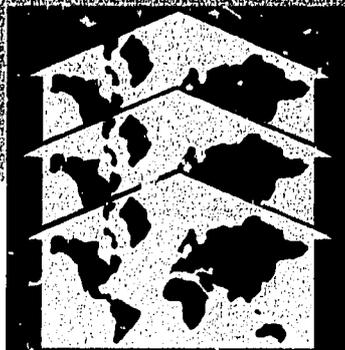


**Use of Land and
Infrastructure in the
Self Improvement
Strategies of Urban
Lower Income
Families**

May 1993

OFFICE OF
HOUSING AND URBAN
PROGRAMS

U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT



W O R K I N G P A P E R

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A Joint Publication with A.I.D.'s

FAMILY AND DEVELOPMENT PROGRAM

**THE USE OF LAND AND INFRASTRUCTURE IN
THE SELF IMPROVEMENT STRATEGIES OF
URBAN LOWER INCOME FAMILIES**

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Presented at

**The Fourteenth Commission of UNCHS/HABITAT
Nairobi**

Sponsored by

**The Family and Development Program
and
The Office of Housing and Urban Programs**

U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT

May 1993

INTRODUCTORY NOTE:

In April 1993 the United Nations Centre for Human Settlements (UNCHS) hosted the fourteenth Habitat Commission meeting at UNCHS headquarters in Nairobi, Kenya. Seventy-eight countries were represented, generally by ministerial-level delegations. Discussions focused both on the specific steps to be taken in preparation for a 1996 conference to assess worldwide progress toward meeting the goals of the Global Shelter Strategy adopted in 1988 and on the programs, activities, and initiatives under way in each of the Commission's member countries.

The U.S. delegation, anticipating that other participants in the Commission meeting would be interested in the findings of a body of recent research examining the strategies employed by lower-income urban families to work their way out of poverty, sponsored a presentation by Dr. Mona Serageldin of the Unit for Housing and Urbanization at the Harvard University Graduate School of Design. In an audio-visual presentation that took her audience to lower-income neighborhoods throughout the developing world, Dr. Serageldin documented not only the creativity and resourcefulness of the families themselves, but also shared her surprising and valuable insights on the implications--negative as well as positive--of different policy choices affecting key urban issues.

Subsequent to the presentation of "The Use of Land and Infrastructure in the Self-Improvement Strategies of Urban Lower Income Families" at the Commission sessions, Dr. Serageldin met with members of the Shelter Forum, a Kenyan NGO that focuses attention on shelter issues. She repeated the presentation and held a brief discussion of its implications for Kenya.

This document presents Dr. Serageldin's paper on the occasion of the Fourteenth Habitat Commission session. While it is impossible to compensate fully for the missing visual accompaniment of the slide presentation, selected images are included, and the text has been edited for clarity without material changes. It is offered, together with a brief summary of the discussions in the Shelter Forum meetings, as a novel approach to improving our collective understanding of the complex forces driving and shaping the future of much of the developing world.

The Use of Land and Infrastructure in the Self Improvement Strategies of Urban Lower Income Families

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Paper presented at
The Fourteenth Commission of UNCHS/HABITAT in Nairobi
May 3rd 1993

Introduction

Development agencies have supported a range of initiatives to improve shelter conditions for low income families. As part of its program, USAID has looked at policies to stimulate the production of low cost housing and stressed the importance of housing to the user family. On the occasion of the 14th Commission of UNCHS/HABITAT meeting in Nairobi in May 1993, USAID's Office of Housing and Urban Programs and The Family and Development Program jointly organized a presentation on the use of land and infrastructure in the self-improvement strategies of lower-income urban families.

The presentation is based upon research undertaken by the Unit for Housing and Urbanization at Harvard University's Graduate School of Design. The Unit, established in 1987, undertakes action research and provides professional training and technical assistance in the fields of urban development and housing. The Unit's activities focus on issues of land policy, infrastructure finance, public investment strategies and public/private partnerships in urban improvements. A significant component of this work has been devoted to the regularization of informal development processes and working with public agencies and NGO's to define sustainable improvement strategies for lower income communities.

The housing component of The Unit's research has stressed not only the process by which individual families acquire housing, but also its utilization. The following presentation is based on work carried out by Maria Luisa Fernandez, John Driscoll and the author on informal and regularized settlements in Abidjan, Amman, Cairo, Jakarta,

Karachi, Kinshasa, Quito, Mexico City, Rabat, Surabaya and Tunis as well as low and moderate income neighborhoods in Boston. Through interviews and documentation, we have been able to show that the dwelling is an integral part of the struggle for survival and economic betterment.

The presentation builds on two earlier presentations of the Unit's ongoing work on this topic. The first was given in Washington D.C. as part of A.I.D.'s Family and Development Seminar Series, the second, was presented at the seventh meeting of the Latin American and Caribbean Network of Housing, Urban Management and Urban Environmental Institutions. Policy makers need to consider the economic role of housing as an essential element of shelter programs. In addressing the challenges of the 90's, they must go beyond the social context of shelter to respond to the family's intricate and dynamic strategies for self-improvement.

Finally, we would like to take this opportunity to express our appreciation to USAID's Family and Development Program and the Office of Housing and Urban Programs who jointly sponsored the presentation of this important topic at this Commission meeting. ¹

¹ Specifically we would like to thank: Monique Cohen, Senior Technical Advisor, Family and Development Program; Lindsay Elmendorf, Housing and Urban Development Officer, Policy and Urban Programs and; Howard Sumka, Chief Regional Housing and Urban Development Officer, Nairobi, for their recognition of the relevance of the topic and the importance of the issues covered in the presentation.

The Dynamics of Urban Land Markets

Since the mid-60s, most countries have experienced net transfers of poverty from rural to urban areas. International labor flows and rural outmigration have accelerated the growth of urbanized zones and swelled the ranks of marginalized groups. Imbalances in urban land markets, curtailment of capital investments and decreased funding for social programs have exacerbated an already critical situation. The growth of major pockets of poverty and the proliferation of informal settlements have outpaced the capacity of existing urban systems to integrate them.

Large segments of the population are caught in a cycle of politically legitimized aspirations and shattered expectations. Their living conditions are stressful and demeaning:

- Housing is overcrowded and unsanitary;
- Commuting to earn a living is an ordeal;
- Obtaining potable water is an unending chore;
- Waste disposal is an unmanageable task; and
- Urban services are the substance of dreams.

When children in a barrio in Caracas, Venezuela were asked to describe their ideal barrio house, referred to as a rancho, 60% mentioned piped water supply, 30% paved roads and open space for a play field, 25% a church and a community center, and 23% the presence of police security.

The distressing social consequences of hardship and exclusion are well documented. Their more tragic or appalling manifestations receive extensive media coverage. We will not address these issues here. We will focus on the factors which enable limited income families to improve their lot in an increasingly competitive environment.

