SEWA). Support for CBO networks can take the form of organizing meetings for clusters of CBOs in a particular region as

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[11] We have had only 11 requests in 3 years for name and logo use; 8 of those have been from our 2 partners with a USA home-base.

with Home Net in 10 countries across Asia, establishing a newsletter or annual conference as Street Net has done, or providing training for key leaders (WIEGO) or individuals (Asiye Etafuleni and municipal planners).

Finding the Right Partner

We are committed to partnering both to disseminate our ideas and learnings and also to assure us viable exits, and in urban, lots of entities explore, giving us no shortage of potential international, national, sub-national and community relationships. However, their strengths and limitations must be clearly understood.

- **Multilateral agencies** often only have a country-level focus (no smaller), due to the difficulty gaining consensus on geographies. They are not strong at local implementation, and most rely on global north career technocrats for project planning. Generally a poor fit for us, but with two very notable exceptions: the World Bank and UNESCAP.

- **Bilateral agencies** frequently seek to meet trade or aid agreements along general guidelines that align with a sectoral or political mission. Because relationships are arranged at the Ministry-level, sub-national or sectorally integrated engagement is difficult but not impossible. We have found, for example, GIZ to be a strong implementation partners in geographies where they have expressed long-term commitment and shared vision.

- **National governments** are committed to poverty reduction strategies, treaties, bilateral agreements and domestic priorities that are frequently planned many years in advance of programmatic roll out. Their ability to be nimble is limited, with many different partnerships being juggled at once. Ministerial or national government capacity exceeds that of local governments, but international brain drain of competent government officials is frequent.

- **Local governments** bear the brunt of program implementation and citizen expectation; however have access to the least amount of resources. The right partner is a great fit, but capacity fluctuates randomly and their motivation tends to be timed to election cycles. The most promising if fickle partner set.

- **Nongovernmental organizations** are dependent on donor resources and therefore subject to alignment with multiple missions. Larger international NGOs require significant resources to manage developing world projects, and often work through multiple smaller intermediaries to increase their reach; they also tend toward intellectual imperialism that is mistrusted at the community level. Community-based organizations have deep roots at the local level, but suffer from severe capacity limitations and there is (mutual) mistrust with organizations outside their immediate sphere of influence. Community participation in CBOs can weaken over time due to frustration when their needs are not addressed or due to complacency when their immediate needs have been met. With the right entity, we can partner successfully.

- **Member-based organizations of the poor** are democratic organizations that the poor themselves control and partially or fully finance such as cooperatives, self-help groups, and

trade unions. They struggle to overcome issues of credibility with other partners but have staying power, a vested interested in the outcomes and a greater sense of urgency. They make great intermediary grantees for us, subject to limitations of their organizational capacity and culture.

- **Private sector players** cannot engage over time unless there is a clear revenue stream, but many will offer short term capital on a speculative or even CSR basis. Issues relating to corruption are prominent and difficult to manage at the interface between local government and the private sector.

Creating an Enabling Legal and Regulatory Environment

Poverty alleviation efforts benefit tremendously when community decision making and management of resources are supported by a legal and regulatory framework. While it naïve to think that this happens in a comprehensive fashion, there are some specific areas where appropriate policies, laws, and enforceable regulations can foster inclusivity and promote competitiveness for the urban working poor. While some of our funding is used to promote local reform around issues such as the tendering process, we have also supported public interest litigation through our partners in Latin America, Africa and Asia. Some of the legal victories associated with these efforts in Peru, Colombia, Chile, India, and South Africa include the ability for CBOs to participate in public tender processes, social recognition and protection for wastepickers, and equal rights to public resources and space.

How we are catalytic

Urban poverty has no one cause, and therefore focusing on a single intervention is not likely to be transformative. Instead, we believe that there is potential to alleviate poverty at large scale by investing in a series of inter-related processes that link cities with communities. Our approach is catalytic because it:

- *Addresses failures of government and market*. Government and the private sector must treat wastepicker cooperatives or self-help groups in ways different from how they treat the members individually.

