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CREATING PRODUCTIVE AND SUSTAINABLE URBAN COMMUNITIES IN EL SALVADOR

Model for effective contributions
to the social housing value chain



UNITED NATIONS
INDUSTRIAL DEVELOPMENT ORGANIZATION

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ACRONYMS AND ABBREVIATIONS USED IN THIS PUBLICATION

ADESCO	Asociación de Desarrollo Comunal (Community Development Associations)
AMSS	Metropolitan Area of San Salvador
ARA	Rural Water Association
BDS	Business Development Services
BMI	Banco Multisectorial de Inversiones (Multisectoral Investment Bank)
BNDES	Brazilian Development Bank
CASALCO	Cámara Salvadoreña de la Construcción (Salvadoran Chamber of Construction)
CSR	Corporate Social Responsibility
FONDEPRO	Fondo de Desarrollo Productivo (Productive Development Fund)
FUNDASAL	Fundación Salvadoreña de Desarrollo y Vivienda Mínima (Salvadoran Foundation for Development and Minimum Housing)
ISCYC	Instituto Salvadoreño del Cemento y del Concreto (Salvadorian Institute of Cement and Concrete)
JP	Joint Programme on Housing and Productive and Sustainable Urban Settlements
LED	Local Economic Development
MDGs	Millennium Development Goals
MDG-F	Millennium Development Goals Achievement Fund
MSMEs	Micro, Small and Medium-Sized Enterprises
NGO	Non-Governmental Organization
PDP	Programa de Desarrollo de Proveedores (Supplier Development Programme)
ToT	Training of Trainers
UES	Universidad de El Salvador
UN	United Nations
UNDP	United Nations Development Programme
UN-Habitat	United Nations Human Settlements Programme
UNIDO	United Nations Industrial Development Organization
VMVDU	Vice Ministry for Housing and Urban Development of El Salvador

TABLE OF CONTENTS

Acronyms and abbreviations used in this publication	iv
EXECUTIVE SUMMARY	1
1. THE JOINT PROGRAMME	3
1.1. The development challenge	3
1.2. The response: an integrated and comprehensive approach	3
1.3. Project components	4
1.4. Target areas	4
1.5. Target beneficiaries	4
2. INVOLVING PUBLIC AND PRIVATE PARTNERS, CIVIL SOCIETY AND URBAN POPULATIONS IN THE DEVELOPMENT PROCESS	5
2.1. Consolidating public-private partnerships	5
2.2. Community participation through strategic workshops	5
2.3. Consolidating social cohesion within the communities	5
3. MODEL FOR EFFECTIVE CONTRIBUTIONS TO THE SOCIAL HOUSING VALUE CHAIN	7
3.1. Analysis of the social housing value chain	7
Stakeholder workshops	7
Alliance for Social Housing	8
3.2. Legal framework	8
Special Law on Subdivisions and Parceling for Residential Use	8
Law on Development Banking	8
3.3. Aggregation of demand	9
Implementing the aggregation of demand model	9
3.4. Mobile school for microentrepreneurs in the construction industry	9
Launching the mobile school	10
The mobile classroom	10
The curriculum	10
A microenterprise for construction	10
Ensuring the sustainability of the mobile school	10
3.5. Supplier development programme	10
Implementation	11
Extending the supplier development programme	11
3.6. Local economic development (LED)	11
Productive initiatives in Santa Tecla and Apopa	12
4. DEVELOPING A PROGRAMME TO TRANSFORM SLUMS INTO PRODUCTIVE AND SUSTAINABLE URBAN COMMUNITIES	15
4.1. Identifying the project site(s)	15
4.2. Identifying public and private sector partners at the municipal and national levels	15
4.3. Identifying partners at the local level and interaction with the community	15
4.4. Value chain analysis	16
4.5. Working group: Alliance for Social Housing	16
4.6. Legal framework	17
4.7. Aggregation of demand	17
4.8. Mobile school for microentrepreneurs	18
4.9. Supplier development programme	19
4.10. Local economic development	19
CONCLUSION	21
ANNEXES	22



EXECUTIVE SUMMARY

This report intends to provide guidance for the development of programmes aimed at transforming slums into productive and sustainable urban communities.

It is based on the Joint Programme (JP) on Urban and Productive Integrated Sustainable Settlements in El Salvador¹, implemented by the United Nations Industrial Development Organization (UNIDO), the United Nations Human Settlements Programme (UN-Habitat) and the United Nations Development Programme (UNDP).

The JP is funded by the Spanish Millennium Development Goals Achievement Fund (MDG-F). It was launched as a 3 year programme in January 2010 and was extended to June 2013.

The programme followed an innovative approach to integrated community development, linking the provision of new and improved affordable housing *with* the economic development of communities *and* the creation of greater social cohesion among its residents.

The JP was implemented on three levels – national, municipal and local – and involved public and private partners, civil society and urban populations in the development process in El Salvador. Activities focused on the municipalities of Apopa and Santa Tecla in the metropolitan area of San Salvador (AMSS).

In order to address the problems of the low-income housing sector in a comprehensive manner, the JP engaged strategic business firms that follow a policy of corporate social responsibility (CSR) to provide technical and material support to different programme components.

In addition, it used existing community development associations to involve neighborhood residents in the development and implementation of programme activities and to facilitate communication. This was accomplished, in part, through multi-stakeholder workshops.

Through local organizations, the JP also conducted various training sessions for community managers who played an important role in generating confidence in the programme.

Chapter 3 of this report highlights the contributions of UNIDO to the Joint Programme, namely through the Model for Effective Contributions to the Social Housing Value Chain.

The latter is a comprehensive package of interventions aimed at improving the living conditions of urban slum inhabitants in El Salvador, focusing on strengthening the construction value chain for social housing – particularly the development of micro and small enterprises – and promoting the development of productive and sustainable dwellings.

The model comprises the following components:

- i. a value chain analysis, including the convening of an Alliance for Social Housing;
- ii. changes to the legislative framework;
- iii. an aggregation of demand;
- iv. a mobile school for microentrepreneurs in the construction industry;
- v. a supplier development programme; and
- vi. a local economic development (LED) programme.



Apopa at the beginning of the project

¹ The original project title in Spanish is: “Vivienda y Asentamientos Urbanos Productivos y Sostenibles”.

i. An analysis of the social housing value chain was conducted at the beginning of the JP, involving all relevant stakeholders in a participatory process. The analysis identified the actors and links of the value chain as well as strategies for overcoming the quantitative and qualitative housing deficit. Two distinct value chains were identified: for construction of new social housing and for improvements to existing housing of low-income population groups. One of the most important outcomes of this component was the establishment of an “Alliance for Social Housing”, a working group to tackle specific bottlenecks identified by the analysis of the social housing value chain.

ii. The JP also supported the Government of El Salvador in developing new legislation on property ownership, title registration, access to credit and other related measures.

iii. The aggregation of demand process facilitated access to micro loans and discounted construction materials for low-income population groups.

iv. The mobile school for microentrepreneurs in the construction industry is an innovative component of the JP. The school was established to improve the quality and efficiency of construction work through technical and business skills training.

By including entrepreneurship training in the curriculum and providing business development support to students wishing to form a microenterprise, the JP contributed to making communities more productive and sustainable.

v. A supplier development programme was also developed to strengthen the social housing supply chain. The programme established business networks and improved the efficiency and profitability of the lead companies and suppliers, including micro, small and medium-sized enterprises (MSMEs).

vi. Local economic development (LED) was promoted at the national, municipal and community levels through a set of interventions aimed at improving economic and living conditions in the slum areas. This involved training municipal authorities in LED principles and supporting new productive initiatives for example. Coordination between public and private actors, as well as between municipal authorities and the local community, are

essential to the success of a LED strategy.

At the time of writing, the Joint Programme remains a work in progress. However, lessons learned to date can serve as a foundation for the design of programmes with similar objectives. These include the importance of identifying all relevant stakeholders and bringing them together to engage in a constructive dialogue to identify problems and develop creative solutions.

The JP demonstrates that different institutions can work together towards achieving common goals. But it also shows that continuous support from governmental authorities and the private sector is essential for the successful achievement of results. Most of all, it confirms the importance of involving national actors for sustainability, encouraging them to assume ownership and continue implementing activities after the completion of the programme.

