



# Access to Basic Infrastructure by the Urban Poor

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## Summary

On February 4, 1990, 38 people from around the world met at Harpers Ferry, West Virginia, to discuss how the urban poor in developing countries can gain better access to basic infrastructure services. The objectives of the four-day workshop were to exchange information and views and to lay the groundwork for subsequent regional seminars on the topic. The workshop was launched by the Economic Development Institute (EDI) of the World Bank, and was sponsored by the EDI, the International Development Research Center (IDRC) of Canada, and the Thailand office of the U.S. Agency for International Development (USAID). In an attempt to afford an additional impetus to halting the growth of poverty around the world, the workshop focused on urban poverty and the potential contribution that basic infrastructure services can make toward alleviating it.

The ultimate aim of the workshop extended beyond identifying and discussing the specific issues and toward acting as a supporting voice for disadvantaged groups in society. The workshop's goals and its emphasis on the basic economic rights of all citizens are in harmony with the recent emergence of collective action for economic progress at the grassroots level and with trends at the local, national, and international levels toward extending professional and financial assistance to support the poorest groups of the population.

This report summarizes the main issues presented at the workshop, incorporating up-to-date information on the issues whenever it seemed necessary to complement the discussions. The six chapters follow the structure adopted during the workshop: background information, existing approaches and inhibiting factors, financial issues, the role of nongovernmental organizations (NGOs), the role of government, and the relationship between NGOs and government. Since many issues span several headings, this structure did not attempt a facile compartmentalization of topics; issues under one heading had implications for issues discussed elsewhere. The structure therefore was simply a way of directing the workshop discussions.

Reducing poverty is the fundamental objective of economic development. The World Bank's *World Development Report 1990* estimated that in 1985 approximately one billion individuals, or about 33 percent of the population in developing countries, lived in absolute poverty. Of these, 630 million, or 18 percent, were deemed extremely poor in that they could not afford a consumption bundle of \$275 per year. Although the majority of the poor still live in rural areas,

the dramatic pace of urbanization in most developing countries is generating rapid increases in the numbers of urban poor. Among the many policies for alleviating the conditions of this segment of the population, basic infrastructure services are a major alternative for generating income, improving living conditions, and providing the poor with the same economic opportunities as those of the rest of the population.

Essentially, three actors are directly involved in developing initiatives to alleviate poverty: governments, NGOs, and multilateral or bilateral organizations. (Although the private sector is also a major actor, its contribution to poverty alleviation initiatives was not specifically addressed during the workshop.) Governments can alleviate the worst aspects of poverty by directing public expenditure to the most vulnerable groups and by creating an environment within which the initiatives of the other actors can develop and flourish. NGOs can help by mobilizing resources outside the state budget and by supporting the governments' programs along with their own. NGOs are thought to have the advantages of being close to the target populations and able to respond flexibly to needs as they arise. The multilateral organizations can foster public expenditures on social programs and reallocation of subsidies, support projects specifically focused on poverty alleviation, and design

adjustment–lending operations that include agreements on critical fiscal measures that support initiatives to alleviate poverty.

The workshop participants stressed that alleviating poverty must be a major policy issue and must be solidly incorporated into governments' agendas, as the percentage of poor has not significantly diminished despite governmental and donor agency efforts (particularly during the 1970s). The fast growth of urbanization in most developing countries indicates that urban poverty will probably increase in the years ahead. Corrective strategies must be designed and implemented to prevent poverty from increasing to insurmountable levels. Participants deemed the provision of urban services a very important component of those strategies.

The workshop discussions illustrated that there is no unique or single (replicable) solution to poverty. Adequate interventions vary among countries, depending on factors such as the level of development of the NGO sector, the strength of government institutions, and the country's macroeconomic structure.

At the macro level, most participants agreed that overall economic development is necessary to establish long–term poverty alleviation measures but should not be embraced at the expense of equity. Some participants believed that the issue of poverty must be rethought and the planning of urban areas radically changed before any wide–ranging interventions can be effectively implemented. Most, however, advocated an approach that attempts to improve the condition of the poor through policy adjustments within existing structures.

At the micro level, several major approaches were highlighted during the workshop, including decreasing the waste and misuse of resources and the costs of

delivering urban services, changing the ways institutions are set up to develop and deliver services, fostering community participation, and adequately considering the implementation of appropriate technologies. The participants underscored factors inhibiting effective, efficient, and equitable implementation of particular policies geared toward alleviating poverty, including legal and institutional constraints, the inability of the poor to get credit, the lack of consideration of gender issues, the need to address environmental issues, and the lack of up–to–date and reliable data.

Participants emphasized that cost recovery mechanisms for infrastructure services were necessary to achieve sustainable interventions. However, because the poor cannot afford even the minimum level of charges, the participants generally advocated alternatives such as projects that incorporate targeted cross–subsidization, innovative program designs, or income–generating activities. It was agreed that while subsidies are not harmful in themselves, beneficiaries must be identified. Unfortunately, this is always a consuming activity in terms of time and people and, unless the poor are identified and actually given the subsidies, people other than the poor often end up benefiting. The ideal ways to recover costs included finding sustainable and replicable actions and decentralizing interventions by tapping resources from a range of institutions, organizations, and communities. The participants underscored the role of community participation in achieving sustainable interventions. In fact, consensus prevailed regarding the need for affected populations to participate in the design and perhaps management of the policies or programs to ensure their success.

The role of the NGO sector was acknowledged as crucial and particularly significant following the economic crisis of the 1980s. Participants highlighted that NGOs present several advantages; for example, they are in a better position than governments and multilateral organizations to identify community needs and priorities, and they can be more innovative and more willing to adopt nonconventional and appropriate technologies. The limitations of NGOs included the following: the scale of their interventions are small (a characteristic that may also be considered a strength); competition for funds is high among NGOs (and between NGOs and the government), thereby creating a tense and often inefficient environment; and NGOs' need for survival often requires them to work with the government, thus endangering their valued independence.

There was consensus among participants that governments play a major role in issues of poverty because they are in charge of defining policies and establishing regulations. Political, bureaucratic, and institutional obstacles were cited as factors that prevent governments from achieving better results. Nevertheless, participants saw their role as fundamental in supporting large-scale interventions, in channeling large amounts of resources for poverty alleviation strategies and programs, and in dealing with land management and environmental issues. Participants generally agreed that government intervention must be redirected toward achieving greater equity and complementing NGO actions.

Participants felt that distrust and conflicts concerning approaches and interests have created, in many instances, a situation in which NGO activities simply coexist with those of government and, in general, coordination between the two sectors is sadly lacking. Under these conditions, it is not surprising that the potential for strengthening the poor has not fully emerged in many countries. Participants acknowledged the need for both governments and NGOs to recognize each other's contributions. Governments can collaborate with other institutions outside their realm and, without becoming disengaged, help and encourage with appropriate incentives the actions of those institutions. NGOs can put distrust aside and integrate their actions into those of the governments.

The workshop participants agreed that by coordinating and integrating actions to avoid duplication, the problems of poverty can be solved in a more effective, efficient, and convincing way. Strategies and actions should be developed and assessed in terms of how they can be sustained and replicated. Additional evaluation on experiences can be solidly incorporated into current and future programs for alleviating poverty.

## 1— Introduction

This report documents the discussions during a workshop held in Harpers Ferry, West Virginia, February 4 through 8, 1990. The participants discussed urban poverty issues in the developing countries of Latin America, Africa, and Asia, particularly issues related to the urban poor's access to basic infrastructure services. Basic infrastructure services are services that allow the urban poor to live under conditions that facilitate their income-generating activities so they can maintain a good nutritional level and participate in the normal activities of society. Services include housing, transportation, water, sanitation, solid waste disposal, and energy for cooking and lighting. These services can have far-reaching effects in other social services, for example, water and sanitation can affect health, thus affecting health services. They can also be an important component in developing employment-generating strategies and reducing costs to poor communities. For example, piped water may be cheaper than water provided by private vendors; transportation services can reduce travel costs to employment-generating areas; appropriate technologies can reduce costs by using local materials and requiring less maintenance.

The 17 participants included representatives of nongovernmental organizations (NGOs) and policymakers from the governments of countries in Latin American, Africa, and Asia. In addition, 21 representatives from the sponsoring organizations, the World Bank's Policy, Research, and External Affairs divisions, the United Nations Development Program, and the Asian Development Bank attended as observers and resource persons. A list of participants, resource persons, and observers begins on page 78.

The workshop was part of an initiative launched by the Economic Development Institute (EDI) of the World Bank, and sponsored by EDI, the International Development Research Center (IDRC) of Canada, and the Thailand office of the U.S. Agency for International Development (USAID). In addition to discussing ways to improve the conditions of the poor in urban areas through the provision of basic infrastructure services, the workshop also laid the groundwork for follow-up regional senior policy seminars in Latin America, Africa, and

Asia. While workshop participants did not attempt to conclude with formal policy recommendations, they did develop general areas of consensus.

The workshop was structured around the presentation and discussion of three papers dealing with poverty and infrastructure services in Latin America, Africa, and Asia. The papers were prepared prior to the workshop and summarized during

the morning of the first day. They were later updated on the basis of comments and discussions during the workshop. The papers cite specific successes and failures and refer to current research by experts in the field.<sup>1</sup>

### **The Focus of Workshop Discussions**

The urban poor's access to basic infrastructure services is a prominent issue in current poverty-alleviation strategies in developing countries. As urban poverty has grown, renewed attention needs to be directed toward improving the conditions of the urban poor. After participants discussed the current approaches and mechanisms for improving access to services, four particularly important, related concerns became the focus of the workshop discussions:

*Financial issues* . Given the stringent financial conditions of the public sector in many developing countries, how can the size of the financial and human resources dedicated to poverty initiatives be enlarged? How can those resources be more effectively and efficiently used and channeled to reach the poorest of the poor? How can the resources be structured to bolster sustainable and replicable interventions?

*The role of NGOs* . The strong emergence of NGOs has made them important in other ways besides initiating relief. But what are the NGOs' advantages and limitations and how do they compare to those of governments? How can NGOs' interventions become more effective; that is, how can their interventions affect more people? (The actual or potential contribution of the private sector in alleviating urban poverty was not specifically discussed or addressed during the workshop.)

*The role of governments* . The growth in poverty seems to suggest that governments have been neither willing nor able to meet the needs of the poor. Governments, however, have very important roles to play as regulators and facilitators of the activities of other agencies and organizations in addition to providing direct interventions to alleviate poverty. Therefore, what are the governments' strengths and weaknesses and how do they compare to those of NGOs? What elements of governments' strategies create an environment that facilitates the initiatives of NGOs?

1. The papers are available from their authors. Professor Yue-man Yeung, "Access of the Poor to Basic Infrastructure Services in Urban Areas in Asia: From Past Experience to the Way Forward," Hong Kong Institute of Asian-Pacific Studies, the Chinese University of Hong Kong, Shatin, N.T., Hong Kong (Fax: 852-603-7774); Diana Lee Smith and Dr. Paul Syagga, "Access by the Urban Poor to Basic Infrastructure Services: Africa Region Paper," Mazingira Institute, P.O. Box 14550, Nairobi, Kenya (Fax: 254-2-335-438); and Diego Carrión, Mario Vásconez, and Jorge García, "La Problemática del Acceso de los Servicios Urbanos para los Sectores Populares en América Latina: Desafíos e Ideales para los Sectores Populares en América Latina: Desafíos e Ideales en la Búsqueda de Soluciones." Centro de Investigaciones CIUDAD, Casilla Postal 83-11, La Gasca 326 y Carvajal, Quito, Ecuador (FAX: 593-2-402-362).

*The relationships between NGOs and governments* . In light of the strengths and limitations of both NGOs and governments, what aspects should be considered to combine their efforts to improve the abatement of poverty?

This report attempts to capture the essence of the workshop discussions and to emphasize the areas of consensus. Also included in this report are data from recent literature on the topic. Chapter 2 summarizes the approaches and inherent limiting factors prevalent in Latin America, Africa, and Asia. Chapters 3 through 6 cover the four issues just listed. Chapter 7 summarizes the major areas of concentration developed during the workshop.

The nonconfrontational environment of the workshop has been preserved in this report. Thus no individuals are identified with particular issues or arguments. However, the specific case studies mentioned during the workshop were commissioned to some of the participants and have been included as boxes to illustrate some of the issues with specific successful examples.

Though participants achieved consensus on most general issues, there were some differences in emphasis among the three regions and, less frequently, among individual countries. These differences originate in historical, economic, legal, and institutional conditions. In the consensus-seeking spirit of the workshop the regional differences were minimized rather than accentuated. However, they need to be kept in mind, particularly when considering how projects can be replicated from one region to another. In broad terms, the differences in emphasis among the three regions are described in the following paragraphs.

The participants from Africa emphasized the need for governments to facilitate the expansion of the informal sector, endorse the increased involvement by community-based organizations and NGOs,<sup>2</sup> and foster a new mix of infrastructure services that would focus on more affordable services (considering appropriate technologies and including services critical to poor households such as wood fuel and farmland). The representatives from African countries particularly stressed that a gender perspective, acknowledging women's needs and contributions, is essential in designing more effective poverty-alleviation strategies.

A more radical view came from the participants from Latin America. Participants emphasized that the nature of urban administration and development must be fundamentally altered to cope with growing poverty. They asserted that models of economic and social development should be made more equitable by encouraging greater participation, giving higher priority to the basic needs of the urban poor, and increasing the efforts to lower the waste of scarce economic and human resources that could be geared toward the reduction of urban poverty.

The Asian participants stressed the importance of community and NGO participation and emphasized an agenda that includes increasing the responsibilities

2. The relevance of this opinion differs between West and East Africa; NGOs take a stronger role in East African countries.

of local and state governments, developing various regional initiatives, and improving the collaboration between international organizations and NGOs and with the governments to broaden the range of activities that support the reduction of urban poverty.

### **Background**

During the 1980s the focus on poverty that had prevailed from the end of the 1960s through the beginning of the 1970s had been abandoned. While this happened for several reasons, the deteriorating macroeconomic performance of developing countries played a major role, as governments moved away from social programs and centered on the mounting macroeconomic problems. The change in focus was not a consequence of diminished poverty nor to encouraging improvements in poverty-related issues. Poverty continued to grow unabated. The World Bank's World Development Report 1990 (June 1990) estimated that the number of poor in developing countries surpassed one billion in 1985; this is about one-third of the population of those countries. More than half of that billion-plus are deemed extremely poor, which means they cannot afford a level of consumption of

US\$275 a year (in 1985 purchasing power parity dollars) (World Bank, June 1990, page 27). Two-thirds of the poor live in rural areas, while the remaining one-third live in cities (World Bank 1989).

### The Urban Dimension of Poverty

Urbanization trends have shown a relentless, albeit easing, increase in the population growth of cities. In the next decade, estimates indicate that the number of people living in urban areas of the poorest nations will increase by one-half billion, thus accounting for nearly three-fifths of the total population in developing countries (World Bank 1989). Table 1 shows urbanization rates in developing regions in 1988 and estimates for the year 2000. By 2000, developing countries will have twice as many people living in cities as developed countries will (World Resources 1988, page 36). The African region by and large will exhibit the largest increase in the decade ahead, while urban growth will slow down in the Latin American region (the growth between 1970 and 1985 oscillated around an average of 3.7 percent per annum (United Nations 1987, table A.3)).

Some analyses suggest that percentage increases are slowing down in the largest metropolitan areas but accelerating in medium-sized and small cities. Thus, some countries are experiencing a rearrangement in the spatial distribution of the population with rapid growth in mid-sized and small cities, comparatively reduced growth in large metropolitan areas, and a spread toward regions, such as frontier

areas, that were sparsely settled one or two generations ago.<sup>3</sup> Moreover, urban settlements are growing more as a result of natural increase than as a consequence of migration from rural areas. This is the case in more and more Asian countries. Rural to urban migration contributes less than 35 percent of urban population growth in Thailand, the Philippines, Malaysia, Pakistan, India, and Indonesia. In Pakistan in particular, urban migration accounted for only about 22 percent of the population growth in urban areas in the late 1970s (World Resources 1988, page 39).

**Table 1.** Urbanization Trends (1988-2000)

<i>Region</i>	<i>Urban population (million, 1988)</i>	<i>Change (thousands)</i>	<i>Growth rate (%)</i>	<i>Urban population (millions, 2000)</i>
Africa	133.2	117.4	5.4	250.6
Asia	591.9	285.7	3.3	877.6
Europe, the Middle East, and North Africa	175.2	70.0	2.8	245.2
Latin America and the Caribbean	291.6	113.0	2.8	404.6
Total	1,191.9	586.1	3.4	1,778.0

Note: The regions correspond to the geographical coverage established by the World Bank.

Source: World Bank 1989, table A.1.

## Access to Basic Infrastructure by the Urban Poor

The general consensus of the workshop participants was that poor people will continue to move into urban areas as agriculture becomes more capital intensive and more productive. Table 2 shows the extent of urban poverty as a percentage of the total urban population in the various regions of the world in 1988. The percentage is largest in Africa where increases in urbanization are also higher, and lowest in Asia where the rural population is proportionately larger. The introductory sections

3. Hardoy (1989, page 5) relates the experience in Latin America. See also World Resources (1988, pages 3739).

of each of the regional papers presented at the workshop extensively illustrated the conditions of urban areas and the major problems affecting their low-income dwellers.

These statistics underscore the growing relevance of the urban dimension of poverty. The statistics do not imply that urbanization increases poverty; rather they illustrate that the number of poor people in urban areas will grow in the foreseeable future. Although overall the numbers of rural poor will remain larger than the numbers of urban poor, changes are taking place. For example, in Latin America where urbanization rates are typically high, the absolute number of poor people in urban areas has surpassed the number of poor people in rural areas. Although some estimates indicate that by the end of the century the share of urban population living in poverty is expected to decline slightly from 28 percent to 24 percent because of economic development and lower urban growth rates, their absolute numbers are estimated to rise by nearly one-third from the current estimate of 329 million to 425 million (World Bank 1989, page 22). These estimates, however, assume growths in income per capita similar to those that took place between 1965 and 1986. A more pessimistic assumption could show substantially higher numbers.