- *Reduces transaction costs*. Structural poverty arises in part because small-scale transactions have high costs. As seen with our recycling and home-based workers, creating poor-owned and poor-controlled entities (aggregating workers) reduces costs and increases the poor's net earnings.

- *Focuses on durable linkages*. Beyond creating new entities, our work forges demand-driven linkages that are based on sound business practice and/or build social fabric. Whether through street vendor rural-urban connections or the formation of informal settlement units within city governments, the connections are organic and provide mutual benefit.

- *Captures and grows sustainable flows*. Rather than promoting a mere substitution of one type of worker or input for another, our work promotes complementary interventions and growth of

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new revue streams. For example, Waste To Resources Fund (W2R) captures the profits from slumdweller wastepicking and recycling and blends them with carbon finance to create new jobs.

- *Creates a path for others*. Prior to our entry into this space, no grants were being made to city governments in the developing world, technical assistance came primarily from the global north, and few community based organizations were entrusted with funding absent an international intermediary. Although considered risky investments at the time, we have developed tools, transparency and processes that allow other donors to follow our lead.

Administrative and Institutional Learning

- **GPR.** The Urban Poverty team received relatively high Grantee Perception Report (GPR) scores, and thus we believe there are some lessons learned regarding its grants management approaches that could potentially be replicated across the foundation.
- **Balancing Contracts vs. Grants.** While we strongly feel that long-term sustainable impact comes through grants directly supporting the organizations that "do" the work, there are cases where the tighter control allowed by a contract in terms of outcomes and deliverables (and protection from fiduciary risk) helps us better reach a specific set of goals.
- **Intermediaries.** Given the lack of capacity in the field and a clear absence of intermediaries that could engage locally and at the community level, we made many more individual grants than we would have liked. The problem has diminished as these grants have helped build intermediaries through global projects. Nevertheless, such intermediaries reduce the performance and efficiency of current grantees, which are unhappy with the distance from the foundation, since it is perceived as a trust issue. With our engagement model in mind, we are developing new ways to use intermediation that allow us to maintain a deep relationship with grantees in a time-efficient manner.
- **Expenditure Responsibility (ER).** In an effort to get funding as close to the ground as possible and reach our target beneficiaries, this portfolio is home to the foundation's largest collection of ER grants. This year, we are experimenting with our grants management team to perform in-house pre-grant evaluations at significant cost savings and a more streamlined approach.
- **External support for lobbying surveillance.** Most of our grantees operate internationally—across different languages, legal systems and cultures—which necessitate involvement of professionals with knowledge of the local context and to ensure compliance with local and international law.
- **Public Interest Litigation.** We are the first portfolio at the foundation to support litigation actively, and the first US foundation to fund international grantees directly to do so. The public interest litigation we have supported has yielded pro-poor outcomes in Colombia, Peru, South Africa, and India. With the help of our internal legal team, we developed a process and clear set of criteria as to when, where and in what context we are comfortable with grantees using our funds in this way. We are also exploring support for the development of legal frameworks that do not involve litigation, such as permit systems (for street vendors), licenses (for wastepickers),

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and cross-country non-profit registration for international projects (such as the Waste Concern project to wholesale its carbon finance mechanism worldwide).

Challenges

Institutional

- **Special Initiatives.** Currently this initiative is the programmatic anchor for the Special Initiatives team, whose role has not yet been fully defined. A stronger sense for the trajectory of the Special Initiatives team will help add clarity to the scope and scale of the urban commitment.

- **Internal resourcing.** The Managing For Impact (M4I) exercise this year captured the complexity and number of grants in this portfolio. As of submission of this report, grants in this portfolio have been largely made and managed by a single program officer and is now supported by two new APOs. We deferred the request for additional more senior staffing until after Strategy Refresh to ensure commitment to the portfolio would be supported.

- **Field presence.** Given the capacity of the grantees and volatility of many of the relationships in cities, close monitoring is required to ensure that these projects stay on track. City projects necessitate frequent financial reporting/invoicing, present procurement challenges, and require frequent check-ins with communities and city assemblies. Our decision to shape and influence this space therefore suggests an engagement model involving a dedicated field presence, either in the form of a field-based FTE or through a portfolio-supported (project management) intermediary.