The duality which characterizes the urban fabric reflects the coexistence of parallel economic and organizational structures. Social networks cut across them and provide the channels for upward mobility. Focusing on the family as the decision-making unit highlights the interrelations between needs, priorities, and strategies for survival and

advancement. Access to urban land and housing is a precondition for successful development through self-reliance.

Housing Needs, Options, and Investment Strategies

Families consider housing from different perspectives:

- **As Shelter**

It is a basic need ensuring a modicum of decency and privacy. Families allocate 10 to 15% of their earnings to shelter and inhabit whatever product this amount will buy (tent, discarded automobile bodies, huts, and shacks). They locate where they can (pavement, cliffside, ravine, garbage dump, drainage channel) as long as the site is marginal enough to deter displacement and close enough to transportation to permit access to work opportunities. Even when incomes rise, households will not spend more than 15% on shelter without some assurance regarding security of occupancy as owners or renters. Well short of tenure, a minimum level of security regarding occupancy is still needed to create a market for plots and shacks that enables squatters to recoup the funds they invest in their shelter.

- **As a Commodity**

Housing offers financial security and social status. It accounts for over 60% of the total assets owned by limited income families. As renters, families rarely allocate more than 20% of their income to expenditures on housing, despite assurances regarding longer term tenancy rights. However, as property owners, they are willing to invest over 30% to acquire land and build and improve their houses.

- **As an Investment**

Housing offers prospects of lucrative returns. The property is used to generate revenue while it appreciates in value over time.

The compound housing of Abidjan, Côte d'Ivoire, where close to 60% of the city's households live is an extreme case. The street frontage is rented out to commercial enterprises. In the back, several households, usually renters having common social bonds, occupy small living units and share rudimentary sanitary facilities. Owners derive substantial income from these rentals. In settlements well

located with respect to concentrations of employment opportunities, residential densities can reach 1,000 persons per hectare despite the low rise profile. When owners live on the premises, they reserve separate facilities for their own use.

Rural migrants quickly learn to secure their own future by investing in real estate any savings that are not urgently needed to support family and relatives in their home villages. The path followed by Alexis illustrates the benefits that can be reaped by enterprising individuals who manage to access ownership of urban land.

Alexis came to Abidjan when he was 15. He lived in an old overcrowded compound near the city center. He joined an association of migrants from his own village who worked as taxi drivers. During the boom in coffee and cocoa prices, the taxi business flourished. He saved enough money to buy an unserviced land parcel and build incrementally a housing compound where he settles younger relatives as they come to town. After a grace period of six months to find gainful employment, they have to start paying rent. The income that Alexis derives from his compound is substantial. Over five years, he has accumulated the money needed to buy a serviced plot in a new government project. He intends to build a house with modern amenities for himself but will keep his old compound as an investment property.

Unrelenting pressure on urban land underlies the sustained increase in land values in developing countries. Even where real incomes declined sharply, land prices have continued to rise faster than the cost of living. In Abidjan, between 1985 and 1990 land prices doubled while real incomes declined by 25%. The share of the land component in total housing cost has increased steadily from under 15% in the mid-60s to over 50% in the late 80s. Today, urban land markets determine the seed capital needed to enter the formal and informal housing market.

In considering options, households balance between location, space consumption and access to urban services. They take into account the price differential between outlying and central locations, unserviced and partially serviced land, and good and bad prospects for regularization. But this economic tradeoff is not the sole consideration. Personal security and the ability to activate support networks are critical concerns.

In complex urban settings, locational choices lead to transplanting and recreating family and neighborhood structures that provide security and resources, connections to job networks and access to patrons. Strategic and tactical alliances give rise to an array

of cooperative efforts ranging from ad hoc action groups to fend off perceived threats to well organized community associations linked to formal institutions.

The natural solidarity arising from assistance among families and kin groups extends to migrants from the same area of origin in Africa, the Middle East and many parts of Asia. Elsewhere, economic, ethnic and cultural diversity or topography can hinder the spontaneous emergence of social bonds. This leads to the emergence of distinct subareas within the same settlements where cohesion results from economic as well as more subtle social factors. Religious institutions and political parties often act as catalysts offering sponsorship and protection. They also act as mediators offering links to distant and impersonal formal institutions.

Income Generation Strategies

Combining creative arrangements and tactical agreements, households fully exploit two assets:

- The productive capacity of every member who can make a direct or indirect contribution to income generation.
- The use of housing both as a setting for income-generating activities and as an income-producing asset.

The combination of these two potential sources to shore up family finances magnifies their respective contributions. The energies of elderly parents and youths are marshalled to assist in activities on the premises. Instead of burdensome dependents they become productive members. More importantly, they release working age caretakers to seek outside employment. Furthermore, the involvement of the three generations in helping generate income consolidates family ties and enhances social cohesion and stability within the community. The household benefits from having multiple wage earners and multiple sources of income. In general, wages and salaries account for less than 60% of total household income, revenue from micro-enterprises 30% and rentals 10%.

- Housing as a setting for income generating activities.

Land and buildings account for 25 to 45% of the investment required for setting up a micro enterprise. This amount must be financed out of seed capital. In contrast, some form of credit can usually be secured for the purchase of materials and equipment.

Merchandise stocks can be obtained by arrangements with suppliers, minimizing the need for working capital.

Limited income households cannot afford to buy or rent-space in designated commercial zones. For them, income generation is an integral part of housing development. In many ways, housing is the best catalyst for the mobilization of private investment in economic activities from micro-enterprises to marginal peddling. In particular, women seeking to solve their financial problems, raise their children or care for elderly parents tend to capitalize on the use of housing as a physical setting for their productive activities. This allows them to start an activity with minimum inputs and expand operations as their situation permits. The potential for growth beyond sustenance requirements underlies the development of home based micro-enterprises. The case of Guadalupe in Mexico City exemplifies this path to income generation and job creation.

Guadalupe lives in a regularized squatter settlement abutting a high income neighborhood. Her house is organized around a patio and comprises her own dwelling and apartments where her married children live. Guadalupe earns her living by washing and repairing house linens for wealthy clients in the adjacent upper income area. She had to make room in the house to accommodate the equipment she needed for laundry (water tanks, washtub, drying lines and ironing board). As her business grew, she brought in her daughters and daughters-in-law to help her. Two years ago she was finally able to buy a washing machine and reorganized the space to accommodate the greater number of ironing tables needed for the expanded scale of her operation. Her son-in-law is a carpenter working out of a room fronting on the street. He builds tables and shelves for her laundry. She is now running a real micro-enterprise employing four family workers who earn wages.

The number of poor female headed households is increasing worldwide, but it is only recently that development agencies have started to take notice of the productive activities of women in the urban sector. Economic statistics have understated their contribution because of inadequate coverage of the informal sector where the bulk of lower income people work. Yet the spectrum of occupations in which women are engaged within extended family systems or on their own testifies to the household's reliance on them as wage earners or unpaid family workers.

