

STARTING SMALL ON **BIG** URBAN PROBLEMS

THE CASE FOR SMALL SCALE PILOT PROJECTS

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In the summer of 1985, I had the opportunity to undertake a report, AID's URBAN EXPERIENCE: AN HISTORICAL REVIEW WITH RECOMMENDATIONS FOR THE FUTURE, for the United States Agency for International Development's Center for Development Information and Evaluation within the Bureau for Program and Policy Coordination (AID/PPC/CDIE). This article uses some of the findings of this report (available as an Evaluation Special Study from AID/PPC/CDIE, Washington, D.C. 20523). My hope is that these findings might be useful to those sponsoring or undertaking a wide variety of urban projects, even under very different conditions than indicated here.

GENERALIZATIONS

USAID works in countries that are not only poor but also administratively weak. Consequently, its projects tend to be difficult inasmuch as they attempt to provide not simply funds but also increased capacity to attain agreed-upon objectives. AID's difficulties are, however, intensified by the following problems:

1. Staff turnover. Because it often takes three years between the time a project is originally conceived and the start of a disbursement to contractors, there is a significant loss of momentum. Inasmuch as Agency staff are rotated every four years, staff responsible for implementation are unlikely to be the same as those responsible for conception and development. Likewise, host country supporters or priorities may have changed during the interim.

2. Project design. A project is designed to meet a priority set forth in the Country Development Strategy Statement (CDSS) rather than that of the host country. Funding levels are often determined more by obligation deadlines than by implementation requirements (adequate host country interest, funds, personnel, equipment, etc.). Insufficient attention is often paid to such factors as: the adequacy of preliminary research and preparation; institutional and financial constraints; political support for the project needed to overcome existing or potential problems; and the possibilities of the project surviving foreign phase-out.

3. Implementation bottlenecks. The poorer or less developed the host country, the more problems are likely to arise during implementation. The contractor may be of low quality or inadequately supported. Inflationary pressures may require significant additional funding. The host government may refuse to provide adequate technical or financial assistance. Needed equipment may be delayed for various reasons. Significant conflicts may arise between U.S. contractors and host country counterparts. U.S. requirements having to do with purchase of American equipment or use of U.S. vehicles may be counter-productive. The limited ability of mission staff to overcome the problems encountered in project implementation reduces the advantages of foreign residency, estimated to cost the Agency more than \$ 200,000 per direct-hire staff member.

EXAMPLES OF PROBLEMS

Many examples can be cited to illustrate each of these generalizations. Indeed, it often seems that "whatever can go wrong does go wrong." Examples drawn from case studies include:

1. The entire programme failed because of the inability (a) to get clear title to land on which condominium apartments have been or will be built and (b) to process titles for beneficiaries.
2. Land chosen for projects was so far away from the city that it was difficult to market the shelter units, thereby undermining the savings and loan and mortgage insurance systems.
3. Land tenure systems and titling arrangements were complicated, inhibiting true home ownership by low-income families.
4. Management of housing operations was poor, including procedures for bidding, awards of contracts, performance bonding, flow of funds, building inspection, and incentives for accelerated delivery by contractors. Because output of housing units was low, unit costs were beyond the affordability level of intended beneficiaries.
5. Affordability criteria was not carefully considered resulting in (a) housing going to higher-income groups; (b) large subsidization by government and/or (c) neglect of cost recovery.
6. Mortgage obligations could not be collected because beneficiaries considered land to be

tribally owned and because of political opposition to foreclosure arrangements.

7. Public institutions were weak, with few qualified individuals, high turnover of senior staff, poor management and leadership, excessive dependence on expatriate advisors, and little institutional self-diagnosis and analysis.

SUCCESS STORIES

The difficulties and failures emphasized here should not obscure AID's achievements in urban areas. While successful projects have taken a variety of forms, they have endured long after AID's support has ceased, and they have influenced projects sponsored by other doors and LDC governments or organizations. Some of the reasons for these "success stories" include:

1. Appropriate research. AID has a predisposition towards elaborate economic analysis, comprehensive planning, and statistical or computer modelling which is often of limited use to project designers and practitioners. However, careful research based on case studies and project experience can be invaluable. Perhaps the best example of appropriate research is the Project for Improving Small-Scale Enterprises (PISCES). This project, costing about \$3 million, has been ongoing for more than six years, with ACCION International/ AITEC as the prime contractor assisted by the Development Group for Alternative policies and the Partnership for Productivity.

Phase I of PISCES investigated 20 projects in 16 countries to identify why some projects succeed and others fail. The results were published and discussed in three regional conferences attended by representatives from over 100 local development agencies from 33 countries. Phase II involved designing, implementing, and evaluating projects in four countries in cooperation with AID missions. Phase III, now in the planning stage, will include developing a "kit", a package of useful approaches, enabling "umbrella organizations" to design their own efforts to assist micro-enterprises.

