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COMMUNITY SELF-HELP: A NEW STRATEGY

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I. PURPOSE OF THE REPORT

This report examines the potential for increased privatization of development initiatives in the countries of the developing world. As contracted by the Bureau for Program and Policy Coordination of USAID, an investigation was conducted by Free Zone Authority, Ltd. (FZA) into the alternatives that exist to continued reliance on public sector institutions for financing and delivery of community services in less developed countries (LDCs). The project called for an examination of the literature available on self-assessing associations and identification of elements in their operations that might be implemented more widely in LDCs. In addition, the project entailed an investigation into the applicability of challenge grants as a means of catalyzing and sustaining community participation in the establishment and maintenance of basic services.

In the course of the project, research was conducted to determine what types of voluntary community associations servicing low-income residents were currently in operation in LDCs. Staff consultants performed field work in India and Thailand to derive first-hand knowledge of the experiences of privately financed development projects and their prospects for the future. Project members also reviewed data relating to the work of private non-profit organizations in providing funds and technical assistance to community associations. Interviews were conducted with individuals from the Pan-American Development Foundation, Cooperative Housing Foundation, InterAmerican Foundation, Partnership for Productivity and other private sector development organizations. World Bank regional urban policy experts were contacted and contributed valuable insights as to the current housing crisis in developing countries and the possible role of the private sector from the perspective of an international financial institution.

Community associations, cooperatives, self-help housing projects and other grassroots initiatives have proven to be workable alternatives to an overburdened "formal" public sector. The evidence produced in this study indicates that with proper inducements, the roles of these organizations can be expanded to encompass responsibilities that are now within the domain of the public sector. Road maintenance, garbage collection, local transportation and other services have all been successfully performed by low-income community associations in those cases where the organization was well managed.

Given the brief history of many of these projects, and their often ineluctable political and economic settings, conclusions must be qualified regarding their permanence and transferability to other settings. Nevertheless, the findings of the research clearly show that low income residents can bring a great deal of motivation and cooperation to projects in which the benefits are readily visible and attainable.

At a time of great fiscal strains for LDCs, governments that overlook opportunities to stimulate greater self-sufficiency on the part of urban and rural communities seem to be needlessly holding back both their prospects for fiscal recovery and for improvements in basic living conditions by their people.

II. BASIC CONCEPTS

This chapter introduces two concepts that are fundamental to an appreciation of the opportunity to strengthen grass roots self-sufficiency in LDCs.

A. CHALLENGE GRANTS

Challenge grants have been employed by a broad spectrum of governmental and private institutions as a mechanism for leveraging resources in the realization of development goals. In essence, challenge grants are offers to contribute resources to a development initiative provided the recipients make contributions for the same purpose.

Normally challenge grants elicit matching commitments of resources from their recipients on only a one-time basis. As a one-shot stimulus, they have traditionally done little to promote the sustained operation of programs they support.

This fact does not appear to be an inherent limitation of challenge grants. As explored later in this report, challenge grants may be specifically targeted to catalyze adoption of permanent self-assessing mechanisms in urban and rural communities.

B. SELF-ASSESSING ASSOCIATIONS

In recent years, propertyowners' associations have proven to be a powerful private sector mechanism for financing and delivering community services in both developed and developing countries. Although voluntary organizations often have great difficulty in mobilizing residents to support basic facilities and services in their community, self-assessing associations are able to do so in a variety of settings.

In these associations, service provision is normally secured through deed-based agreements that bind propertyowners to regularly contribute support for the activities of their association. The scope of the association's responsibility for activities is determined by member vote. In contrast to public services, privately-financed services tend to be undertaken on a more consistently responsive and economical basis for residents of these areas.

Self-assessing associations come in a variety of forms. The two types that can best be employed in low-income settings are discussed below:

Homeowners' Associations The homeowners' association is an organization of propertyholders within a particular neighborhood who are bound by deed-based covenants to maintain common facilities and services. These covenants include a commitment by members to pay periodic dues for support of association functions. In the past two decades, the number of U.S. homeowners' associations has increased dramatically, from 600 to the more

than 25,000 currently in operation. The majority of these associations are found in planned residential developments where the concept of commonly-maintained properties and self-financed basic service delivery is a selling point for middle and upper class home buyers. But economically distressed neighborhoods are increasingly turning to them as a useful tool for improving local conditions.

Homeowners' associations can perform a variety of functions, reflecting the needs of the community and the size of the annual membership fee. Some associations have taken over virtually all of the functions normally provided by local government including water and sewerage systems, street maintenance, garbage collection, security and fire protection and emergency medical service. (Rather than incur the problems of providing such services on their own, homeowners' associations generally shop about for private, contract providers.)

Failure to contribute to association-determined activities can subject members to a substantial penalty. Although associations frequently are flexible about the timing of fee payments, they have the power to force the sale of property to collect on seriously delinquent fees. This potential power—while seldom exercised—ensures an exceptionally broad base of fee-paying members.

Associations have also proven to be effective in mobilizing improvement efforts by residents on their own property. Most association contracts specify that resident members are responsible for the upkeep of the exterior of their homes and, if certain standards are not met, give associations the right to enter the property, make the necessary improvements and bill the owner for the repairs. Consequently, homes that might otherwise be allowed to deteriorate are attractively maintained and the property values of the development are protected.

In addition to their proven success in new middle and upper class residential developments, propertyowners associations have recently been instituted in urban areas as a means of revitalizing distressed low-income neighborhoods. Resident cooperation in neighborhood crime watches and streetside clean-up efforts as well as group initiatives to develop common parks and recreational facilities are among the numerous positive results of these organizations. As in the planned residential developments, all members are obligated to pay self-assessed fees to maintain the property and services.

Residential Housing Cooperatives The housing cooperative is the most comprehensive form of shared property ownership. A resident of a cooperative does not own his own unit, instead he owns a share of stock in the nonprofit corporation that owns the housing complex. Title to land and buildings is vested in this corporation and the ownership of shares of its stock entitles the residents to the rights and privileges of a proprietary lease for a specific housing unit. Perhaps the most important element of the cooperative structure is that responsibility for the entire complex is shared by all the members. Consequently, all members are liable for the operating expenses and the taxes on the property as well as the financial responsibility should any member default on his payment obligations.

The cooperative concept has been widely utilized in development efforts throughout Latin America, Africa and Asia. Cooperatives have perhaps been most successful in rural environments where traditional familial and community support networks are still intact. In some cases, the structure of cooperatives has resulted in administrative and financial problems for the membership, since if one individual fails to contribute his share the contributions of the remaining members must be proportionately increased. It is this "free rider" problem that homeowners' associations successfully address. By incorporating enforcement mechanisms in their operational design, the vitality of the organization is given structural support.