In male headed households, the contribution of women is crucial to ensure survival in times of economic hardships and rising unemployment. When conditions

improve, their contribution is still crucial to the family's ability to raise its economic level. In Abidjan and Kinshasa, women's earnings enabled limited income families to enter the land market and retain ownership of their houses during a severe recession.

As heads of household, women usually seek remunerated employment ensuring a stable income to cover basic necessities. Part time work and low compensation often forces them to hold more than one job and supplement outside work with home based activities as exemplified by the case of Amelia, a Colombian living in Caracas, Venezuela.

Amelia lives in the barrio of Carapita with an elderly mother and a handicapped brother. In addition to working part time outside her home, she engages in a variety of home based activities. Every part of her house is used to supplement her outside income: the bedroom for dressmaking, the kitchen to bake decorated cakes, and the yard for growing vegetables. She keeps a record of her daily sales and expenses and manages her tight finances well. She saved enough money to bring in a nephew from Columbia to repair, expand, and improve her rancho.

Households struggling to improve their chances for a better life need the input of every able member. Capitalizing on housing as the setting for economic activities enables them to coordinate and mutually reinforce each other's contribution. Without this asset, some members of the multi-generation household would be cut off from the process. This is particularly the case for elderly but still able parents living with married children. In Caracas, Venezuela, Lucia's case typifies this situation.

Lucia is an elderly widow living with her daughter and grandchildren. Lucia cares for the children on weekdays, enabling her daughter to take a job in a factory. The factory pays minimum wages but has the advantage of offering relatively stable employment which the family can rely on for survival. Lucia has set up a space in the rancho to make cloth dolls from discarded material she collects in the barrio. On weekends, her daughter stays with the children and Lucia sells her dolls in an informal street market. As a productive member of the household, she feels needed and appreciated and is proud of her ability to contribute towards the improvement of the rancho.

- Land and housing as income producing assets.

Households generate additional income by renting out space in their building for residential accommodations and commercial micro-enterprises. As land prices continue to soar, a growing number of households are unable to develop their parcels on their own. The funds they can raise, through incremental savings, informal loans from family members and the sale of remaining assets are no longer sufficient to develop a parcel within a meaningful time frame. A variety of joint ownership agreements and tenancy arrangements have emerged to structure financial cooperation between partners in the valorization of real estate.

In Morocco, this partnership is a longstanding tradition. Landowners lacking capital seek relatives and friends able to finance construction of a house having two or more stories. The partners each hold legal rights to inhabit one half of the house. Likewise, property owners can form a partnership with associates who are able to contribute the funds needed to establish and operate a business on the premises. They both share in the revenue generated by the micro-enterprise. Similar arrangements are found in many parts of the world. Their scope has expanded with the resurgence of customary laws in the post colonial era and the integration of tenets governing tenure and transfer of real estate in the civil code.

In mapping out their strategies for self-advancement, households draw on various sources of finance and combine different income generation opportunities using their real estate assets. The case of Fatima in Cairo, Egypt, followed over a period of 15 years, displays amazing resourcefulness.

Fatima, a widow with children, lived in a deteriorating 19th century house in the old city. Her brother and sister built houses in an informal subdivision. She never envisaged moving until her son managed to secure work overseas. His remittances allowed her to accumulate a small amount of capital, enough to put the down payment on a land parcel.

Lacking funds to start construction, she settled for a smaller plot in the more mature settlement where her sister lived. Her sister could help her to negotiate with local contractors, deal with abutters and prevent encroachments. Most importantly, she became part of a solidarity association grouping property owners on her road. They helped each other financially and cooperated in securing connections to electricity and water lines as these became available.

Fatima's house was built incrementally over ten years and is still unfinished. During the three years following the move, the family lived in three unfinished rooms roofed with scrap materials. Her son-in-law contributed funds to build the first floor in exchange for long term tenancy rights to the ground floor. Five years later, Fatima finally got her dream apartment.

When her eldest daughter lost her husband, the family quickly built two rooms on the roof to accommodate the young widow and her children. A space was carved out on the ground floor, to create a tiny shop. Income from the shop is allocated to the support of the children. The mother tends it in the morning and the children after school.

Fatima has thus managed to keep her family together in the face of adversity and to ensure the support and education of her grandchildren. This she could not have done if she had failed to invest in land and housing at the opportune moment.

When informal settlements are regularized, property values appreciate sharply. Lower income households who resist the urge to cash in on the value by selling their plots, usually map out strategies to valorize their land and generate income through an array of home based activities. The case of the Mendozas in Mexico City demonstrates the ease with which these strategies can be adapted to changing economic conditions and life cycle situations.

The Mendozas originally built a shack on invaded land in San Isidro. After an unsuccessful attempt to clear the illegal settlement, the municipality regularized it in the late 60s. Infrastructure was progressively introduced. Shops opened and public transportation became available. The Mendozas are illiterate and could not access secure good paying jobs, but they worked hard and saved to build a brick and concrete house. They added a corner room visible from both streets where they opened a small eating place. In the 80s, adverse conditions forced them to shut down their business. They converted the space to a poultry shop which Chona tends while her husband Cipriano uses the patio as a workshop to repair home appliances. Capitalizing on their land and house has enabled them to survive and educate their son. They are very proud that he is now a salaried employee who just got a personal loan from a formal credit institution to buy a car. They view his success as their life's achievement.

Coping with Adverse Economic Conditions

Households do not keep cash savings for any length of time as a hedge against inflation and unpredictable price fluctuations. Capital is accumulated in the form of personal assets (jewelry, appliances, building materials and vehicles) which are readily marketable and do not depreciate in nominal terms. Worldwide, households planning to build or expand their houses save building materials over time. Construction proceeds when all the materials needed to build a cost-effective increment have been secured.

When economic conditions deteriorate, families re-examine their priorities and adjust strategies to cope with the new circumstances. When wage earners lose their jobs, households have to adjust to declines in real income. Holding on to existing assets becomes a priority. They draw down accumulated savings, reschedule payments to informal lenders, reduce expenditures and endure hardships. Similarly, elderly couples and widows have to adjust to loss of resources and erosion in purchasing power. Secure tenure can ease the hardship by enabling them to derive income from rentals or productive use of part of their house. This strategy is exemplified by the case of Saadiya in Amman, Jordan.

Saadiya is a widow living in a recently regularized settlement in Amman with her youngest son, a graduate still searching for employment. An elder married son, in the process of building his own house, is still living with them and provides for over 50% of the household's expenditures.

Saadiya dedicated half the pension she received as a legacy from her deceased husband to pay the installments due on the land plot. She has now acquired title to the property. In anticipation of a significant loss of resources when her married son moves out, she has carved out a space for a small shop on the alleyway and financed the remodelling from informal loans. The revenue she derives from the shop accounts for 40% of her income and currently covers the cost of utilities and municipal services for the entire household. In the future she expects to have to cut down on consumption as she is forced to take on regular household expenditures presently covered by her employed son. However she feels that her shop will ensure her a decent living standard.