Programmatic

- **City governments need modern tools.** Bringing many of these cities into the 21st century takes more than investments for programmatic activities. Some of the tools required to make cities functional aid with capacity but also improve transparency since what is perceived as corruption is frequently either incompetence or ignorance.

- **Fractured landscape.** The urban poor have very different priorities from one city to the next – and even from one organization to the next.

- **Strong measurement and evaluation systems or impact evaluation frameworks benefit the broader field.** We initially approached our grantees in the context of a learning initiative with little understanding about what impact might look like and with limited existing quality work in the field to draw on. Over the past two years we have been working closely with grantees to determine the most important progress and the best methods for measuring impact that are an accurate reflection of their view of poverty alleviation.

Funding Trade-offs

Given the novelty of our approach to the urban poverty field, the initial stages of our work required some clear tradeoffs in terms of how we used our funds. Although this led us to a relatively unusual set

of choices in terms of foundation norms, we felt such tradeoffs were necessary to properly test our working theory of change. Our specific trade-offs have included:

- **Getting Close to Beneficiaries.** As a result of this direct engagement on the ground, our indirect cost rate averages 6%; FTEs are limited to five per grant; salary costs represent only 15% of our payout; and 98% of our funds are spent in the developing world. This necessitates a greater degree of expenditure responsibility (ER) grantmaking and a frequent field presence. While we will continue to support to notion of developing world-based grantmaking, it does come at an institutional cost to our legal, grants management and FP&A partners.

- **"Pure" Research or Academics versus "Action" Research.** Because we studied the landscape for 18 months prior to making a grant, we were well aware of the existing body of research and ongoing intellectual debates. Within this environment we do not see an advantage to creating more research that will not be implemented. Since the cost of academic research is relatively small and other donors are comfortable funding (their own) in that space, we have worked to foster relationships that enable a deepening of this field without our direct involvement. Instead, with the assistance of our internal MLE and IPI teams, we seek to engage through action research and bring new techniques to the field.[12]

Scoping

Slum communities are not static settlements, just as slumdwellers are not stuck. To an external observer, it appears that the poorer the slum, the less opportunity exists – but in fact the opposite is likely to be true.[13] In fact, new data is emerging to suggest that although the "place" may be a poverty trap, the individuals are highly mobile and vulnerable to significant volatility. For many, the slum is their port of entry into the urban environment.

This paradox has created a sense among outsiders that the city's informal settlements are more destitute than they really are, which leads to a misunderstanding of the forms of investment needed to alleviate poverty – a serious problem in slums around the world. Rather than making the poor the customer by delivering to them the tools for ownership, education, security, business creation and connection to the wider economy/policy, top-down benefactors treat residents as welfare recipients of off-target programs based on those from the developed world.

Growing research – strongly supported by learnings from many of our grants to date – suggests that engaging the urban poor as actors, in particular focusing on opportunities that allow them to build livelihoods that generate income – jobs – is the most important driver in helping them improve health

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[12] For more information please see our opportunity mapping and next steps.
[13] Glaeser et al. *"Why do the poor live in cities?" Journal of Urban Economics* 63, no. 1 (2008):1-24; Charles Tilly, "Migration in Modern European History," in *Human Migration: Patterns & Policies,* eds. William H. McNeill and Ruth S. Adams (Bloomington: Indiana, 1987); Dowell Myers, "Demographic Dynamism and Metropolitan Change: Comparing Los Angeles, New York, Chicago and Washington DC," *Housing Policy Debate* 10, no. 4 (1999): 924.

and provide shelter, education and other opportunities for their families. **Slums are the connection between workers and the economy; they are where informal jobs go to sleep at night.**

Historical Perspectives and Alternative Views on Urban Development

In the modern era, key cities within several nations have been cited frequently as pillars for urban development. These top-down models highlight the approaches of the twentieth century, many now two or three decades post-implementation and ripe for queries about sustainability. While success has been broadly touted in each of these cases, the reality may not be as straight-forward. Below, a brief headline of the shortcomings:

- **Brazil:** Curitiba, inaugurated in the 1960s, is Brazil's showpiece of urban planning, known among city architects worldwide as a pioneering achievement in metropolitan renovation and innovation, by crafting cost-efficient and environmentally friendly public works. Though after half a century the Curitiba Master Plan has become an international blueprint for sustainable city design and its authors have been elevated as city heroes, **the public-space benefit was captured by the middle class, not the poor,** and services remain inaccessible and unaffordable to those outside the formal economy. The transportation plan stands out as exemplary; however the lack of jobs or housing for the poor in Curitiba pushes them further to the periphery.

- **Singapore:** Singapore is often cited as a successful example of affordable housing production in Asian cities. Some 85% of Singapore's resident population lives in public housing, at a large short and long-term cost to the national budget. Housing policies pursued in a vacuum from other social and economic policies and services have necessitated trade-offs and brought disastrous consequences in some cases. As the GDP growth slows in Singapore, **costs associated with massive public housing are not sustainable.** Additionally, this level of investment is not feasible in most developing world countries.

- **China:** Urbanization in China has in part been subject to centrally planned control and in part has resulted from the pressures of industrialization and economic development. One of the major, if neglected, influences has been the **social policies controlling internal migration and influencing urban-rural inequalities** in income and social welfare.

- **India**: In January 1998, the Ahmedabad Municipal Corporation issued municipal bonds for 1 billion rupees ($22 million). This was a remarkable achievement as it was the first municipal bond issue in India without a state government guarantee and it represented the first step towards fully market-based system of local government finance. The issue was designed to partially finance a water supply and sewerage program, but **the bulk went to fund capital-intensive projects with a higher and more immediate return** (roads, bridges, and upper class neighborhood infrastructure upgrading).

Nearly all of these bottom-up efforts have direct impact, but our preliminary assessment from across our portfolio and the field shows that sustainability and replicability at scale also requires engaged government partnerships – therefore any activity we or others make in formalization or slum upgrading must also change **the political and policy environment to assure ongoing government resources and support flowing into slum communities**.

Reproducible and long-term progress against urban poverty has instead been happening from the bottom-up bolstered by effort from grassroots communities. Self-help groups and the larger slumdweller federations they form are engaged in initiatives to improve livelihoods, upgrade informal settlements, and improve relationships with municipal governments. Some have even developed a financial mechanism[14] that access flexible small grants to support community-led development.

Our view is that funds spent close to the ground and with input from beneficiaries is of low cost and high value, but others disagree. We approached many of the world experts who disagree with our approach and asked them to provide rationale for their own approaches. While details differ, there are five (major) alternative paths to poverty alleviation taken by those with an interest in urban development: infrastructure, charter cities, land regularization, blocking urbanization, and service delivery. While each offers the potential for change, few have been sustainable or transformative. Below, a brief description of the some of the alternative paths we might have taken, why they have failed to transform the landscape, and what lessons we can borrow from each of them to improve our own work[15]:

- **Infrastructure investments make cities livable for all.** Infrastructure arrives first into upper- and middle-class neighborhoods, but once embedded in a city, it is marginally less expensive to extend the grid into informal neighborhoods. Sadly, the cost associated with extension of coverage or infrastructure is prohibitive and most benefit is captured by the comparatively wealthy.

- **Specially zoned (charter) cities offer large scale opportunity for economic development.** At the same time, 'new towns' built as dormitories for the poor prove non-viable as communities and create government-funded ghettos.

- **Land regularization schemes improve slum conditions by creating assets and making cities affordable.** This requires government to use eminent-domain power (and compensation for property owners) for benefit of the poor, not for benefit of land developers or speculators – a challenging proposition to execute.