**Table 2.** Urban Poverty Estimates (1988)

<i>Region</i>	<i>Urban poor estimates (millions, 1988)</i>	<i>Urban poor estimates as percent of urban population (%, 1988)</i>
Africa	55.5	42
Asia	136.5	23
Europe, the Middle East, and North Africa	59.5	34
Latin America and the Caribbean	77.3	27
Total	328.8	28

Note: The regions correspond to the geographical coverage established by the World Bank.

Source: World Bank 1989, table A.3.

### **The Socioeconomic Context**

Participants perceived that recent changes in the world economic order will affect how development is understood and how poverty is addressed. The move to a global economy will require additional efforts in developing

countries to become more efficient and aggressive in competing in that economy. Prospects for primary commodities, the traditional source of exports for many developing countries, have become very unfavorable. Agriculture, though still the major employer in many developing countries, contributes more than half the gross domestic product in relatively few countries—only seven in 1985 (World Resources 1988, page 41). Countries will tend to diversify into manufacturing, industrial, and service activities that depend heavily on the performance of urban areas.

The participants emphasized that the task of reducing poverty has become more difficult because of the stringent fiscal and financial conditions of most national and local governments in developing countries. Population growth has continued amid an economic crisis with declining gross domestic products (GDPs), hence leading to dramatic declines in GDPs per capita. For example, in Latin America GDP per capita decreased 6.6 percent between 1981 and 1988 after an increase of 3.0 percent during the 1970s (World Resources 1988, page 41). In Africa, average per capita income since 1980 is estimated to have fallen by one-fourth (Jolly 1988, page 163). On the bright side, some dynamic exporting countries in Asia, as a result of accelerated GDP growth and a decline in population growth, have shown increases in the rate of growth of GDP per capita in the 1980s.

Financial limitations have had other implications. As governments do not have as many resources as they would like to attend to the needs of all the people, they have tended to yield to groups with a higher political leverage, thus serving the wealthy and middle class, substantially leaving out the poor to fend for themselves in spite of the fact that they are the largest percentage of the population. Furthermore, as poor families often have several children, the impact of disregarding the poor hits the youngest sectors of the population harder. Several participants stressed the need to know more about the growing poverty among children, raise the (political) awareness about this problem, and implement proposals that emphasize more balanced ecological systems, such as open spaces, amenities, and schools, that particularly enhance children's living environments.

Another important aspect the participants underscored is the realization that many of the adult poor are women, who are more disadvantaged because they do not have the same recognition, training, and access to credit as men. This issue has important implications in terms of the way policies and programs are designed and particular actions are targeted. Similarly, concerns were raised about the deterioration of the environment and the need to initiate research to gain additional insights into the connection between environmental issues and poverty.

### **Issues and Trends**

The participants, highlighting several general issues at the initial sessions of the workshop, indicated that public infrastructure investment has been insufficient because the limited availability of financial resources has forced many governments to cut back expenditures in the social and basic infrastructure sectors. Reduction of resources has increased the rate of physical deterioration of the basic infrastructure, as maintenance funds have often been trimmed.

Participants also indicated that while decentralization policies have increasingly been set in place, a clearer focus on the important role that local governments and NGOs can play in poverty reduction is needed. Participants also mentioned that the poor in general, and vulnerable groups in particular, have been bearing the brunt of recent economic adjustment policies in many developing countries. In urban areas, the effect of these policies has probably been worse because of the lower real household incomes and lower standards of health and education services that have hit poor families hardest. Moreover, as mentioned before, because poor families typically have more children, such events have severely affected children, the most vulnerable of all groups.

Governments appear to becoming more aware of the fact that they have a limited ability to tackle the issue of poverty to its full scale. Nevertheless, their role remains fundamental (as is further discussed in chapter 5) to facilitate, foster, and combine the efforts of many individuals and institutions in and out of government, toward

substantially reducing poverty and human suffering and restoring the dignity of millions of individuals.

Amid the intricate background and the difficulties of the government to tackle the problem, the poor have also been creating ways to improve their condition and make up for what governments have not provided (for example, housing). They initially organized a myriad of loosely established grassroots organizations and have recently coalesced into more formal NGOs that perform certain functions needed by society but not satisfactorily performed by the governments. A participant indicated that in Buenos Aires, for example, the lack of housing is chronic and every year approximately 25,000 housing units are built without government intervention.

Participants stated that although the number of NGOs has grown considerably and their contributions in helping the poor cannot be denied, much remains to coordinate NGOs' actions and make them more efficient and effective. Furthermore, these organizations and the poor by themselves cannot achieve the level of action required to substantially reduce poverty. The fact that governments and international institutions remain key players in any attempt to eradicate poverty should never be overlooked by political changes, perceptions about the growth and role of NGOs, or the recent emphasis on private mechanisms to provide social and infrastructure services. In this respect, participants stated that national and

international NGOs have begun to provide their services to help communities or groups gain access to services that governments do not supply because of scarce resources, political weakness, or bureaucratic inefficiency.

## **2— Existing Approaches**

Poverty alleviation has been a major thrust behind efforts to develop countries for more than 30 years. For some time, interventions, including those from multilateral and bilateral donor agencies, tended to focus on project-specific approaches. Recently, there has been a shift toward policy-level actions with the belief that such actions to alleviate poverty would reach more people and better complement micro-project initiatives. Furthermore, as interested parties have tried to develop interventions that are sustainable, a number of current proposals aim at creating an enabling environment, including fiscal, regulatory, and institutional components, to complement and strengthen actions at the micro level. For example, in the 1980s the World Bank approach shifted its focus from piecemeal projects to broad policy issues. The projects now aim at improving underlying financial, economic, and institutional mechanisms for providing housing and urban services. The Bank's new agenda for the urban sector focuses on broad policy and institutional issues and aims at having an economywide impact (World Bank November 1990).

The three regional papers highlighted public policies in developing countries—including planning, programming, resource allocation, and financing—as being generally disjointed and lacking integration. They also showed how duplicated efforts, overlapping responsibilities, and inefficient competing interests among governments and NGOs often existed. The papers further documented other inhibiting factors, such as the legal framework, the poor's lack of access to credit, and the lack of consideration of women's contributions to development. These factors, which served as the basic framework for subsequent workshop discussions, are detailed in the following sections. They have been divided as they were during the workshop discussions between macro—and micro-level approaches.

### **Macro-Level Approaches and Government Priorities**

An initial discussion served to outline the general stance that should be taken toward sizably reducing urban poverty. Several participants, particularly those from Latin-America, suggested that poverty would continue to

grow unabated using prevailing means and approaches and poverty reduction may become insurmountable in the coming decades. They therefore proposed completely overhauling current patterns and rethinking both the poverty issue and urban

development. Advancing such a paradigm would require a series of preconditions for rethinking to take place and for poverty to be addressed on a scale commensurate with the needs. Two preconditions mentioned were democratization and grassroots empowerment.

Other participants were reluctant to establish a new paradigm and preferred to persist in improving the efficiency—that is, reduce the cost of reaching the poor—and the effectiveness—that is, fully achieve the intended goals and reach a large population—of current approaches and enabling the implementation of innovative approaches. The workshop focus coincided with the direction established by this group, though the paradigm concept came up frequently. A participant with a long political career further elaborated that political processes, while necessary, are not sufficient in alleviating poverty.

Participants generally agreed that to achieve a minimum and equitable level and quality of infrastructure services, a country must have the resources to provide them. They further agreed that to obtain those resources, the nation must maintain a high level of economic development; thus, poverty can be thought of as a structural problem, whereby the structure (and development) of the economy is the major constraint in reducing or eliminating poverty. In this respect, some participants posed the question of whether economic development may not only be a necessary step for accomplishing more ambitious goals in reducing poverty but a necessary first step. Nevertheless, there was consensus that economic development should not come at the expense of equity and social development.

Participants acknowledged the possible connection between investments in productive infrastructure services and poverty (in particular, urban infrastructure and urban poverty) and how those investments can lead to reductions in poverty. Economic growth, enhancement of human capital, and poverty reduction can solidly complement one another. Some participants cited the role that the construction of appropriate urban infrastructure services can have in fostering urban jobs. These services can serve to facilitate the investment activities of the poor and lead to development and growth. By spurring income-generating activities, those services can help establish cost recovery schemes that can finance investments in social and infrastructure services. However, there was consensus that these actions can be implemented only after governments acknowledge their positive effects and put them high on their political agendas.

Participants generally agreed that governments' political agendas have shifted from policies for reducing poverty primarily because of deteriorating macroeconomic performance (discussed in chapter 1) and because the poor have less power to let their voices be heard. Recent trends, however, appear encouraging as governments seem to have become aware of the implications of growing poverty, their limitations in dealing with poverty, the emergence of NGOs, and the possible advantages of collaborating with the NGOs. Participants further stated that international multilateral and bilateral agencies can also help put

the poverty issue back into the political agenda of governments in developing countries.

Some participants noted the growing awareness of urban poverty. They indicated that this has been reflected by the enhancement of the attractiveness of mid-sized and small cities through spatial distribution of investments and services and investments in infrastructure. Small and mid-sized cities are playing a growing role in increasing the proportion of the national population covered by infrastructure services. As cities increasingly have a larger share of economic activities than their share of national population and by contributing heavily to GNP and serving as markets for rural products and channels for the distribution of these products, the importance of

improving the quality of life in such cities can not only restore the dignity of large sectors of the population but simultaneously strengthen broader economic development.

Participants indicated that during periods of economic adjustment cuts in public expenditures have been common and have often adversely affected the poor, particularly in urban areas. These cuts may slow investment and have lasting adverse effects on productive infrastructures and the development of human resources; they reduce employment and deteriorate infrastructure services through budget constraints for maintenance, supplies, and the operation of public services. The urban poor are particularly vulnerable because these services can effectively reach them and provide a social safety net. To avoid these adverse conditions, across-the-board reductions should not be implemented; instead, policies aimed at allocating available resources to priority investments in the infrastructure and social sectors, and at financing operation and maintenance expenditures are preferable while simultaneously trying to increase the efficiency of existing programs.

During the 1980s, attempts to revitalize development were channeled through economic-adjustment strategies that included reducing public expenditures, increasing prices, and changing employment patterns. Such strategies, however, failed to identify and address their possible adverse effects on the poor and were therefore linked to the higher than expected severity of economic problems. The strategies created in many countries prolonged periods of economic stagnation and deteriorating social conditions for some groups, particularly the poorest groups in urban areas. In the aftermath, turbulent protests against economic adjustment strategies focused more attention on alleviating poverty. In light of this situation, the workshop participants felt that social and infrastructure services can provide a major means of compensating for the hardships that adjustment strategies have on the poor.

Subsidy programs were also discussed during the workshop. While a more indepth discussion of the advantages and limitations of subsidization is presented in chapter 3, for the moment it can be said that the participants felt that subsidies are an effective means of raising the income of the targeted group but present some hurdles; for example, because target groups may be hard to identify, subsidy

programs are bound to leak some benefits to unintended groups in the population. They indicated, however, that this may be necessary to gain a broader political acceptance, though it would likely reduce the efficiency of the subsidy.

Targeted projects (as distinguished from targeted subsidies) represent another attractive option for ameliorating the adverse effects of economic adjustment programs. Targeted projects are attractive because they are, or attempt to be, targeted to a narrow and unambiguously deserving group of beneficiaries, and they can be cost-effective. However, they often face limitations from weaknesses in design, insufficient political commitment, shortages of funding, institutional constraints, and poorly trained staff.

In some cases, targeted interventions have been assembled into multi-sector compensatory programs. One participant related the experience of Bolivia's Emergency Social Fund (ESF), which is detailed in Box 1. ESF was an innovative temporary institution designed to alleviate the adverse social impact of the government's stabilization and adjustment program. ESF provided emergency employment and investments in basic social and infrastructure services targeted to low-income populations and areas. ESF attempted to directly improve the standard of living and life expectancy of the poor by financing subsidized projects including social and economic infrastructure services such as urban improvements, water and sanitation, drainage and erosion control, housing, school construction, health construction, and restoration of the cultural patrimony. The major considerations in the design of ESF consisted of maximizing the flow of benefits to intended beneficiaries and keeping administrative costs under tight control.

**Box 1. Interorganizational Collaboration in Providing Social Infrastructure Services to Mitigate Economic Adjustment Impacts Bolivia's Emergency Social Fund**

*Adolfo Navarro*

Bolivia's Emergency Social Fund (ESF) is a good example of poverty-focused operations. It was established in November 1985 as a three-year program undertaken by the government of Bolivia to build public acceptance of economic adjustment measures and to act as a bridge until economic growth resumed. It also aimed at restructuring the health and education sectors by decentralizing responsibilities to local government and nongovernmental organizations and shifting priorities toward basic health care and primary schools. Because of its success, the ESF program has been extended under a different name.

ESF attempts to promote short-term and temporary employment, especially to those groups hit by economic adjustment measures, and to provide basic services to low-income families. The program consists of

small-scale employment and income-generating projects and social assistance activities. The target population includes the unemployed, particularly those affected by the collapse of the mining industry, and the rural poor, especially pregnant and lactating women and preschool children. For that purpose, ESF was designed to provide a fast disbursing mechanism for financing small projects. Eligible projects are water supply, sewerage, health posts, school facilities, school desks, school breakfasts, basic shelter, roads improvement and maintenance, irrigation, and erosion control. The projects can be prepared by local governments, regional development corporations, ministries, nongovernmental organizations, and community groups; thus the process of project generation has been largely demand driven. Any of these institutions can ask for financing support from the ESF. The ESF staff evaluates each project on the basis of priority programs, site visits, cost estimates, and expected benefits. The projects are carried out by contractors and supervised by qualified institutions or professionals.

Since ESF's mission was to operate swiftly, with effectiveness and transparency, ESF was implemented by a new and temporary institution that reported directly to the president of the republic. Several months after ESF was established, its executive staff considered that the participation of NGOs would be very important to accomplish ESF's goals, especially in health and education because of the government's limited effectiveness in these sectors. At that time NGOs were well respected by local people and were operated in remote parts of the country where the government had not been able to provide the required services. Initially, the NGOs were reluctant to work with ESF because they were afraid of losing the autonomy and strength of their initiatives. In a first attempt to work with a national organization that provided health services (FENASONGS), an agreement could not be reached. In spite of this setback, subsequent NGO projects were approved and showed very positive results. Later, ESF's credibility grew and the institution gained NGOs' acceptance.

ESF has worked with almost 200 NGOs, about 80 percent of which are local organizations. ESF has approved US\$180 million in projects and has generated over 600,000 man-months; about 30,000 people are working in ESF-financed projects. As of October 31, 1989, 747 projects were in the works and 1,243 had been completed. Water and sanitation projects are estimated to have directly benefited over 600,000 people, and the road program, which followed a labor-intensive approach, has been opened and is maintaining nearly 7,000

kilometers of rural access roads, helping to integrate small- and medium-sized towns into the national economy.

Because of the limited capacity of the central ministries to efficiently plan and implement social infrastructure projects and the need to not only preserve but also to increase ESF coverage by providing funds to a variety of agencies and organizations, especially NGOs, ESF executive staff in 1989 suggested the creation of the Social Investment Fund (SIF) to carry on the activities of the ESF, in the health and education sectors, in particular, beyond its termination date. ESF was extended to March 31, 1991, to permit a smooth transfer of its systems to SIF. For this

second phase, NGOs will play a very important role in reaching the poor communities from the outset. SIF will become a permanent development institution that will attempt to integrate sector policies and long-term resource planning toward alleviating rural and urban poverty in Bolivia.

There was consensus about the importance of these macro-level policy options. However, some participants strongly voiced the argument that to reduce poverty substantially and for political conditions to change more fundamentally, many social, cultural, and even personal relationships had to change. Such transformations would require challenging many of the prevalent economic and social assumptions and rethinking the way cities are structured and managed. Through this perspective, the actions of nongovernmental organizations and grassroots initiatives would help reinforce democratic and pluralistic politics and achieve some necessary transformations.

### **Micro-Level Approaches**

Micro-level approaches refer to actions at the project level. There is a wide range of them, reflecting differences in contexts and local conditions. Those discussed during the workshop are presented, in general terms, in the following paragraphs.

#### **Reducing Resource Waste**

Participants underscored the importance of decreasing the cost of delivering services to the poor, for example by making better use of unused or underused financial and human resources or achieving economies of scale through coordination. However, they acknowledged that actions in this direction are likely to take some time. Measures to raise additional domestic resources should also be pursued, such as increasing cost recovery in selected activities, implementing adequate cross-subsidy schemes, or enhancing particular tax revenues. These measures are presented at greater length in chapter 3. Participants also stressed the need to achieve a better balance between capital and operation and maintenance expenditures and to improve the quality and sustainability of infrastructure services. Protecting recurrent expenditures was also cited as an important component to prevent the deterioration of productive infrastructures. The participants from Latin America stressed the need to reduce the administrative waste and the large amounts of government physical resources, such as land, that are not used or are underused and could contribute to the implementation of a larger number of poverty reduction initiatives.

#### **The Institutional Organization**

Participants discussed how the design and performance of the institutions creating the programs were essential for improving the planning and implementation of particular actions. Several ways to improve organizations were discussed, but the primary concerns were whether a single agency or the coordination among several agencies worked better for creating and sustaining infrastructure services, and whether national or local organizations create more effective and equitable interventions. The idea of creating a new organization to help streamline and reduce administrative procedures brought out many viewpoints. A new agency can facilitate coordination across

government agencies, create jobs for technically competent and highly motivated people, and pay them higher salaries and expedite implementation of programs (as with Bolivia's ESF, box 1).<sup>4</sup> A key concern was that new institutions may be short-lived. It was also pointed out that while the integration or coordination of existing agencies has some advantages, such as using and possibly enhancing existing resources, the effort may be quite difficult due to bureaucratic policies and administrative inertia.