Chapter 1 and 2 of the report provide an introduction to the Joint Programme. Chapter 3 describes UNIDO contributions through the Model for Effective Contributions to the Social Housing Value Chain. Chapter 4 offers recommendations for the replication of a similar programme in other countries by identifying the conditions and resources necessary for planning and implementation.



Santa Tecla at the beginning of the project

1. THE JOINT PROGRAMME

1.1. The development challenge

El Salvador is the smallest and most densely populated country in Central America. It also has significant housing shortages, both quantitative (an estimated 315,000 additional units needed) and qualitative (45,000 units identified with one or more severe structural deficiencies).

The 2007 Census of Population and Housing estimates the total number of dwellings in El Salvador at 1,747 million. Notably, about 42% of the country's housing deficit is centered in the Metropolitan Area of San Salvador (AMSS).²

The social housing³ sector has suffered years of fragmented policies, inadequate infrastructure of public and social services and a lack of accessible financing.⁴ As a result, attempts over the years to improve social housing have met with limited success.

1.2. The response: an integrated and comprehensive approach

In January 2010, UNIDO – together with UN-Habitat and UNDP – launched the Joint Programme (JP) on Urban and Productive Integrated Sustainable Settlements in El Salvador, with funding from the Spanish Millennium Development Goals Achievement Fund (MDG-F).

The Joint Programme offers a comprehensive approach for the transformation of urban slums into productive and sustainable communities. It does so through linking the provision of new and improved affordable housing *with* the economic development of communities *and* the creation of greater social cohesion amongst its residents.

² Statistics from the Diagnostico y plan de trabajo de la vivienda de interés social, Documento Condensado, 25 May 2011, published as UNIDO technical report.

³ The term “social housing”, in Spanish “vivienda de interés social” is defined in El Salvador as housing for population groups with incomes less than or equal to four times the minimum income (currently US\$219.35 per month in industry). In this document, the terms “social housing” and “low-income housing” are used interchangeably.

⁴ Programa conjunto: vivienda y asentamientos urbanos productivos y sostenibles, San Salvador, October 2009 – Programme Document. Available at: <http://www.pnud.org.sv/2007/content/view/1062/163/>

The programme was jointly conceptualized by the participating UN agencies and was developed in close partnership with the Government of El Salvador, in particular the Vice Ministry for Housing and Urban Development (VMVDU), as well as the municipal authorities of Apopa and Santa Tecla, private sector actors, civil society organizations and the beneficiaries of the programme.

It depicts three broad areas of activity:

1. socio-political and organizational development;
2. productive and economic development; and
3. improved infrastructure and housing.

These activities are implemented on the national, municipal and local (neighborhood or community) levels. In practice, the different areas and levels overlap and interlink (See Annex 1. Organizational chart of JP.)

Through this integrated approach to slum rehabilitation, the Joint Programme contributes to the following Millennium Development Goals (MDGs): MDG 1. Eradicate extreme poverty and hunger; MDG 3. Promote gender equality and empower women; MDG 7. Ensure environmental stability; and MDG 8. Develop a global partnership for development.



The JP received a great deal of favorable attention in El Salvador owing to the urgency of the problems it addresses and the innovative approach it follows. In June 2012, it was awarded the “Diploma for Special Acknowledgement” from the Legislative Assembly of El Salvador.

The programme is particularly relevant for the economic development of El Salvador since it focuses on strengthening the value chain of the social housing construction industry. The construction sector contributes to 40-43% of gross fixed capital formation; it also generates roughly 3.5% of GDP and 6.4% of total employment in the country.⁵

1.3. Project components

The Joint Programme on Urban and Productive Integrated Sustainable Settlements in El Salvador evolved during its implementation according to the needs of the beneficiaries. The main components of the JP are listed below. A detailed project description can be found in Annex 2.

1. Identify and implement a model for affordable new/improved progressive housing for the poor (1-4 minimum wages), including the definition of an appropriate regulatory and policy framework and financial instruments.
2. Strengthen the construction value chain for progressive housing with a focus on the development of micro and small enterprises.
3. Promote the development of productive and sustainable dwellings.
4. Knowledge management, with the objective to regularly systematize and assess the experience to facilitate up-scaling and replication.

1.4. Target areas

The Joint Programme targeted two municipalities in the metropolitan area of San Salvador (AMSS): Apopa and Santa Tecla. The neighborhoods in Apopa – Santa Carlota I, Santa Carlota II and Campo de Oro – are informal subdivisions created in the early 1980s on the outskirts of the city.

La Cruz, the neighborhood in Santa Tecla, is a densely populated urban slum area comprised mostly of families displaced by the 1980-92 armed conflict in El Salvador. The two neighborhoods are characterized by poor quality housing, overcrowding, unsanitary conditions, lack or poor quality of public services, insecurity of tenancy (particularly in La Cruz), environmental deterioration and criminality. Low levels of education further exacerbate the situation, making it difficult for people to find employment.

1.5. Target beneficiaries

- Policy makers (national and local);
- Support institutions such as Business Development Services (BDS) providers, financial institutions, business associations, non-governmental organizations (NGOs) and training institutes;
- Enterprises of the construction value chain (particularly micro, small and medium-sized enterprises (MSMEs)) and their networks, with an emphasis on the integration of women contractors in the value chain;
- Workforce and, possibly the community, through the promotion of corporate social responsibility (CSR) activities; and
- Poor, microentrepreneurs in the new dwellings through the development of business opportunities.

Indicators Santa Tecla	
Surface	112,20 km ²
Population	134,285
Density	1,197 inhab./m ²
Settlements	La Cruz
Indicators Apopa	
Surface	51,84 km ²
Population	131,286
Density	2532 inhab./m ²
Settlements	Santa Carlota I & II, Campo de Oro

⁵ Programme Document, p.8.

2. INVOLVING PUBLIC AND PRIVATE PARTNERS, CIVIL SOCIETY AND URBAN POPULATIONS IN THE DEVELOPMENT PROCESS

2.1. Consolidating public-private partnerships

In order to address the housing sector problems of El Salvador, the Joint Programme (JP) created and strengthened public-private partnerships. It engaged the private sector as a strategic development partner, namely Holcim, one of the world's leading suppliers of cement and aggregates. The company implements a programme called ConstruFacil⁶ in El Salvador, which supports a network of hardware and building material retailers in the country through training and technical advice. By involving Holcim and other major producers of building materials – Amanco, Corinca and Grupo Precasa – in the programme, the JP was able to promote corporate social responsibility (CSR) and to strengthen the social housing value chain.

2.2. Community participation through strategic workshops

Community participation in the design and implementation of programmes and activities lies at the core of the JP. Strategic planning workshops were held at the community level in Apopa⁷, in November 2010, with the objective of producing proposals for community development programmes. They were conducted with the support of existing community development associations: the ADESCOs⁸ (Community Development Associations). ADESCOs are legally mandated elected bodies established in all of the communities in El Salvador.

Workshop participants included residents from Apopa's three neighborhoods, representative of the ADESCOs, other community leaders and the municipal administration for logistic support. Participants were grouped together to evaluate the socioeconomic and productive situation of their neighborhoods.

⁶ <http://www.construfacil.com.sv/>

⁷ In Santa Tecla the involvement of the local municipality was less participatory and limited to the elaboration of parts of the construction plans.