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For the most part, both homeowners' associations and cooperatives require financial support from their members. In recent years, however, experiences with other forms of self-assessment have been growing. Because these types of self-assessment normally emphasize nonfinancial rather than financial commitment of resources, they are especially appropriate for association functions in low-income areas.

The most notable example of in-kind contributions is found in self-help or "sweat equity" housing where residents contribute labor on an uncompensated basis to build housing and/or community infrastructure. Although sweat equity has been recognized as a viable one-time means of shelter provision in developing countries, the possibility also exists for having residents make regular contributions of efforts toward maintaining infrastructure and/or assisting in the delivery of needed services. This report presents possible incentives for residents to actively lend such supports to ongoing activities of the association.

III. CONTEXT: THE NEED FOR STRONGER SELF-HELP CAPABILITIES

A. THE PROBLEM

In small villages and large cities alike, people of developing countries in recent years have experienced increasing difficulties with the delivery of basic services. Swelling populations, diminishing public sector resources, and sluggish institutional systems for service provision have seen residents of many communities losing ground.

The effects of such deterioration bode ill for prospects of development, particularly in urban areas. The immediate toll is evident in declining living conditions, as streets and sanitary systems go unrepaired, refuse collection becomes more sporadic, and crime rates rise. For the medium term, the prospects are also grim: failure to maintain community infrastructure and basic services can retard or destroy the climate for economic development, which alone offers a self-sustaining way out from poverty. In rural areas, many of the world's poor have also remained subject to unresponsive public sector and parastatal organizations which are, nominally, dedicated to meeting their needs.

These problems have arisen not from a lack of public sector institutions, nor even primarily from a lack of resources for governmental institutions. They instead have primarily arisen from failings in the delivery systems established to meet needs for infrastructure and public services. Frequently, the public sector bureaucracies responsible are "user insensitive" to broad parts of the population. For example, a recently completed study of the informal sector in Peru, noted that about 85 percent of Lima's mass transportation passengers make use of "underground" bus systems.^{/1} The failure of the city to provide adequate service to the poorest sections of the city, despite the great demand, has fostered the development of private, self-supporting alternatives. The poor often view bureaucratic institutions as more concerned for institutional well-being than for meeting community needs. Lacking accountability to their ostensible clienteles, bureaucracies often become instruments of patronage and political empire building.

Growing fiscal constraints have also brought present public service delivery systems under challenge because governmental services tend to be unnecessarily expensive. Featherbedding problems are rife in public sector institutions of developing countries. Examples include the municipal bus service in the city of Calcutta, which, despite having the best routes available in the city relative to the unsubsidized private system, is subsidized by the government at US\$ 12 million a year. The transit system is greatly overstaffed; in 1980 it had 50 employees per bus, one of the highest such ratios in the world.^{/2}

The pathologies of public service delivery systems often have another adverse fiscal aspect as well. Rather than price services on a cost-recovery basis, bureaucracies frequently underprice them to the point where revenues for maintenance and repair of aging water, sewer, and roads systems

are woefully inadequate. The underpricing is usually justified on political grounds as benefiting the poor, but in reality helps to promote in-migration to cities that further strains public infrastructure. Moreover, the benefits of service delivery often become politicized, as politicians ration the underpriced infrastructure and service delivery benefits to their allies—or exact "side payments" from members of the public desiring access to the services. Poor neighborhoods seldom fare as well as more affluent areas when services are allocated for these reasons.

In sum, there is a large shortfall in the performance of the official, institutionalized world—the formal sector—in meeting basic service and infrastructure needs of poor residents in developing countries. Some countries have recognized the problems, implementing approaches that attempt to increase the responsiveness, effectiveness, and efficiency of public sector service delivery systems. Several efforts of this sort are summarized below.

B. CONVENTIONAL APPROACHES

In response to the problems noted above, public sector institutions have shown an increasing willingness to adopt innovations. These reforms include attempts to increase government responsiveness through citizen participation, independent monitoring of service delivery, and the incorporation of more businesslike procedures in the operation of public services.

In the low-income housing programs of the World Bank, coordination and cooperation between the government and the community participants have been emphasized. More and more often, efforts are being made to include residents in the decision-making process in the initial stages of the program and elicit valuable input regarding project design through local representation on advisory panels and implementation teams.

Although this approach may help in developing programs more attuned to the needs of those being served, there are several problems with the process as it has been implemented to date. The small scope of many of participatory projects does not allow the employment of economies of scale and, at times, the actual construction of buildings and infrastructure is plagued by inefficient use of finances and materials. In some instances, the involvement of the residents in the decision-making process results in additional expense due to their inexperience and the difficulties inherent in cooperative management. In the course of project execution, additional problems may arise. Appointees may not be legitimately representative of the interests of the community or may be unable to fundamentally influence the proceedings.

Governments have also attempted to improve the performance of public sector institutions by implementing independent monitoring and evaluation systems. The introduction of such verifiable and measurable indices, however, is seldom popular with the bureaucracies or with groups that have a stake in existing service delivery systems.

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Progress can be made in reforming the public sector institutions if outside pressures to conduct operations in a more efficient manner are maintained. To the degree that such external pressures subside, the bureaucracies are likely to revert to their previous ways. Public sector service delivery monopolies over time have few strong internal incentives to conduct their operations in the most economic and user-sensitive ways possible.

Consequently, attempts to reform public sector institutions may show meager results over time, when weighed against the efforts expended. It may be more productive to turn instead to private organizations that are capable of assuming responsibilities for a wide range of basic facilities and services. A strategy that enlists the self-help powers of residents holds out a promise of improving living conditions in developing countries, while easing the fiscal burden of supporting costly—and often ineffective—public sector service delivery organizations.

IV. A PATH TOWARD SELF-SUFFICIENCY

A. OVERVIEW

The shortcomings of public sector development strategies have encouraged the adoption of alternative approaches which feature mobilization—on a lasting basis—of grassroots support for community improvement programs. In large measure, however, the potential benefits from such initiatives have yet to be realized.

This chapter reviews obstacles that hold back community self-help capabilities at present, and describes a strategy to strengthen community associations on an enduring basis. In presenting key elements of the strategy, it surveys experiences in developing nations with self-assessing associations and with "challenge grant" catalysts for self-help. Finally, the chapter examines opportunities for private enterprise and for international development institutions to aid in the strategy's implementation.