### **Community Participation**

Another option at the micro level strongly advocated by participants was community participation. Participants felt that encouraging participation enables the people to voice their demands so that projects reflect the actual needs of the groups they attempt to help, and encourages acceptance and collaboration at the local level. Participants cited that while active participation should be demand driven, the program may not truly be targeted toward poverty issues. Implementers need to be wary of this and correct for potential distortions from intended outcomes. Therefore, when implementing urban infrastructure projects, planners must keep track of how investments and services are benefiting the neediest groups and whether the most urgent needs are being addressed. Box 2 summarizes a successful experience in which the physical and social conditions of urban communities in Indonesia were improved by encouraging self-reliance in low-income communities, as the municipality provided materials for basic infrastructure, cross-subsidies, and institutional development.<sup>5</sup>

4. See, for example, the case of the Hyderabad Urban Community Development Project (Shah 1990).

5. Nevertheless, one must always bear in mind that community participation is not a unidimensional concept and its effectiveness, even in the areas where it is supposed to be very effective, should not always be taken for granted. Some successes at reaching the poor are based on top-down or outside-in approaches (Tendler 1982, pages 1147). In particular situations, success may be reached as a result of centralization by committed and powerful governments rather than decentralization to local communities where ruling elites may tend to neglect or exclude the local poor. In others, the necessity of specialized skills to provide an infrastructure service may not be compatible with a participatory process. Nonetheless, in every situation, the definition of participation may vary, as may vary the stage of the project or program

*(footnote continued on next page)*

### **Upgrading and Resettling**

Participants recounted how the urban poor live, emphasizing that the poor usually inhabit illegal and physically unsatisfactory settlements. Basic infrastructure services in such cases can be provided by upgrading housing; alternatively, a more suitable location can be found, and the dwellers can resettle. In the 1970s and early 1980s many projects designed to meet the basic needs of the urban poor consisted of either sites-and-services or slum upgrading. Sites-and-services projects lowered standards to the bare minimum by providing shelter that could be upgraded later and by encouraging self-reliance. Slum upgrading was an even lower cost approach in which infrastructure services in existing settlements were improved. Participants indicated that these efforts often had a marginal impact on the poor and that households participating in sites-and-services projects were more likely to belong to medium- rather than low-income groups. Participants also indicated that the implementation of sites-and-services projects depended on several factors such as the type of land tenure, the population's composition, the speed of urban growth, the land supply strategies, and the skills of the people in charge of the project. Also mentioned were the effects of standards and whether or not people were allowed to sublet or resell their units (as a way to raise revenues). On the basis of this perspective, participants acknowledged that it was difficult to target upgrading projects solely to the lowest income groups.

**Box 2. Community Participation for Urban Development: The Kampung Improvement Program in Indonesia**

*Khalid Shams*

Neighborhood communities organized through universities and NGOs have played an increasingly important role in urban development in Indonesia. Major cities, such as Surabaya, have evolved through gradual absorption of small rural communities, or "kampungs". These kampungs were self-sufficient villages with their own internal administration, social stratification, and traditions of community-based self-help (known as gotong royong). Quality of housing and other infrastructure services in the kampungs, however, deteriorated as urban population increased rapidly and the government's own resources became insufficient to fund large-scale urban housing and development projects for low-income groups.

The community-initiated Kampung Improvement Program (KIP) came to be known in Surabaya as the W.R. Supratman KIP. In the first

*(footnote continued from previous page)*

cycle—for example, planning, implementation, and so on—during which the participation is applied.

phase (196874), the municipality of Surabaya provided the materials for basic infrastructure construction (concrete slabs and gutters). This intervention revived the local people's awareness of their ability to take care of the physical and social conditions of their communities. During the next phase, starting in 1974, a fixed allocation was approved for KIP in the municipal budget, and the range of services covered by community based programs was further expanded. A major feature of this phase was the emergence of kampung development committees at the community level with the municipality providing technical assistance for improved design of the projects selected by the communities themselves. The technical assistance helped ensure that all projects conformed to specified municipal standards. On average, about half the project costs were covered by the communities, with built-in cross-subsidies provided on the basis of economic level of each community to adjust the burden.

The Surabaya KIP was considered so successful that it was later replicated at the national level in over 200 cities and towns throughout Indonesia. While multilateral donors also fund urban development programs in various parts of the country, community-based KIPs provide an alternative for approximately 40 percent of the communities that have a low priority in those donors' programs and that, without readily available financing mechanisms, would have to wait several years for the necessary improvements. The KIP has encouraged greater self-reliance in initiating development of urban services for low-income communities. In the case of Indonesia, it provides an example of the community's ability to mobilize valuable counterpart resources for housing and infrastructure.

Of particular significance in the KIP is the role of local universities and their technical staffs, providing technical assistance to the local communities in formulating plans and supervising their implementation. Universities in Indonesia have been officially designated to perform public service tasks, in addition to undertaking the more conventional teaching and research activities. In Surabaya, the university staff enjoyed the full confidence of the kampung-based

organizations, because of their objectivity, technical competence, and relative impartial character compared to government departments. The university in fact operated as an NGO, learning in the process how to deal with grassroots organizations and promote participatory development. It acquired over time the necessary experience and expertise in dealing with communities; this led to greater effectiveness in project planning and implementation.

A number of conclusions emerge from the KIP. First, the existence of traditional forms of community-based organizations ignored by the government, particularly during Indonesia's oil-boom years, is being increasingly considered important for managing rapid urban development. Second, while no systematic evaluation has been conducted of the costs and benefits of community participation in the urban context, this experience has shown positive results in terms of larger local resource generation, better project selection, greater efficiency in the use of resources, and improved project maintenance

and sustainability. Third, universities, comprising both students and faculty, have functioned as useful intermediaries between the community and the government agencies. They have provided valuable technical assistance and helped the community accept project-related decisions that were also acceptable to municipal authorities. Finally, community participation in urban development need not be confined only to pilot projects but can be enlarged and replicated on the basis of tested modalities for social as well as technical development, particularly for low-income groups.

Source: Silas (1990).

Many participants pointed out that people usually do not want to resettle, therefore upgrading is usually preferred. For resettlement schemes, however, participants highlighted that the type of resettlement needs specifying. For example, the participation of the affected groups, the conditions under which resettlement will take place, and the composition (in social, ethnic, and/or cultural terms) of groups of dwellers, among other things, affect the possibility of implementing a resettlement project and carrying it out successfully. If resettlement means eviction, it should be avoided, and if the group is socially and economically homogeneous, upgrading is always preferable.

### **Appropriate Technologies**

The interventions used to raise the standard of living in poor communities vary in scale. Some participants stressed that in attempting to reach large numbers of the poor, one must consider the efficiency and effectiveness tradeoffs between implementing a large number of small projects and implementing a small number of large projects. These tradeoffs are related to the use of technologies that are appropriate for both the physical and the sociocultural conditions of the particular living environment. The consideration of appropriate technologies often develops into other relevant outcomes of infrastructure investments, such as employment-generation activities and community participation.

There was consensus that appropriate technologies can help to achieve sustainable results. Furthermore, appropriate technologies usually require local participation (hence tapping community resources) and can generate substantial employment. In other words, appropriate technologies tend to require small amounts of outside input, such as using locally available construction materials, and make maximum use of resident labor. Here again, participants pointed out how women's participation and responsibilities in the activities and development of poor communities (as well as in their households) could also influence and affect the selection of appropriate technologies.

Box 3 depicts the case of pit latrine construction in the cities of Mozambique. By combining community participation, self-help upgrading of existing settlements, and the appropriate design of the latrines, the program

was successful in reaching a large number of urban poor, improving the sanitary conditions, and meeting some of the concerns of the affected communities.

### Inhibiting Factors

Participants agreed that the successful implementation of the macro– and micro–level approaches mentioned is never straightforward and fundamentally requires the political will to serve the poor. It also often requires overcoming a variety of inhibiting factors that prevent governments or any other institutions or individuals from achieving the expected results. The following paragraphs summarize some of the factors mentioned during the workshop.

A host of institutional and legal constraints are frequently present in developing countries, as obsolete institutional and legal regulations remain in effect because of administrative inertia. The regulations, ranging from national and local laws on women's and families' rights to land use and zoning, reinforce practices that do not allow flexibility in the poor's access to infrastructure services and the improvement of their environments. These constraints coupled with financial limitations tend to hinder more effective expansion and replication of urban infrastructure projects.

#### **Box 3.** Grassroots–Government Collaboration for Better Sanitation: Pit Latrine Construction in Mozambique

*Oscar Monteiro*

In 1976, amid intense enthusiasm during Mozambique's independence, the country undertook a major program to improve environmental health. The main component was sanitary education. The program was developed because of a strong belief that people's involvement was key in solving many micro–level problems. The government implemented an approach in which government representatives met with the people and discussed their needs and the possible ways of improving their living conditions. As most of the local inhabitants had no access to bath and toilet facilities, private or communal, sanitation soon emerged as one of the main problems. In urban and suburban areas, a problem that could swiftly provide positive results considering the limited investment that the country could afford.

The sanitation program became part of a broader, integrated attempt to urbanize suburban areas following an approach different from the ones used during the colonial times. Instead of removing the population, rebuilding the area, and then bringing back the inhabitants, it was possible to involve the local residents in charting the main and

secondary roads, the central square, and the installation of social amenities. Thus, the citizens, with the support of the government, removed and rebuilt their houses according to the established charts.

As part of the sanitation program, several technical studies carried out by the National Housing Directorate (later the National Physical Planning Institute) identified types of latrines that were durable and cost–effective. The program adopted technologies that would require minimum external input and maximum use of local labor and locally available building materials. The three types of latrines built took into account variations in the stability of the soil and the level of the water table. The structural frame of the latrines consisted in most cases of a circular slab of non–reinforced concrete, which was produced locally (although the

## Access to Basic Infrastructure by the Urban Poor

current local production of concrete has been drastically reduced through armed sabotages). The pit latrine was chosen rather than compost or bore-hole latrines because these technologies were considered inappropriate for large-scale implementation. The design of the latrines also took into account the fears expressed by children that they could fall into the hole. A wooden cover was designed to prevent flies from entering the pit.

In the beginning the latrine slabs were produced by a group of people from the neighborhood where they were going to be installed. As production increased, the group developed into a small cooperative. Self-sufficiency in covering operating costs became a goal for the cooperative. At first the cooperative attempted to build and sell complete latrines. Increasing demand led to a more sober approach whereby the walls were left as a concern for the users, and later the pits as well. Technical advice was provided throughout.

Public opinion was influenced in various ways, such as through community groups and, most effectively, through puppet theatre. The support for the program was overwhelming mainly because it responded to the needs of those concerned, was easy to implement, and provided a fair degree of citizen participation from the start.

The experience has shown that the process of organizing and producing urban services requires strong support from the government. Government institutions not only started the projects and supported their expansion—the project is now under way in nine cities, two small towns, and one rural community—but also helped cooperatives become autonomous and weather the critical moments, such as now when the Economic Recovery Program has increased the costs of production and reduced sales; the program, however, still is widely accepted. Government institutions also provided support through subsidies for initial investment and appropriate technical support (that is, government support has not created needs that cannot be satisfied). The programs also actively pursued the support of international donors and nongovernmental organizations.

Currently an intercooperative has been set up to coordinate the efforts of 13 cooperatives in Maputo and to help with the distribution of building materials such as cement—which is often hard to obtain in the local market—and with support and encouragement for ailing

cooperative members. The government allocates technical support through the intercooperative according to needs that arise. This is another successful complementary initiative between the government and organized citizen groups, as the simple technical support has been critical in allowing the efforts of the cooperatives to prosper.

The poor's lack of access to credit limits the people from initiating and contributing to some of the micro-level strategies (such as upgrading their dwellings or paying for some of the services). This issue affects income generation and cost recovery, hence affecting how sustainable particular infrastructure projects can be. Thus, improving their access to credit can enhance their access to urban services. In chapter 3, more in-depth analysis of this issue is presented.

Lack of adequate consideration of women inhibits the achievement of effective poverty-alleviation goals. In lower income countries, women form a growing part of the urban poor (Lipton 1988, page 18). The role of women in economic development and poverty reduction has only recently begun to be acknowledged. Box 4 presents the efforts of African women in building low-income shelters. To be effective, these acknowledgments must be accompanied by the consideration of the women's specific needs when designing social and infrastructure investments (for example, sites-and-services or upgrading projects).

Poor women tend to face restricted access to many social services and facilities. They also face cultural, social, legal, and economic barriers greater than those faced by poor men. Women typically work for lower wages when

they have access to outside employment, and often work longer hours because of their domestic duties. Specialization in women's economic activities, which have often stemmed from social customs and obligations, have precluded women from engaging in certain types of employment, thus keeping them from expanding into markets that can produce more assets and better access to credit. Such discrimination may contribute to both female poverty and the overall poverty of households. Some evidence indicates that directly raising women's incomes can be instrumental in reaching children as well as strengthening women's status and bargaining power within the household (World Bank June 1990, page 37). Participants acknowledged that women's particular needs are often overlooked. The lack of consideration of their needs and of the appropriate technologies that may meet those needs has reduced the effectiveness and the success of many projects and policies designed to alleviate poverty.

Environmental degradation is another inhibiting factor, as it is often the poor who suffer most from environmental degradation. The poor lack adequate sanitation and solid waste collection and disposal services. As a result they are often forced to resort to inappropriate means of waste disposal, sometimes using their drinking water resource for waste disposal, thereby suffering from waterborne diseases. In addition, when poor migrate to urban areas in an attempt to

minimize cash expenditures, they search for "free" goods from surrounding resources (for example, fuel wood for cooking), thus inadvertently degrading environmental resources.

Finally, particular interventions persistently lack data on who the poor are, where they live, and what their needs are. Thus, actions often are not well targeted and conclusions are often drawn with no convincing proof to back them up. For example, in the absence of data, many have determined that the poor are responsible for the environmental degradation of particular natural resources.<sup>6</sup> It seems that such misconceptions have been influenced by economic and institutional policies and not actually because of the poverty itself.

**Box 4. Women and Shelter in Africa**

*Diana Lee-Smith*

Women have provided shelter or been involved in building shelters in Africa for a long time. In Lesotho, women's participation in urban upgrading can be seen as the urban adaptation of traditional women's activities such as organizing funerals and child care, and handling emergencies. The Katlehong Women's Group acquired land for a day care center that is now in a shack previously used as a building materials store. The shack is also used as a consumer coop store whose members are both men and women. The Katlehong group is saving to build the permanent day care center.

In Lusaka, Zambia, it was found that because of their low incomes women benefitted more from squatter upgrading projects than from sites-and-services projects. The Housing Project Unit determined that women were more willing to spend on housing than men, but that less could qualify for loans because the criteria were based on average incomes and women tended to fall in the lowest income category. Women were found to be more responsive to arrears requests for housing loans and plot charges. However, it was difficult for women to travel the long distances required to make the payments, and the business hours conflicted with other demands on their time at work and in the household. Women showed better repayment rates than men on several low-income credit programs.

Also in Zambia, the experience with mixed male and female shelter groups was not good. Often women felt shy about standing up before

6. This perception has been based primarily on high population growth rates: poor people, in their search for food, would convert forests to farms, grow food on steep slopes, and degrade marginal farmland, impairing nature's regeneration capabilities. However, one must look beyond the immediate physical environment and try to establish a causality between the survival strategies pursued by the poor to generate income and secure food with public policies designed to provide basic services to the poor and natural resource utilization by poor communities taking into account spatial choices that are available for earning a living (Jagannathan 1989).

their male counterparts in group meetings. They also lacked construction skills and the men tended to think that construction was a man's job and therefore they took full responsibility in planning and designing the settlements.

In Zimbabwe, sites-and-services projects have benefitted more women since independence, but the proportion of female heads of households qualifying for those projects is still only about 2 to 7 percent compared to around 50 percent in other countries. The lowest qualifiable income is \$190 per month, while most women earn an average of \$100. While sites-and-services schemes with public sector credit enabled more women with Informal sector Income to qualify, the gain has been eroded because of the transition to private sector (building society) credit, where more rigorous proof of income is required. Older women are also being disqualified. Squatter upgrading has been Introduced in one location, and this is likely to benefit more low-income women.

In Kenya, community development workers in a sites-and-services area encouraged the poorest (who were mostly female heads of households) to form building groups. This enabled the poorest women to pool their savings and build, thus holding onto their plots. The local authority assisted with favorable credit terms, guided group constitution and management, and helped set up a welfare revolving fund to back up the official loans. Groups managed joint subletting of rooms to Increase group income. The idea of groups is being emulated in other projects by local authorities and the National Housing Corporation. Income-generating initiatives have been introduced to Increase group resources.

The experience in Kenya was based on earlier work by the National Council of Churches of Kenya, an NGO that assisted victims of a fire in a shanty town to organize, negotiate access to serviced land, and obtain loans for building materials to construct their own homes. The main beneficiaries were poor women. More recently, Undugu Society, another NGO, has assisted very poor shanty-town residents, mostly female heads of households, to negotiate the right to stay on the land they occupy and then improve their housing using traditional methods Instead of living in plastic "igloos." The next step is to improve water supply and sanitation services.

In Uganda, the Ministry of Housing and Urban Development is encouraging the formation of groups in the Manuwongo upgrading scheme. The ministry lends tools and equipment and plans to initiate income-generating projects for women.

In South Africa, the National Committee Against Removals (NCAR) was formed out of a coalition of local women's groups and other organizations to help in the struggle against forced evictions. Women joined together to oppose eviction in the Crossroad squatter settlement near Capetown In 1978, following mass evictions at Modderdam and Unibel. The women's committee used passive resistance, street theatre, and other techniques to win public support. After mass evictions from Nyanga In 1981, women returned and

occupied their sites with beds only (and hid the roof materials). Some won the right to stay, but relocations and evictions have continued. The authorities use vigilantes paid by the police

to loot and burn houses as a tactic to avoid their direct confrontation with the women. A network of organized street committees, women's groups, and other organizations is now established to oppose apartheid settlement policies countrywide.