⁸ The "Asociaciones de Desarrollo Comunal" (ADESCOS), are legal associations of a group of persons who live in the same community and which have as their main purpose the improvement and development of the community and its inhabitants. Source: Chapter I, "Generalidades sobre las asociaciones de desarrollo comunal" <http://www.wisis.ufg.edu.sv/www.wisis/documentos/TE/005.756-Ch512d/005.756-Ch512d-Capitulo%20I.pdf>

Each group developed a mission statement, statements of vision and values, a list of objectives and a set of activities aimed at achieving these objectives. The results of the strategic planning workshops were valuable for the design of subsequent community development plans.⁹

2.3. Consolidating social cohesion within the communities

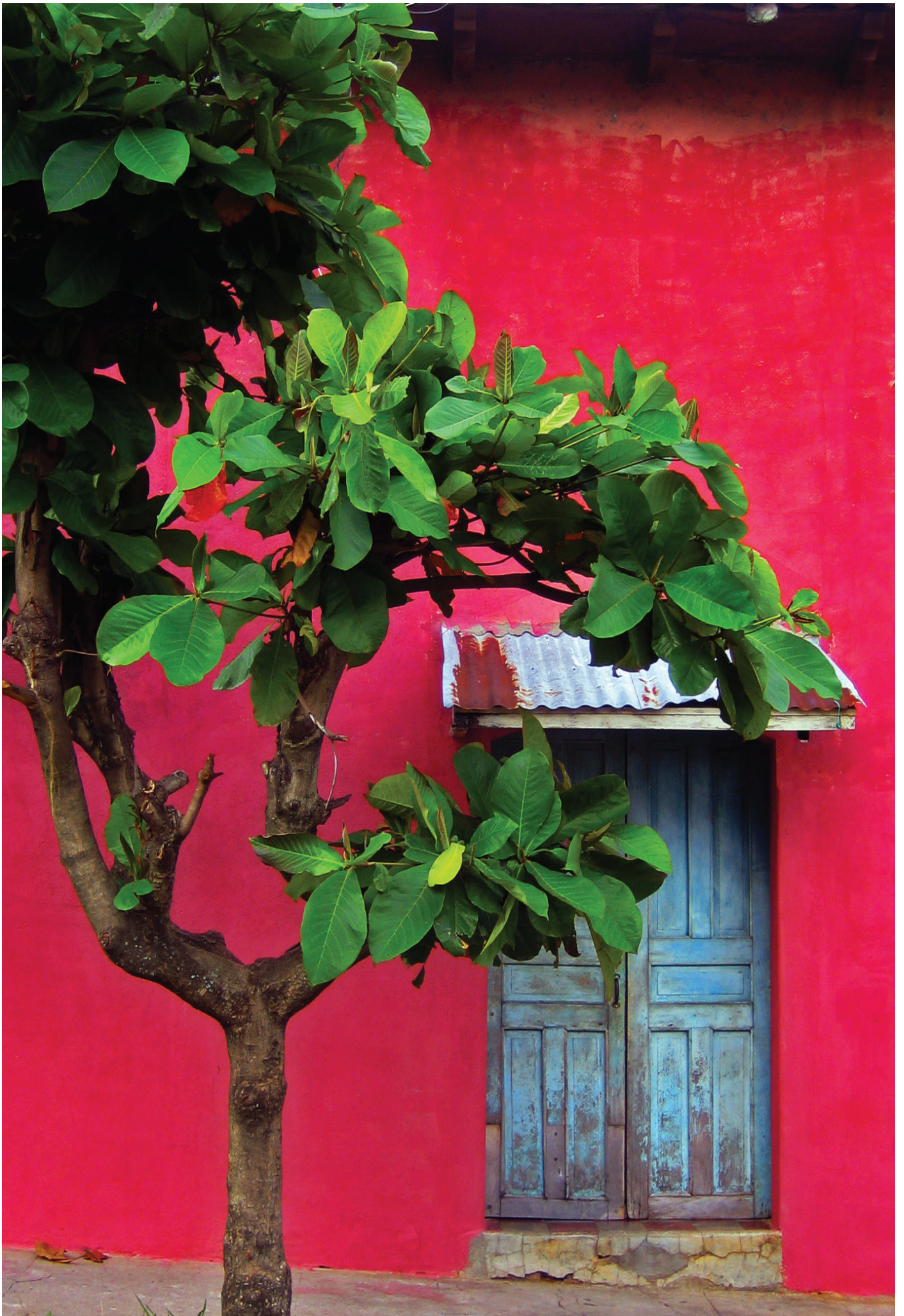
In association with the ADESCOs, the JP carried out activities aimed at strengthening social cohesion within the communities. FUNDASAL – the Salvadorian Foundation for Development and Minimum Housing – was contracted to work with the communities. FUNDASAL is a non-governmental organization working in El Salvador for over 40 years providing decent, affordable housing to low-income population groups. The organization has expertise in both the technical aspects of housing construction and the social aspects – working with marginalized population groups to develop solutions.¹⁰

FUNDASAL organized educational sessions aimed at building trust and strengthening social cohesion within the community. These sessions were held with women and youth groups in Apopa and La Cruz and focused on topics of relevance to the participants. A training course for community managers was also organized with the objective of involving them in the community development process. FUNDASAL also focused its efforts on increasing interactions between the Apopa and Santa Tecla municipalities to generate a shared vision of needs.¹¹

⁹ The methodology used, the workshop results, and the analysis subsequently carried out on the basis of these results are described in a report by Aguilar Aguilar S.A. de C.V., Consultoría Capacitación y Asistencia Técnica: Diseño Participativo del Plan Estratégico de los Asentamientos Productivos Urbanos de la Cruz, Calle 14-14 y Santa Carlota-Colindantes en el Marco del desarrollo Local de Santa Tecla y Apopa.

¹⁰ <http://www.fundasal.org.sv/>

¹¹ FUNDASAL report for UNIDO, Primer informe de avance del proyecto.



3. MODEL FOR EFFECTIVE CONTRIBUTIONS TO THE SOCIAL HOUSING VALUE CHAIN

UNIDO's contributions to the Joint Programme form an integrated package of interventions called the Model for Effective Contributions to the Social Housing Value Chain.¹² They relate directly to components 2 and 3 of the JP (see detailed JP project description in Annex 2), summarized as follows:

Component 2: Strengthen the construction value chain for progressive housing with a focus on the development of micro and small enterprises.

- Improve production processes and business practices in the construction industry:
 - Value chain analysis with a corporate social responsibility (CSR) focus;
 - Design and capacity building to implement improvement plans.
- Value chain development through:
 - Training of value chain and network brokers;
 - Network development.
- Improve support services through:
 - Business Development Services (BDS) and market development;
 - Development of new training curriculum and internship programmes;
 - Institutional capacity building and CSR promotion.

Component 3: Promote the development of productive and sustainable dwellings.

- Participatory local economic development (LED) through training and capacity building of public and private sector stakeholders.¹³

The model comprises:

- i) a value chain analysis including the convening of an Alliance for Social Housing;
- ii) changes to the legislative framework;
- iii) an aggregation of demand;
- iv) a mobile school for micro-entrepreneurs in the construction industry;
- v) a supplier development programme; and

¹² In Spanish: "Modelo de eficiencia productiva de la cadena de valor de la vivienda de interés social", literally "Model of productive efficiency of the social housing value chain".

¹³ UNIDO document, Summary UNIDO Contributions: MDG Achievement Fund Project: Progressive and sustainable housing in San Salvador.

- vi) a local economic development (LED) programme.

Together, these interventions offer a comprehensive approach to improving the living conditions of urban slums. The ensuing sections describe each component in greater detail.

3.1. Analysis of the social housing value chain

The value chain analysis covered the metropolitan area of San Salvador (AMSS). It was led by UNIDO and supported by a Salvadoran consulting firm and international experts. The purpose was two-fold: (1) identify and analyze all the links in the value chain; and (2) identify ways of solving the quantitative and qualitative housing deficit.

The analysis focused specifically on:

- Improving the supply of new and improved housing for people earning between 1 and 4 minimum wages; improving urban quality and providing living conditions of human dignity for the target population in a way that is profitable for the private sector.
- Strengthening the demand for new and improved housing; increasing the purchasing power of households and providing more opportunities for productive employment in the social housing value chain.¹⁴

The analysis showed that, although several components overlapped, there were two distinct value chains: (1) construction of new social housing; and (2) improvements to existing housing of low-income population groups.

Stakeholder workshops

The active participation of all stakeholders involved was a fundamental feature of the value chain analysis. It included representatives from the public sector, social organizations, unions, academia, building material manufacturers, construction companies, clients of

¹⁴ Documento Condensado, p. 5.



Apopa at the beginning of the project

social housing projects and financial institutions.¹⁵ Two stakeholder workshops were held. Participants had the opportunity to validate the value chain analysis, identify additional bottlenecks and contribute to the formulation of action plans.