B. A STRATEGY FOR OVERCOMING OBSTACLES TO SELF-HELP

Two types of barriers at present hold-back self help organizations in developing countries. The first type of obstacle is internal to the self-help groups; the second is imposed from outside—principally by public sector institutions.

In the following section, these respective problems are briefly reviewed, and a strategy is presented for overcoming the most difficult of the constraints. The strategy consists of offering "challenge grants" for residents of targeted areas to overcome internal barriers that frequently frustrate self-help efforts. Challenge grants from the public sector generally need not entail new spending. Instead, they remove (governmentally-created) external constraints upon organized self-help efforts, once a community group has adopted mechanisms for overcoming the internal obstacles.

1. Overcoming Internal Obstacles

The major internal obstacle limiting community self help capabilities is the difficulty of mobilizing residents to support activities of mutual benefit on a lasting basis. Problems of apathy, unequal burden sharing, and inefficient group decisionmaking all hinder voluntary organizations seeking to improve conditions.

Fortunately, there is reason to hope that such problems can be overcome. Progress has been made by developing countries to resolve a number of these problems. Recent developments in industrialized countries may also be transferable. These experiences can, if integrated, form part of a powerful new strategy for mobilizing community self-help efforts.

The following section describes ways of removing internal barriers to the start-up and functioning of private self-help organizations in developing countries.

a. **Mobilizing Activists.** A fundamental obstacle in launching community self-help efforts is the difficulty of attracting a critical mass of participants. Unless there is an exceptionally charismatic group leader, or an overriding external stimulus, neighborhood residents seldom mobilize to start up a self-help organization. Concerns over the durability of cooperative self-help efforts are a primary reason for nonparticipation; rather than invest time or resources in an enterprise with little apparent staying power, most residents prefer from the outset to stay on the sidelines.

To overcome this problem of mobilizing individuals, a powerful tool is available—the "challenge grant." As described in Chapter II, these are public or private sector grants which are made conditional upon a matching commitment of funds or in-kind resources by the recipient. Public sector organizations can offer their resources on such a basis to stimulate residents of targeted areas to form new self-help organizations. Governmental bodies, when disbursing resources, can give preference to neighborhoods that mobilize residents in self-assessing groups.

Challenge grants have proven to be effective motivating tools for self-help organizations in the developing world. For example, Bogota, Colombia has implemented a highly-successful method of stimulating community improvement efforts. The municipality has adopted a standing offer for neighborhoods desiring to have roads paved. Under the system, known as "Colombian valorization," the cost of public works is allocated to affected properties in proportion to the benefits conferred. In low-income areas, the government gives priority to road paving projects in those neighborhoods that contribute a portion of the costs and the labor required.

Under the terms of the Colombian challenge grant, the city requires the neighborhood residents to contribute 30 percent of the paving costs, and to donate sufficient labor to create the necessary ditches alongside the road bed. In addition to the use of valorization to extend the city's road system, a program to expand the sewerage system is currently being supported in the same way. In an article published in Land Economics, Professor William Doebele of the Harvard Graduate School of Design reports the the program appears to have aided the poor by contributing to an arterial street system that has permitted a dispersed pattern of urbanization and ease of movement by public transportation.¹ By providing improved access to places of employment from more remote locations with lower land values, the poor are now better able to afford adequate housing. The valorization program has been instrumental in enlarging the choice and accessibility of lower-income groups to jobs and to residential building sites.

Challenge grants have also been used effectively by state-supported organizations. The Pan American Development Foundation has undertaken challenge grant programs with the National Development Foundations of Barbados and St. Lucia in the Eastern Caribbean. These challenge grants are utilized as fund-raising mechanisms to inspire increased financial support

by the country's foundation membership and to catalyze financial contributions from alternative private sources.

b. **Maintaining Continued Support (Burden-Sharing).** Even where a sufficient number of activists exists to start an organization, it is extremely difficult for most voluntary groups to maintain their momentum. Voluntary organizations start with a flush of enthusiasm, but often quickly find their active members dwindling in number. High rates of burnout are common because the associations are unable to spread the burdens of supporting improvement efforts among a broad base of beneficiaries. Active members of the organization grow discouraged over the apathy of their non-involved neighbors, who take a free ride on the group's efforts.

The problem of burden-sharing afflicts self-help organizations everywhere. But it is especially severe in developing countries, where small propertyowners have few financial resources to contribute even if they are motivated to participate. An additional obstacle endemic in LDCs is the attitude of urban residents who cannot afford to own homes—as tenants, they may feel they have little stake in their communities. Consequently, their enthusiasm for supporting community self-help organizations may be restrained.

To resolve the problem of burden-sharing, challenge grants can be adapted to create a lasting basis for community self-help. The mechanism for doing so is to make the grants contingent upon adoption of self-assessing agreements by a majority of property holders and residents on a block.

Two types of self-assessing agreements can be forged: self assessing agreements for propertyowners, and for tenants.

Sharing burdens among propertyowners. The most powerful self-assessing mechanism is the deed-based covenant. As described in Chapter II, the covenant operates by obligating propertyholders to share, on an ongoing basis, the burdens of activities of the community associations. The covenants are generally used to ensure regular financial support by association members for infrastructure, services, and amenities of benefit to all. Failure by a member to contribute to association-determined functions can subject the propertyowner to legally backed association fines, as well as strong social pressures. An example of the use of covenants to sustain self-assessing associations is found in Davao, the Philippines, where 782 households in Davao Village are required by covenant to contribute a self-assessed fee annually to the association's community improvement efforts, including sanitation services, a bus service, the community water system, street lights, and recreational facilities. Failure to pay the self-assessment subjects a member to a fine of \$278, which if also unpaid gives the association the legal right to repurchase the housing unit from the owner at a discounted price (see Case Studies)./2

Agreements among propertyholders can also ensure contributions of non-financial self-assessments in lieu of money. In Peru, for example, residents of squatter settlements are obliged by their community organizations to contribute fees for the support of community

facilities, including water, sewerage, and lighting systems. If a propertyholder does not have sufficient resources for the fee, the organization can require the individual to contribute his or her labor to construction projects, according to Maria de los Angeles Murillo of Peru's Institute for Liberty & Community./3

Whether an association's support comes through fees or in-kind contributions, the strength of challenge grant benefits to property-owners should be made proportional to the extent of participation by propertyowners in a self-assessing agreement. Neighborhoods that count less than 50 percent of their propertyowners as continuing members of the association might receive few if any benefits. Higher levels of participation would be rewarded with commensurately greater advantages.

Sharing burdens among renters. No less than propertyholders, tenants are sensitive to inducements. Challenge grants can be made conditional upon active support by tenants for neighborhood improvement efforts. As with propertyowners, the contributions from tenants can take the form of either fees or labor.