Safeguarding their real estate assets enables households to create alternative sources of income. They intensify use and occupancy by sharing land and dwellings. When the size and location of their parcel permits, families rent front units and move to back units or to upper floors. Otherwise, they crowd into one part of the building and

rent out the other. Women turn to home-based activities to generate income through vending and personal care services. Laid-off male workers and retirees often create workshop space to make artifacts which they can sell. Selling real estate or trading down by moving to outlying zones and marginal sites is only contemplated as a last resort when all other avenues have been exhausted.

Lacking assets, poorer families have to rely on marginal activities to generate supplemental income. Every able member of the household has to contribute. Worldwide, deepening recessions have caused parents to withdraw children from school and put them to work. It is one of the most distressing aspects of the urban scene today; their meager contribution adds little to household income at a very high long-term cost to society.

Street vending merely provides sustenance. Families usually resort to street vending as a first step in their quest for survival and self-improvement. Savings are diligently accumulated to provide seed capital to enter the urban land market. They also rely on street vending as a supplementary source of income in times of economic hardship and when housing conditions preclude running an economic activity on the premises. On the other hand, home based activities can be upgraded and their scale of operations expanded. In time, they can evolve into micro-enterprises. Paradoxically, in many countries, legislative regulations and land development controls still impede the development of home based micro enterprises. Similarly, informal settlers and women wishing to start or expand home based activities often find access to support programs offering incentives and credit to small businesses blocked by eligibility requirements and loan terms they cannot possibly meet.

Linking Infrastructure Programs and Family Self-Improvement Strategies

From the viewpoint of the public sector, investment in urban infrastructure in support of housing development can in and of itself generate jobs, stimulate economic activity and enhance municipal revenue. From the family's perspective, housing can offer the spatial context for activities, but without supportive infrastructure, home based activities cannot develop into micro-enterprises.

In the settlements we have studied, vehicular access and road paving were singled out as the most important catalysts for the establishment of micro-businesses. Along main access roads, the interface with pedestrian circulation flows attracts an array of footloose informal activities, food vendors, peddlers of produce and wares, and individuals offering personal services.

Heavy rainfall renders unpaved roads impassable to wheeled transportation as in Jakarta and Abidjan. Narrow alleyways are inaccessible to vehicles as in Amman and Morocco. Commercial activity is limited to marginal shops selling basic groceries, candy and cigarettes. Steep topography is an even greater impediment since supplies and products have to be carried by family members or hired laborers from the closest access point to the house.

In the lower section of the Barrio of Carapita in Caracas, proximity to the highway and vehicular access have allowed the growth of a produce market and the localization of garages, stores and pharmacies on the ground floor of buildings. In the middle section, smaller shops selling assorted basic items and food prepared at home dot the main road. In the upper section, micro-activities are nonexistent. When there is a crest road, usually leading to a church, groceries, bakeries and other food vending stalls cluster around the landmark.

The lack or inadequacy of infrastructure imposes a particularly heavy cost on women. Inadequate transportation constrains their ability to integrate gainful employment with caretaking duties. The dearth of community facilities entails spending inordinate amounts of time to access basic services. The more time women must spend on daily chores, starting with securing the family's water supply, the less time they have to engage in productive activities.

Successful approaches to infrastructure policies must go beyond the conventional focus on cost recovery and replicability. Projects must recognize the motivations and strategies of the families they seek to serve, and offer them the flexibility needed to capitalize on opportunities as they arise.

The remarkable transformations triggered by investment in urban infrastructure are well documented. The Kampung Improvement Program in Indonesia is but one striking example. This program did not address land regularization or seek to recover capital costs through direct assessments of property rights. It created, at a minimal cost to the government, an improved setting offering residents a chance for a better life. Families devise their own strategies to settle tenure issues and revalorize underutilized land. In Surabaya, families improved housing and planted shrubs and flowers. A new sense of place helped build up civic pride. The community was galvanized, adding street lights and a community hall. The city recouped most of its investment through revenue from land, property and commercial taxes which increased by 90% as a result of upgrading the housing and the development of economic activities.

Underlying the sustainability of the improvements in Surabaya is the sharing of costs and responsibilities between residents and local authorities. The Kampung Communal Committee organized maintenance squads drawn from unemployed residents. The squads are paid out of a community fund financed from voluntary contributions. A sense of responsibility reinforced by group pressure has ensured steady receipts for the fund. The committee administers the fund and the treasurer is an accountant clerk running a home-based office on the side.

Credit Programs for Shelter and Micro-Enterprises

In order to build and improve houses and set up and operate micro-enterprises, families need credit to supplement their own savings and the assistance obtained from relatives, friends and informal support groups. Access to credit would relieve them from having to accept the usurious terms charged by contractors, suppliers and loan sharks.

Few urban initiatives can match the scale and success achieved by rural support programs. These programs have relied on community outreach and reinforcement of family self-improvement strategies. Indonesia's Bank Rakyat (BRI) proved that the constraint is access to credit rather than the cost of money. The poor are better reached through short term small loans at market rates, rather than long term subsidized credit. BRI's success in extending credit at rates well below the terms of informal money lenders enabled it to mobilize savings and expand out-reach through over 4,000 branches serving.

It is Professor Yunus of Bangladesh who truly revolutionized the approach to credit for the urban poor. The experience of Grameen Bank, established in 1980 demonstrated that joint responsibility is an effective collateral and group pressure an effective insurance against default. By substituting group guarantees to possession of assets as the determinant of credit worthiness, the Bank removed the major obstacle preventing access to credit by the very poor. By enlisting clients as members, the Bank empowered borrowers thus giving them a sense of control over decisions affecting their lives.

Grameen today has reached 32,000 villages serving over one and a half million borrowers. Over 90% of loans have been extended to poor landless women. Repayment rates are stable at 98%. Underlying the Bank's outstanding performance is the highly productive use of loans which enabled the poorest group of borrowers to increase their income by 43%. Interestingly, the Bank first concentrated on loans for income generating activities. At the request of its homeless members, it decided to offer

loans for minimal shelter "4 posts and a roof framing a 20m² space," which the household completes by adding self-built bamboo panels.

Breakthrough concepts have wide applicability and can be transferred to address similar problems. Dynamic institutions can draw on these concepts to structure culturally adapted programs responsive to their socio-economic context. The success of the Grameen Bank has inspired institutions from Egypt to the U.S. to emulate the approach. "Working Capital" is an NGO established in the U.S. Northeast. It operates as a peer lending program targeted to disadvantaged self-employed persons, unable to access credit. The approach focuses on community organization and personal empowerment. "Working Capital" acts as an intermediary drawing on lines of credit extended by banks, foundations, and public agencies to channel funds to "Enterprise Agents" representing community associations. These agents organize and train borrower groups who make their own decisions.