### Conclusion

This section summarized workshop discussions on the major approaches (and the issues associated with them) to reduce poverty through basic infrastructure services in urban areas.<sup>7</sup> The discussion showed that not one but several levels for action exist. The need to raise the priority of urban poverty issues and to positively work toward overcoming the obstacles created by a variety of inhibiting factors was considered paramount. The workshop participants stressed the need to foster participatory as well as flexible approaches to overcome those obstacles. Overall, the approaches support the perception that the poor's condition can be improved through adjustments of policies within existing structures. A more radical perspective, advanced by some participants, would require a complete rethinking of urban processes and the way to manage and achieve them. Nevertheless, increasing the stock or productivity of the physical assets of the urban poor through infrastructure investments and the improvement of human capital, through education and training, income generation, and credit enhancement, were cited as effective means of reducing urban poverty, or at least preventing it from growing.

7. While there are, of course, a larger array of approaches (for example, market mechanisms), time and organizational limitations did not allow full coverage of them during the seminar.

### 3— Financial Issues

For many developing economies the 1980s brought the hardships of a bleak economy: large debt burdens, escalating inflation, difficulties introducing products to world markets, and high unemployment rates. These hardships have limited countries' financial resources and intensified the preponderance of political considerations in public decisionmaking processes. The limits on resources created by the economic crisis have straitjacketed efforts to reduce poverty on a large scale and, in particular, to finance the provision of basic urban services.

However small the resources may have turned out to be, workshop participants stressed that the adequate allocation of existing financial and human resources and the search for additional ones must be part of any strategy toward poverty alleviation. The participants indicated that part of the total resources devoted to the poor—provided by government and nongovernmental institution—has decreased in the last few years and remained far short of satisfying the needs of the poor. For example, one participant indicated that India's local governments have seen their resources decrease during the 1980s, from 11 percent to 6 percent of the total government budget. Thus, participants cited, the revenue bases of both central and local governments need to be enlarged, particularly the revenues targeted to social and infrastructure services for the poor. In addition, economic development is the obvious, albeit not straightforward and immediate, way to increase that base.

Participants, however, also stressed that increasing the size of the revenue base does not automatically translate into benefits to the poor. The distribution of that base must also be restructured internally. In this regard, participants stated, policymakers should be encouraged to restructure existing public expenditures so that a larger portion of public funds are allocated to poverty alleviation programs.

Workshop participants further stressed that funding by multilateral agencies to the urban sector has been very limited. One participant indicated that the funding devoted by multilateral agencies to the urban sector corresponds to no more than 6 percent of the needs of this sector. As the countries' resources to the poor have decreased, international donors must intensify their efforts to provide the financial resources to encourage governments and NGOs alike to strengthen their interventions toward improving the conditions of the neediest

sectors of the population. Moreover, some participants noted, within an environment dominated by scarcity the waste or misuse of resources becomes a most damaging element, and its prevention at all levels should be actively pursued.

Without attempting to cover the breadth of the topic, this chapter highlights the major financial issues that the participants presented and discussed, including the issues of cost recovery and subsidization, technology, access to land, and the enhancement of the poor's access to credit.

### **Cost Recovery and Subsidization**

Within the gloomy economic background, most participants agreed that innovative cost recovery schemes must accompany the implementation of replicable and sustainable infrastructure services for the poor. Because central and local governments do not have the financial means to finance construction, operation, and maintenance of all adequate infrastructure services, some participants stressed that direct cost recovery mechanisms are becoming crucial to complement or replace subsidization systems. However, participants noted the limitations of direct cost recovery schemes for strategies to reach the majority of the poor—including the poorest of the poor—and achieve some level of redistribution and equity. As many poor would hardly be able to afford to pay even the minimum level of charges, several participants advocated the use of indirect cost recovery strategies. Thus, cross-subsidization was assessed as an applicable and necessary scheme to provide services to the poorest segments of the population and fulfill the equity objective.

Participants agreed that subsidies are not harmful in themselves. Subsidies that are effective in reaching the poor are important and should not be reduced or eliminated unless (and until) alternative means of reaching the poor are firmly in place. Rather than eliminating subsidies, participants questioned how subsidies that actually benefit the poor can be maintained and at what cost (that is, to whom is the subsidy directed and what is the difficulty of targeting the subsidy and controlling its distribution).

Several participants underscored the differences between the indirect beneficiaries and the direct users of an infrastructure service. In this regard, they suggested that more consideration be given to who actually benefits from a new facility—regardless of whether he or she directly uses it or not—and that this be a criterion to decide who should pay for it. Participants also indicated that distinctions need to be established to determine the different types of urban services, and selection mechanisms should be developed to determine who benefits (how to properly identify the target group) and which services are to be subsidized. In this respect, subsidization remains necessary for very basic services (such as primary education and health), or services whose use by anyone cannot be easily prevented (for example, urban roads), while direct cost recovery is more feasible for services in which it is easy to identify the people who benefit from them (for example, public utilities such as water and electricity).

Participants deemed cross-subsidization as a way not only to generate resources but also to attain income redistribution. A variety of strategies and experiences mentioned cover the full range of basic urban infrastructure services. Several

examples were illustrated, such as in Côte d'Ivoire where water is provided through a surtax that is paid by those who use more than 30 cubic meters per month, with the surplus from this parafiscal resource used to compensate for the subsidized water provided to squatter settlements (see box 5); in Singapore, where 82 percent of the population lives in public housing and ownership accounts subsidize rental accounts; and in Hong Kong, where 55 percent of its inhabitants live in public housing and commercial accounts subsidize rental accounts.

**Box 5. The National Urban Water Program in Côte d'Ivoire**

*Atahi Koffi*

At the end of the first decade of independence, the authorities of Côte d'Ivoire realized that their efforts had been concentrated almost exclusively on electrification programs to the detriment of any water program, which did not even have a coherent policy for action. Thus in 1973, while almost all the country's main urban centers had electricity, only one-third of these centers had water supply systems. To make up for this delay, the government formulated and implemented a special urban water supply component within the National Potable Water Infrastructure Program (NPWIP). NPWIP was based on the following five principles:

*Equalization of operating and capital costs* : Since the average cost per m<sup>3</sup> of water produced in Abidjan was about half of that in the provincial cities (CFAF 1201 compared to CFAF 400), the authorities of Côte d'Ivoire decided to base the financing of the program partly on the earnings resulting from a price-equalization system. Thus, beginning in 1973, a single tariff system was established and applied nationwide for each consumption level and category.

*Self-financing and autonomy of management*: Receipts from water sales were to be sufficient to cover all program costs so that the program was to have financial autonomy.

*Provision of free connections to low-income population*: The program was to be able to provide free connections to low-income users.

*Responsibility for water-related sanitation activities*: The program was designed to handle the maintenance of urban sanitation systems with the water supply infrastructure.

*Operation of the water supply system by a single agency*: Before the program was instituted, several public and private agencies had been involved in the production, treatment, and distribution of potable water in the urban centers. To ensure better management of the planned price-equalization system, the state decided to entrust the operation of the system to a single private agency.

Following the 1988 institutional reforms, which aimed at streamlining sectoral responsibilities in urban and rural water supply, the

government entrusted the sectoral responsibilities as follows: (1) The Fonds National de l'Eau (FNE) is the central agency responsible for managing public debt and is the program's single financial body. Its purpose is to manage debt service, collect the sanitation tax, and pay for the operation of urban sanitation. (2) The Société de Distribution de l'Eau de Côte d'Ivoire (SODECI) was made the sole operating agency of the infrastructure built under the program. It is a private company, controlled by Ivorian shareholders and linked to the state by a concession contract (since 1988). It is responsible for ensuring that adequate drinking water supplies, in terms of both quantity and quality, are provided to all urban centers served by the water supply system, and for the delivery of the infrastructure. It also collects and forwards receipts from water sales to FNE, and is responsible (since 1988) for all urban water supply investments. (3) The Direction de l'Eau (Water Directorate) of the Ministry of Public Works is the agency that plans, implements, and monitors the program and SODECI's operation.

To comply with certain principles of the program and particularly those of self-financing and providing free service to low-income population groups, three components were adopted for

## Access to Basic Infrastructure by the Urban Poor

establishing the average selling price per m<sup>3</sup>, which, at the beginning of 1990, was CFAF 263: CFAF 101, that is, 38.40 percent, representing the surtax earmarked to finance the amortization fund to pay off the loans contracted to fund the program; CFAF 134, or 50.95 percent, to pay SODECI; and CFAF 28, or 10.64 percent, for the development and renewal fund, which also covers low-income service (free connections to low-income populations).

The tariff policy is graduated according to five consumption brackets which, in February 1991, were as follows: low-income consumption (030 m<sup>3</sup>), free of taxes and invoiced at the rate of CFAF 159 per m<sup>3</sup> (25 percent of consumption); domestic consumption (3190 m<sup>3</sup>), charged at the rate of CFAF 209 per m<sup>3</sup> (20 percent of consumption); normal consumption (91300 m<sup>3</sup>), charged at CFAF 307 per m<sup>3</sup>; industrial, charged at 350 per m<sup>3</sup>; and government consumption, charged at the rate of CFAF 261 per m<sup>3</sup>.

One of the program's major weaknesses has been its failure to take squatter areas into account where vendors sell water at prices five to ten times higher than the official rate. In 1983, SODECI started a project to install water vending machines in order to oust these vendors from areas without water supply.

In summary, the basic principles of the program and its tariff structure aimed to make high-income consumers of Abidjan pay for some of the water services needed by the provincial cities and lower the tariffs paid by low-income consumers. Implementation of this program has made it possible to improve the coverage rate, which is currently estimated at 85 percent for Abidjan and 70 percent for the other provincial cities.

1. CFAF (CFA franc) is the currency unit of six West African states. It is tied to the French Franc (FF) in the ratio of FF1 to CFAF 50.

The general consensus for cross-subsidization was tempered, however, by a participant from Africa who indicated that while cross-subsidization is a very valuable option, it assumes that there is a sufficiently large number of rich people from whom cross-subsidies can be extracted, and that assumption may not hold true in all cases.

Several participants stated that some level of user charges may be necessary if the public sector is to provide services of an acceptable quality and maintain the financial viability of the companies providing services. But problems remain about how to implement selective user charges while ensuring equitable access for the poor. These concerns include the structure of fees and the potential for revenue collection, the poor's response to the introduction of user charges, and administrative problems and collection costs. Community involvement, participants agreed, was an essential way to implement cost recovery systems. When beneficiaries are involved, they feel the project belongs to them, and cost recovery schemes can be more successful in terms of the amount recovered and the effectiveness of their application.

Some participants noted the difficulties of implementing an effective policy of subsidies, as it requires institutional strength and strong political commitment. According to them, some loss of subsidies to higher income groups may be desirable in order to obtain political acceptance and reduce disincentives among the higher income groups. However, this may prove costly as the higher income groups often have a strong leverage to take advantage of the subsidies for their exclusive benefit. Subsidies going to the more advantaged groups can be reduced through geographical and commodity targeting, but its effectiveness depends on the accuracy of identifying poverty areas or assessing commodities largely consumed by the poor (for example, those with a negative income elasticity, such as urban mass transportation).

One participant recounted the case of the Fondo Nacional de Habitaciones Populares (FONHAPO) in Mexico—described in box 6—and rated it as a good example of targeting and controlling subsidies through the

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establishment of adequate incentives. The subsidy, which can amount to 50 percent of the cost of a dwelling, is linked with the regularity of debt servicing. To keep wealthier groups from taking advantage of the system implemented for the poor, a control mechanism is in place through the interventions of social security and nongovernmental organizations. The debt servicing is indexed to wage increases. In the FONHAPO experience, the subsidy is considered a mechanism to compensate for the low wages that are kept under a reasonable level for macroeconomic reasons. The subsidy then is the way to provide affordability. Without it, many poor people would not be able to afford housing.

Several participants noted that subsidies do not necessarily have to be in cash; they can also be in kind, such as technical assistance, an allowance in construction supplies, such as cement, support to local self-help organizations, or the creation of

small cooperatives of service producers. In a situation of poverty, a subsidy in kind can be used as an essential enabling starting point. There was consensus that enabling new types of organizations, which can contribute to provide services (with a community-based orientation) without disrupting services already provided, can in some instances be one of the main justifications for subsidization. (For example, Mozambique's experience in improving urban sanitation described in box 3.)

<b>Box 6. Mexico's National Trust Fund for Popular Housing, 198388</b>
<i>Enrique Ortiz</i>
The Fondo Nacional de Habitaciones Populares (FONHAPO) is a financing institution that provides the housing needs of the population with an income less than 2.5 times the regional minimum wage. <sup>1</sup> FONHAPO was conceived by taking into consideration the different experiences of low-earning social groups who had constructed their dwelling units on their own. Thus, the specific needs and socioeconomic characteristics of the beneficiaries, identified by their participation, have been the determining factors in the formulation of mechanisms for the operation and administration of the financing programs for the production of basic infrastructure services and low-income housing.
FONHAPO has granted credits for the development of housing programs in the following categories:
Sites and services as a first stage in establishing neighborhoods; this category provides basic infrastructure as well as the possibility of constructing temporary shelters.
Housing improvement for areas of self-help construction in the process of consolidation, where financing was granted to introduce and improve services as well as enlarge and rehabilitate housing; and for the deteriorating housing complexes under rental contracts located in the center of the cities. In these cases, financing was granted to legally organized renters to purchase property and, in some cases, to improve services and rehabilitate housing.
Core housing for the production of housing with a gradual development starting with a basic-services unit and finishing with a habitable space for multiple uses.
Finished housing for the construction of complete houses.
Support for the production and distribution of materials through financing for the installation or preparation of units, for the production and distribution of materials and basic components, for the construction of low-income housing, and for the support of the self-help process.

The program structure was formulated using different credit lines that permitted the concept of housing production as a continuous

process that includes land purchase, provision of services, basic construction, and future expansions. The credit lines also permitted a combination of different credit options in an open and flexible manner. These combinations could take into account the different housing needs of the borrowers, their possibilities and capacities to pay, as well as the potential participation of those for whom the housing is built. Of the 245,068 actions completed in the 1983–88 period, 29.6 percent corresponded to the sites–and–services program, 25.5 percent to Improved housing, 44.4 percent to core housing, and 0.5 percent to finished housing.

Contrasted with other housing organizations in Mexico that grant credit to individuals, FONHAPO approved collective credits to groups within the central public administration, state and municipal governments, groups within the public parastatal administration, legally constituted cooperative societies and civil associations, and enterprises that carry out housing programs. In the aforementioned period (1983–88), the cooperatives, civil associations, urban and rural neighborhood groups, and other organized social groups received 52 percent of all credits granted, while the public sector groups at the state and municipal levels received only 1 percent of the credits. FONHAPO has had a significant impact in the National Program for Housing Development (NPHD). The 245,068 projects carried out in the 1983–88 period represented 17.6 percent of all the projects carried out in the country as a whole by the different public housing organisms. The FONHAPO projects used the equivalent of 4.1 percent of the resources managed within the NPHD.

In relation to social development and participation, 50 percent of the credits granted in the aforementioned period benefitted families whose head of household had an income less than 1.5 times the minimum wage, and the other 50 percent corresponded to heads of family with an income between 1.5 and 2.5 times the regional minimum wage.<sup>2</sup> As for territorial coverage, FONHAPO has covered the 32 federal entities of the country. Of all the projects concluded in the 1983–88 period, 56 percent were located in cities of intermediate size, 16 percent in the metropolitan zones of the cities of Mexico, Guadalajara, and Monterrey, and 28 percent in rural areas and support centers.

In the restrictive framework imposed by the economic crisis, reflected in the loss of buying power of the social sectors targeted by FONHAPO and the inability of the country to channel resources to housing, FONHAPO created alternatives. Within its goal of providing housing needs to low–income groups, FONHAPO searched for those alternatives within a strategy aimed at encouraging social participation in all stages of the housing production process.

1. In April 1990, this monthly income amounted to approximately US\$272.

2. In June 1988, a monthly income of 2.5 times the minimum wage corresponded to approximately US\$244, and a monthly income of 1.5 times the minimum wage, to US\$147.

Some participants noted that strengthening municipal accounting systems and efficiency of tax and fee collection also aids in recovering costs from infrastructure investments and achieving sustainability and equity. Very often, taxes and other charges from infrastructure investments are not collected because of the cumbersome process the payer must undergo to pay for them. Streamlining the payment process and establishing late–payment fees are two of the many possibilities to improve cost recovery from beneficiaries.

In conclusion, recovering the costs invested in infrastructure services was deemed crucial for sustaining programs and keeping up with maintenance and operation obligations. Full consideration of these obligations in developing financial schemes is paramount for improving the sustainable operation of any infrastructure service.

### Technology

Cost recovery relates to the revenue side of the equation. The other side concerns providing services at the lowest cost. Here is where standards and appropriate technology come into play. Participants gave many examples of infrastructure services that provided below normal costs because of their innovative designs. The description of pit latrine construction in Mozambique (box 3) illustrated how the design of an adequate infrastructure could keep costs low and how local participation could easily be incorporated into infrastructure provisions. Another participant noted that in Bolivia's ESF sanitation projects (box 1), the design of appropriate sanitary conduits, with a smaller diameter but steeper slopes, reduced the cost of constructing sanitation networks in small-sized cities by up to 50 percent.

Some participants underscored that the technological issue does not pertain solely to reducing capital and operating costs but it can also introduce mechanisms for generating income. Particular technologies may encourage more labor-intensive practices and hence provide an important source of employment for the poor, thus providing them with initial funds in cash or in kind for financing infrastructure services. Furthermore, as mentioned in the previous chapter regarding women who are the majority of the poor in some countries, appropriate technologies can provide adequate consideration of women's activities and requirements, an essential element in alleviating poverty.

Participants cautioned, however, that appropriate technology projects that attempt to be self-financed and achieve a variety of goals can fail unless technical assistance and specific information are provided, especially when the poor are hired to construct the infrastructure facilities from which they will ultimately benefit. In this sense, governments can play a primary role in facilitating initial investment and providing technological assistance. Once a project is in place, communities and NGOs can manage the operation and maintenance of the service or facility.