PISCES has shown that "the smallest economic activities of the poor can be assisted, often very effectively, with significant increases in employment, income, and empowerment." Some of the approaches used include: (a) careful selection of competent local organizations with outreach into the poor communities; (b) correctly determining needs and desires of potential beneficiaries; (c) proper outreach and selection procedures; (d) short-term loans working up to larger loans; (e) effective credit administration and management assistance; and (f) a simple monitoring system. Using these approaches, some of the demonstration projects were able to generate employment in the "informal sector" at 1/10th to 1/20th the cost of creating a job in the formal sector. Their success has already influenced projects carried out by the ILO, the World Bank, and the Inter-American Development Bank.

2. Identification of potential innovators. Finding "the right officials or groups" to support is obviously a major factor in project

success. The Brazilian Institute of Administration (IBAM) was already well-established in 1962 when AID assisted it to construct new headquarters, upgrade its technical staff, and expand its technical assistance and training activities. Its dynamic director, Dr. Lordello de Mello, was well known in both the United States and Brazil for his research and teaching in the field of public administration. Starting from this strong foundation, AID's assistance to IBAM (about \$10 million between 1962 and 1980) enabled IBAM to become a model for other Municipal Development Institutions established or assisted by the Agency over the years. However, similar efforts in other countries (e.g., Liberia) have invariably failed in the face of political opposition or indifference.

3. Close cooperation with counterparts. In theory, there should be a balance between Agency perceptions of "what ought to be done" and priorities of counterparts or target groups. In actual fact, Agency officials or contractors often come across as having the attitude, "we know what's best for you," which alienates the people supposedly being helped or seeking assistance.

A good example of the benefits of close cooperation with host country counterparts is the Managing Energy and Resource Efficient Cities (MEREC) project. In this project, the contractor (the Office of Natural Resources and Economic Development of the Tennessee Valley Authority) sent a team leader to each of the cities chosen for a MEREC project (Tacloban, the Philippines; Guarda, Portugal; and Phuket, Thailand) to work with a task force formed of local leaders. After objectives and resources are identified, workshops are introduced to consider possible solutions, strategies, and action plans. Particularly useful has been a matrix, allowing task force members to see clearly the advantages, disadvantages, and costs of alternative approaches.

So far, according to the reviewer, the project has demonstrated the possibilities of assisting small and medium size cities to become more energy and resource efficient through relatively modest measures affecting transportation systems, waste management, building designs, industrial technologies, land use patterns, etc. Among the project's more remarkable achievements has been its ability to save Guarda, Portugal an amount equivalent to its municipal payroll by installing water meters at strategic junctions which revealed a 50% water loss. The components of the Phuket, Thailand project (rainwater collection, sanitation, traffic management, shelter construction, etc.) have been so successful that the Office of the Prime Minister is considering replicating them in other parts of the country.

4. Persistence. A good example of the benefits of persistence is the Tamale, Ghana project, initially begun as an urban land study by AID's Office of Urban Development. It was later expanded into a slum upgrading project, with responsibility shifted to the Office of Housing and Urban Programs.

This project had to overcome many difficulties (especially during the years 1981-83): the opposition of AID/Ghana mission, Agency

reorganization in Washington, change of government in Ghana; severe inflation and overvaluation of the Ghanaian Cedi; difficulties in obtaining clearance for and transporting heavy equipment; problems of obtaining fuel and other supplies; etc. What kept the project alive, according to its reviewer, were the determination and skills of the contractor, close cooperation with the Ghanaian coordinator, strong support from and collaboration between community residents and the local authority, and mission assistance. By the conclusion of the project in 1984, the Ghanaian government was prepared to add \$60,000 to assist the project and to expand it to other parts of the country.

5. Flexibility. The ability to shift the orientation of a project, adding or eliminating components and consultants, and revising the schedule of planned activities is often essential to a project's success. In addition, there must be sensitivity to changing project needs and priorities. This means, not only introducing monitoring and evaluation procedures, but also paying attention to them.

Save the Children's Kirillapone project in Colombo, Sri Lanka, is a good example of both flexibility and persistence in as much as SAVE has been working here since 1979, assisted in 1983 by a matching grant of \$182,000 from AID's Office of Private and Voluntary Assistance. While this is a typical slum-upgrading project, it has added components in response to changing community needs and desires: finance of home improvements, training in construction skills, waste disposal, clean water, health care, food processing demonstrations, day-care, provision of library and school, sports activities, vocational training, and sales outlets for locally manufactured goods. One of the most useful components - technical assistance in low-cost construction - is finding widespread application in Sri Lanka. This component (managed by the Intermediate Technology Building Materials Workshop of West Midlands, England) has resulted in houses that have been not only affordable to most families but also pleasing in quality and appearance, using innovative roofing and lintel construction methods. Many of those trained in this technology have found steady employment in the construction industry.