The workshops allowed the JP implementation team to identify bottlenecks most important for improving the functionality of the value chain.

Alliance for Social Housing

The formation of a working group called the Alliance for Social Housing¹⁶ was one of the most important outcomes of the value chain analysis. The Alliance brought together participants from 34 bodies – public, private and academic – to discuss issues related to social housing in El Salvador. The Alliance and four thematic sub-groups have continued to function under UNIDO coordination.

¹⁵ Private sector representatives comprised: the Chamber of the Construction Industry (CASALCO) and Holcim; those from the public sector included representatives of the Vice Ministry for Housing and Urban Development; those from civil society included FUNDASAL and the Fundación Salvadoreña de Apoyo Integral (FUSAI). Other organizations included the Integral Sociedad de Ahorro y Crédito and the Universidad Centroamericana José Simeón Cañas.

¹⁶ In Spanish: Mesa de la Alianza por la Vivienda de Interés Social

3.2. Legal framework

The Joint Programme assisted the Government of El Salvador in enacting appropriate legislation for social housing. This activity was led by UNDP, with the support of UN-HABITAT and UNIDO. Two laws of particular relevance – the Special Law on Subdivisions and Parceling for Residential Use and the Law on Development Banking – helped to significantly improve the legal framework for social housing.

Special Law on Subdivisions and Parceling for Residential Use

The purpose of the Special Law on Subdivisions and Parceling for Residential Use is to regulate the *bona fide* possession, sale and transfer of titles for housing lots. The JP facilitated drafting of the text through various activities such as a study tour to Columbia for deputies of the Legislative Assembly. The text was presented to the Alliance for Social Housing for discussion prior to enactment by the legislature. In order to implement the law, the Vice Ministry for Housing and Urban Development (VMVDU) launched phase II of a programme for housing and comprehensive improvement of urban slums, in September 2012.

The programme includes an office of regularization to assist residents of subdivisions, communities located along abandoned railroad lines and streets no longer used to obtain legal titles. The Ministry expects at least 42,000 families to benefit from the process of regularization and legalization of property ownership during the four year transition period.

Law on Development Banking

The Law on Development Banking promotes the development of viable and profitable investment projects in key economic sectors, thus increasing the availability of short-term and long-term credit. As part of its advocacy efforts, the JP held discussions with the Multisectoral Investment Bank (BMI), the institution responsible for drafting of the law. In addition, it organized a study tour to Brazil for deputies to learn from the experience of the Brazilian Development Bank (BNDES).



Santa Tecla at the beginning of the project

3.3. Aggregation of demand

“Aggregation of demand” refers to aggregating the demands of a cluster of residents for affordable housing improvements. The process develops integrated solutions to fulfill these demands and makes solutions available to the group. It seeks to make housing improvements accessible to low-income residents through micro loans, thereby improving the qualitative deficit of dwellings and providing employment opportunities for local residents.

In addition, the process encourages the establishment of partnerships between public and private sectors and civil society, facilitating the potential replication of the model to other communities. The JP contracted FUNDASAL (the Salvadoran NGO described in Chapter 2) to lead the aggregation of demand component.

Implementing the aggregation of demand model

The aggregation of demand process consists of three stages: (1) determining the clients’ needs and proposing comprehensive solutions; (2) preparing loan applications and obtaining approvals; and (3) organizing logistics and construction work for the housing improvements.

In the first stage, qualitative and quantitative data was collected from residents of the three neighborhoods regarding demands for housing improvements based on

priorities, socioeconomic characteristics, willingness to participate and ability of families to pay. The second stage facilitated access to loans for low-income home owners (2-4 minimum wages). Community managers and FUNDASAL helped prepare loan applications to be forwarded to INTEGRAL, the microfinance institution selected by the JP. In the third stage, FUNDASAL helped organize logistics and supervised construction work.

Quality of work was assured through technical assistance and through the mobile school for micro-entrepreneurs. FUNDASAL also designed and carried out training courses for community managers – individuals trained to promote housing improvements, make preliminary financial evaluations and basic evaluations of the improvement needs in their neighborhoods. At the time of writing, five micro loans were approved and housing improvements were completed. Additional loan applications are currently under evaluation. UNIDO contracted the consulting firm Praxis to develop a model for the economic sustainability of the aggregation of supply and demand. The firm determined that the model was sustainable and could be replicated in El Salvador under specific conditions, such as small discounts for construction materials, favorable loan conditions from the lending institution and lower interest rates for micro loans.¹⁷ The consultants also recognized the importance of community managers, but identified motivation, training and organization, including the establishment of standardized procedures, as key factors for their effectiveness.

3.4. Mobile school for microentrepreneurs in the construction industry¹⁸

Actors in the social housing value chain identified lack of skilled labor in the construction industry. UNIDO led the development of a pilot project entitled “Mobile school for microentrepreneurs in the construction industry”.

¹⁷ See the report to UNIDO by Praxis, Asesores y Consultores: Business model for the aggregation of demand and supply of comprehensive solutions for housing improvements, October 2012.

¹⁸ This section is based on the UNIDO reports by R. V. Velásquez, Informe de actividades, July 2012, and Sistematización ONUDI: Escuela de Microempresarios de la Industria de la Construcción, August 2012.

Launching the mobile school

The main objectives of the mobile school are: (1) improve quality and efficiency of work through new skills; and (2) train workers in small business entrepreneurship. The development of the school was based on public-private partnerships from the outset. Discussions on the school curriculum, provision of material and teaching support were held with major construction materials manufacturers (such as Holcim) and the Salvadorian Institute of Cement and Concrete (ISCYC).

The mobile classroom

A mobile classroom was chosen in order to facilitate proximity. It was constructed from two transport containers, fully furnished and equipped, with a capacity for 24 students and an instructor. The Rural Water Association (ARA), a community enterprise that supplies water to target neighborhoods, assured land for the school's practical exercises.

The curriculum

The curriculum was developed together with the private sector; some companies also provided instructors for technical classes. The manufacturers provided materials for the practical exercises. The first training course had three modules: entrepreneurship development (40 hours); theoretical and practical training in building techniques (64 hours), taught in cooperation with the Universidad Politécnica and the University of El Salvador (UES); and plumbing installation (48 hours), taught in cooperation with Amanco, a plumbing company.

The students also visited the Holcim cement factory to learn techniques for the handling of cement and concrete. Twenty-one students completed the first course, including several women and youth who had no previous experience in construction. The second course of the mobile school was conducted for a group of construction workers from La Cruz, Santa Tecla in similar format.

A microenterprise for construction

The JP assisted students in establishing a micro enterprise for construction through entrepreneurship training included in the curriculum and a supplier



Mobile school for microentrepreneurs in the construction industry

development programme, which provided the new enterprise with the opportunity to become a supplier for a larger construction company.

Ensuring the sustainability of the mobile school

UNIDO selected the University of El Salvador (UES) to develop future curriculum for the mobile school. The university will be responsible for subsequent courses and training of trainers (ToT), with financial and technical support from the private sector. The first ToT course was already conducted with 19 participants. Agreements are also being made with companies to sponsor the mobile school.

3.5. Supplier development programme¹⁹

Led by UNIDO, the JP developed a supplier development programme for the housing construction industry. The objective of a supplier development programme is to strengthen and develop business relationships between a lead company (a large or medium enterprise) and a group of supplier companies (to ten) which may provide similar or different goods and services to the lead company. Finally, including micro, small and medium-sized enterprises (MSMEs) as suppliers helps integrate them into the value chain, in turn contributing to the overall economic development of the country.

¹⁹ This section is based on "Sistematización de la experiencia ONUDI/ Programa de Desarrollo de Proveedores", July 2012, and "Informe de avance cadenas industria de la construcción", August 2012, both by PDP, San Salvador, El Salvador.