### The Land Issue

Most workshop participants agreed that adequate institutional and legal mechanisms are necessary to facilitate the access to land for people who have lived on lots on the outskirts of cities, as well as those who live without shelter or under inhumane conditions. Within the context of an enabling environment, participants felt that access to land and, possibly, security of tenure can improve the chances for the poor to increase their access to credit and start contributing to the recovery of infrastructure costs. Land security can further trigger other actions, such as self-help upgrading.<sup>8</sup>

Nevertheless, participants stated that the availability of suitable urban land, as well as the political pressures from landowners and real estate interests, may be an important constraint for the government to implement wide-ranging land tenure policies. In spite of this constraint, participants perceived that governments can intervene more aggressively in land management, particularly since urbanization has not abated and the increase in the supply of land usually lags behind population growth. Any land supply strategy, to be financially viable, must identify efficient mechanisms such as selective densification, tax reform (to avoid large tracts of undeveloped or underdeveloped land), revision of land uses, or encouragement of upgrading (instead of resettlement). One participant stressed the need to follow an integral approach to land development in which institutional facilities (schools, health units), open spaces, and a necessary transportation network (roadways and transport services) are considered.

## Improving the Poor's Access to Credit

The majority of the urban poor are employed in diverse informal sector activities, generally the least remunerative among them. For example, data for Brazil in 1985 indicate that 75 percent of all heads of poor families work in the informal sector compared to 35 percent for the country as a whole (World Bank June 1990, page 34). The poor's income level, by definition, will therefore be limited, affecting the prospects for getting credit under normal circumstances. Hence, there was consensus among the participants, who presented a variety of experiences, that enhancing the poor's access to credit needed to be improved not only for the people's sake, but also to improve the chances of at least partially recovering infrastructure costs and thus improving sustainability.

8. The causality, however, is not always clear. Sometimes giving access to land (and title) will improve the dwelling conditions as the owners will improve their dwellings; but the opposite may also happen whereby better housing can lead the way to securing a land title (Hirschman 1984, page 6). Land tenure may not always be desirable. "Situations vary tremendously [,] and under certain conditions, the decision to go slow on tenure may be a result of pragmatic policy choice motivated by [a] project's difficult environment." (Sanyal and Tewari 1990, page 57).

One way to enhance the poor's access to credit was to enable income-generating activities. Cross-subsidization was also seen as a powerful means of giving credit to people by reducing the portion of their income devoted to the consumption of basic needs. Others stressed alternatives that integrate isolated actions to increase collateral value, for example, creating an international nongovernmental bank for the poor.

Participants deemed all these approaches even more crucial in the case of women. As their incomes are lower and their opportunities for advancement more limited, strategies encompassing these approaches were considered key for improving women's access to shelter in particular and to infrastructure services in general.

A participant from the Philippines recounted how the Community Mortgage Program, described in box 7, enhances credit for housing construction.<sup>9</sup> The program provides loan packages for housing, funded by the social security system, at a fixed interest rate (10.25 percent) for 25 years. Borrowers are divided into three interest-rate categories: the poorest groups' interest rate is very low (6 percent) while the wealthiest pay the market rate (16 to 18 percent). The incremental rates compensate for the low interest rates of the poorest groups, while a government subsidy, provided on a current-value basis of the market rate, balances the three categories of loans. The security of tenure and the subsidized loan allow people to use their savings to improve the units built with the program loans. In the discussion following the presentation of this case, however, some participants indicated that interest rate subsidies may benefit mostly middle income groups unless building standards are adapted to levels more reasonable to the poor's affordability and unless the needs of the poor can be correctly assessed.

9. This project followed a "minimalist" approach (that somewhat follows the scheme of the successful experience of the Grameen Bank, Bangladesh, in providing credit to rural farmers). Tandler (1987, pages 1520) defines the minimalist approach as one that is characterized by little or no evaluation of the merits of investments for which applicants wish to borrow, since the ultimate acceptance of the member is based on an assessment of that person's likelihood of repaying, regardless of the viability of the proposed project; and a shift of the burden of selection from the credit entity to peer groups of borrowers themselves, because although group members are not necessarily jointly liable for each other's loans, the group would not receive subsequent loans until all the previous ones are paid. This decentralized, though nonparticipatory, approach to credit is easy to implement because the repayment rate constitutes a clear and concise measure of good performance. Moreover, it shifts the cost of processing applications from the credit agency to the borrower groups, markedly reducing the agency's need to find and pay skilled financial analysts to do such work.

**Box 7. The Community Mortgage Program: A Nonconventional Home Financing Scheme for Urban Poor in the Philippines**

*Ramon Albert*

The housing shortage in the Philippines was expected to hit the 2 million mark in 1989. The shortage is more acute in urban centers, particularly in metropolitan Manila where over 2 million of its estimated 7.5 million population reside in slums and squatter colonies. The very low income levels of the poor groups of the population are the primary obstacle for the access to housing by those groups.

The Community Mortgage Program (CMP) was launched by the National Home Finance Corporation (NHMFC) on August 18, 1988, as a mechanism to address the home-financing requirements of the residents of blighted and depressed areas in and around urban centers. Constituting the social housing component of the government's National Shelter Program, the CMP consisted of three phases: allowing land acquisition by the community, financing the horizontal development and individual titling of the lands, and providing individual housing loans for home improvement or house construction.

Unlike conventional home lending programs, the loanable amounts and amortizations under the CMP are tailored to fit the requirements and affordability of the poor borrowers. The CMP allows borrowers to purchase undeveloped property with a ceiling of P30,000 per unit lot, which may be increased to P45,000 for a developed lot. Entitlement to a loan is made on the basis of household allocation, whereby household members may combine their incomes. The would-be beneficiaries of the program are required to organize themselves into a community association so that they can transact the loan for the purchase of the land they are occupying. The land is initially under common ownership of all members of the association. The community association is responsible for collecting the monthly rentals and amortizations from member-beneficiaries until the community loan is individualized. The CPM's nonconventional feature consists of the accreditation of community-based organizations and local government units as loan originators whose main functions are processing loan documents and providing assistance in organizing member-beneficiaries and informing them about loan availability.

CMP loans are granted to the extent of 90 percent of the appraised value of the property. However, for on-site projects where beneficiaries were residents before February 25, 1986, appraisal of the property is no longer required if the agreed contract price between the landowner and the community association shall not be more than ten million pesos.

CMP borrowers who are active members of the Government Service Insurance System, Social Security System, or Home Development Mutual Fund and with formal regular employment are given a loan entitlement equivalent to 30 times their income base. Those who are not members of those three institutions but have formal regular income

are also allowed a loan entitlement of 30 times their monthly income, provided the total loan does not exceed P120,000. Finally, CMP borrowers without formal income are eligible for a loan up to 20 times their monthly informal income.

As of March 31, 1989, 258 project sites nationwide had been accredited for financing under the CMP. These projects have a total loan value of more than P849 million and cover a total of 52,373 beneficiaries. A total of 34 originators have been accredited to process CMP loans consisting of 19 NGOs, 9 local government units, 3 national government agencies, 2 financial

institutions, and 1 developer. Also as of March 31, 1989, more than P174 million in housing loans had already been released to 10,155 beneficiaries covering 56 projects.

An example of a typical CMP project at work is the successful Medel Tenants Association CMP loan. Representing more than 300 families with marginal incomes living in about 31,000 square meters of land in Mandaluyong, Manila, the Medel Tenants Association (MTA) was able to acquire an initial loan of P9.0 million from NHMFC on January 9, 1989. The loan represents the purchase price of the MTA property from the landowner at a cost of P300 per square meter. On October 30, 1989, the NHMFC released another loan for the horizontal development of the property amounting to P2.1 million. The responsibility of monthly amortization collection has been temporarily entrusted to MTA until the community loan is individualized, within two years from the date of release of the first loan by NHMFC. Together with the task of collection and remittance to NHMFC, MTA keeps individual records of accounts for all member-beneficiaries for monitoring purposes. In cases of temporary payment default by a member, MTA advances the payment from its general fund. This, however, does not preclude MTA from rigidly imposing sanctions to erring members. A member with three month's payment in arrears is automatically disqualified and a substitute takes that member's place; usually a qualified next-of-kin can be considered to fill this place. If, however, a next-of-kin is not qualified, the first ranking qualified renter shall be considered. With the stiff sanctions imposed by the MTA, all members are made aware of their obligations. As of the end of 1989, the collection performance of MTA had been close to 100 percent.

With the experience and insights that the NHMFC gained from the MTA, efforts are now being undertaken to duplicate this pilot project in all urban areas of the country, especially in metropolitan Manila. This case demonstrates that nonconventional approaches in providing financial assistance to the landless urban poor are indeed possible.

## **Conclusion**

The discussion highlighted the participants' concerns to achieve high levels of efficiency in an attempt to sustain projects and increase the possibilities of

replicating them. This objective requires creativeness in combining mechanisms for recovering costs.

Cross-subsidization was cited as necessary to create the initial, enabling conditions. Credit enhancement and land security were other steps that lead to self-help and cost recovery, raising the sustainability and replicability of the interventions. Appropriate technologies with community participation also help strengthen the effective and sustainable implementation of infrastructure investments.

## **4— Nongovernmental Organizations**

Notwithstanding the fact that NGOs have existed for a long time, the proportion, scale, and pace at which NGOs have recently multiplied and expanded their functions represent a phenomenon with no parallel in previous decades. This emergence has had implications at the political, social, and economic levels in most countries. Whatever the reasons for the emergence, NGOs have become principal actors in the development process, and their contributions have already been acknowledged by multilateral organizations and governments alike.

Though no clear agreement comes out of the literature as to the definition of the term NGO, it is frequently used to refer to not-for-profit development organizations whose work can best be characterized as expanding or improving the delivery of services and resources to the poor. Nonetheless, NGOs that pursue economic activities cannot be excluded, because they also play an important role in effectively promoting and fostering local development. The pursuit of an economic goal can serve as a powerful incentive for people to organize and coordinate themselves for effective action.

Workshop participants stressed that NGOs do not correspond to a unified model; rather, they are heterogeneous and several categorizations are possible. Participants stated that this heterogeneity stems from the diversity of interventions used to alleviate poverty. Such diversity varies from one place to another, depending on cultural factors, local conditions, institutional constraints, financial resources, and so on. Participants also underscored the enormous variation that exists among NGOs in terms of their origin, style of working, ideological position, method of support, and nature of relationship with the government sector.

The majority of NGOs correspond to the category that is often referred to as grassroots or community based organizations (CBOs). Several participants highlighted the difference between CBOs, which are usually committed to having a direct impact on their constituents' lives by embracing the interests of their own members, and professional NGOs, whose actions from the international or national level attempt to help people other than their own members. CBOs often emerge from local initiatives, and in many countries such groups are a part of the social tradition. NGOs, on the other hand, generally tend to be external negotiators or mediators—working with governments and international donors—who often, among other things, support CBOs and collaborate with them. The discussions showed that the relative weight of one or another category of NGOs changes from

region to region depending on their strengths and the possible effects of their actions. For instance, participants indicated that in African countries, CBOs are the most prevalent organizations, but NGOs carry great strength because of their links to foreign organizations and initiatives. In Latin America and in parts of Asia, on the other hand, numerous indigenous CBOs are at work with a significant level of strength. (In this report, the word NGO is used to refer to both CBOs and professional NGOs, unless the distinction is necessary.)

As discussed at great length in the following paragraphs, the potential role for an NGO spans a range of activities and may go from purely developmental actions to a combination of advocacy, research, and/or training. Participants indicated that these roles also respond to an evolution in the maturity of NGOs: many began as relief agencies or originated as a response to some common, usually adverse, experience to which a group of people was subjected (see box 11 describing the Chipko movement in India and Hirshman (1984, pp 2742) regarding experiences in Latin America). As additional funds became available for poverty alleviation and as NGOs built up their strength at the community level, they became involved in the design and implementation of local development projects. A final stage involved "scaling up" their interventions by joining forces with other NGOs and popular movements to influence public policies to provide greater access to resources and opportunities and distribute benefits more equitably. This stage required establishing new, improved relations with governments and international donor agencies. Regardless of where an NGO falls within its evolution, participants indicated that the question is how to make NGOs more effective in their attempts to alleviate poverty and improve the sustainability of their actions.

### **The Role of the Nongovernmental Sector**

The growing awareness of the limitations of governments to alleviate poverty has increased recognition of the contribution NGOs have made to development. As indicated in the introduction, NGOs have adopted new functions and have gone beyond their area of traditional small-scale specialization. As they have become aware of their strength, they have increased their mobilization capabilities. They have also expanded their role in urban areas, though in many countries, such as Bangladesh, the majority of NGOs still operate in rural areas, mainly

because the extent of poverty is largest there. In Africa, CBO interventions focus more on the villages rather than the cities. In Latin America, the NGOs' militancy and involvement in advancing democratic reforms has been more preponderant. Nevertheless, the participants presented a variety of NGO interventions that reflected the wide range of roles that the nongovernmental sector has increasingly taken over. These roles are presented in the following paragraphs.

### **Identifying and Advocating the Needs of the Poor**

There was consensus that because NGOs are decentralized and work at the community level, they seem to be in a better position than governments and multilateral institutions to detect community needs and priorities, incorporate appropriate technologies, and strengthen popular organizations. Some participants also stressed that NGOs can also be more flexible and politically independent, allowing them to respond to local initiatives, support the truly poor, and promote self-reliance. Some participants stated that NGOs often advocate the empowerment and participation of the poor as a way to enable these people to gain greater control of their lives and remove themselves from poverty.

Participants emphasized the NGOs' ability to reach poor communities and remote areas that have few basic resources or infrastructures and where government services are limited or ineffective, and to promote local participation in the design and implementation of public programs by building self-confidence and strengthening organizational capability among low-income groups. Several participants stated that some NGOs perceive the need to go beyond the immediate symptoms of poverty and into its underlying causes. These NGOs are then not only interested in the short-term impact of specific projects but also in the long-term process of social change (Yudelman 1989, page 2). Some workshop participants further stressed that NGOs can help build more open and democratic societies and, by assisting the poor to articulate their needs and manage their own affairs, promote the development capacity of broad sectors of society.

Some participants also stated that NGOs can constitute an important pressure group to prevent drastic cuts in social expenditures that predominantly benefit the poor, and can play a positive role in identifying, designing, financing, implementing, and monitoring targeted poverty programs. NGOs can be effective mediators, facilitators, and policy advocates of the causes of the poor.

### **Innovation**

Participants highlighted that NGOs are often staffed with highly motivated people who develop a positive action toward poverty issues and show a willingness to search for alternative options for poverty alleviation. It was felt that this feature, in principle, gives NGOs the ability to innovate and the adaptability to identify local needs. Furthermore, participants indicated, these characteristics also foster NGOs' approach to building on existing resources and transferring technologies developed elsewhere and attempting to keep the operational costs low through the use of low cost technologies, streamlined services, and low operating budgets. These characteristics make NGOs very good at experimenting with pilot programs.

### **Resource Mobilization**

Several participants highlighted the role of NGOs in mobilizing resources that are difficult to obtain through government initiatives. Box 8 describes the Philippine experience of mobilizing resources from the business sector for improving the conditions of low-income areas. This experience underscores the need to go beyond the normal sources of funds and find alternatives to tap the country's resources. It is also worth noting—though was not specifically documented in the workshop—that NGOs have played an increasing role in raising international and national private and donor funds for development and channeling them to developing countries. Yearly NGO

disbursements for developing countries increased from an estimated US\$0.9 billion in 1970 to US\$1.4 billion in 1975 and to US\$4 billion in 1985 (Cernea 1988, page 5). These incremental resources supplied by NGOs are particularly valuable in debt-ridden developing countries.

**Institutional Development**

The workshop discussion underscored the multifaceted nature of the NGOs. Their effective contribution stems primarily from their multiplicity, their ubiquity and ability to trigger individual initiatives, and their potential to build upon each facet to exert a noticeable influence. Interestingly, the strengths of NGOs' actions converge not so much in their financial abilities, important as they undoubtedly are, but rather in their organizational abilities. NGOs have an inherent capacity "to mobilize people into organized structures of voluntary group action for self-reliance and self-development" (Cernea 1988, page 7).<sup>10</sup> In this regard, a participant presented the case of the Orangi Pilot Project (OPP) (Orangi is a suburb of Karachi, Pakistan). In this project the promotion of community participation provided, among other things, low-cost sanitation and housing programs that eventually reached 28,000 families in a five-year period. The OPP is an NGO focused on research and education that encourages people to organize themselves to find solutions to their problems. For the sanitation program, the residents decided on appropriate solutions after OPP carried out surveys and provided designs, maps, plans, and other information. Hence, residents were able to galvanize the community to construct underground lane sewerage lines, secondary drains, and sanitary latrines in a self-managed and self-financed approach. Beyond the poor's immediate needs, participants also stressed that NGOs may be the appropriate institutions to enhance people's capability to identify, gain access to, and adequately manage natural resources such as water, trees, and so on.

10. Some authors have reported NGO projects that have turned out not to be participatory, and have involved top-down control by the NGOs themselves, sometimes with control of decisions by local elites (Tendler 1982).

<p><b>Box 8. Mobilizing Corporate Resources for Grassroots Development: The Philippines Business for Social Progress</b></p>
<p><i>Khalid Shams</i></p>
<p>Philippines has a rich and diversified experience with NGOs. A unique effort was undertaken in 1970 to tap the nation's own resources from the private business sector to finance social development projects. Inspired by a similar experience in Venezuela, three local business associations—the Philippines Business Council, the Council for Economic Development, and the Association of Social Action—drew up the plans for mobilizing private sector corporate funds and investing them in the development of socially disadvantaged groups. As many as 50 Filipino and international business firms finally agreed to pledge 60 percent of 1 percent of the annual net profit for this purpose. This heralded the birth of the Philippines Business for Social Progress (PBSP) and the beginning of a remarkable venture for evolving a self-reliant financing mechanism mobilizing local resources. It also had the effect of arousing the social consciousness of the business sector, which very often remains aloof from grassroots development activities.</p>
<p>PBSP's ultimate mission was to improve the quality of life of the Filipino poor. While this overall mission has remained the same, the PBSP has had to adjust its operational objectives and strategies to respond to the critical twists and turns the Philippines society has undergone during the last two decades. PBSP's organization and program development has been largely influenced by these changes and its own learning experience, and has evolved through the following four major stages.</p>

## Access to Basic Infrastructure by the Urban Poor

The period of 1971-75 was the experimental phase through which PBSP was able to raise as much as 38.6 million pesos from the corporate members. Twenty-five million pesos were invested during this period. PBSP directly carried out development projects for certain services, such as nutrition, urban low-cost housing, and integrated area development programs. In addition, PBSP provided funds and technical assistance to other NGOs for the implementation of other types of social development projects. In spite of the remarkable success in generating its own funds, the major shortcoming of this phase was the inability of PBSP to develop a sharp focus on poverty alleviation initiatives. This was attributed to its inability to define poverty groups that required assistance and the type of help they actually needed.