Financial contributions by tenants to community improvement efforts do not appear to be common in developing countries, although landlords renting out properties within homeowners associations often specify that their tenants are responsible for payment of association fees. A more common occurrence is that low-income tenants contribute their time rather than money.

An example of how associations can mobilize tenants as well as propertyholders is found in the squatter settlements of Pakistan. In Karachi, residents have organized to build a sewerage system through their own efforts. According to Father Jorge Anzorena, a technical group, working in a large slum area of about 400,000 people, has been able to mobilize in only two years about 7000 families around construction of a sewer system. "Groups of 20 families were responsible for small sections, and little by little these 7000 families made a sewer system—which I think is unique in the world—by themselves," he says. "Now another 2000 families are waiting to build a sewer system in their area. ...This is a start towards developing a system that is centralized at the bottom, which is able to maintain services more cheaply."/4

Yet actions by renters to improve community conditions yield a dilemma: to the extent they succeed in improving living and working conditions, property values—and hence rents—tend to rise proportionally. As Sponon Pomchokchai, of Thailand's Building Together Association, notes of community self-help efforts: "house renters may not get any substantial benefits. ...[T]he provision of utilities and infrastructure may provide a reasonable condition to houselords to increase rent."/5

Accordingly, challenge grants to stimulate participation in community self-help efforts must deal head-on with the problem of rising property values. They should strive to convert rising land values into a benefit rather than a problem for house-renters.

Two methods exist for overcoming this problem. Both rely upon capturing a portion of the rising property values in ways that benefit the least advantaged residents of an area. The first, and simplest approach, consists of applying revenues from selected parcels to support the activities of the associations. As the neighborhood becomes more attractive, the value of such commonly-owned properties grows in proportion. Revenues from the lease or sale of such properties can be dedicated to infrastructure maintenance, service delivery, or revolving loan funds or other programs that assist renters in purchasing properties of their own. An example of this approach is found in Thailand's Buiding Together Association. The organization has pioneered a financing mechanism by which costly infrastructure and development initiatives can be undertaken without increasing either financial or in-kind self-assessments by association members. The approach relies upon generating revenue for infrastructure development in a community by selling 15 "shophouses" at market prices to commercial enterprises that will serve community residents. "There are therefore cross subsidies but not direct subsidies in this project, and it is hoped that this pattern of development will make it possible to achieve such projects in large numbers in the future," reports The Nation, Thailand's largest English-language newspaper./6

Alternatively, the same result can be achieved by encouraging propertyowners to set aside a portion of their self-assessed fees for hiring cooperative tenants to work on neighborhood improvement projects. As a condition of receiving a governmental challenge grant, for example, propertyowners might be required to establish such a mechanism. The work performed by cooperative tenants would have the further effect of enhancing neighborhood property values, to the benefit of propertyowners in the association.

The use of such mechanisms for safeguarding the interests of low-income tenants is especially critical in cases where governments formalize the claim of squatters to their homes. World Bank housing specialist Bertrand Renaud reports that legitimization of property titles in squatter settlements can have a particularly impressive effect, raising property values by 400 percent to 700 percent. Other sources, such as Peru's Institute for Liberty & Democracy, have found appreciation in property values of more than 4000 percent following governmental recognition of squatters' titles./7

c. Group Decision-Making. A recurring problem with decision-making in community organizations is the difficulty of closely following the wishes of residents without unduly impinging upon the efficiency of the organization. Polling members on all significant issues is a time-consuming and arduous task, and may yield unrepresentative results when small but organized factions go to the polls in higher proportions than the public at large.

Yet the traditional alternative—a strong central authority—tends to be far worse. Although it may yield a less cumbersome decision-making process, delegating substantial power to individuals can give rise to despotism at community as well as national levels. Involvement of a large number of residents in the decision-making process is usually a key to both

the perceived legitimacy of the organization and the ultimate success of its initiatives.

For groups to reach decisions on a member-responsive and efficient basis, procedures must be established to ensure the sensitivity of the decision-making process to member needs, while giving wide discretionary powers to community leaders in deciding the optimal tactics for achieving the results. The procedures for making decisions should be simple and applicable to a wide range of settings.

Basic tools are available for community associations to reflect the wishes of their members, without suffering needless inefficiencies in their tactical decision-making. The approach presented below gives substantial latitude to managers of community associations, yet safeguards the interests of residents by creating a watchdog unit with the power to call referenda on controversial decisions by the manager. To discourage promiscuous use of the referenda, the members of the watchdog unit would be obliged to present an specific alternative to the manager's action, and to pay a financial penalty to the manager if their proposal lost. Conversely, if the membership selected the alternative proposal over the association manager's decision, the manager would be obligated to pay members of the watchdog unit.

The above approach would ensure sensitivity of the association's community improvement program to residents' needs. The following is a step by step outline of how the system might be established and how it would function.

- Form the self-assessing organization. The first step would be for community activists to hold an organizing meeting. A formal leadership, notably an association manager, should be elected immediately to guard against the breakup of the association into factions competing for control. After deciding on basic priorities, the organization should select a "watchdog" group to potentially challenge association manager's decisions. Finally, the group should determine basic benefits and obligations of membership for residents, including the initial year's financial and/or inkind fees.
- Prepare covenants and establish internal incentive systems. A basic membership contract should be prepared for propertyholders and renters, specifying the rights of members to set policy, the nature of self-assessments, and penalties for failing to honor the membership agreement once signed. The association manager should also be given a compensation agreement keyed to his or her success in building and maintaining a base of active association members, with a penalty if his or her decisions were overturned in membership referenda. Similarly, a compensation agreement should be reached with members of the watchdog unit. Aside from a minimal fee, this compensation package should include bonuses if the watchdog group's alternatives were approved in referenda—and penalties if their alternatives were disapproved.
- Recruit members and survey their needs. Under the guidance of the association manager, representatives of the new group would circulate among residents of the area, explaining the self-assessing agreements

to all prospective members of the association. Memberships would be actively sought. Concurrently, new members would be surveyed regarding their priorities for near term, medium term, and long-term infrastructure/service delivery improvements.