- **Judicially enforced spatial 'urbanization blocking' reduces burden on cities and decreases urban poverty.** The most extreme and least defensible example is apartheid in South Africa, but Communities as diverse as Portland, Oregon, Seoul, Korea, and Beijing have sought to use greenbelts to hold off urbanization, only to find it has undesirable effects on transportation,

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[14] Diana Mitlin and David Satterthwaite, "Urban Poor Fund International 2001-2010: A decade of innovation." International Institute of Environment and Development (London: 2010).

[15] Please see essays written for us by proponents and opponents of each as Appendix X.

pollution, crime, and economic development. Migration control laws made life worse for the poor while creating deep layers of corruption, since migration meant bribing officials and an increased reliance on criminality.

- **Municipal service delivery is the backbone of poverty alleviation.** This theory is a downstream issue and ties in closely with the some of the other theories. Services without subsidy are frequently unaffordable, lack accessible infrastructure, and since most slumdwellers do not have secure tenure, cities cannot legally provide services to illegal homes.

- **Municipal planning provides the framework for city building.** The magnitude and dynamics of urbanization place an enormous burden on organizations responsible for the planning and management of urban regions. The core objectives of urban planning and management are seen as understanding dynamic urban processes and developing effective interventions that contribute to the sustainability of urban development. Geo-information and geo-information technology play a vital role in supporting these objectives. Efforts at putting plans into action have largely failed, few cities have urban planners on staff, and the electoral cycle often complicates zoning and land issues required for relevant planning.

Where are all the people going and why? *Migration Patterns and Population Trends in the Developing World*

Where and why people are moving

[Insert Migration Trends and Analysis from CUNY/Baruch Contract – 2 paragraphs and 2 figures. Will show where Africans are urbanizing and how this overlaps with other development issues of top priority – due to us March 28 2011]

The Role of the City in Poverty Alleviation

Municipalities are strategically placed to undertake local long-term planning in the area of urban poverty alleviation in association with the private sector, NGOs and CBOs. The current worldwide trend of decentralization (i.e. devolution of responsibilities and resources from central to local governments) further emphasizes the importance of developing policy and investment frameworks for urban poverty alleviation at a sub-national and/or municipal level that involve:

- Creation of an enabling environment for community efforts to flourish, ranging from building more participatory, citizen-oriented planning of local investment priorities to subcontracting with CBOs for the provision of goods and services for which CBOs have comparative advantages;
- Bringing government closer to the people, increasing accountability and transparency, as well as building bonds of trust; provide long-term recurrent cost financing within a framework of fiscal decentralization and intergovernmental fiscal flows, thereby creating a local funding base;

- Community-led development, which both increases efficiency and redefines the poor's relationship to municipal government; and
- Helping balance competing needs and demands in allocating resources across diverse communities.

How do the poor survive in cities? *The Urban Working Poor and Their Stake in the Economy*

The informal sector or informal economy is the part of an economy that is not taxed, monitored by any form of government or included in domestic revenue calculations, unlike the formal economy. Far from a transient phenomenon, informality is the norm in countries where incomes and assets are not equitably distributed. Often ignored or considered a nuisance and deficient economic state, the informal economy represents more than 90% of all non-agricultural jobs in the poorest African countries, 70% in India, half in Latin America, one-third in North Africa and one-quarter in post-communist era countries.[16]

The reasons for the growth of the informal economy are interrelated and to some extent overlapping: limited absorption of surplus labor, barriers to entry into the formal economy, weak institutions, structural exploitation of informal laborers by rent-seekers, redundancies, and capital favored over labor and demand for low-cost goods and services. Given the pace of economic and political development in the developing world, it is likely that the informal economy will be the primary source of opportunity (and income) for the poor for many years to come.