During 1976-80 a much sharper focus was developed in terms of capacity building of the grassroots organizations. As a consequence, PBSP began to emphasize training of its designated clientele for more effective project management. However, during this stage, PBSP's overall viability and operational strategy were threatened because the government introduced a policy that required all business corporations to contribute 1 percent of their net profit to development projects.

Nevertheless, PBSP was able to further consolidate its financial position by setting up a capital fund targeted to raise up to 100 million pesos. It also devised a cofinancing scheme for securing funding from international donors. As a direct consequence, the scale of its operations further expanded and PBSP was able to provide project assistance amounting to 42.56 million pesos.

From 1981 to 1985, the financial position of PBSP was further enhanced as it was able to tap new resources both within the country as well as internationally. It was particularly successful in entering into co-financing programs with the U.S. Agency for International Development and the Philippines government. Overall, the volume of project disbursements amounted to 44.12 million pesos and PBSP was able to further expand its network of collaborating agencies (which presently numbered 390 all over the country). This was a period of growing turbulence in the Philippines and PBSP also became aware of its own limitations in terms of declining participation on the part of member companies, lack of impact on the targeted disadvantaged groups, and lack of clear perception of who the target groups were and how they could be reached.

From 1986 to 1991, PBSP was compelled to undertake an institutional review to recast its operational strategy. The strategy underwent a major change as the organization became convinced that it had to do things differently to zero in on poverty groups. This meant that PBSP's operations would have to reach out to the provinces. Its role, henceforth, switched from direct implementor of projects to catalyst to meaningfully deploy and administer the resources that it had so successfully generated. It undertook a drastic decentralization program under which three executive committees, capable of autonomous decisionmaking, were established in Luzon, Visayas, and Mindanao. PBSP started operations in seven provinces, where a clear-cut target group approach was adopted.

In spite of the political and economic uncertainties that have confronted Philippines in recent years, PBSP represents both a highly practical as well as a visionary initiative on the part of the business community to promote development of the disadvantaged. Beyond the fourth stage, PBSP has envisioned becoming an orchestrator or a synergizer of provincial development. Its target areas would be federated into a network of provincial institutions. PBSP aims to fulfil its development mission through a small professional staff who would design province-specific programs and function as provincial development managers.

Implementation and coordination in the field would be achieved through a concerned network of government and nongovernment agencies. With the accumulation of a sizable endowment fund, PBSP has been an effective way to plan and implement grassroots development on the basis of the self-reliance and social commitment of an enlightened private sector.

Source: Batella and Morato (1989).

## Limitations

In contrast to their strengths, several limitations prevent NGOs from achieving more wide-ranging, effective, and efficient interventions. Among them, participants highlighted the ones described in the following paragraphs. These limitations, however, cannot be compartmentalized because they are interrelated.

### Sustainability

Several participants stated that NGO interventions have a limited self-sustainability, particularly when projects are not designed to outlast the reduction or phasing out of external aid or when the activities are conceived as being largely relief oriented rather than developmental. The discussion showed that this limitation relates to the strength and reliability of each organization and its reliance on external technical and financial assistance. Participants pointed out as an example the African NGOs, which usually rely on foreign assistance for their actions.

### Scale of Actions

Participants stated that the small scale of their actions—rated simultaneously a strength and a limitation—reduces the possibilities of replication. Nevertheless, they also indicated that it is possible for NGOs' actions to proliferate on a vast scale, thus gaining some significance on a national level. Because NGOs are small, the quality of their work has normally been more important than their capacity to reach large numbers. However, some participants warned that because the scale has been too small, the interventions of NGOs have often been insignificant, hardly replicable, and short-lived, in addition to being too time consuming (not cost-effective). The scale of their interventions has also made NGOs perceive themselves as vulnerable compared to government policies and actions.<sup>11</sup>

### Government Constraints

Some participants underscored that, in relation to governments, NGOs face opportunities and dangers as well as political constraints. Participants illustrated how in some countries political agendas and ideologies have inhibited the ability of NGOs to scale up their actions and work together, and how in others political violence or opposition to government has made NGOs unwilling to establish visible formal organizations.

11. "In the face of overwhelming poverty, 'small-scale' can mean 'insignificant'; given the political polarization in some regions, 'politically independent' can mean 'powerless'; despite international financial support for NGOs, 'low cost' can mean 'under-financed' or of 'poor quality,' and finally, 'innovative,' an adjective NGOs often use to describe their work, can mean 'temporary' or 'unsustainable,'" (Cernea 1988, pages 1920; Yudelman (1989), page 3).

Participants felt that NGO growth, increased financial resources, and instances of collaboration with the government have not come without problems; on the contrary, difficult questions have continually risen with the growth of NGOs in terms of their independence, the geographical allocation of resources, government or donor interferences in NGOs' agendas, approaches, priorities, and so on. Participants perceived that government

constraints strongly confine the character and the capacity for NGOs to grow and, in that respect, are crucial to the future expansion and success of NGO actions. The discussion of the importance of these constraints led some participants to stress the critical role that coordinating bodies of NGOs can play in influencing government policy. Similarly, participants stressed the need for a more open and ardent dialogue among NGOs, governments, and the private sector. The alternative of providing small-scale limited services that depend on foreign funding was felt not to be a satisfactory wide-ranging, long-term solution.

### **Replicability**

Ironically, the limited replicability of NGO actions stems from the same characteristics that make NGOs strong. Participants generally agreed that limited replicability is derived from NGOs' small, localized nature, and the cultural homogeneity of their initiatives. These characteristics do not have noticeable regional or national impacts and, therefore, they are likely to be weakened when NGOs try to expand. For example, scaling up their interventions may force a more top-down approach, undermining community involvement and requiring large-scale inputs, and though positive results may follow in the short run, the outcome is more likely to be unsustainable in the long run (Shah 1990, pages 911). Furthermore, the competition among NGOs and among NGOs and the government hampers cooperation, and governments competing for scarce donor funding tend to refuse to replicate their competitors' successful experiments.<sup>12</sup>

There was consensus that NGOs with the ability and willingness to connect and collaborate with the government sector are more successful in expanding their initiatives. This sector can help other NGOs gain access to scarce funds and can

12. Factors not discussed in the workshop but highlighted in the literature include the following:

- (a) the low cost of NGO projects is partly due to their smallness but the cost per beneficiary is often high; this means that successful NGO projects may not be feasible for large-scale replication;
- (b) as NGOs are staffed with a highly motivated and culturally sensitive group of professionals, replication is hard to achieve because intensity and motivation cannot be easily replicated;
- (c) NGOs, satisfied with the implementation of interventions that work well in a handful of small communities, do not have the pressure to expand and hence do not tend to strive to serve large numbers of poor people; and
- (d) NGOs' own inability to expand and have their actions replicated affects their chances of getting funds from donors interested in having a major impact on poverty, further hurting their chances to replicate their interventions (Tendler 1987).

provide needed technology, research, and other infrastructure components. Participants agreed that the government and NGO initiatives can complement and strengthen one another through cooperation and collaboration. (Chapter 6 discusses these issues at greater length.)

### **Managerial Capacity and Coordination**

Participants also mentioned the limited managerial and technical capacity of many NGOs as a consequence of weak information bases and of the often, albeit understandable, lack of sufficient managerial or economic skills among NGO staff. This limitation was particularly noted in the attempts of political and religious NGOs, however controversial they may be, to expand their roles.

Moreover, participants emphasized that a more comprehensive programming context was lacking because projects are often planned individually, not as part of a broad strategy for a region or sector and not usually in connection with the interventions of other NGOs. In this regard, participants strongly agreed that a major drawback in expanding successful NGO interventions is lack of coordination and networking among NGOs that stem from both the localized nature of many of their actions and the competition among NGOs for funds. With several cases illustrated, including the Asian Pacific Development Centre (APDC) experience (box 9) in networking, NGO–action research, and institutional collaboration, participants stressed that coordination of training and technical assistance for program development (research institutes and NGO coordinating bodies) was a key element in strengthening NGO actions and in enhancing their professionalism.

Participants agreed that NGOs' interventions can be enhanced through establishment of associations with their counterparts in the same country and in other countries and through their participation in international programs and consultations. The exchange of information, training, and technical assistance, as well as the opportunities for sharing experiences with one another and with international donor agencies, was deemed crucial to continuing to strengthen their position and improve the overall efforts to reduce poverty in the developing world.

### Conclusion

NGOs are multifaceted and heterogeneous and can assume a variety of roles. The preponderance of particular types of NGOs and the roles they assume differ among regions and countries. Nevertheless, the workshop discussion highlighted that all over the world NGOs seem to face a continuous struggle to be effective, maintain independence, and carry out their missions. The lack of coordination among NGO efforts makes that struggle even harder.

NGOs have characteristics whose combination—possibly with government collaboration (see chapter 6)—adds an important dimension to increasing the

success and sustainability of projects to alleviate poverty. In particular, NGOs appear to provide a comparative advantage in identifying the needs of the poor and incorporating these needs in the processes of project design and implementation. Participants agreed that NGOs must join forces through cooperation and coordination and must strive to influence government actions toward using local productive resources, promoting equity, and establishing policies and institutional frameworks that sustain community centered development. In this regard, NGOs represent an important organizational response to the needs of their constituents and to the governmental patterns of managing development, providing urban services, and establishing administrative requirements.

NGOs, however, are not a panacea, but their potential effective contribution must be fully acknowledged by all organizations involved in the development process in general and in poverty alleviation in particular. It is not appropriate to idealize NGOs; rather, the limitations and weaknesses of NGOs should be objectively assessed to strengthen NGOs' structure and performance as well as to make their activities more replicable and more technically and economically sound.

#### **Box 9.** The Asian and Pacific Development Centre's Role in Action Research

*Khalid Shams*

The Asian and Pacific Development Centre (APDC) is an intergovernmental organization based in Kuala Lumpur that is devoted to research and training in development policies with a major focus on poverty issues. APDC has been involved in recent years in a number of action research projects, dialogues with policymakers, and evaluative studies on poverty alleviation

strategies and management systems. The evaluations strongly endorsed the finding that providing access to credit is, in the short run, a powerful mode of intervention for alleviating poverty and leading the disadvantaged to a more self-reliant path of development. Still more important is the fact that a number of successful systems have now been developed and new implementation strategies tested and tried with both government and nongovernment programs.

In recent years, APDC has monitored the progress of a few of these programs, which have been successfully scaled up and now offer exciting possibilities for trial and development in other parts of the region. The Grameen Bank (GB) in Bangladesh is considered a highly successful rural credit program, that is now also providing housing loans. It has extended loans to about 600,000 borrowers and has reached the target group of extremely poor borrowers, mostly rural women. With a total credit volume exceeding US\$175 million at the beginning of 1990, the loan default rate is astonishingly less than 2

percent. The Self-Employed Women's Association (SEWA) in the Indian city of Ahmedabad, through its organization development efforts, has improved the social and economic conditions of more than 50 thousand women who work on their own. SEWA has directly assisted the women from the poorest households not only to organize and empower themselves, but also to undertake diversified development activities. These activities are now being funded through a credit program exclusively operated for SEWA's clientele. The Aga Khan Rural Support Program in Pakistan has demonstrated the cost-effectiveness of a participatory approach to infrastructure development by setting up village organizations and providing technical and financial assistance to the people living in the remote northwestern part of the country. The emphasis on village-based organizations—now encompassing more than 54 thousand households, or about 40 percent of the project area—has enhanced the community's capacity for sustainable development through investments on productive physical infrastructures.

Mandated by its charter to initiate very concrete and practical development initiatives, APDC was interested in testing the viability of credit programs like that of GB. APDC wanted to find out what factors would account for their success, taking into consideration why many other similar attempts at reaching the poorest individuals have failed; and if the particular approaches are replicable in other countries of the region. Since the Centre is not a development financing institution, it cannot lend funds. At best, it can provide technical assistance, establish a collaborative relationship with interested organizations, and provide for very modest action research expenses. The willingness and capacity to raise the loan funds locally became a crucial prerequisite for launching the action research projects. APDC, therefore, has very consciously sought to implement these projects through networking and establishing close collaborative relationships with a number of concerned institutions within the country as well as internationally. The key to successful networking from APDC's perspective was to identify national institutions, both governmental and nongovernmental, that would have a genuine stake in initiating and carrying through such action research activities.

The first action research project was launched in Malaysia. It concerned rural credit and was modeled on the GB experience. In 1985, APDC entered into a unique partnership with the Science University of Malaysia based in Penang, the state government of Selangor, and the Islamic Development Foundation to test a new credit program. The Islamic Foundation made

available the loan fund, while actual research expenses were shared by the state government and APDC. The pilot project at the end of 1988 was considered successful by a steering committee set up by the government on the basis of two criteria: credit was made available to the poorest individuals, as defined by the project; and a repayment rate of 95 percent was obtained among the borrowers. The success of the project—known as project Ikhtiar—attracted the attention of the top policymakers. The federal government has since decided to expand the project to six other states

in the country, and plans are being developed to cover all eleven states by the end of 1991 and 100,000 families by 1997.

Since 1988, APDC has launched similar action research projects in Indonesia and the Philippines. As in the case of Malaysia, APDC primarily relied on networking modalities for carrying out the new pilot projects. Institutional collaboration was established in the Philippines, with the University of the Philippines at Los Baños, the University Development Foundation, which has made the loan funds available, and the Agricultural Policy Council of the government. In Indonesia similar collaborative arrangements have been established with the Centre for Agro-economic Research in Bogor, the Central Bank Training and Research Institution, and the Central Bank of Indonesia, which has advanced seed capital for extension of loans in the pilot project. APDC has also assisted other institutions in the region that are interested in similar action research and pilot projects, through study tours to GB and other relevant organizations.

## 5— Government

The increasing magnitude of the poverty problem amid current approaches to development—that is, greater emphasis on decentralization and individual initiatives—has brought out the governments' (central, provincial, and local) difficulties in adequately addressing the needs of the poor. The workshop participants discussed the widespread perception that governments' interventions are usually inefficient and inequitable. Inefficiencies arise mostly from bureaucratic inertia, weak management, obsolete regulations, and a lack of coordination among both government agencies and levels of government. Inequities originate when local elites and other powerful economic and political groups exert to tilt the investment balance toward government interventions that favor their interests. Hence, the poorest groups frequently end up with inefficient services or no services at all, while those needing them least because they have the means to pay for them, obtain more and better quality services, often at subsidized prices.

Although participants felt that the governments' role in providing urban infrastructure services is paramount, they perceived that, on the whole, governments seem to do badly in their efforts to reach the poor. Evidence illustrates that in urban areas poor neighborhoods are frequently less well supplied with infrastructure services than well-to-do ones. Data for Latin America, for instance, show that social expenditures are low in most countries (World Bank June 1990, Page 37).

Centralized programs for poverty alleviation have not had much success. Centralization of all aspects of planning and implementation overloads central governments while other resources and talents available in the system to get things done are neglected. The debt problem and difficult macroeconomic environment, however, have induced many governments to initiate decentralization policies, which appear to have yielded perceptible improvements in resource allocation, local participation, and the extension of public services to areas without them (Paul 1988, page 63). Participants felt that much is left to be done for the government to improve the implementation of their own poverty alleviation initiatives and to create an environment that stimulates and enables other organizations to

achieve wide-ranging interventions.

Several participants spoke out concerning governments' failure to fully realize the economic (production) and social benefits that can come from improving the poor's access to urban services. Some participants noted that this realization has

already started in several governments, as recent adjustment strategies, macroeconomic performance, and growth of urban poverty have made governments politically vulnerable, thus creating a more receptive political environment for programs targeted to the poor. Available literature also indicates that the current economic conservatism and decentralization plans espoused by economists and policy advisors have been more sympathetic than usual to policy reforms favoring low-income groups. In addition, the disappointing experience of the 1970s with state-sponsored initiatives to alleviate poverty has made governments more receptive to modest approaches and to learning from the experiences of NGOs (Tendler 1987). Therefore, it appears that opportunities in the public sector, complemented with the governments' larger acceptance of NGO initiatives, may be greater today than they were in the 1970s when, ironically, poverty alleviation was probably higher on governments' agendas.

### **Roles and Strengths**

Most participants agreed that the role of government is crucial for large-scale interventions. Governments have the capacity to develop policies and the negotiating and financial leverage to undertake actions whose scope and scale have a major impact on employment and poverty. When these actions are successful, political pressure should urge governments to expand and, having the institutional infrastructure in place, swiftly replicate them.

At a more general level, participants stressed that governments can play a major role in achieving equity objectives. Governments are the only entities that can and should compensate for the failures of the market system and the economic advantages and higher political leverage of wealthier people. Poverty, participants further stressed, can be thought of as a social negative externality whose full-scale rectification can only be faced by governments because the private sector would never completely rectify the problem.

Other more specific governmental roles mentioned by the participants are presented in the following paragraphs.

#### **Regulatory Function**

Participants provided a variety of examples to highlight the importance of governments' regulatory role. The government sector is responsible for regulating many elements, such as setting standards for the construction of buildings, roads, and waterworks, that directly affect the cost and design of particular infrastructure facilities. Governments can also act as broker and facilitator for the initiatives of other institutions (for example, NGOs and the private sector) and communities (the informal sector). Participants mentioned several examples of this: streamlining the maze of legal regulations that inhibit grassroots and NGO initiatives, helping to conduct research on issues related to poverty alleviation policies, fostering the

exchange of information among government and nongovernmental sectors, establishing incentives to help particular poverty-reduction interventions prosper, and providing technical assistance. These examples complement the more traditional ones of assuring a fair level of equity, providing basic social services, and guaranteeing social rights.