Santa Tecla residents

Implementation

The JP contracted a Salvadorian organization called PDP (Programa de Desarrollo de Proveedores) to implement the supplier development programme. Cost was shared between UNIDO, the Chamber of Commerce and Industry and the Salvadorian Chamber of Construction (CASALCO). PDP worked with two groups of companies in the construction industry, each one comprising of a lead company and five suppliers. Large and medium enterprises were invited to information events during the initial promotion stage of the programme in order to raise awareness of the programme and interest them in developing supplier groups. The programme strengthened the supply chain by creating greater mutual understanding, establishing transparent and professional relationships between the lead companies and their suppliers and improving the competitiveness of both the suppliers and the lead companies. At the end of the intervention, suppliers will have improved strategic parameters such as quality, price, delivery time, service, support, enterprise management and technology modernization. The programme also established linkages between enterprises and support institutions for training, technical assistance and funding.

Extending the supplier development programme

UNIDO has contracted PDP to create two more groups comprising of a lead company and five suppliers. The initiative is currently in the build-up phase. An alliance with CASALCO is expected to expand the

programme; CASALCO expressed interest in learning the methodology and adopting it as part of its services to members, thus potentially institutionalizing the programme. Discussions are also under way with the Ministry of Economy to develop a sponsorship plan for the supplier development programme. Under this plan, MSMEs wishing to be supported by the programme could apply for a 70% grant from FONDEPRO²⁰ (Productive Development Fund), and a support fund administered by the Ministry. The firm would be responsible for financing the remaining 30%.

3.6. Local economic development (LED)²¹

Local economic development (LED) is conceived as a participatory process by which public, business and non-governmental partners work collectively to create better conditions for economic growth and employment generation.²² In El Salvador, LED was promoted at the national, municipal and community levels. UNDP provided support to components of LED, in particular to individual productive initiatives.

UNIDO supported the development of business networks in Apopa and trained municipal authorities in LED principles. At the time of writing, many of the LED activities are still in initial stages of implementation. Study tours were organized by the JP – one to Panama and one to Peru – in order to familiarize participants with the country's respective experiences in LED projects. Most of the LED activities in El Salvador focused on the municipality of Apopa (due to resource limitations and the lack of a specific mandate from the municipality of Santa Tecla). A comprehensive LED strategy was developed, but amended following the municipal elections in Apopa and the subsequent change of local government; from October 2011 to October 2012 almost no LED activities took place. The JP proposed the following LED activities:

²⁰ <http://www.fondepro.gob.sv/index.php/inicio>

²¹ This section is based on the UNIDO reports by M. Dini, Sistematización de la experiencia del Programa Conjunto: Apuntes sobre la actividad de desarrollo económico local en Apopa, May 2012, and M. A. Vega, Informe de misión El Salvador: Programa Conjunto MDG-F Vivienda y Asentamientos Urbanos Productivos y Sostenibles en San Salvador July 2012.

²² World Bank, Urban Development Unit, Local Economic Development (LED) www.worldbank.org/urban/led: LED: A Primer, p. 1.



Apopa at the beginning of the project

1. A course on LED (UNDP – UNIDO);
2. Strengthening of the employment office by supplying basic equipment (UNDP);
3. Reorganization and update of the business register (UNDP); and
4. Promotion of business linkages and networks (UNIDO).

The continuing support of municipal authorities and the full involvement of the private sector, along with that of the community, are essential for the successful implementation of the LED component.

Productive initiatives in Santa Tecla and Apopa²³

The JP supported the establishment of five productive initiatives in order to promote LED at the grassroots level: one in Santa Tecla and four in Apopa. UNDP was the lead agency for the first four, while UNIDO supported the microenterprise for construction, as described in Section 3.4.

Manzana Gourmet: Manzana Gourmet was started in Santa Tecla. It is a catering business run by four young people and has been operating for five months. The ADESCOS provided start-up resources to the company in the form of loans, which is reinvested into new ventures.

²³ The description and analysis in this section are based on the UNIDO report by M. Dini, Informe de Misión, chapter 3, Consideraciones acerca de las iniciativas productivas, October 2012.

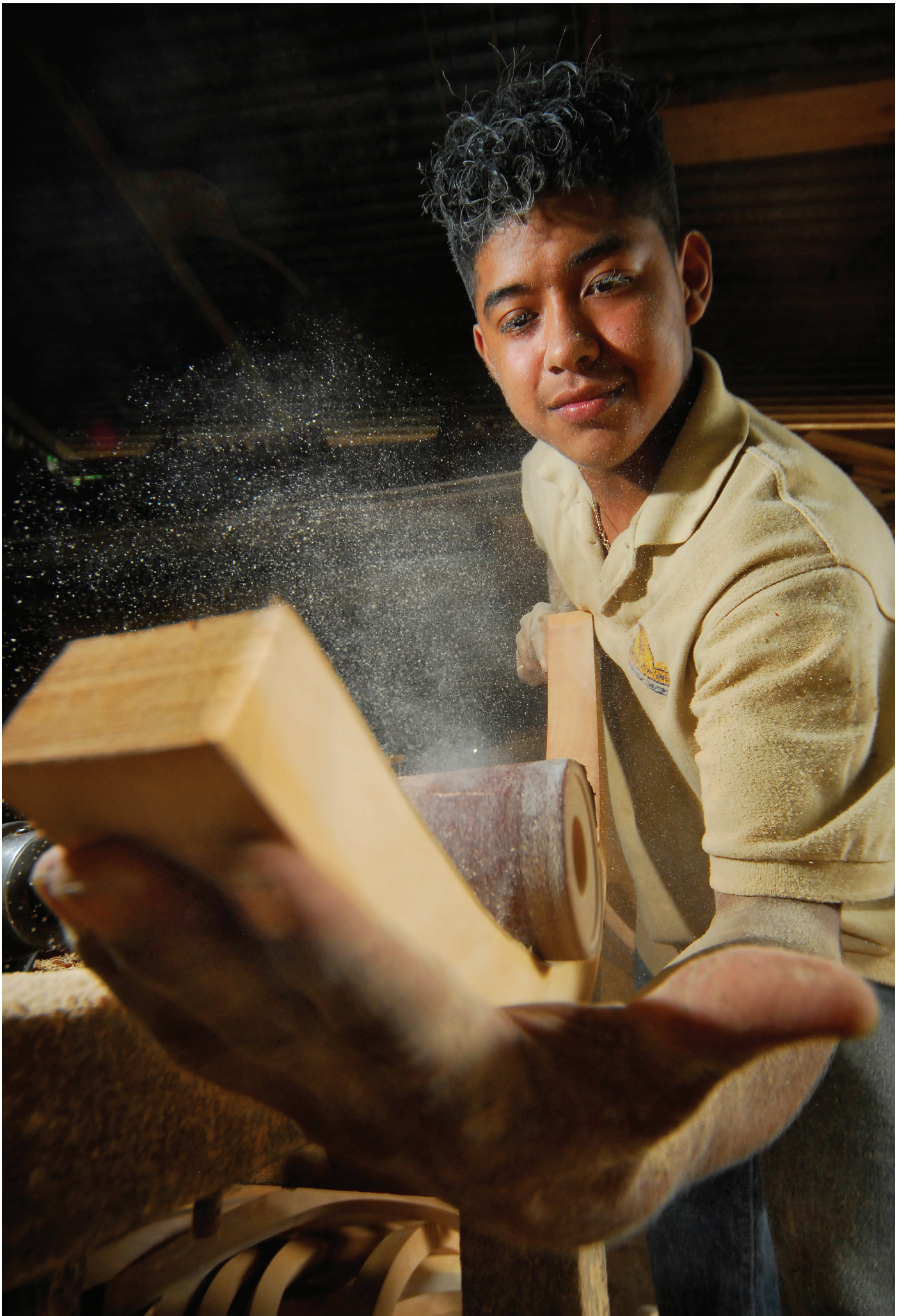
Tiendona: Tiendona was established as a wholesale store for the supply of non-perishable food products to small shops in Apopa, and recently to the market; it does not yet have a permit for retail sales. The store is owned by two ADESCOs and employs two young people.

Alternative agricultural production: The JP supported 70 farmers from Apopa by providing training in improved agricultural techniques and better farm management. The initiative has already had a significant impact on the community. It is now considering expansion, namely allying agricultural production in Apopa with an international initiative, such as Fair Trade.

New cultural activities: The JP also supported the development of new cultural activities with commercial benefits for youth. For instance, creating jobs and generating income related to the management of an amusement park being built by the JP in Apopa.