Key shared characteristics of informal workers include:

- Un-credited drivers of formal economy
- Outside reach of government regulation and protection, therefore invisible to policymakers
- Low and erratic earnings, despite contributing up to 60% of GDP[17]
- Unnecessary and preventable exploitation by middlemen[18], employers, political interest, incompetent or corrupt bureaucracies, or organized crime

The numbers are staggering: approximately two thirds of the world's 1 billion urban poor are dependent upon the informal sector for their livelihoods. About 65% of these individuals work as street vendors, wastepickers, home-based workers and construction workers. The remaining segment of the urban poor workforce toils in domestic work[19], transportation, and other microenterprise. Commercial sex work

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[16] Johannes Jutting and Juan R. de Laiglesia, eds. *Is Informal Normal? Towards More and Better Jobs in Developing Countries* (Paris: OECD, 2009); ILO, 2002 from Memo 13

[17] Friedrich Schneider, *Size and Measurement of the Informal Economy in 110 Countries Around the World* (Washington: World Bank, 2002); Alejandro Portes and William Haller (2005). "The Informal Economy". In N. Smelser and R. Swedberg (eds.). Handbook of Economic Sociology, 2nd edition. Russell Sage Foundation.

[18] Home-based workers report having approximately 30% of goods rejected and 50% pay deducted by middlemen. Renana Jhabvala, Sapna Desai, and Jignasa Dave, "Empowering women in an insecure world: joining SEWA makes a difference," (Ahmedabad: SEWA Academy, 2010).

[19] Over the last century, the most important single category of urban employment for rural-urban migrants *within Europe* has been domestic service. Charles Tilly, "Migration in Modern European History," in *Human Migration: Patterns & Policies,* eds. William H. McNeill and Ruth S. Adams (Bloomington: Indiana, 1987), 58.

overlaps with other avocations, but women reporting receiving fees for sex (usually with a seasonal frequency) at least once annually may be as high as 25% of all urban informal workers.[20] We do not believe the foundation is able to affect significant livelihood change for domestic, transportation or commercial sex workers because of the large element of criminal, illicit, or mafia control for each of these areas. Further entry into these spaces will likely be controversial and distract from our overall mission.

Our grants have therefore targeted three occupational groups[21]:

- **Street vendors** (10-25% of the urban poor) help keep prices low and alleviate urban poverty. They need access to public space and protection against harassment and eviction, so we are supporting them via organization, aggregation, and inclusionary policy initiatives.

- **Home-based workers** (10-25% of the urban poor), mainly women (some children), bring down infrastructure costs and reduce the city's carbon footprint. They are often squeezed out, so we support organization and negotiation for better piece rates, together with women/ family protection entities.

- **Waste pickers** (1-5% of the urban poor) are more efficient (including greener) than conventional solutions, reduce the carbon footprint, and create informal income. They are usually disadvantaged social groups, often stigmatized and crowded out by politically connected operators, so we are strengthening their co-operative capacity, and pressing for their inclusion in tendering and contracting.

Prospects for large scale intervention and size of sector within the informal construction industry have recently been brought to our attention and we are likely include this group going forward:

- **Construction workers**[22] (10-15% of the urban poor) meaningfully contribute to GDP and build assets in both the formal and informal sectors. Self-employment, casual labor, and construction outsourcing have led to an increasing complexity of employment relationships, with many unskilled and even skilled construction jobs pushed into the informal sector. Informal construction workers can be mechanized out of a job or exploited as immigrants, so we are emphasizing training (especially for women workers) and stronger job-to-worker information platforms.

Up to now, donors have principally devised support programs towards the informal economy in the form of training programs, technical assistance, or even credit schemes. In this they have treated the

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[20] Rhonda Douglas et al., WIEGO (2011). The Urban Informal Workforce. Prepared for BMGF. Avahan data, WIEGO, Martin Medina, SEWA, etc. MW to add later.

[21] Please see Table X in Appendix

[22] Wells, Jill and Arthur Jason, "Employment Relationships and organizing strategies in the informal construction sector" *African Studies Quarterly*, Vol. 11, Issues 2 & 3, Spring 2010; Mitullah, Winnie V. and Isabella Njeri Wachira, "Informal labour in the construction industry in Kenya: A case study of Nairobi," Working Paper Wp. 204 (Geneva: ILO, Sectoral Activities Programme, 2003); No byline for "The informal sector in Ghana," *The Statesman*, April 30, 2007.

informal economic as an inconvenient phase, rather than a chronic and possibly valuable condition for allowing urban economies to expand and create new jobs. Thus, instead of promoting natural linkages and more organic absorption into formal markets, much donor attention has focused on formalization. While tempting, formalization in many cases worsens poverty or fails to deliver benefit to cities or citizens. For example, requiring vendors to obtain a formal business license only increases the burden on the vendor without any guarantee of more or better work. A more appropriate solution for instance, as proposed by our grantee Street Net, might be for the city to provide public space and protection for vendors in exchange for participating in a permitting system.