### Land Management

Participants underscored the governments' major regulatory role in land management. One participant indicated that government intervention is a must, at least for an interim period, especially to correct any historical distortions. Participants regarded land as a commodity around which a host of vested interests gravitate. A participant stressed that land supply for the poor cannot be seen in isolation but rather in the context of a city's overall land-management strategy. In this respect, management issues of supply and demand must be included along with the ideological issues of equity and efficiency.

Participants thought that regulations can be used to facilitate the access to land by the poor or by those households that already occupy it. Participants cited several instances in which governments instituted taxes for empty spaces or underoccupancy; the taxes can increase every year that the lot is not built and for extreme cases in which unused land was expropriated. Governments can also act as land bankers, acquiring land and reserving it for later low-income development. Some participants, however, indicated that reserving land may bring about problems, for example, where the public authority in charge of managing those lands becomes interested in obtaining benefits from real estate transactions and releases the land on an incremental basis; thus, by reducing supply, the public authority profits from increased land prices. Participants deemed land management a difficult challenge for local governments.

Participants highlighted that developing land occupied by poor people is less expensive, as densities are usually higher and standards can be less extravagant. Nevertheless, as few housing organizations finance land acquisition, special financial schemes are needed to help the poor access land. Participants noted that the poor do not want housing if they cannot finance the purchase of land. Examples of controversial issues were cited in which the government established regulations to grant land titles to squatters who had lived on a lot for more than a specified time, such as 15 years.

One participant described land readjustment as a method that allows the government to finance infrastructure investments through the incremental increases in land values (which profit the land owners) that will take place with the provision and development of the infrastructure (that is, roads, sewerage, and so on). Several participants, however, indicated that land readjustment may increase the supply of land and indirectly benefit the poor, but it does not help provide access to land or housing to the poorest segments of the population. They further

stated that land readjustment has sometimes translated into undesirable forced evictions of entire poor communities. Box 10 briefly describes the positive and negative aspects of the land readjustment policies in South Korea, Taiwan, and Japan.

Several participants cautioned that availability and access to land is not enough. Land management strategies must encompass the whole land development bundle (including dwelling units and services) and establish a judicious use of the land. A participant recounted the case in Lima, Peru, where access to land has been an important issue for decades. In the 1960s, the government had reserved land and later released it to the poor. Forty percent of the population of Lima currently live in towns built on that land. But construction took place in low densities. Land thus has not been enough to shelter the growing number of immigrants, and there have been problems with water and transportation services. The land was not efficiently used and today lots have been progressively reduced from 120 square meters to 60 square meters. Construction must now grow vertically. The participants, therefore, felt that the judicious use of land within a comprehensive framework that encompasses housing and other support services and facilities (roads, open spaces, schools, and so on) should always be assertively pursued.

**Box 10. Land Readjustment in South Korea**

*B. K. Lee*

Land readjustment has been a major instrument through which old urban areas have been redeveloped and new urban areas created at little or no cost to the government in several East Asian countries (Japan, South Korea, and Taiwan). In South Korea, this instrument has applied almost exclusively to converting agricultural land to urban land at the fringes of large cities. The technique is basically a method of assembling parcels of land under different ownerships—usually with the consent of the majority of the affected land owners—without the time-consuming process of land acquisition, and then financing the construction of the necessary urban infrastructure (roads, drains, parks, and so on) with the profits generated from converting the land. In South Korea, by and large, municipal governments have been responsible for planning and implementing readjustment schemes. Although the legal provision permits resident associations and private companies to do likewise, there are more onerous controls and requirements when nongovernment entities are involved as developers. (In Japan, however, resident associations have been more extensively involved in land readjustment.)

Although this technique of land development was first introduced in 1936 during the Japanese occupation of Korea, it was applied extensively only after 1961. In Seoul alone, land readjustment schemes covered 117 square kilometers between 1961 and 1981. In

other large cities of South Korea, land readjustment has also played a significant role in the development of the residential areas: in 1982, the area created through readjustment accounted for 36.6 percent of the total residential area of Pusan, 48.1 percent of Daegu, and 61.5 percent of Incheon. Obviously, the percentages would be much higher if only newly developed areas were counted.

From a cost recovery point of view, land readjustment is an ideal tool, especially in rapidly urbanizing areas where considerable wealth is created in the process of urbanization. In fact, through the process of predevelopment sales, municipalities have been able to raise sufficient cash to undertake development without spending any additional funds. Rapid cost recovery and self-financing are features that make land readjustment schemes replicable—a major advantage compared with sites-and-services and other similar systems where high investment costs and unsatisfactory cost recovery have made it difficult to replicate projects. In South Korea, these schemes have yielded very attractive returns to the landowners while the government in turn has managed to build extensive urban infrastructure virtually without any fiscal cost to itself. Land readjustment profits have also been used to provide cross-subsidies for low-income housing projects. Furthermore, part of the readjusted land has been sold to the Korea National Housing Corporation at a discount to build low-income housing. (However, this is not a standard provision of land readjustment schemes in Japan or elsewhere.)

In spite of its advantages, land readjustment is no panacea, especially as a means of providing housing for low-income groups. Its strength is, in a way, also its weakness. For land readjustment to be successful, it has to be profitable, which means that there will have to be a considerable increase between predevelopment and post-development prices. Landowners as well as government agencies or private associations that undertake land readjustments have a stake in ensuring that the changes in price are large enough to make the schemes profitable.

Perhaps for this reason land readjustment has not necessarily been a device for providing land for low-income housing.

A cynical view might even suggest that the government has deliberately curtailed large scale land subdivisions and retained urban fringe lands as greenbelts and agricultural land to ensure the financial success of land readjustment schemes. Although this is unlikely to be the only reason for those policies, land readjustment may owe some of its success to those actions as well as the rapid urbanization and economic growth that has taken place during the past 30 years.

The extent to which the South Korean experience can be duplicated in other developing countries is debatable. In addition to relatively rapid urbanization and economic growth, other prerequisites for the success of land readjustment appear to be an appropriate legislative framework, an efficient system of cadastre and title registration, adequate property appraisers, and competent staff of municipalities and other entities responsible for readjustment. For this reason, the spread of the system to other developing countries, even if desired and attempted, may be slow in coming.

Some participants stressed that the poor have suffered the most from bad government policies in facilitating access to land. In that respect, land nationalization and large-scale land purchases by the government were not recommended. Though some participants stressed the importance of a planning framework, others were more skeptical of regulation through anticipation of land uses. There was consensus, however, that governments' role in keeping large industries or powerful landowners from indiscriminately evicting people and grabbing land is very important. One participant advocated a polymodular strategy geared toward providing a balanced growth of low-income areas with adequate services such as open spaces, schools, health facilities, and an efficient and inexpensive public transportation system.

#### **Cadastral Surveys**

Participants also mentioned governments' contribution in the design, finance, and conduct of cadastral surveys, which help in managing urban needs and urban change (growth) as well as in assessing property values and collecting taxes (which likely improve cost recovery from infrastructure beneficiaries). The workshop participants underscored the importance of cadastral surveys and their potential benefits. The surveys can also help the government perceive the physical constraints in urban areas, the availability of usable land, and the requirements needed to maintain minimum levels of environmental quality. The surveys can also provide data about land subject to flooding and the remedies that could be put in place to ameliorate disasters at minimum costs. The development of computer-based geographic information systems (GIS) and remote-sensing imagery will help better obtain data for these purposes and for environmental management. Once in place the cost to update the cadastral information from time to time and keep up with changes in land uses, land values, and so on, is usually low, granted the adequate administrative processes are in place.

#### **Environmental Management**

Participants stated that the government, in collaboration with the affected communities, can play a major role in environmental management. The associations between poverty and the environment are many, and the government can act to preserve the environment by setting up systems to help people use resources in an environmentally safe way.<sup>13</sup> Participants noted that the government should work

13. For example: (a) for the individual in his or her immediate environment, low income and consumption levels and high private discount rates may force the poor to make suboptimal choices in consumption of basic needs, leading to degraded physical habitats and environmental health risks; (b) socially enforced rules, convention, or

norms (for example, wood for housing) determine attitudes toward conservation and waste disposal (high income elasticity of demand for particular goods would make the destruction of environmentally sensitive goods lucrative); and (c) formalized legal systems that define access to land and water

*(index continued on next page)*

toward implementing appropriate economic and institutional policies so that the flow of labor and capital are guided to environmentally optimal locations. A few participants advocated establishing subsidies on purely environmental grounds, so that the poor and the rich alike do not damage open spaces and poorly guarded natural resources. In this respect, there was consensus that public policies needed updating, regulations needed to be better enforced, and pertinent institutions needed strengthening.

### **Maintenance of Urban Services**

The maintenance of urban services was deemed another crucial role for the government and an important element of its direct or facilitating interventions, particularly for sustainability. Participants highlighted that long-term needs and costs can grow quite large if infrastructure maintenance is neglected. A participant indicated that in Latin America 60 percent of the urban water produced is unaccounted for because of leakages, broken pipes, and unauthorized connections (compared, for instance, to 12 percent in the United States). Some participants emphasized that governments should give higher priority to maintenance than to the expansion of urban infrastructure and services (or, at most, selective expansion into areas without services). Participants agreed that maintenance for existing infrastructure should be improved through adequate institutional mechanisms. One participant stressed the importance of implementing transparent cost analyses and evaluations in order to assign financial responsibilities among the different groups involved (NGOs, governments, and beneficiaries). These transparent cost analyses can be established through the design of adequate maintenance and management information systems.

### **Coordination and Enabling Activities**

For accomplishing many of the aforementioned interventions, participants indicated that governments do not have to be involved in all the steps of the proposed activities from identification to design, implementation, and monitoring of the provision of infrastructure services, but rather serve as facilitator (for example, by providing the initial enabling means) and remain as regulator and over to ensure that particular projects or programs are adequately implemented. For instance, in the case of sites-and-services projects, governments can provide the infrastructure—or just the basic infrastructure such as water, sanitation, and electricity—to facilitate the construction of housing by the nongovernmental sector.

Participants also stated that governments have an institutional role to play as they can induce coordination among interested institutions to avoid duplication of

*(footnote continued from previous page)*

resources have high transaction costs and result in the continued use of traditional (informal) ways to securing land and water (Jagannathan 1989).

efforts and improve the possibilities of replicating projects. They also stressed the crucial role of governments in establishing the necessary mechanisms to keep government agencies at all levels, particularly at the local level, accountable. At the international level, participants indicated that bilateral and multilateral organizations mostly deal with the government sector, therefore, governments must attract and secure development funds. Moreover,

current trends toward policy approaches also require governments to regulate and implement those approaches.

In summary, participants generally agreed that the government must help create an enabling environment without becoming disengaged from poverty alleviation initiatives or interventions.<sup>14</sup> Some participants indicated that the unqualified promotion of free market policies may conflict with strategies needed to support employment and protect the most vulnerable groups. Proposals suggested by the participants pointed toward the restructuring of investments to give greater emphasis to generating income and employment for the poorest sections of the population through the rearrangement of government expenditures in favor of the expansion of services for the poor, such as public works employment schemes and health programs.

### Limitations

Participants perceived that the limits of government action largely stem from the inherent difficulties that governments have in responding and adapting services to the needs of the poor, weak public accountability for results, and the apparent aversion of both bureaucrats and politicians to mobilizing demand at the local level. These limits are prevalent even under democratically elected regimes, because the poor are often unable—due to their powerless political and organizational stance—to demand change and hold the government accountable for their needs. Participants stated that when essential goods and services are in short supply, as is the case currently in many developing countries, the chances are that the higher income groups will have disproportionate access to them. Under such conditions, the government will be less inclined to improve the delivery of services to the poor.

Participants indicated that, frequently, governments are weak in organizing activities to reach the poor, because they usually embrace top-down approaches that are not always the best strategies for providing infrastructure services to the poor. Furthermore, poor people and grassroots community organizations frequently distrust government interventions; the nongovernmental sector tends to have a comparative advantage in this area.

14. The term "enabling environment" must be understood in its broadest sense: an environment through which the government would provide a policy framework that would permit and encourage the flourishing and development of the initiatives of NGOs and the private sector to flourish and develop efficiently and equitably.

Another limitation noted, particularly in implementing large-scale, multifaceted actions, was governments' difficulty in achieving coordination across several government agencies. Whether due to bureaucratic policies or inefficiency in general, this lack of coordination lengthens the time it takes to implement proposals, causes duplications of effort, and wastes time and resources. Some participants further stressed the high level of misused or underused resources, both financial and human, in developing countries. Governments (and NGOs and citizens, through their pressure) need to single out the inefficiencies and wastes and take necessary actions to eliminate them.

Participants also indicated that the weaknesses sometimes originate in governments' strengths. The potentially large scale of their interventions creates political and bureaucratic interests and adds hurdles to the implementation of those actions. Furthermore, when operating with funds from bilateral and multilateral organizations, the government must confine itself to particular conditional constraints, which may reduce the potential effectiveness of governmental efforts in reaching the poor.

### Conclusion

Despite the limitations, there was general agreement that governments play important roles as providers of infrastructure services, regulators, and facilitators. Some participants pointed out that, as nongovernmental and grassroots organizations are often initiated and motivated by leaders who are committed to local concerns, they are not necessarily interested in replicating their endeavors nationally. Hence, the task of countrywide replication

largely falls on governments through their direct interventions, encouragement, coordination, and support of the initiatives of local and regional NGOs.

Governments can and must play a major role in alleviating poverty in developing countries in a variety of ways. They can increase their social infrastructure interventions (literacy, skill formation, preventive health care) to allow the poor to initiate mechanisms for abating their inhumane conditions. They can also correct for spatial differences, improving the physical quality of life and integrating poor areas to market centers (through roads, community buildings, water, supply, and so on). They can remove or reduce institutional constraints and address the poor's access to productive resources (land reform, land redistribution, input delivery systems, and so on). They can lead the way in protecting the environment by creating policies targeted to the individual producer or consumer that help reduce the poor's dependence on the natural resources in their immediate surroundings. These poverty alleviation measures together can improve access of poor individuals and communities to income earning opportunities by integrating their skills and capabilities with the dynamic sectors of the economy.

There was consensus that governments must encourage the poor to become more involved in designing and organizing services, managing activities, and

sharing part of the cost. Similarly, governments need to implement strategies to support, strengthen, and assist in the intermediation of community-based grassroots voluntary agencies. A useful model must encompass the evolution of appropriate institutional arrangements for delivering infrastructure services and providing other essential inputs and supports for economic development (such as institutional credit, training, and research assistance) to the economically disadvantaged.<sup>15</sup> The workshop discussions illustrated that despite several inherent limitations, inflexibilities, and inefficiencies, governments that properly focus, orient, and organize their interventions and work toward an enabling environment can motivate communities to use their resources in providing and maintaining infrastructure services. This was deemed crucial both in improving development efforts and ensuring sustainable development.

15. Shah (1990) presents the useful experience of UCD Hyperbad.

## 6— Nongovernment and Government Relations

The fundamental actors in urban development processes are the local governments (and national governments in major metropolitan areas), the local communities, and the nongovernmental groups. The workshop discussions highlighted these three groups' conflicts (for example, community interests do not usually correspond to bureaucratic processes), but participants emphasized the need for the sectors to work together to achieve development goals. The previous two chapters presented the strengths and limitations of NGOs and governments and underscored potential areas of complementarity and fruitful collaboration. This collaboration rarely takes place because it is difficult for the administrative structure of governments to match the dynamism and grassroots orientation of NGO interventions. The conflicts create inefficiencies and lost opportunities for substantially reducing urban poverty and strengthening local development.

There is no clear cut way to define the responsibilities of each of the groups because the context within which they interact provides different opportunities for particular roles. Some participants underscored NGOs' role as one of supporting the community and not risking their independence. Others recognized the limitations of NGOs and their need to jointly collaborate with governments. Still others perceived NGOs' role as that of power brokers and mediators that facilitate the communication between communities and governments and articulate the needs of the poorest groups of the population. Nevertheless, most participants stressed the role of NGOs as simply

representatives of community groups whose strengths usually stem from acting as agents on behalf of community interests.

The discussion of the relationship between NGOs and governments highlighted some regional differences. In Africa, with the preponderance of CBOs and the welfare orientation of international NGOs, NGOs act mostly as intermediaries between CBOs, who have limited their activities to the community level, and governments. In Latin America, NGOs have been more belligerent and have often assumed a political stance that has included attempts to change the social and power structure of the countries; consequently governments have looked upon NGOs with suspicion and distrust. In Asia, governments have been more lenient of NGOs' initiatives and interventions, adopting a detached and condescending stance, while NGOs have largely had a social work orientation and normally have not attempted to threaten the establishment.

Regardless of these regional differences of how NGOs fall within the institutional framework, the workshop participants agreed on the need for governments and NGOs to move from coexistence into active collaboration. NGOs' involvement in government initiatives can improve their sustainability, while governments' involvement in NGO activities can improve the replicability of NGO-sponsored programs and projects.

### **Governments' Recognition of NGOs' Contributions**

Participants felt that a fruitful collaboration needs to start by reducing the distrust between the two sectors. Governments must recognize and value the work, experience, and know-how of NGOs at the local level (such as their use of appropriate technologies) as well as the contributions NGOs have made in promoting participation and democratic processes, meeting basic needs, and providing resources and innovative approaches to poverty alleviation initiatives.

The wider recognition of NGO efforts should lead to NGOs and grassroots groups, encompassing the so often overlooked women's organizations, becoming involved in planning and implementing government interventions not only for construction, maintenance, and operation of urban services, but also for long-term local development. Participants warned, however, that governments should not take advantage of NGOs to shirk their own responsibilities in the delivery of urban infrastructure services.

Participants deemed that institutional strengthening is part of the development orientation that implies that NGOs be regarded not just as channels for funding or the means to implement programs, but as resources in themselves that can effectively and efficiently contribute to the infrastructure development processes. There was consensus that when governments recognize NGOs' efforts, governments can build on the NGOs' institutional base. Participants indicated that in many countries the government's incapacity to organize targeted programs for the poor could be eluded, at least in part, by involving NGOs. All strategies adopted by the government and NGO sectors must nevertheless pay attention to both the strengths and the limitations of NGOs. Bolivia's ESF project (box 1) is a case in point. While municipalities, cooperatives, NGOs, and other community organizations have been successful executing agencies—program design and implementation have been their responsibility—for a national poverty program, community groups sometimes required assistance in organizing themselves and managing finances. Thus, ESF's technical assistance and training to community groups helped circumvent those limitations.