Microenterprise for construction: The microenterprise for construction was formed by the 21 students from the first mobile school. The first remunerated pilot projects began under the supervision of the JP in order to learn administrative and financial management aspects of the business. The enterprise was created as a private company, without formal ties to the ADESCO, which reduced the level of management complexity. It already provides a source of employment for the community.





4. DEVELOPING A PROGRAMME TO TRANSFORM SLUMS INTO PRODUCTIVE AND SUSTAINABLE URBAN COMMUNITIES

The purpose of this chapter is to provide guidance for the planning and design of programmes aimed at transforming slums into productive and sustainable urban communities. Recommendations are based on lessons learned during the implementation of the Joint Programme (JP) in El Salvador. The ten steps, actions and resources needed for developing and implementing a similar programme are explained below.

4.1. Identifying the project site(s)

The project implementation area of the JP – the municipalities of Apopa and Santa Tecla – was selected because of high levels of poverty, the topography and the legal tenancy status of at least 50% of households (low risk of improvements lost).

ACTION: Map the areas where the programme will be implemented on the basis of identified criteria.

RESOURCES: Involvement of headquarters' staff and locally recruited staff – one senior expert supported by a junior expert – to carry out the research needed/ select the implementation areas (3 months).

4.2. Identifying public and private sector partners at the municipal and national levels

The creation and strengthening of public-private partnerships was a vital aspect of the JP strategy. In this case, it was important to identify and involve public and private partners on all three levels – national, municipal and local. (See Annex 3. Partnership schemes developed with the private sector.)

ACTION: Contact all relevant public authorities (national and municipal), the most important private enterprises in the sector and appropriate civil society organizations to determine their interest and willingness to be involved in the programme, and involve them at an early stage (if possible in the planning process).

RESOURCES: Awareness raising by the project coordinator and additional local staff, including engaging public and private sector actors on an ongoing basis.

4.3. Identifying partners at the local level and interaction with the community

The community development associations known as ADESCOs played a key role at the local level. They provided the initial entry into the communities. Future programmes will have to identify existing organizations or create new ones to fulfill such functions. Community leaders identified ADESCO functions within the framework of the JP as follows:

- Broaden the organizational base for implementing the programme by including new leaders and sharing experiences and methods with them;
- Function as a contact point for institutions and families and inform the community about the programme and agreements reached;
- Encourage residents to participate in the programme;
- Take part in the initial diagnosis of the problems;
- Participate in the preparatory work and assist in designing specific interventions;
- Take part in defining the educational and organization processes of the project; and
- Ensure the legal status of the community associations.

While the ADESCOs are formal representatives of the community, informal community structures should also be identified when possible. The experience of the JP showed the importance of continuing two-way communication between the organizations implementing programme activities and the community. In El Salvador, this was partially achieved through the monthly publication of jointly prepared newsletters.

ACTION: It is important to involve community members from the beginning, in areas where the programme will be implemented. Work with the representative body in the community or support the establishment of a new one that can serve as a channel for two-way communication between the residents and the organizations implementing the project, in addition to promoting continued community involvement in programme activities.

RESOURCES: In the case of El Salvador, the ADESCOs already existed. The members are elected representatives of the community and are not paid for their work. However, the JP has invested in strengthening these bodies, improving their organization, enhancing the physical space for meetings, promoting community leadership and providing communication equipment. Communication costs should be included in the project budget for an advocacy campaign and a communication expert. If community-based organizations such as ADESCOs need to be created in the framework of the project, this will involve additional initial investment.

4.4. Value chain analysis

Led by UNIDO, the social housing value chain analysis was the first component of the JP. Many of the activities of the JP were planned or modified in light of the findings of the value chain analysis.

The identification of bottlenecks connected with each link helped to identify which activities to implement. Moreover, the experience highlighted the importance of conducting the analysis in a participatory manner; including all major stakeholders in the study and bringing them together to validate findings and formulate action plans.

Strategies for strengthening the social housing value chain should be founded on public-private partnerships and should involve the following activities:

- Improving the productive and business functioning of the value chain (in terms of materials, processes, technologies and products) to meet the market segment of the population earning 1-4 minimum wages and to create opportunities for employment and income for poor economic actors (workers and employers);
- Improving the organization of the value chain (strengthening connections between the different links, developing business networks and supplier development) to facilitate the achievement of collective efficiency; and
- Strengthening institutions (public and private) that provide training and support services to actors in the value chain.²⁴

²⁴ Documento Condensado, p.6.

ACTION: Conduct an in-depth value chain analysis in a participatory manner, involving all stakeholders. Use the findings of the study as a basis for planning programme interventions.

RESOURCES: Subcontract a consulting company to perform the value chain analysis (3 months) and to document the experience (1 month).

4.5. Working group: Alliance for Social Housing

The “Alliance for Social Housing” was identified as one of the most useful outcomes of the value chain analysis. The establishment and operation of this working group was supported by UNIDO. The formation of sub-groups to work on solutions for particular types of problems added flexibility. However, in order to ensure the sustainability of such a working group, it is essential for a local entity – one of the public or private partners – to assume responsibility for convening meetings and establishing follow-up mechanisms for implementing decisions.

ACTION: Establish a working group of stakeholders, and if necessary, form sub-groups to work on problems related to specific bottlenecks in the value chain. Identify a local partner to take over the ownership of the group, one which is committed to convening meetings and ensuring that decisions are followed up.



Meeting of the Alliance for Social Housing



Meeting of the Alliance for Social Housing

RESOURCES: Provide the financial resources for establishing a local entity to ensure the continuity of the working group. Under the supervision of the local project coordinator, a UNIDO part-time local junior expert was recruited to convene, carry out and report on the working group meetings.

4.6. Legal framework

Through the enactment of new legislation, an adequate legislative framework for access to affordable housing and housing improvements by low-income population groups was established in El Salvador. One of the innovative features of the JP was its direct contact with the Legislative Assembly deputies. The provision of technical assistance and advice proved to be very effective in helping draft and approve the new laws.

ACTION: Review the legislative framework related to affordable housing and, if necessary, advocate for new or revised legislation. Work together with the appropriate national authorities to support the drafting and enactment of the legislation.

RESOURCES: This component was led by UNDP, which recruited a lobbying expert. UNIDO also provided support with the active engagement of a national project coordinator who lobbied for new laws and facilitated study tours.

4.7. Aggregation of demand

The aggregation of demand model, led by UNIDO, comprises several interlinked elements and is closely tied to other parts of the JP. It involves collecting the needs and requirements of a cluster of home owners, preparing integrated solutions, providing assistance in obtaining loans, negotiating better prices with suppliers of building materials and supervising construction work.

Three sets of functions are necessary for the success of this model: (1) The work carried out by the Salvadorian Foundation for Development and Minimal Housing (FUNDASAL) combined both technical expertise in architecture and engineering and social expertise needed to communicate and gain the trust of target communities; (2) A microfinance institution, such as Integral, must be identified to carry out tasks related to the provision of loans to low-income slum dwellers; and (3) Community managers served as community liaison persons, linking families and neighborhoods with the JP and the two institutions implementing the component. They also built confidence in relation to the programme and collected required data.

Lessons learned by the implementation of the aggregate demand model in El Salvador provide important insights for future replication.

- Disbursement of micro credit: provide vouchers instead of funds to avoid alternate use.
- Managing expectations: those expecting to receive grants for housing improvements were unwilling or unable to take out loans which would have to be repaid.
- Length of process: the process of needs assessments, demand aggregation, loan applications, evaluation and responses took much too long and discouraged many originally interested.
- Not all clients were able to take advantage of reduced prices for construction materials and manpower.
- Compensation for community managers: according to the original community development concept implemented by FUNDASAL, community managers were not paid. This, in turn, reduced motivation and reliability. The current model foresees remuneration for work.

- Lack of communication: inadequate communication between organization staff and community managers.
- Need to empower community managers: importance of empowering community managers in their interactions with clients (dealing with clients' problems and offering solutions).
- Lack of adequately standardized procedures: discrepancies in the treatment of clients or the supply of building materials for instance, reduced willingness to participate in the programme.