- Prepare the action program. The association manager and the watchdog unit would then tabulate the survey findings and prepare a summary of the results. The association manager would present the survey results to task groups under his control, which would be charged with developing a suitable course of action in each area of priority need. The action plans could include a mix of contracting infrastructure or service delivery responsibilities to outside providers, or mobilizing residents' in-kind labor, or both. The watchdog group would be apprised by the association manager of the reasoning behind each major element of the action plan."
- Investigate alternatives. Were the watchdog group to have serious questions about the association manager's program, it would be empowered to give private contractors copies of the survey findings and invite them to prepare an alternative program. After reviewing various proposals, the watchdog group would decide whether or not to pit one of the alternatives against the association manager's decision in a referendum.
- Hold referenda. If the watchdog group wanted to challenge the decision (or any other action) of the association manager, it would present to association members a choice between the manager's decision and the alternative of the watchdog group's preference. Voters would then be asked to decide between them, with each voter specifying the payment or sweat equity contribution he/she would make to the association to avoid having the less attractive alternative win. New research into voting systems strongly points to the desirability of measuring voters' feelings about the relative attractiveness of the alternatives./8

Responsive and effective decision-making procedures have been established in several participatory development projects. For example, in Lusaka, Zambia, project participants made decisions regarding financing, physical infrastructure, and road placement and construction. Another association of low-income residents in Haiti, CITECIMON, entirely supported by volunteers, has supplied education facilities for the local community and handles all street maintenance.

The scope of the initiatives successfully executed by these groups can be quite broad, encompassing education, health, transportation and infrastructure construction. Within a five-year period the community organization of the Villa El Salvador squatter settlement (located outside Lima, Peru) conceived, implemented and supervised an array of projects including a self-managed community bank, a community health center, a public transportation service, and a construction supply company and contracting business for building community facilities. (The experiences of Villa El Salvador are discussed in detail in the Case Studies.)

2. Overcoming External Constraints

The second half of an effective strategy for stimulating community self-help consists of removing external obstacles to self-assessing associations. Even in cases where a community organization reduces problems of nonparticipation and cumbersome decisionmaking to manageable levels, adverse policies by governmental bodies can cripple self-help capabilities.

The following problems represent the principal ways in which public sector actions may be inimical to community self-improvements. The proposed responses to these problems entail a change in governmental actions from hostility to support. They reflect AID policy guidelines calling for the removal of bureaucratic service delivery systems and the reduction of regulatory, tax, and other public sector constraints upon the private sector.

a. **Risk of Demolition.** Perhaps the most severe deterrent to self-help efforts in many poor communities is the risk of physical destruction by the government. Squatter settlements, occupying sites illegally, often are at risk of being bulldozed or burned. A coordinator of the Building Together Project in Thailand notes, "The most important problem facing these people (the squatters) is being constantly driven out of the land they occupy." ⁹ As a result, the time horizons of residents are unduly short, and their interest is minimal in community improvements that will yield sizable benefits only in the medium and long term.

To stimulate the formation of self-sufficient community associations on government-owned properties, public authorities can take a simple action: adoption of a "live and let live" approach to squatter settlements that enlist a threshold percentage of their residents in binding self-assessing agreements. Such a policy would require no new outlays of governmental funds, but could encourage many neighborhoods to upgrade.

b. **Lack of Groundrules.** Even if a government does not actively threaten a squatter community with destruction, its refusal to recognize rights of property holders can create extraordinary difficulties for communities in utilizing contractual and legal instruments for self-advancement. It often takes from five to fifteen years for squatters to receive any formal legal title to their properties. In this period, communities have problems in creating or upholding contractual agreements among residents, or in obtaining financing from lending institutions for property improvements.

Positions taken by governments regarding land tenure issues vary greatly. In the KIP project in Jakarta (See Case Studies), the complicated traditional tenure agreements and tiny, highly fragmented and unrecorded landholdings made it impossible to clarify and register land rights at the speed at which the program covered the various kampungs. The only assurance given the kampung residents in the policy statement is the establishment of a five-year period in which the improved areas would remain undisturbed by redevelopment efforts, hardly long enough to inspire a sense of security of tenure. Other countries, such as Thailand and Peru, have waiting periods as long as 10 to 15 years.

Recognizing the validity of squatters' title is not an attractive

policy in cases where the squatter-occupied land is privately owned. In such cases, government readiness to confer legal standing to squatters may undermine the basis for a healthy private sector economy, which depends critically upon respect for property rights. In a very large proportion of the cases, however, squatter settlements occur on vacant, governmentally owned land. Governments in such instances have little excuse for withholding property title to individuals who homestead such properties.

To remove a formidable barrier to development of low-income neighborhoods, countries can establish a simple, automatic system for recognizing the legitimacy of title. Rather than impose a five to fifteen year waiting period, governments can establish a twelve month period, during which time an individual on government lands must a) erect a structure on the site in question, and b) demonstrate membership in a covenant-backed association with his or her neighbors. This type of challenge grant would also entail no expenditure of governmental resources.

c. **Bureaucratic inertia/insensitivity.** Despite the proven economic benefits of self-help initiatives, many bureaucracies remain reluctant to relinquish even a small portion of their responsibility. The result can be an ongoing tension between private organizations and public sector institutions.

Frequently, the governmental resistance takes the form of refusing to provide low-income areas with infrastructure and public services. Roads, drainage systems, and sewers are often rudimentary, given the unwillingness of public authorities to assist squatter settlements. Even in slum-upgrading projects that have been led by government agencies, insensitivity toward the groups is often manifested in a "take it or leave it" attitude of project managers toward the operation and maintenance of project components once construction of the basic infrastructure is completed.

A promising resolution to this problem can be found in offering infrastructure/service delivery improvements to targeted areas on a challenge grant basis. As noted earlier, Bogota has successfully extended roads into low-income areas by giving first priority to those neighborhoods that raise 30 percent of the funds needed for the projects, and that contribute "sweat equity" labor by digging drainage ditches. The result is a program that leverages the public sector's scarce resources, while helping communities that show a willingness to help themselves.

c. **Double payments.** Finally, if a community association does overcome the above obstacles and achieves a measure of self-sufficiency in the provision of basic services, taxing authorities invariably treat members of the association as fully liable for tax obligations. Associations are thus penalized by paying twice for their basic services—once through private mechanisms, and again through taxes.

A challenge grant approach is possible for removing this final major external constraint. Communities in some developed countries have adopted a principle of reducing the effective tax burden upon neighborhoods that organize alternatives to public sector service provision. In Houston and Kansas City, for example, homeowners' associations receive what is tantamount to a tax rebate if they arrange for private provision of refuse collection services./10 The city refunds an amount approximately equal to

the savings that accrue to the municipality as a neighborhood gains in self-sufficiency.