### **Bottom-up Participation**

Most participants perceived that a bottom-up, participatory approach, in its broadest sense does not fit within government poverty alleviation initiatives. That

approach usually requires different institutional arrangements, more time, and more resources. For instance, it requires additional staff who must be highly motivated and willing to devote time to those initiatives. Participants agreed, however, that in many instances a bottom-up approach is crucial in achieving interventions that are both effective and sustainable.

Participants indicated that if government cannot (or does not want to) adopt participatory approaches, decentralization should at least be considered whenever an initiative is thought to require bottom-up participation. This decentralization should reach beyond local governments, as these governments are not always the only, or necessarily the best, exponents of the interests of particular urban groups. NGOs and grassroots organizations were considered pertinent in this respect because they can articulate and emphasize the capacities of the poorest groups of the population and can gradually increase these groups' organizational strength and bargaining power to request and carry out poverty alleviation initiatives.

Bottom-up participation was deemed applicable to most of the micro approaches listed in chapter 2, particularly the controversial issue of resettlement, in which an effective approach for its implementation is to broaden people's information on the resettlement process by involving knowledgeable local NGOs, on a long-term basis, to prepare relocation plans. There was agreement that the involvement of NGOs has usually been appropriate to better address the social and cultural complexities of involuntary resettlement.

Participants highlighted the frequent clashes between NGOs and governments because of the governments' lack of consideration of community concerns. Many workshop participants underscored the need for more participatory approaches and their subsequent benefits. A participant recounted the experience of the Chipko movement in India's Himalaya region (summarized in box 11). Government interventions to clear forest areas for development were strongly and actively opposed by grassroots groups. This unscientific approach taken by these groups later evolved into an effective strategy for the government in managing natural resources.

### **NGOs' Recognition of Government Strengths**

Recognizing NGOs' contribution to poverty alleviation does not mean that NGOs by themselves "do better than the public sector" at poverty alleviation.<sup>16</sup> On the contrary, participants agreed that the NGO interventions that have expanded and reached a large number of poor appear to be those that have involved collaboration with the public sector, hence increasing the likelihood of replicability. A participant

16. The definition of "better" is by itself a controversial question. Tandler (1987, page vi) stresses the lack of comparative knowledge about what has been successful and what has not, in either the public or the private domain. Therefore, she further states, there seems to be little evidence to support the claim that one can do better than the other.

described an experience in the cities of India where public sanitation has typically been a major problem. NGOs sought collaboration with the government in building public latrines in the poorest areas. The local government provided the necessary land and no other subsidization. The NGOs constructed and maintained the latrines and recovered costs from the users. NGO involvement and commitment was very strong and its headquarters were built in the areas of intervention. The program was later replicated all over the country. The participant indicated that the ingredients of the success of this initiative included capital for the initial investment (mainly in the form of land) provided by the government; the fact that sanitation was a very important service to urban poor communities; and maintenance by the NGO recovering its costs from the users.

Participants noted that NGOs have demonstrated innovative strategies for strengthening the poor in several countries, but on a small scale. In attempting to scale up their operations with support from the public sector, there was agreement that NGOs are afraid of losing their innovative quality and become top-down, nonparticipatory,

and dependent on external government support. Unfortunately, this makes most NGOs uninterested in scaling up their activities or in influencing the strategies of government for poverty alleviation. Some participants, however, stated that these risks must be weighed against the important role that NGOs can play in influencing the policies of national governments (as well as those of large development organizations) and the benefits of replicability. Furthermore, though NGOs' effect at the local level is indisputable, whether their benefits are sustainable often depends on the extent to which they have built up local institutions (including government bodies) and laid a foundation for increased resource mobilization for future expansion.

**Box 11. The Grassroots and the Environment: The Chipko Movement in India's Himalayan Region**

*Kirtee Shah*

The Chipko movement emerged in 1969 as an organized grassroots effort to preserve the environment after demonstrations by the inhabitants of a village in India's Himalayan Region (Mandal) attempted, successfully, to prevent a manufacturing firm to fell trees auctioned by the Uttar Pradesh government. The villagers protested because the ultimate use of the trees was for entertainment (sports goods) of populations outside the region and not for tools that could contribute to their own productive activities. When the contractor came with the intention of felling the trees, the villagers clung to the trees and the sports manufacturing firm had to move to another town; there too they met with a similar resistance.

At the beginning, the movement focused on the economic well-being of the local people and demanded the end of the vicious

contract system of forest exploitation. The Chipko movement established cooperative societies, settled minimum wages, protected villagers' rights, and negotiated for new forest settlement and subsidized supplies of raw material for small local industries. As the forests of the region—which is the source of two major rivers, Ganga and Yamuna—were being devastated, giving way to landslides and erosions and drying up water sources, the Chipko movement shifted its perspective, fighting against the attitude that forests are merely the means to commercial benefits and defending the need for trees as defense against erosions and landslides. Thus, it became a full-fledged movement for the protection of the environment, centering their initiatives on ecological aspects.

The commercial exploitation of trees was mainly responsible for a variety of trees to disappear. The loss of these trees caused the soil to become dry and infertile. After roads were built, even the remnants of the felled trees were not spared. The washing away of the fertile soil compelled most men who farmed to leave their families and search for employment outside their villages. Women then had to bear the responsibilities of collecting fodder and firewood and carrying water, in addition to farming. But even the materials such as fodder and firewood were becoming more and more scarce, and women had an increasingly harder time finding it and often had to travel long distances. The women then began to see the necessity of stopping the destruction of the forests. They became aware that if the soil were not disturbed, agriculture could continue and their husbands can return home.

The government, however, in the name of scientific management carried out the job of felling trees and attempted to convince the women of the need for doing that job. Women responded by causing disasters during tree cutting, thus challenging the principles of forestry that the government quoted from technical books. In 1978, the forest officers and private contractors

called in armed police to protect their felling activities. The women and children, however, clung to the trees, and the police were forced helpless before this peaceful resistance.

After this incident and many other similar ones took place, the government still attempted to clear an area of oak trees for the construction of an agricultural university. The populations of 50 villages in the vicinity, which depended on these trees for fodder, firewood, and water, held demonstrations forcing the government to cancel its intervention. Other demonstrations continued during this time.

Over the years, the Chipko movement developed into a powerful grassroots based ecological movement for sustainable development against the traditional shortsighted and destructive (in their own words) profit-driven development strategy. The movement demanded that the felling of green trees for commercial purposes be stopped for at least 10 to 15 years, until green coverage of at least 60 percent of the area was restored, that forests be planted with trees capable of holding soil, and that water conservation resources be undertaken to enable villagers to be self-reliant for their inevitable basic needs (the five F's: food, fodder, fuel, fertilizers, and fiber).

The Chipko movement has succeeded in stopping deforestation for more than ten years in 1,300 square kilometers of the Himalaya's catchment area of the river Alaknanda. The greatest achievement of this movement, however, has been the enlightenment of the layman regarding the importance of protecting trees and the recognition of the scientific rationale behind the conservation of forests for sustainable development and survival of villages. The movement has not been confined merely to protecting the trees; it has grown as a collective move against offenses against nature, such as indiscriminate blasting for laying roads or mining.

Source: Bahuguna (1980).

The workshop consensus was that the gap between most NGOs and most developing country governments must be narrowed to assist sound and lasting development. By recognizing one another's essential contributions in development and poverty alleviation the two sectors may gain mutual respect and achieve common goals. Participants agreed that, aside from ideological and value differences, the mutual realization that neither government nor the NGO sector has the will or the capacity to deal with the acute problem of poverty alleviation should encourage NGOs to get involved in ongoing governmental development programs and encourage the government to enable and foster NGO initiatives. There was consensus that the relationships to be forged between government agencies (and/or international aid agencies) on the one hand and the various categories of local/indigenous or international NGOs on the other hand would vary according to each country and to what each type of NGO can do best.

### **Regulating and Enabling Environment**

Participants generally agreed that the government has a crucial responsibility to facilitate the actions of its own agencies as well as those of NGOs. The regulatory environment should facilitate activities to meet the needs of the poor by providing access to land, easing the mobilization of resources, contributing to the evaluation of projects and programs, and so on. Workshop participants stressed that governments must create an enabling environment. They also stressed, however, that this does not mean the governments should become disengaged from poverty alleviation initiatives; its role is paramount in achieving interventions that are replicable and sustainable and those that involve large capital outlays.

Participants stressed that governments should develop a more favorable policy and administrative environment for NGOs' existence and activities (as well as those of the private sector). In addition, governments should delegate tasks to the pertinent regional or local public or nonpublic organizations to provide to both governments and

NGOs opportunities to manage local-level development. NGOs,

within this enabling environment, should also work with the governments strive to become more efficient. Participants underscored the importance of eliminating biases that favor capital-intensive production or other impediments to employment growth and highlighted the need to reallocate public expenditures toward infrastructure services that enable the poor to become part of emerging economic opportunities. These actions were deemed necessary and convenient for fostering growth with a focus on improving the conditions of the poor, for example, by generating demands for labor and improving the incomes of the poor.

### **Conclusion**

Participants acknowledged that collaboration represents a more complex course than simple coexistence. The complexity arises from factors such as the antagonism between the two groups, the reluctance of NGOs to expand (preferring instead to target groups selectively), and the competition for scarce funds. Nevertheless, participants agreed that both sectors must realistically appreciate these restraining factors and weigh them against the advantages and benefits of collaboration.

Participants also acknowledged that governments; and NGOs have different but complementary strengths. Participants thought that, in the context of poverty alleviation, there is a clear justification for a division of labor that exploits the comparative advantages of each sector. The collaboration therefore could be achieved without detriment to the other group's strengths. For instance, NGOs must continue to strive for independence to keep their comparative advantage in having access to poor groups, while governments must support and foster the autonomy of local NGOs and integrate them into governments' poverty alleviation initiatives to improve sustainability. NGOs can effectively use the developing strategic opportunities so that they can bring significant incremental benefits to their local constituencies. In any event, if each sector seeks collaboration both will learn from the experiences of the other.

There was consensus that acknowledging each other's contribution should be a first step toward increasing the legitimacy, visibility, and support for poverty alleviation measures in developing countries. Institutional development of both NGOs and government institutions in charge of urban poverty initiatives was also deemed one of the first necessary steps. Institutional development should include training in organizational and leadership skills, financial management techniques, and technical assistance strategies for project implementation. Another institutional development would include establishing NGO coordinating bodies.

## **7— Conclusions**

The workshop evolved from the presentation of a general framework to the discussion of specific strategies. Improving or facilitating access to basic infrastructure services was highlighted as an important component of any convincing strategies geared toward abating urban poverty and poverty in general. Infrastructure services were deemed crucial for improving the conditions and dignity of large sectors of the urban population of developing countries and spurring development by encouraging the people who benefit from the services to initiate opportunities.

### **Rethinking Urban Poverty**

Participants underscored that providing and improving the urban poor's access to urban services can achieve many objectives, from the relief of basic human suffering and restoration of human dignity to improved productivity

and reduced health costs. From this perspective, a fresh look at the poverty issue must be taken, one that better considers the actual benefits of poverty alleviation measures. Providing access to basic urban services is not merely a social investment that can help enhance the health and nutrition of large segments of the population and thus reduce expenditures in the health sector, but also a productive investment that can intensify economic growth through the creation of income-generating activities. Furthermore, concentrating on the productive aspects, along with the social aspects, improves the possibilities of recovering costs and sustaining infrastructure investments.

Participants agreed wholeheartedly that poverty reduction strategies should strive to raise employment opportunities for the poor along with productivity and wages. Urban services aimed at fulfilling basic needs and enhancing the human capital assets of the poor play an important role in such a strategy. Participants stated that the returns to the poor for their labor largely depends on the quality of services and the poor's access to them. Such high-quality and accessible services include lower transportation costs, reduced costs of schooling, improved access to health services, and adequate access to drinking water.

### **The Many Possibilities**

The workshop discussions, with the rich exchange of experiences among the participants, underscored the myriad possibilities available to alleviate poverty. Innovative approaches are abundant, and efforts to tackle the problem can be improved. Much is left, however, to systematically evaluate those efforts to assess the key elements of their success or failure—judging the potential for their replicability—and to encourage the exchange of experiences and ideas among the requisite institutions and organizations.

The workshop discussions also highlighted the need for a more affirmative collaboration among the organizations that have a stake in the issue. Once governments acknowledge the high priority of reducing poverty, they must strive to adequately incorporate the nongovernmental sector in their interventions and take advantage of NGOs' strengths, thus making use of the strengths of both the government and nongovernment sectors and discounting their limitations. For example, the government can make use of the organizational and community mobilization capabilities of NGOs and their knowledge of the grassroots level, while NGOs can reinforce their actions and possibly help more people through government support, and advocate the needs and rights of the poor by persuading the government to establish the adequate regulatory environment.

Some participants stressed the importance of intensifying democratic values and preventing the waste of resources as a major accompanying effort in effectively implementing wide-ranging poverty alleviation strategies. Such efforts require empowering the poor and increasing public accountability. The poor will acquire strength only when they are aware of their rights and are able to demand them. Public accountability can be improved only marginally by internal bureaucratic reforms. Pressure from grassroots organizations, CBOs, and NGOs can compel authentic public accountability in government. There was consensus that in countries where community based actions are abundant but governments are weak, greater attention needs to be given to reorienting the bureaucracy and connecting it to the potential strengths of the communities.

### **Sustainability**

Participants agreed that efforts to design and implement sustainable approaches should be improved. Both NGOs and governments must become aware of the need to sustain successful projects and must work together to devise mechanisms to make interventions sustainable. Sustainability is defined as the ability of a policy or project to maintain an acceptable level of intended benefits (objectives) through its economic life. Because these benefits do not necessarily have to be monetary or quantitative but can also be qualitative, sustainability must be achieved not only by creating the appropriate financial mechanisms but also by strengthening those institutions that are in charge of implementing, administering, and operating the

particular policy or project. Thus, institution building is another applicable component for improving the poor's access to urban services. By allocating more resources for training their own members and leaders and strengthening their management and accountability systems, NGOs and governments can reinforce their capacity to design and implement their poverty alleviation initiatives.

Participants deemed the promotion of grassroots organizations and NGOs and their participation in the definition and management of projects as an important element to ensure sustainability, because aligning project objectives and activities with local needs and aspirations seems necessary for project success. Community participation can also improve cost recovery, which was perceived by participants as another important element for achieving sustainability. When beneficiaries are incorporated into project design and implementation through the active involvement of community associations or representative NGOs, many are willing to contribute to cover the costs. The resulting sense of ownership stimulates contributions to the project. In summary, most participants agreed that cost recovery and enhanced financial conditions to construct and maintain urban infrastructure investments can be achieved more effectively with community approval and participation. Participants stressed the need, however, for well-designed subsidization schemes for the poorest sectors of the population to afford particular services.

Environmental concerns and gender considerations were considered two major issues whose adequate consideration can vastly improve the strength and sustainability of poverty alleviation interventions. The connection between poverty and environmental degradation has been perceived, at best, as indirect. Participants, however, provided some examples of a direct connection between poverty and environmental issues and stated that these issues require additional research, policy incentives, and adequate physical investments. The increasing acknowledgment of women's contributions to development, participants perceived, will allow policies and projects to be designed that can facilitate women's actions and, as they frequently constitute the majority of the poor, reduce poverty levels.

### **Evaluation and Replicability**

The workshop discussions highlighted the lack of a systematic evaluation of poverty related interventions. Several participants underscored the need to incorporate evaluation research for poverty alleviation strategies and increase the exchange of ideas and experiences in nonconfrontational environments such as the one initiated during the workshop. On a more specific level, the evaluation and exchange of ideas should also be embraced by government and nongovernment sectors in each specific country to improve coordination of actions among NGOs, among government institutions, and between the two groups to avoid or reduce duplication of efforts. Participants agreed that both NGOs and governments must intensify the exchange of valuable experiences such as those related to appropriate technologies, organizational structures, resource mobilization strategies, and so on.

Evaluation research and comparative studies in both the government and nongovernment sectors should emphasize the factors that affect the sustainability of poverty alleviation strategies and analyze the conditions for their replicability. Participants stressed that, considering the scale of the poverty issue, replicability is a major consideration so that particular strategies can be expanded to reach as many poor as possible. However, as the workshop discussions illustrated, the conditions and needs of the poor vary from continent to continent and even within each continent or country. Therefore, evaluation of individual strategies must appraise those elements that are specific to particular environments and assess their implications for replicability.

### **Everyone Gains**

Participants stressed that the need to eradicate poverty (and create more balanced human development) requires bringing the poverty issue in general and that of urban poverty in particular, fully into the realm of national and local economic and social policymaking. Participants agreed that raising the priority of poverty related issues (and

effectively acting on them) will benefit all sectors of society. Hence, governments and NGOs must establish the incentives for their mutual collaboration in poverty eradication, the former by providing the adequate enabling environment and the latter by linking up with government interventions. Micro and sectoral policies and community-based approaches, on their own, will never be sufficient to tackle poverty on a sufficiently large scale and in a sustainable way. They must be combined with the broader aspects of macro, financial, and fiscal policy largely in the hands of the governments. The government then must provide the resources and space in which micro, sectoral, and community-based approaches can develop and NGO and grassroots initiatives can grow.

Paradoxically, the progress of nongovernmental organizations depends, partly, on government support and, conversely, the success of government policies and interventions can be largely strengthened and made more effective and efficient through collaboration with NGOs. Mutual distrust, however, exists and persists. The workshop concluded by underscoring the need for a reversal of thinking to swiftly take place: NGOs must strive to collaborate with governments to replicate their endeavors and steer government policies and resources toward better reflecting the development needs and initiatives of the people they represent; governments, in turn, must acknowledge NGOs contributions and collaborate with them to achieve more sustainable interventions.

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