ACTION: Identify organizations to carry out the technical and organizational functions that were performed by FUNDASAL and the micro lending functions carried out by Integral. Identify and train persons from the community or municipality to carry out the functions of the “community managers”. Establish standardized procedures to be followed by all persons involved in implementing the programme.

RESOURCES: A local organization with expertise in social housing was subcontracted to develop the model of aggregation of supply and demand (6 months). An international expert provided guidance to the local organizations (3 months). The sustainability of the model is currently ensured by additional short-term local project staff. In addition, a local consulting company was subcontracted to develop a model for the economic sustainability of the aggregation of supply and demand (3 months). All activities were supervised by the local project coordinator.

4.8. Mobile school for microentrepreneurs

The mobile school for microentrepreneurs in the construction industry is an innovative component of the JP. By providing practical training in construction practices and business skills, the school addresses bottlenecks identified in the construction link of the value chain – poor quality of construction work, lack of skilled labor, poor supervision and management of construction projects and use of inefficient building techniques.

The inclusion of private sector partners – Holcim, Precasa and Amanco – and of academia – the Polytechnic

University and the University of El Salvador (UES) – was also an important element of the JP. The manufacturers demonstrated corporate social responsibility (CSR) by providing company staff as instructors and by supplying building materials for practical exercises and other purposes. This also ensured that the theories and techniques taught and materials used were of the latest, most appropriate technology.

ACTION: Identify academic institutions and private sector partners to support the school. Design a curriculum appropriate for the needs of the target audience. Select students from the community who are motivated to participate in the training. Ensure that the instructors transmit all the necessary skills and employ up-to-date techniques that are appropriate. When possible, involve staff of private sector companies as instructors. Ensure that the institutions and companies involved are motivated to continue supporting the school.

RESOURCES: The (financial and in-kind) support of the private sector is vital for this component to help prepare the training materials, provide trainers and locations. The support of local universities is equally important, namely to ensure the sustainability of the programme.



First class of the mobile school

4.9. Supplier development programme

Led by UNIDO, the supplier development programme strengthened the social housing value chain by establishing business networks and improving the efficiency and profitability of the lead enterprises and the supplier micro, small and medium-sized enterprises (MSMEs). While the supplier development programme functions at the national level, it is linked to the local level through its support to the construction microenterprise of Apopa. Assistance was provided to set up the microenterprise and establish linkages with lead enterprises.

The supplier development module could be implemented as a standalone project. Greater efficiency means faster, better quality and lower cost construction, and inclusion of MSMEs can lead to more skilled jobs and secure incomes. However, as previously mentioned, the interrelations of the different components are central to the JP approach.

ACTION: Identify an organization, such as the Supplier Development Programme (PDP) in El Salvador, which can implement the supplier development programme in the country. If the organization does not have experience in implementing such programmes, provide training in the methodology. Assist the organization in the identification of appropriate firms to participate in the supplier development programme, including micro, small and medium enterprises.

RESOURCES: Either an organization like PDP or a consulting firm should be contracted to carry out the programme. PDP was sub-contracted twice, each time for a duration of six months, to develop two supplier groups of one main company and five suppliers. The contribution of UNIDO to this subcontracting was 30% of the total cost, the rest was covered by the Salvadoran Chamber of Commerce and Industry.

4.10. Local economic development

Local economic development (LED) aims to increase the productivity of a community by promoting business networks and establishing new enterprises.

In the JP, parts of this component were led by UNDP and parts by UNIDO.

The continuing support of municipal authorities and the full involvement of the private sector, along with that of the community, are essential for the successful LED implementation. Consolidating relations of trust between local actors involved in the design and implementation of LED strategies is a key element for the approach of the JP. Therefore, it is important to form a team of network facilitators in the private sector and an area or department in City Hall specialized in working with businesses and LED. The training of both municipal staff and local private sector leaders is essential.

ACTION: Ensure a clear understanding among the programme team of the relationship between local economic development and the creation of sustainable and productive urban communities. Obtain the full support of municipal authorities, especially the mayor, of business leaders in the municipality and the community, as well as of community leaders. Provide sufficient training for those actors. Establish a business working group involving both business leaders and representatives of MSMEs to begin developing business networks and cooperation. Involve community residents through a participatory process in deciding the objectives of LED. The experience of the JP showed that the LED component will be successful only if there is continuous support and fulfillment of commitments by City Hall.

RESOURCES: An international expert on LED was recruited at regular intervals, amounting to a total of 7 months. In addition, an expert on networks and clusters was recruited for a duration of 3 months.



CONCLUSION

The objective of the Joint Programme (JP) on Urban and Productive Integrated Sustainable Settlements in El Salvador is to transform slums into productive and sustainable urban communities.

It involves a set of interlinked components that support a comprehensive approach to community development. The programme is implemented on three levels – local, municipal and national – and included interventions in three areas – increasing social cohesion, promoting economic development and improving low-income housing.

It works with government authorities on the national and municipal level, with private sector companies and representative bodies, with non-governmental organizations (NGOs), with academic institutions and directly with the inhabitants of slum areas. It supports the creation and strengthening of business networks and public-private partnerships and encourages greater corporate social responsibility (CSR).

At the time of writing, the Joint Programme remains a work in progress. However, lessons learned to date can serve as a foundation for the design of programmes with similar objectives. These include the importance of identifying all relevant stakeholders and bringing them together to engage in a constructive dialogue to identify problems and develop creative solutions.

The JP demonstrates that different institutions can work together towards achieving common goals. But it also shows that continuous support from governmental authorities and the private sector is essential for the successful achievement of results.

Most of all, it confirms the importance of involving national actors for sustainability, encouraging them to assume ownership and continue implementing activities after the completion of the programme.

Initial results achieved through aggregation of demand model:

- **Preferred pricing on building materials**
- **Increased access to credit for housing improvements in slums**
- **20 agreements signed between material and hardware manufacturers**
- **12 agreements signed between social organizations**

and material manufacturers

- **Model standardization agreement signed by all 12 actors of the value chain**
- **2 study tours conducted to implement the model**
- **4 social organizations trained in home improvement methodologies**
- **12 companies now include CSR practices**
- **Computer management system enabled**
- **12 managers trained in social community skills**

For the mobile school for microentrepreneurs in the construction industry:

- **50 masons were certified in April 2013**
- **80 additional masons will be certified in December 2013**
- **180 more masons will be certified in December 2014**
- **A main campus and regional centres were established**
- **Graduates from Training of Trainers (ToT) will teach courses of masonry**
- **A fully equipped mobile classroom is available**
- **New curriculum developed for training of masons**

For the supplier development programme:

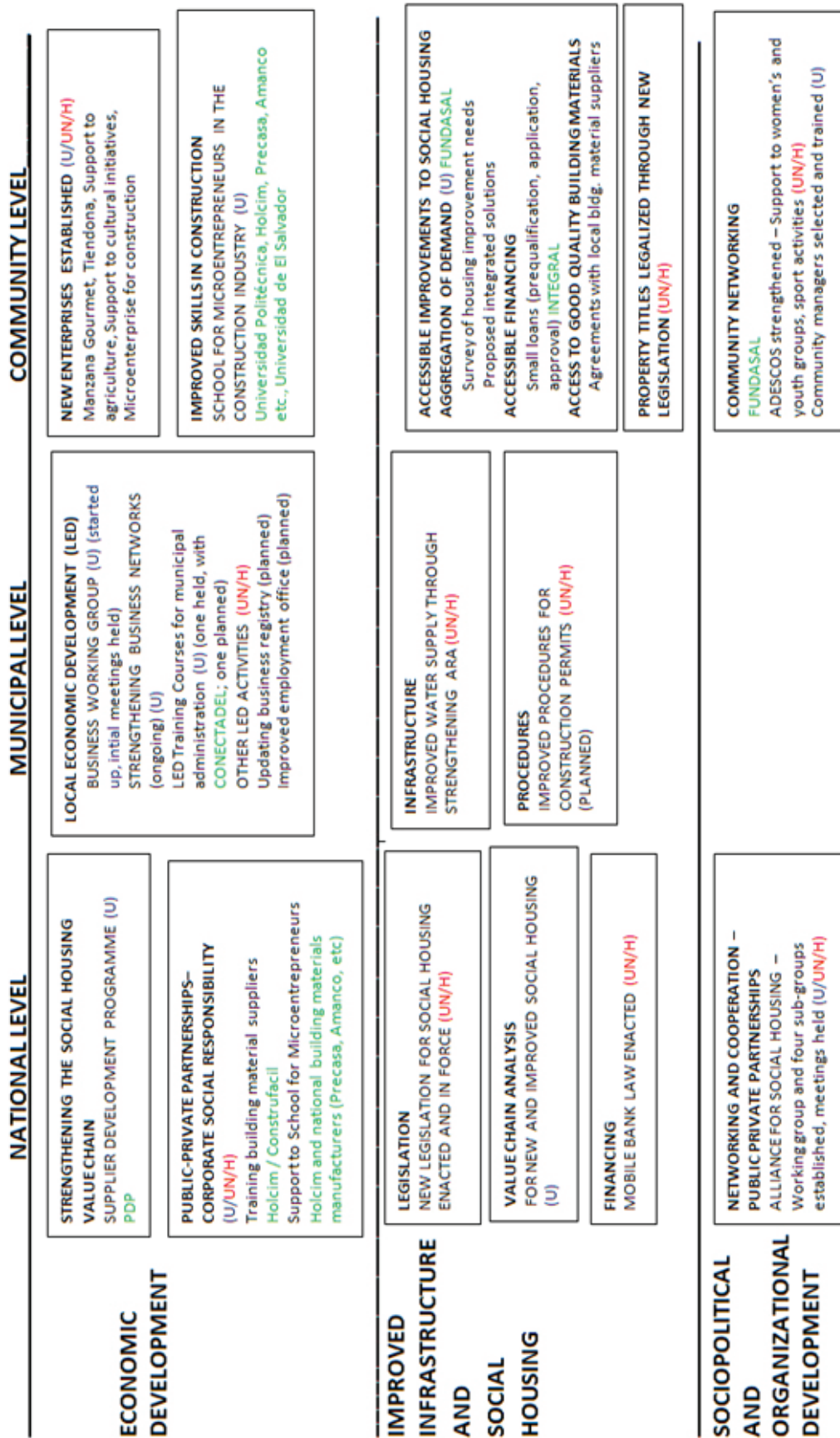
- **16 MSMEs integrated into 4 vertical supply chains**
- **Agreement on quality protocols between clients and suppliers**
- **Formalization of suppliers**
- **Improvement of internal operations of suppliers**
- **Strengthening effective communication between customers and suppliers**
- **Development of Professional Project Management in customer and supplier companies**

For more information, please go to:

www.cadenadevalorvivienda.com

ANNEX 1: ORGANIZATIONAL CHART

JOINT PROGRAMME ON PRODUCTIVE AND SUSTAINABLE URBAN COMMUNITIES



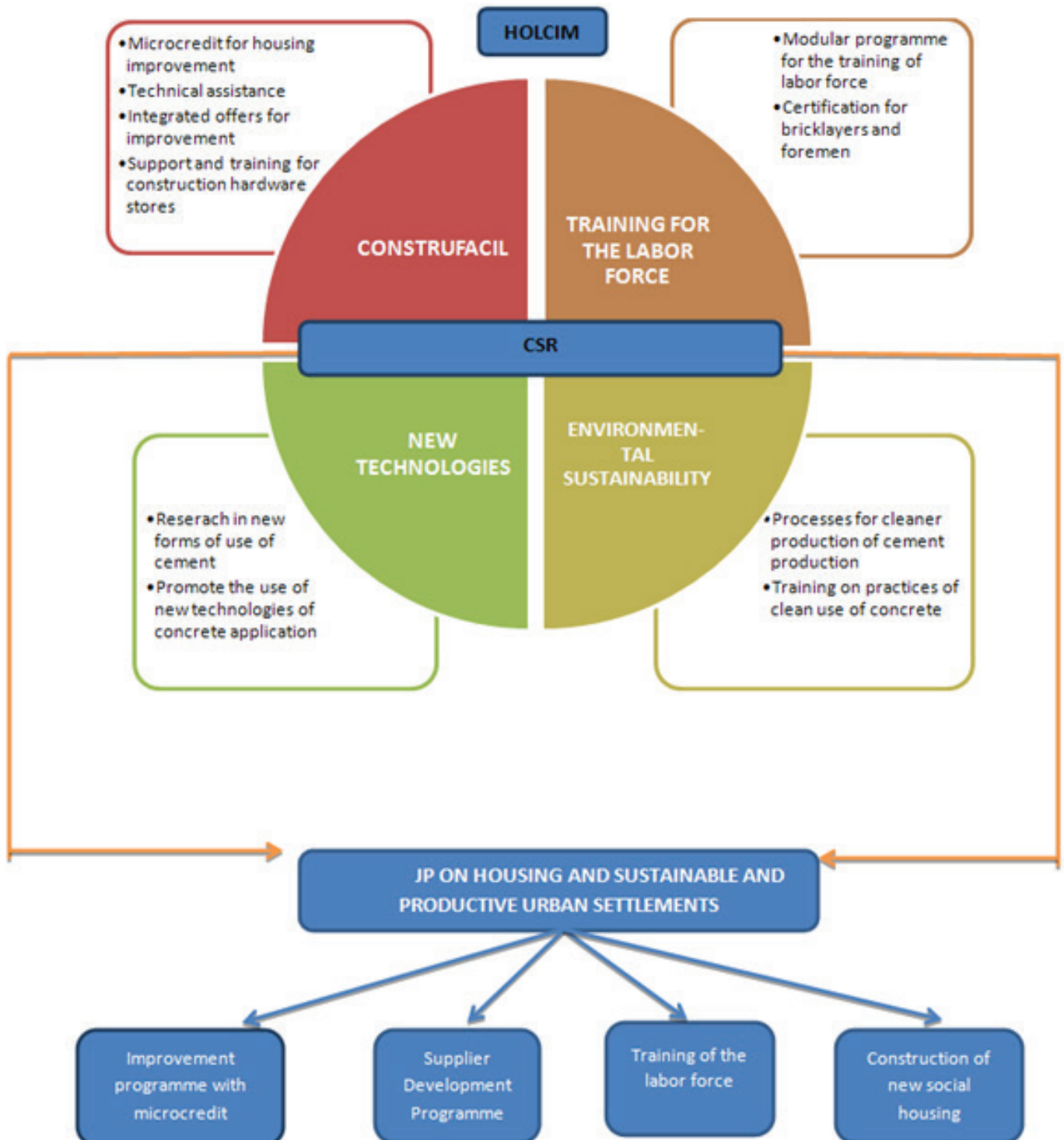
ANNEX 2: PROJECT DESCRIPTION

Project description of the Joint Programme on Urban and Productive Integrated Sustainable Settlements in El Salvador

- 1. Identify and implement a model for affordable new/improved progressive housing for the poor (1-4 minimum wages) including the definition of an appropriate regulatory and policy framework and financial instruments.**
 - Identify sites for implementation;
 - Revise policies and regulations;
 - Promote the provision of housing solutions by contractors and subcontractors, provide a level playing field for women subcontractors; and
 - Set up a financial mechanism composed of subsidy, mortgage and self-work contribution.
- 2. Strengthen the construction value chain for progressive housing with a focus on the development of micro and small enterprises.**
 - Improve production processes and business practices with a pro-poor approach through the promotion of Corporate Social Responsibility (CSR) practices;
 - Improve the organization of the value chain via vertical and horizontal networking; and
 - Improve support services related to Business Development Services (BDS), training and CSR.
- 3. Promote the development of productive and sustainable dwellings.**
 - Facilitate the provision of basic services with a focus on the needs of women;
 - Identify and promote new business opportunities in the dwellings; and
 - Trigger a process of participatory local economic development (LED) planning.
- 4. Knowledge management, with the objective to regularly systematize and assess the experience to facilitate up-scaling and replication.**

ANNEX 3: PARTNERSHIP SCHEMES DEVELOPED WITH THE PRIVATE SECTOR

PRODUCTIVE DEVELOPMENT THROUGH IMPROVING THE EFFICIENCY OF THE VALUE CHAIN OF SOCIAL HOUSING





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