This approach seems reasonable in developing as well as developed countries, as a way of strengthening rather than deterring self-help efforts. In 1980, for example, World Bank estimates placed the annual cost savings to government bodies in the Philippines from the independent activities of informal water users' associations at \$12.5 million. Both the government of the Philippines and the World Bank have since incorporated these indigenous initiatives in their rural project designs, providing skilled managerial and technical personnel to assist the associations in the creation, operation and maintenance of both physical improvements and effective administration.^{/11} Even a small amount of tax relief to areas that followed suit could result in substantial extension of this self-help approach.

The offer to reduce double payment problems need not worsen fiscal strains in the public sector. Rather than rebating the full savings resulting from reduced consumption of public services to neighborhoods that assume responsibility for their delivery, the government in question can retain a portion of the savings—in essence, profiting from increased local self-sufficiency.

* * *

Although most of the public sector actions described above assume a primary role for the local government, national governments also have a key part to play. A powerful means of inducing localities to take action is for the national government to establish competitions among municipalities to remove external constraints upon self-help organizations. Those cities which best demonstrate abilities to mobilize their residents as members of strong self-assessing associations might become eligible for additional financial support from the national government.

Central governments should also examine the tax and regulatory constraints that at present may hinder the formation of self-assessing associations at the local level. It may be possible, for example, to offer rebates on national taxes to communities that become more self-sufficient.

Other options for national government include offering technical assistance community leaders who expressed interest in forming self-assessing groups, and coordinating land tenure policies of government agencies. As noted earlier, the process of transfer of title to the residents is slow and laborious because of Balkanized jurisdictions. In Karachi, Pakistan, leases are issued by the Karachi Metropolitan Corporation, whereas most slum land is owned by other government bodies who are reluctant to lose this source of revenue. Consequently, intra-agency disputes often tie up the entire settlement upgrading process.^{/12} In Bangkok, security of tenure is not considered within the realm of the national housing agency and must be negotiated with whatever government body owns the land. National governments should establish clear, defined policies regarding the jurisdictions of the agencies involved in land issues

and the procedures necessary for transfer of title or legitimization of residency.

At whatever level of government, the optimal public sector strategy for stimulating community self-sufficiency is to remove all possible external (governmental) constraints on self-help organizations, once community groups agree to adopt mechanisms for removing the internal constraints.

C. IMPLICATIONS FOR THE INDIGENOUS PRIVATE SECTOR

The challenge grants strategy outlined above can be applied by the private as well as the public sector. The following are among the most inviting opportunities for action in the near term.

1. Opportunities for Action by Nonprofit Organizations

Philanthropic organizations in the host country can establish "challenge grants" that require recipients to form self-assessing associations. In already-developed areas lacking such associations, the amount of the challenge grant should be proportional to the number of property owners and/or tenants entering into binding self-assessing commitments. In new settlement areas, the support should be made conditional upon the introduction of deed-based agreements at the outset of a housing project.

For private organizations offering technical assistance to local groups, the first need is to gain expertise in the operations of self-assessing associations. Once this knowledge is gained, offers of technical assistance can be made conditional upon agreement by residents to organize a lasting self-help association.

2. Opportunities For-Profit Enterprises.

Profitmaking operations have major opportunities to catalyze effective self-assessing associations, and to benefit financially from their improvement efforts. The following section highlights opportunities for insurance companies, realty firms, banks, and other private sector companies.

a. Insurance Companies. Property and title insurance companies in developed countries have in some cases begun to offer policies on a group-purchase basis. Large savings for homeowners can be obtained when they buy into a group policy, rather than purchasing it individually.

From the standpoint of insurance companies, such an approach has obvious benefits. Although the premiums may be substantially lower, an insurance company can make more money by having much more property covered by its policies than before.

To sell a group policy to an entire neighborhood, forward-looking

insurance companies may be willing to offer a challenge grant as a catalyst for homeowners to adopt self-assessing covenants. The covenants would require participation by members in neighborhood improvement efforts, in addition to stipulating that the association members would purchase their policies from a single vendor on a group basis. The resulting increases in property values would benefit both the homeowners and the insurance company./13

To maximize benefits for the homeowners, the association would enter into a group policy on only a one- or two-year (renewable) basis. At the end of each period, the association could review offers from competitive insurance companies and enter into an agreement with the company able to do most for the association.

b. Realtors. Realty firms can also benefit from a "group policy" agreement and from the appreciation in property values generated by homeowners' association efforts. In the United States, realtors have expressed strong interest in offering challenge grants for neighborhoods to form self-assessing associations, provided that the association members offer exclusive listings of their property through the realtor when it goes on the market. The assurance of having a flow of business from the association for a period could also induce realtors to substantially lower their commission rates./14

c. Banks. A further opportunity exists with lending institutions seeking to broaden their deposit-taking base. Homeowners' associations could enter into agreements by which they promised to steer their business to banks that provide start-up grants or special financial services.

d. Developers/Contractors. Finally, although the associations could provide many basic services through the "sweat equity" contributions of labor by members, many community improvements would require assistance from outside developers and/or contractors. Once the needs of a neighborhood had been ascertained by polling residents, an association could invite bids from developers and/or contractors to undertake the desired projects. As part of the compensation agreement, the homeowners' association could offer the winning bidder a share in the appreciated property values of selected parcels. In return, the developer or contractor could make a near-term financial contribution to assist the association's improvement program.

D. IMPLICATIONS FOR INTERNATIONAL DEVELOPMENT INSTITUTIONS

At a time of severe resource constraints for international development institutions, stimulating community self-help efforts in developing countries can yield a highly beneficial leveraging of resources. A strategy of catalyzing self-assessing associations to assume functions now often poorly provided by the public sector can pay dividends in the form of improved economic efficiency and increased responsiveness to the needs of residents.

Toward this end, international development agencies may wish to make the presence of self-assessing associations a prime factor in their project

review criteria. For example, lending institutions could request that housing loan projects have self-assessing associations incorporated in them from an early stage. Similarly, loans and grants for infrastructure development and service improvement projects should require a substantial role for self-assessing associations. The result of such a policy would be to make many traditional development programs into challenge grants, requiring a lasting, self-sufficient method of private financing for operations that would otherwise require governmental subsidy.

Already, moves in this direction have been made. USAID and the World Bank has recognized the importance of in-kind (sweat equity) contributions by residents for the success of development projects and actively pursues beneficiary participation in their sites and services and shelter upgrading programs. Both types of programs utilize sweat equity as a source of labor for construction of housing and infrastructure and a means of fostering community cooperation. Sites and services programs provide residents with a plot of serviced land which is then theirs to improve as their finances and disposable time allows. Shelter upgrading efforts may take place in squatter areas, on land that is held in common by a village or extended family or tribe, or on individually owned plots in urban slum areas.