Look Forward

While we remain committed to learning in the urban space, a clear theory of change has not yet emerged. Our working theory of change is that co-developing community and municipal capacity improves access to work and accumulation of assets for the urban poor. We will test this theory through three interrelated sub-initiatives:

1. Community-led development
2. Livelihoods
3. Inclusive Municipal governance

We believe the most reliable proxy across the portfolio is jobs. Although only the second sub-initiative provides direct support for jobs, our linked initiatives seek to transform a vicious cycle into a virtuous one that creates more stable and secure work.
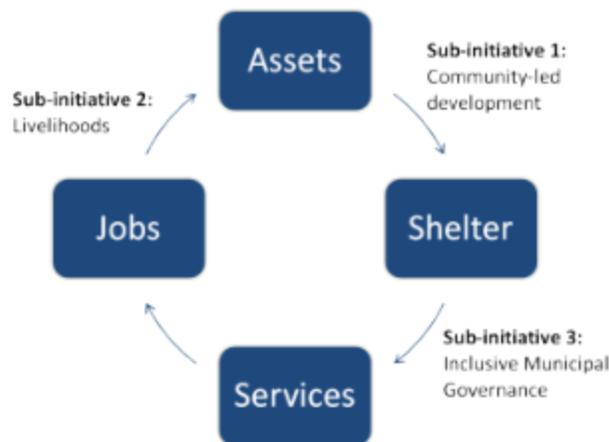
Over the next two years and through a series of linked and interdependent grants, we intend to document the **creation or improvement of 1 million jobs for the urban poor.** If we are successful, we will increase our target to 10 million over the next five years.

Opportunity Map

Foundation Synergy

With key foundation priorities in mind, we would first like to outline our awareness and interaction with other foundation teams:

Team	Overlapping Issue(s)	Common Geographies	Opportunity
GH Family Health	Urban geography, slum population	Ethiopia, Ghana, Senegal	Communities in these locations have already voice need for complementary interventions that address non-FP needs; builds stronger support for FP's work through improved participation and by aligning with community priorities; strong M&E here would provide useful data on effectiveness of key complementary activities and/or participatory approaches influencing other donor FP projects in the future
GD Ag	Rural-urban linkages, urban markets	Ethiopia, Ghana, Uganda, Bangladesh	TBD /
GD WSH	Municipal capacity	TBD	Build capacity of municipal government for service delivery and/or sanitation program implementation at city-wide scale
GD FSP	Savings	Sub-Saharan Africa, South Asia	TBD / Linkage of community savings groups to mobile banking providers; Research about role of community savings vs. individual savings in slumdwellers populations
IPI	Action research	N/A	Controlled trial for community-led development in Kenya; City job creation analysis in Senegal

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Criteria for Engagement

Since our strategy review in May 2010, we have developed the following criteria to evaluate cities for investment:

- **Demonstrated political commitment to the urban poor**
  - We must work only where governments are already beginning to strategize for their urban future and have a constructive attitude towards their urban poor. Evidence of varying degrees of this commitment includes:
    - Clear political commitment to pro-poor action
    - Establishing targets and budgeting national (and local) funds for upgrading
    - Willingness to adopt a partnership and process approach to slum upgrading
    - Evidence of the implementation of a policy commitment to the urban poor
- **Partner engagement**
  - Both the quantity and quality of member engagement in the urban sector in a given city/country must be assessed, as well as the willingness/interest to collaborate for greater impact.[23]
- **Local civil society**
  - Local NGO capacity with experience in urban programming
  - Local SDI affiliated or similar such movement formed and operating within country
  - International NGOs with local urban programming experience present in country
- **Investment leverage**
  - Donors committed to grant finance project implementation
  - National or sub-national allocation for pro-poor urban programming on budget
  - Countries shaping large World Bank urban-focused loans (> $100 million)
- **Bonus points**
  - Local universities that can add extra institutional capacity
  - South-South cooperation agreements in place or in process
  - Legitimate private sector interest in work being proposed