THE VALUE OF SMALL-SCALE PILOT PROJECTS

The analysis presented here would suggest, not only that USAID, but also other international assistance programmes build upon these factors responsible for successful urban projects. In doing so, organizations might emphasize small-scale pilot projects. While such projects may encounter the same obstacles as large, expensive projects, they can sometimes more readily survive, assuming adequate persistence and flexibility on the part of contractors. And if they fail, not much harm or embarrassment is caused. Other reasons for advocating small-scale pilot projects include:

1. To promote policy change. Both the World Bank and AID's Office of Housing and Urban Programs have been able to change government policy as a result of their pilot projects. While many of these projects would not qualify as

"small scale", several mentioned here (e.g. in Ghana and Sri Lanka) can be so considered.

2. To lay the groundwork for larger projects. As mentioned earlier, big projects often fail because procedures have not been worked out, problems anticipated, and good relationships with host governments established. Contractors and counterparts often lack required experience. Some of these impediments can be overcome during the course of a small project, thereby paving the way for a larger effort.

3. To generate the support of other donors. Many of AID's "success stories" noted in this article have been widely replicated, often as a result of support from other donors. This has also been the experience of other organizations sponsoring small-scale projects.

4. To facilitate training. The World Bank's training unit (the Economic Development Institute) regularly uses its projects for training purposes - bringing participants to project sites, introducing case studies of these projects into training materials, and allowing interning "young professionals" to work on them. While this has been done by USAID's Office of Housing and Urban Programs to a limited extent, a much greater effort could be made in this regard. A good example of possibilities is its excellent 1984 MUNICIPAL ANALYSIS HANDBOOK, based on the Tamale project.

5. To test technology, methods, and procedures. USAID's Science and Technology (S/T) Bureau has incorporated pilot projects into many of its urban activities. The useful results of PISCES and MEREC were noted earlier. The Population Council has been able to achieve extraordinary success in subprojects under its "Women, Low-Income Households and Urban Services in Latin America and the Caribbean" project with very small S/T funding inputs. For example, the innovative "Organic Waste Recycling" subproject in Merida, Mexico cost only \$4,315.

THE NEED FOR INNOVATIVE APPROACHES

Many organizations dislike small-scale pilot projects because they may require a heavy expenditure of time and effort to get started. As such, they are not considered economical.

To deal with this objection, one might consider the efficient procedures developed by such organizations as the Inter-American Foundation (IAF) which specializes in small-scale projects.

The IAF was established in 1969 as a U.S. Government Corporation, with a part-time, unpaid Board of Directors of seven members, four from the private sector and three from appropriate U.S. agencies. In FY 1983, IAF's budget was \$23 million; and its staff numbered 67, all of whom operated out of Rosslyn, Virginia, thereby avoiding the expense of a foreign-based staff. On an average, it funds 200 projects a year, and renews the funding of another 100. Its grants (\$110,000 on average) go primarily to private organizations and local institutions with an emphasis upon popular participation, self-help, equitable distribution of benefits, and the needs of the poor.

IAF's administrative costs are kept to less than 15% of its budget; and decisions about projects are generally made within less than four months. What makes such efficiency possible is the use of staff who are knowledgeable about the countries they work in and fluent in their language. Preference is given to grantees with a reputation for honesty, zeal, and commitment to the poor.

The IAF prides itself on a "non-intervention approach", justifying this (a) on the basis of staff experience in judging reliable individuals and organizations; (b) on respect for the competence of grantees; (c) on careful selection (only one out of seven grant requests are finally approved); (d) on the need for flexibility and local control during implementation; and (e) on the importance of encouraging institution building and participation. An interventionist donor style is rejected as not only expensive and difficult but also as undermining good relations and eventual assumption of project responsibility.

Funds are turned over to the grantees with a minimum of bureaucratic delays; and flexibility is allowed in the use of funds and the interest earned on them. In return, grantees are required to submit regular reports on their activities and to have their expenditures audited. While monitoring and evaluation have been limited to periodic staff visits, a greater emphasis is being placed on a comprehensive analysis of projects and on information dissemination.

The IAF measures success not so much on attainment of predetermined objectives as on development of skills and capacity to solve

problems and to mobilize resources. On this basis, IAF's outstanding urban "success story" was its support of the FSDVM in El Salvador in the early 1970's. The success of this small project led to a much larger World Bank project which has continued despite all the problems of a long civil war. A similar type of project has been sponsored recently in Cartago, Colombia, benefiting some 250 families. This project (started with a \$65,100 grant) provides for "mutual help" construction of houses, enabling them to be purchased at half the price of conventional public housing. This approach is now being studied by many other groups in Colombia for purposes of replication.

Other organizations with a good record for undertaking small-scale urban projects include: Alternative Technologies International (Washington, D.C.), the Small Projects Program of the Inter-American Development Bank, and the German Ministry for Economic Cooperation. While the approaches of these organizations differ significantly from one-another, they all emphasize response to local needs, flexible arrangements, rapid project approval, low administrative costs, and mutual respect between donor and recipient. However, any organization undertaking Third World urban projects should not be afraid of controversy: always investigating its activities; questioning its perceptions and procedures; and suggesting alternatives.

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