There are inherent difficulties in transferring rural approaches to an urban context. In urban settlements, the identification of socially cohesive areas where opportunities and constraints are shared and residents can be mobilized for common action is a very complex task. Social patterns are heterogeneous, economic activities interdependent and institutional linkages intricate.

The appropriate institutional and spatial framework will depend on the function and scale of the program envisioned. Physical features, natural and man made, can act as links or buffers. Social, ethnic and religious characteristics can constitute cleavages or bonds. Technical and managerial requirements often dictate different outreach and delivery systems for different program components. The great strength of specialized agencies, particularly private organizations, lies in their focused objectives and outreach capacity. In particular, community based development organizations offer an ideal mechanism for the delivery of support services that limited income households need to help them build up a capacity for self improvement.

In the U.S., NGOs working to reverse trends of economic disinvestment, environmental deterioration, lack of services and abandonment of older buildings in the inner city districts of U.S. cities, are finding it necessary to address simultaneously issues of access to housing, infrastructure, and credit.

In Boston, the Dorchester Bay Economic Development Co. (DBEDC) has expanded the scope of its activities from their traditional focus on rehabilitating housing

and community facilities, to set up programs supporting economic revitalization. As a local community organization, it has focused on social issues within the neighborhood: housing affordability, tenant support services, assistance to families with special needs, and organized activities for children. Without discarding this social mission, it has redefined its role to meet the increasingly complex programmatic requirements entailed by economic development. It now acts as an intermediary seeking and leveraging the inputs of diverse public and private institutions. It acts as a mediator, working closely with the city to package financially and politically viable projects. It acts as a catalyst, organizing groups and mobilizing the community, enabling them to access the support services they needed to develop through self-reliance.

DBEDC has launched a Neighborhood Enterprise District sponsored by the city. Local authorities coordinate public improvements and facilitate the reuse of vacant or underutilized parcels. To stabilize the area, the city has identified sites with commercial potential and offered land to attract new businesses. To regenerate the neighborhood it seeks to create jobs for area residents and is developing plans for a light industrial park. Most recently it has turned to "Working Capital" to obtain credit for its poorer constituency. Credit is now being extended to local business owners too small and too poor to meet the carrying charges on the minimum loan amount of \$5,000 offered at below market interest rates through an existing small business loan program. The strategy is that access to credit, group support, and the sharpening of business skills, will enable borrowers to grow and qualify for the city's Small Business Loan Fund, and ultimately for commercial financing. If successful, the program will be replicated at other locations and could become a model for other NGOs to emulate.

Conclusion

This presentation has documented the creativity and resourcefulness displayed by lower income families in their use of land and infrastructure to support their self-improvement strategies. The findings have important policy implications for the definition of public and private roles, the allocation of resources by specialized agencies and NGO's and the structuring of programs aimed at employment generation, poverty alleviation and improvement of the urban environment in under-serviced and marginal settlements.

Policy makers should assess the outputs of infrastructure, shelter and credit programs in terms of their effectiveness to support and enhance the productive capacity of the families they wish to serve. Programs, acting as catalysts for the mobilization of private resources, can promote housing production, stimulate economic activity, generate

jobs and enable households to significantly increase their incomes. In the process, the expenditure of public funds can achieve impressive leverage ratios and help build up local capabilities and revenues.

In formulating shelter programs, policy makers should recognize that lower income families view housing as shelter, commodity and investment all in one: a secure dwelling, an asset which appreciates in value and a generator of revenue. Housing provides the setting which affords them the flexibility to diversify their sources of income and the opportunity to start micro-activities with minimum inputs. Women, who often find their access to land ownership and credit obstructed by economic, legal and cultural impediments are particularly dependent on the use of housing for their productive activities.

Housing and micro-enterprise development are financed through collective household investment. Households map out their development strategies and continuously adapt them to changing economic conditions and family situations. They set priorities for expenditures and investments in accordance with current and future resources, existing and anticipated opportunities and real and perceived benefits. Successful programs seek to empower families enabling them to develop through self-reliance. Program structures should permit the diversification of uses and users which allows members of lower income households to coordinate and mutually reinforce each other's productive potential. This interdependence maximizes collective income generation. It also tends to consolidate family ties, particularly in extended and multi-generational settings, as well as enhance social cohesion within the community.

Joint ownership agreements and tenancy arrangements enable poorer families lacking sufficient funds of their own to access land and shelter or start income generating activities by pooling their respective resources. Urban improvement programs should provide development frameworks which can support an intensified use of land and buildings without undermining the livability and sustainability of the settlement. They should also provide institutional frameworks within which cooperation and partnership can occur to build up the self improvement potential of households below the 30th percentile. This approach would lead to higher returns on public investment through the timely accrual of anticipated benefits while minimizing displacement of lower income groups as land values appreciate over time.

Taking into account the way in which infrastructure and housing are used by lower income families, municipalities can enhance revenue by diversifying the

mechanisms through which the costs of urban services are recovered. Greater reliance on land and occupancy taxes, market and commercial taxes, utility rates and user fees would increase the effectiveness of cost recovery. Collection would be less cumbersome and more predictable as it would depend primarily on the performance of the selected instruments. From the family's perspective, payments would be more directly related to the benefits they derive from access to land, infrastructure and services.

Linking programs and projects to rationalize land delivery, finance infrastructure and provide credit to limited income families will enhance their productive capacity as well as improve their living conditions. The challenge lies in structuring the interface between public and private institutions, and building links between formal and informal activities to benefit individual families and contribute to the wider economy. Because of their focused objectives and outreach capacities, NGO's are ideally positioned to deliver services to lower income households, coordinate community initiatives and access public and private agencies that offer support and resources. Local agencies and NGO's working to alleviate problems of unemployment, poverty and degradation of the urban environment are finding it necessary to address simultaneously issues of access to housing, infrastructure and credit. The most successful programs are those that seek in one way or another to empower individuals, families, and groups and enable them to define and pursue their own self-improvement strategies. The elements and methods of a given program are shaped by the environment in which it is operating. We firmly believe that concepts underlying innovative programs have wider applicability. They can be transferred and creatively adapted to a different context. This challenging task is the focus of our current action research activities.

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◀ **Jakarta - The Kampung Improvement Program introduced infrastructure in unserviced areas at a minimum cost to the public sector and triggered remarkable transformations in the urban environment. (Photo by K.I.P., City of Jakarta).**



◀ **Jakarta - Upgraded living environments and improved public spaces enhance street life and enable small income generating activities to prosper. (Photo by Suha Ozkan, AKAA).**



◀ **Cairo** - Family worker tending a produce stall in a street market as a first step in the quest for self-improvement. (Photo by Tarek Sweilem, HGSD, UH&U).