In rural areas, the principles of self-help and sweat equity have also been employed in the realization of rural development goals for small-scale farmers. Irrigation systems, community wells for drinking and cooking supplies, rudimentary sanitation systems, cooperative fertilization and local marketing programs have all been undertaken based upon the direct participation of associations of farmers and their families. In some cases, these programs are no more than the formalization of truly indigenous projects that have been started by the local population. With technical assistance and funding made available to them such grassroots efforts have flourished at a much lower cost to the donor than traditional development schemes.

Before the challenge grant/self-assessing association strategy can be fully implemented, further field work may prove to be necessary. The scope and budget of the present study has not allowed for in-depth examination of the experiences—successes and failures—of self-assessing associations in low income areas. Examples of successful covenants and burden-sharing agreements are particular candidates for investigation in the near term.

Once the "nuts and bolts" of self-assessing associations have been more fully examined, opportunities appear to be numerous for application of a comprehensive challenge grant strategy on a demonstration basis. Successful demonstrations of how challenge grants and self-help associations can upgrade squatter settlements might prove of particular value, for example, as the focus of international development institutions shifts increasingly to the informal sector.

* * *

Self-assessing associations are no panacea for the ailments of developing countries. Large-scale, capital intensive infrastructure improvements seem far beyond the reach of most associations, and the technical sophistication and managerial skills of propertyholders in many

countries remain undeveloped. But given the stringent fiscal constraints afflicting LDC governments and international development institutions, it appears essential to begin mobilizing private sector resources more effectively for community improvements. In a range of settings, the strategy proposed in this report offers a possible means of awakening now-dormant energies for self-help.

FOOTNOTES

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APPENDIX C Case Studies

1. Thailand: The Building Together Project
2. Indonesia: The Kampung Improvement Project
3. Peru: Villa El Salvador
4. Philippines: Water Users' Associations
5. Philippines: The Davao Development Foundation

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1. THAILAND: THE BUILDING TOGETHER PROJECT

The Building Together Project, is a multi-faceted program for community development and housing provision currently operating in the Ladphroa area of Bangkok. Through the cooperative efforts of the National Housing Authority of Thailand and the project participants, residents have successfully built their own homes, constructed community facilities and undertaken maintenance responsibilities for common properties. The project is especially innovative in that it utilizes cross subsidies from revenues on commercial property within the community to finance community improvements for residents.

Faced with the rising demand for affordable shelter and the escalating cost of housing construction, the government of Thailand, through its National Housing Authority, has recently embarked on a move away from heavily subsidized low-income housing toward the planning and implementation of self-help and cost recovery projects. Historically, the private sector in Thailand has shown little interest in the construction of housing for low-income households and there has been no national housing policy to encourage their participation. This situation may soon change as the government has adopted measures to free up capital for low-income housing construction via creative credit and loan services, thus expanding the opportunities for low-income citizens to purchase their own homes.

Apart from these innovative policy measures, a number of cooperative and self-help housing projects are currently underway in Thailand of which the Building Together Project is especially interesting. Located in Bangkok and presently housing 200 families, this project was entirely constructed by the residents who are bound together by a community association. Membership is mandatory and at present there are an additional 800 families on the project's waiting list.

The original participants in the project were divided into groups of 16-20 people for organizational purposes. Each group then took part in the three main facets of the program: compulsory attendance at 10 weekend educational seminars, mutual aid construction of their houses and community works (community center, parks and marketplace) and finally, periodic contributions to housing improvement projects and community development programs.

Project financing has been obtained from a number of lending institutions and all loans have been granted at market rates with both short- and long-term repayment schedules to be administered by the community association. Additional construction financing was provided through percentage capital contributions by the residents and in-kind contributions of labor toward community construction. Project participants have built their own residences and also constructed a community center and a bus stop, with an outdoor market underway. Residents are responsible for all maintenance on internal roads and parks while basic services are provided by the public sector.

Because commercial property has also been incorporated in the Building Together project, project coordinators have been able to utilize cross subsidies to cover the costs of community infrastructure. Lowest income participants are not required to contribute to this expense with their portion being covered by increased rental charges on the commercial property.

In summary, the success of this project can be attributed to these innovative elements in its design and the cooperative effort of the spectrum of institutions involved in its implementation. The availability of professional and technical assistance from members of sponsoring academic organizations and voluntary agencies has also contributed to its achievements.

2. INDONESIA: THE KAMPUNG IMPROVEMENT PROJECT

Research conducted on the settlement upgrading projects that have been conducted in the kampungs of Indonesia shows that those efforts that were organized and implemented by the resident themselves have been much more successful than the projects that were generated through outside initiatives. In Subaraya, for example, in addition to making substantial improvements on their individual homes the residents have built footpaths, installed exterior lighting and undertaken landscaping projects in the areas surrounding their homes.

Most Indonesian urban areas were formed by the expansion and conglomeration of existing villages or kampungs. Formally planned urban development efforts most often bypassed these traditional population centers turning them into low-income settlement areas.^{/1} A variety of land tenure situations exists in the kampungs. In some cases, land has been passed down by families for generations while other areas have become available for purchase from the government through land reform laws. In 1974, the Kampung Improvement Program (KIP) was incorporated in the Indonesian National Housing Program as part of a Five Year Development Plan. At that time, the World Bank along with a number of international development agencies showed interest in the initiative and were willing to assist the government in its financing.

The KIP projects have focused upon Jakarta and Surabaya and have met with varying degrees of success. A recent World Bank study states that the key to successful implementation has been the relationship between the program and the community. Where local residents were involved in the initial planning process the projects operated smoothly and time and budget limitations were usually met. In addition, if the kampung residents were given the opportunity to participate in the decision-making process their willingness to offer contributions of their time and labor increased dramatically. These "bottom-up" approaches to development have proven to be vastly superior to "top-down" efforts. In fact, the most successful KIP project has not been subsidized through World Bank financing. In Subaraya, the W. R. Supratman KIP has, for more than ten years, successfully undertaken local development efforts. The Supratman KIP was generated in 1974 by the citizens due to the absence of sufficient local government funds to finance the project. This "home-grown" KIP has successfully implemented improvements in a number of kampungs all of which were initiated, organized and more than half-financed by area citizens.

The project components for the Supratman KIP have been kept simple, initially confined to the construction of a simple road and footpath in each of the participating kampungs. In the beginning of the program, emphasis was placed on those kampungs which could contribute the most to the financing of the project, however, in the last three years cross subsidies have been successfully utilized to broaden the scope of the improvements. These projects have been carried out with the support of the local Public

^{/1} Silas, Johan, "The Kampung Improvement Project in Indonesia." in G. K. Payne (ed.), Low-Income Housing in the Developing World. London: John Wiley & Sons (1984). p. 72.