Regional Opportunity

Based on these criteria and the learning from our grantmaking, we have identified strategic opportunities by region that capitalize on their strengths. Latin America is the most advanced, with technologies and legal/regulatory frameworks that can transfer to Asia. (We would like our multinational grantees to facilitate intercontinental knowledge transfer, so that India's future is better than Latin America's past.) There is also a more developed private sector which allows linkages to be made with well-organized cooperatives. Asian cities are absorbing the greatest volume of residents and have a greater ability to solve problems at the community level. Networks and member-based organizations have a longer track record and history in this region and once mobilized can contribute to learning elsewhere. Africa is still urbanizing and cities are struggling with decentralization. Lessons from

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[23] Extensive stakeholder mapping can be found in Table X in the appendix.

Asia and Latin America hold some promise but most models for African cities require adaptation to the local context.

Region	Strategic Opportunities	Outcomes		
		Community-led development	Jobs	Inclusive Municipal Governance
Latin America	Regional strategy for cooperative business development for wastepickers and support for linkage to private sector		✓	✓
Asia	Regional community organizing and network formation for livelihood and asset development	✓	✓	
Africa	Municipal system building, regional network formation and exploration of job creation / sector development	✓	✓	✓

With regard to India, the initial proposal from the Ministry of Urban Poverty Alleviation involved a "Cities of Excellence" program loosely crafted from our GPIMG, however we were unable to move beyond the concept stage. We opted instead to undertake a comprehensive scoping exercise to determine whether or not there is a role for us and how we might engage. Rather than a country-level approach, we may better serve urban India through individual grants that build stronger communities through partners like SEWA and SPARC. In China, while we do not intend to pursue in-country grantmaking, the government has expressed interest in partnering with us building municipal capacity in urban Africa. A planning grant is underway that would promote city twinning between Chinese and African cities. Our interest is to ensure that an inclusive and not exploitive process ensues.

Thematic Opportunity

Over the coming two years we intend to further explore urban poverty alleviation through thematic grantmaking in order to maximize our foundation-wide synergies and capitalize on momentum created with our current partners. As the need is great across the urban landscape, we will instead explore thematic investment to better understand where the potential for impact is greatest. These themes could support individual grants or even GPIMG "clusters."

Theme	Opportunities	Outcomes		
		Community-led development	Jobs	Inclusive Municipal Governance
City planning	Combine information technology (GIS) with community enumerations to map to plan and institute upgrading; permit systems; procurement & tender reform		✓	✓
Urban food security	Building markets and linking them to the poor; strengthening rural-urban linkages; grow urban agriculture where able		✓	
Job creation	Strengthening cooperatives; business licensing; sector development especially in solid waste and construction		✓	

Municipal finance	Does not fund bonds but instead makes cities bankable and credit-worthy; build systems and link to markets; Includes cities within 5 years of being able to raise funds from capital markets to finance pro-poor improvements and create (infrastructure-related) jobs	✓	✓	✓
Urban health	Complement existing GH programs by building strong community savings pools, women's self-help capacity; linking to local government initiatives	✓		✓
In-country scale for existing projects	Using co-finance from national government and interested bilaterals to take successful work beyond current cities	✓	✓	✓

Open questions

Beyond our learning around the themes noted above, we have identified several questions that we will address either through research or action. In term of **research,** we want to know:

- Which offers more promise for poverty alleviation interventions: primary or secondary cities?
- Do jobs (especially for women) serve as a more effective means of population control than education?

As for **action,** we are also pursuing work with city governments and communities to find out:

- How can city government best support job creation for the working poor (informal sector)?
- If some cities are targeted for national upgrading strategies, what happens to the others; how do they fare?