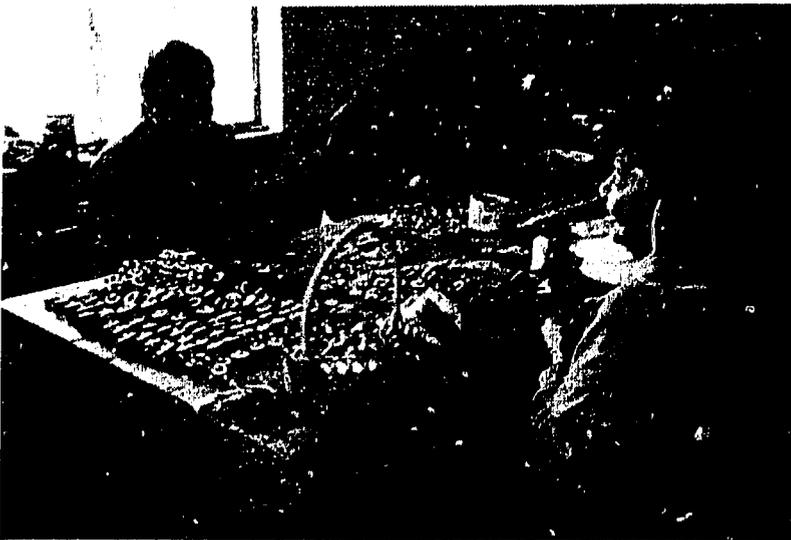
▼ (L) **Amman** - Widow supplementing her small pension by having a vending stall in the entrance hall of her house to sell candy, cigarettes, and non perishable goods. (Photo by John Driscoll, HGSD, UH&U).

▼ (R) **Mexico City** - Home based laundry operation which was progressively expanded and now provides renumarated employment for four family members. (Photo by Maria Luisa Fernandez, HGSD, UH&U).





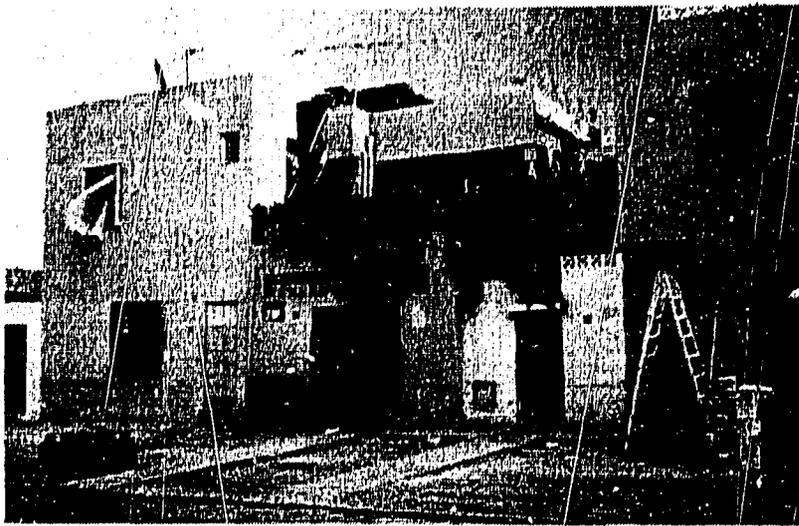
◀ **Caracas** - Female head of household supplementing her minimum wage earnings by working as a seamstress in a workspace created in her bedroom. (Photo by Maria Luisa Fernandez, HGSD, UH&U).



◀ **Quito** - Women lacking space in their homes use a workspace provided by the local church organization to make goods they can sell. (Photo by Maria Luisa Fernandez, HGSD, UH&U).



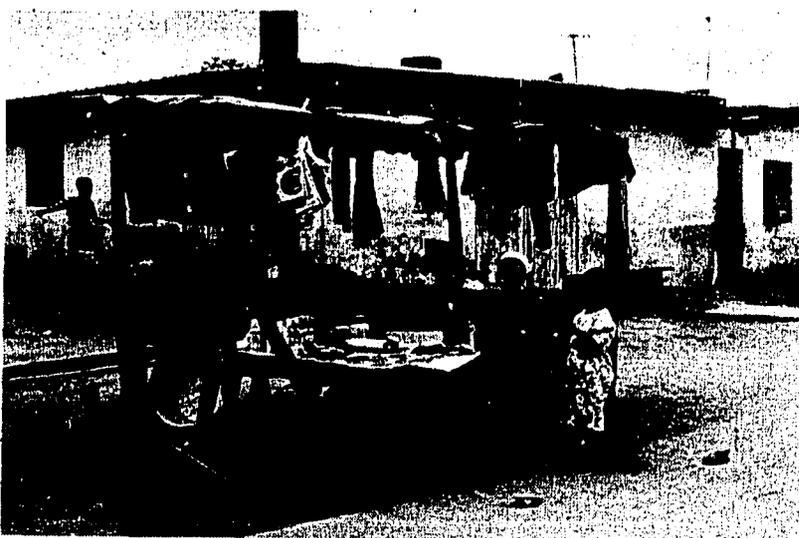
◀ **Caracas** - Three generation family with daughter working weekdays, and mother selling her handicrafts on a street market during weekends. (Photo by Maria Luisa Fernandez, HGSD, UH&U).



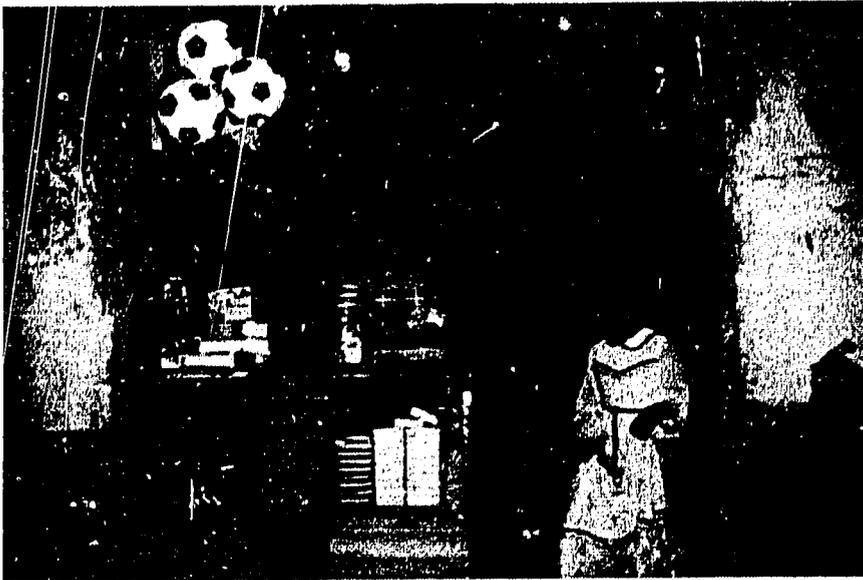
◀ **Tunis** - Conversion of residential ground floors to commercial use. (Photo by Mona Serageldin, HGSD, UH&U).



◀ **Abidjan** - Unauthorized extensions of housing units, encroaching on public right of way, to create micro-enterprises. (Photo by Samir Abdulac, HGSD, UH&U).



◀ **Abidjan** - A makeshift vending stall on the sidewalk is the sole source of income for a family hard hit by the recession. (Photo by Mona Serageldin, HGSD, UH&U).



◀ **Cairo** - Family shop on the street front of a small house tended by the family youngsters after school hours. (Photo by Mona Serageldin, HGSD, UH&U).

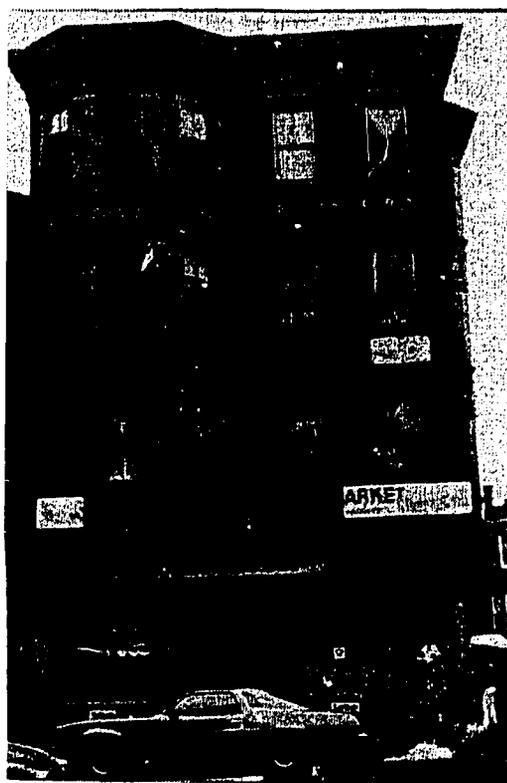


◀ **Kinshasa** - Children scavenging for discarded tin cans in the open drain for resale. (Photo by Isabelle Guetta, HGSD, UH&U).



◀ Cairo - Access to credit allowed a widow to expand the scale of her income generating activity from a small vending stall to a well stocked grocery store. (Photo by John Driscoll, HGSD, UH&U).

▼ Boston - The Dorchester Bay Economic Development Corporation works closely with the city to rehabilitate deteriorating buildings and provide loans to local businesses. (Photo by Robert Hauss, DBEDC).



APPENDIX:

Report of the *Shelter Forum* Seminar on "The Use of Land and Infrastructure in the Self-Improvement Strategies of Urban Lower Income Families". Nairobi, Kenya, May 6, 1993.

The Shelter Forum is an umbrella Kenyan non-governmental organization (NGO) whose membership includes representatives of policy makers, practitioners, NGO representatives and researchers. The Forum serves in a networking role, and meets regularly to discuss key issues of concern in the area of urban development. The Forum's goals are:

"To enhance access to affordable shelter by all, particularly the poorest, among whom the most vulnerable are women and children, through advocacy, extension and networking."

The Shelter Forum invited Dr. Mona Serageldin to present her paper "The Use of Land and Infrastructure in the Self-Improvement Strategies of Urban Lower-Income Families" to its members at a special meeting after the Habitat Commission conference. Participants received the presentation enthusiastically, and a discussion of the presentation's concerns followed.

The content of the seminar is presented in the preceding paper. This report summarizes the comments of the discussants who considered, in the context of Kenya, the issues raised by Dr. Serageldin. The meeting was attended by representatives of the Forum's member organizations as well as donor agencies (see List of Participants below.)

Mr. Elijah Agevi, coordinator of the Shelter Forum, opened the discussion by highlighting the issues in Dr. Serageldin's presentation most relevant to Kenya:

1. The net transfer of poverty from rural to urban areas.
2. The role of family solidarity and flexibility in cushioning the transition of new immigrants to urban areas.
3. The economic role of housing as central to and increasing in self-improvement approaches/strategies for lower income individuals.

4. Informal settlement upgrading without land regularization.
5. The role of vehicular access to micro-enterprise development.
6. The importance of community participation.
7. 'Break through' concepts and their transferability. Note the South-North transfer of Grameen experience.
8. The selling of land and/or housing being done as a last resort elsewhere – what is the Kenyan scenario in this respect? Surely people, including those of lower income, are known to sell their urban residential plots to buy agricultural land in their 'home' districts or on the fringes of urban centers; to marry or invest in other ventures.
9. The need to balance location, space and availability of infrastructure.

Discussants

Dr. C.M. Kiamba, Department of Land Development, Faculty of Architecture, Design and Development, University of Nairobi.

Dr. Kiamba began by stressing that family dynamics in Kenya are complex and key to understanding the process of urbanization. He identified certain linkages that in a Kenya context were important to the process by which urban families use infrastructure and housing in their development. They include:

- Linkages between neighborhood and social networks. For example, elected village committees exist in Kenya that often serve as intermediaries between community based organizations (CBOs) and NGOs and municipal government.
- The links between the urban economy and physical infrastructure and the widespread lack of security of land tenure among urban households. Dr. Kiamba suggested that lack of tenure not only impedes the development of micro-enterprises but is also reinforced by the persistent efforts of the Nairobi City Council to remove informal sector businesses from unauthorized zones.

Dr. Kiamba underscored the importance of the linkages between land, infrastructure and credit as integral components of creative programs aimed at tackling and resolving housing problems.

Mr. Edward McAgengo, municipal engineer, Eldoret Municipal Council.

Focusing attention on the role of infrastructure in the self-improvement strategies of individuals, Mr. McAgengo stressed that municipalities tend to address the provision of water primarily as a basic need associated with the health of the population. Dr. Serageldin's presentation highlighted an additional way of assessing water, as a productive input into economic activities as well as a source of income generation for some, i.e. water vendors and landlords who sell access to the utilities at prices above cost.

Mr. McAgengo confirmed that good road infrastructure in Eldoret has led to the development of small and informal sector activities. However, he also noted that for local authorities such those in Eldoret, the encouragement of such growth is constrained by a lack of management capacity with respect to financing and cost recovery, both vital for the maintenance of such infrastructure.

In Eldoret, area development committees have been a mechanism for involving the private sector and the beneficiaries in the process of economic development. However, the experience of Eldoret has shown that more attention might be given to raising private sector participation in infrastructure development and maintenance. He observed that:

1. Since much urban and housing development is undertaken by families and their members, there needs to be greater municipal support for this process.
2. Mobilizing community resources tends to be more complicated in the city than in rural areas.
3. Municipalities need to decentralize more to enable communities to take responsibility for their own development.

This also raises the central question of who should have responsibility for the control and management of infrastructure, the municipality or the community.

Ms. Diana Lee-Smith, Mazingira Institute and editor of SINA News Magazine

Ms. Lee-Smith welcomed the presentation for having clearly articulated gender issues. In pointing out that the family is the basic unit of society in Kenya as well as a basic source of energy for development, Ms. Lee-Smith also stressed that the family is also a source of conflict, some of which finds its origins in gender issues. For example, in Kenya urban and rural land issues are a contentious arena. Strong customary rights preclude women from inheriting land even where they have usufruct rights. Traditionally women are not granted hearings in the rural land allocation committees chaired by men. The result is that women, wishing to acquire land, are forced to look for land in urban centers. This factor contributes to the large numbers of women living in towns.

Ms. Lee-Smith stated that for women in Kenya another very important barrier to accessing resources are the constraints confronting women in gaining access to credit. All these factors lead to the exclusion of women from participating in development projects and determine how families use land and housing in their own development.

Ms. Lee-Smith elaborated on the gender bias that exists in Kenya by addressing a comment made by Mr. McAgengo. He had pointed out in his discussion that road reserves are used mainly for informal sector trade. Ms. Lee-Smith commented that he failed to discuss the fact that the roads are also used for urban agriculture, of which women are the primary developers. Urban agriculture, she feels, is another example of a gender-related aspect of urban infrastructure provision which has been neglected. Moreover, urban agricultural producers are more often harassed than supported by government officials.

Finally, Ms. Lee-Smith outlined the following as the priorities of Kenya women:

- Fuel for urban households. Eighty percent of urban Kenyan households cook with woodfuels, but the supply and distribution system, and the domestic infrastructure which uses wood fuel, is not planned or allowed for in any way
- Food for urban households. Almost two-thirds of urban Kenyans live partly off subsistence food and about one third grow it in the towns where they live.
- Zoning and location of the work-place for women. A gender related aspect of infrastructure provision involves integrating neighborhoods for work and living. At present in Kenya zoning and other by-laws restrict people's rights to carry out small scale economic activities in the home. This causes particular hardship for women.

Ms. Lee-Smith suggested that if women were allowed to work near their homes, there would be fewer "street children" in the towns and cities.

Plenary Discussion

There was support for the need to look at programs in the context of the family and community, and to recognize the family as a factor determining an individual's quality of life. One participant pointed out that the Undugu Society, a Kenyan intermediary NGO, was taking an integrated approach, akin to the one being suggested at the meeting, by using the family system as an entry point into many of its projects. It was also noted that the cultural/national context needs to be taken into greater consideration by donors when designing programs. For example, a drawback to urban housing development is the traditional urban-rural linkages which find the typical African urban dweller having to move to a home in the rural area for retirement.

A note of caution was sounded against over-emphasizing the importance of micro-enterprises in enhancing family status. The likelihood of such enterprises growing or taking root at all was questioned in light of the evidence of the lack of family bonds, particularly among the elite in Kenya. However, another speaker noted that for women's groups access to credit, particularly for income generation, is an important source of development capital.

Given the problems of land tenure and lack of security and ownership of property faced by women, one participant suggested that an integral approach would benefit these issues, looking at the family context as well as the position of the individual women and men. In a related context, the question was posed: for whom should security of tenure be sought? The speaker pointed out that in regularizing land it is important to differentiate between renters and owners. Their different needs prescribe different solutions. In Kenya, regularizing land tenure usually leads to solution where renters are forced to move with the result that current urban development programs are pushing the urban poor further away from the city, leaving them refugees in their own countries.

One participant observed that women have been responsible for the development of settlements in Nairobi. They have enabled the development of land and the consolidation of neighborhoods. This reflects their determination to hold onto land as a family asset, even when they don't have title. However, many times they lose even this de facto control when illegal transfers take place.

Reservations were expressed about working with community associations and other local groups such as women's groups, due to the possible 'capture' of these groups by those with selfish ambitions and/or political aspirations. Another issue raised was the difficulty of working with CBO's once donor support was withdrawn. Local experience and examples from South Africa have suggested that cooperatives or CBOs tend only to be viable over the first 14-60 months, after which internal tensions set in and these institutions are apt to fall apart. To counter this, more attention needs to be given to understanding neighborhood dynamics. Since groups from the same towns often congregate within the city spatially, building on the strengths of these groups was seen as a viable strategy.

Representatives from the Nairobi City Council agreed that a lack of understanding of the urbanization process within the city was the major obstacle in tackling urban problems. Similarly the absence of strategies that promote co-existence of informal and formal economies was observed as another constraint. One participant observed that Dr. Serageldin's presentation had ignored the impact of many of the social problems that are found in urban centers like drug peddling, illicit brewing of beer, prostitution, and health problems.

The role of local authorities was highlighted in terms of the need for improved training and capacity-building programs to enable local governments to implement infrastructure and housing development projects. Issues of planning standards and their effect on infrastructure development were also raised.

Several participants suggested the achievement of sustainability in the 90s does not necessarily call for big money. Indeed, one participant pointed out that large-scale donor interventions in lower income housing have been criticized in that they rarely benefit the intended target groups. What is needed is an integrated approach that moves forward incremental. Sustainability can be attained by building upon the strengths of communities.

List of Participants

- | | |
|-----------------------|--|
| Mr. Elijah Agevi | - Coordinator, Shelter Forum |
| Mr. Justus Amaya | - Senior Planning Officer, Ministry of Local Government |
| Mr. Emmanuel Anyetei | - Housing Dev. Dept., Nairobi City Council (NCC) |
| Ms. Ellen Bassett | - Urban Planner, GTZ Small Towns Development Project |
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| Dr. Monique Cohen | - USAID, Washington, D.C. |
| Mr. P.K. Gathuri | - Coordinator, Undugu Society |
| Ms. M. Jobita | - Deputy Director (HDD), NCC |
| Ms. Terry Kantai | - Deputy Director, Netherlands, Development Organization |
| Ms. Catherine Kariuki | - Lecturer, University of Nairobi |
| Mr. Philip Kariuki | - Director, Dept. of Urban Development |
| Dr. C.M. Kiamba | - Senior Lecturer, University of Nairobi |
| Mr. Peter Kibinda | - Principal Planning Officer, NCC |
| Mr. Robert Kilonzo | - Coordinator, NCKK |
| Mr. H. Kinyanjui | - Director, PCEA Eastleigh Comm. Centre |
| Ms. Diane Lee-Smith | - Editor, SINA News, Mazingira Institute |
| Mr. Charles Malenya | - Ag. Director, Housing Development Dept, NCC |
| Mrs. Lucy Masua | - Senior, Parliamentary Counsel, Office of the Attorney-General |
| Ms. Mumbi Mathangani | - Advocate/Counsel, International Federation of Women Lawyers (FIDA) |
| Mr. John P. Mbogua | - Chairman, Josem Trust Co. |
| Mr. John N. Mburu | - Project Officer, Action-Aid/Kenya |
| Mr. E.C. McAgengo | - Municipal Engineer, Eldoret Municipal Council |
| Mr. Thomas Miller | - Program Officer, Ford Foundation |
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| Mr. R.G.M. Mutiso | - Managing Partner, Tectura International, Consulting Architects |
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