Works department in the implementation process with local citizens involved in the decision-making. Results have been promising; in one kampung after the footpath had been constructed the households began planting trees and flowers, garbage cans were provided and street lighting installed using electricity from the individual homes. In other areas, security guard houses and community meeting halls have been constructed by the citizens and periodic communal cleaning activities have been organized.

The Supratman KIP is a strong indication of the achievement potential of privately operated development efforts. Although the improvement process has been conducted and largely financed by people of limited means, today conditions are "equal to or better than the World Bank assisted KIP." During the ten years of its operation, this KIP program has utilized the voluntary involvement of its member households to decrease the role of the public sector from "doer" to "supporter."/1

/1 Silas. p. 82.

3. PERU: VILLA EL SALVADOR

Villa El Salvador is a Peruvian village where the citizenry has successfully undertaken a spectrum of responsibilities normally considered to be within the domain of the government. In addition to constructing their own residences, the low-income residents of the community have set up an internal financing system for community projects, embarked on several cooperative business ventures and started a local bus service.

In Lima, Peru in May 1971, approximately 900 families who had set up housing on privately owned land were relocated to the outskirts of the city. The new area, Villa El Salvador, was laid out in plots and only minimal services were provided (unsurfaced roads and street lighting at the entrance to the settlement). By April 1976, the population of the village had risen to more than 130,000.

The residents of the Villa El Salvador had no previous cooperative experience and at the time of the resettlement were largely strangers to one another, linked only by the coincidence of their eviction from the urban squatter settlement. Given the problems inherent in establishing a sense of cooperation and mutual interest among such a forced grouping, the task of organizing the village into a working community was extremely formidable. However, after five years of existence the progress made by the residents in both organization and realization of local development was nothing short of remarkable.

A community organization had been formed and its leadership elected by the residents. This association was involved in a broad range of activities, including:

- * securing internal financing for cooperative projects through a self-managed community bank;
- * dissemination of information regarding improved hygiene and health practices through a community health center;
- * operation of a local bus service;
- * selling construction materials and operating a contracting business;
- * generating employment through a clothing production workshop;
- * the identification of land speculation by plot occupants.

In his analysis of the success of Villa El Salvador, R. J. Skinner, a specialist in low-income housing in the developing world, notes a number of factors which set the community apart from the rank and file of self-help projects that often fall far short of their goals. One of the most important elements was the understanding of the residents, from the outset, that the state was not to be the leader of the project and that any and all development initiatives were to come from the people themselves. The role of the government was limited to that of an advisor and supporter of these local undertakings. In addition, the actual assistance offered by the government in the course of the Villa El Salvador development program was

minimal. The residents were forced to provide as much as they could for themselves since the state defaulted on many of its promises to provide loans, infrastructure, capital equipment and services.

Although the relative autonomy and organizational independence by the community was an important achievement, the lack of integration between government and community had certain negative effects. The inability, or unwillingness of the government to provide requisite authorization for community efforts or "fast-track" the needed processing of certain registrations and licenses was an obstacle to the realization of certain projects. In one instance, the community had successfully built a central medical clinic, financed through its own bank loans. The Peruvian Ministry of Health failed to issue the authorization to sell medicines to the clinic, drastically reducing its income and causing liquidity difficulties for the bank.

Another pivotal factor in the realization of effective community action by the local populace was the emphasis placed by the organization leadership on comprehensive participation. Through prior political activities, several of the leaders had had experience in grassroots mobilization and were able to successfully involve the membership in the start-up activities crucial to the future of the community. The initial successes achieved boosted group morale and provided impetus for more ambitious projects. By including a variety of business endeavors in the scope of the association's work, avenues were created for social mobility within the framework of the village, an additional incentive for active involvement.

4. PHILIPPINES: WATER USERS' ASSOCIATIONS

Water users' associations are found in various forms throughout much of Asia. These rural groups are formed to provide mutual access to a limited water supply and to build the structures necessary for water control in areas where flooding is quite common. The traditional social structure of the rural environment provides a firm foundation on which to base these participatory projects. In the Philippines, the involvement of the government has been especially helpful. The National Irrigation Administration (NIA) has become involved in the financing of irrigation facilities and dams through creative loan arrangements with the associations. The individual farmers must contribute 10 percent of the initial costs for materials in order to utilize the facilities. The remaining expenses are then covered through the self-assessed fees paid by the farmers to the association.

Adequate water provision is a crucial element in the agrarian-based economies of the developing world. The scattered locations of small-scale farming areas has made the integration and supervision of government-led irrigation projects difficult to achieve, forcing government officials to rely more heavily on the farmers themselves for the realization of project goals. In this light, national governments and international development organizations have shown increasing interest in the encouragement of water users' associations to help manage and maintain irrigation systems.

The concept of water users' associations is not new, in fact, indigenous cooperative irrigation systems have existed in many Asian countries for centuries. These organizations have shown a remarkable degree of sophistication in their knowledge of the rainfall patterns and soil characteristics of their regions, as well as an ability to effectively plan and construct the irrigation systems. In many respects, these local groups have advantages over bureaucratic management, their intimate knowledge of the local situation allows them to be more responsive to local needs for water distribution and system maintenance; they can use social pressure to enforce association rules; and they place the cost of system construction and maintenance directly on the those who utilize the system rather than depleting limited government resources./1

Perhaps the greatest problem that has confronted the indigenous organizations has been the lack of proper construction materials to build dams and water diversion structures in the small streams that flow through their fields. Historically, these structures, built from logs and stones, have been unable to withstand the torrential downpours characteristic of the Philippine rainy season, often resulting in extensive crop damage. In addition, the farmers are forced to devote considerable time and expense to building and rebuilding these primitive dams. Faced with this recurring problem the farmers have sought government assistance to build permanent irrigation structures. Although irrigation projects have been financed by the Philippine government for over thirty years, it is only recently that

/1 Korten, Francis F., Building National Capacity to Develop Water Users' Associations, World Bank Staff Working Paper Number 528, 1982, p. 6.

efforts have been made to center the project design around the farmers themselves rather than the physical construction of the project.

This new approach to irrigation project design has met with great success. The prior experiences of the NIA with water distribution projects had shown that those initiatives which separated the organizational aspects of the project from the actual system implementation and operation often suffered from user apathy and dissatisfaction with the layout of the system. In addition, when farmer participation was not solicited by the government the record for cost recovery was extremely poor. Given these problems, appropriate changes were made in the project design in an effort to strengthen the sense of ownership and concern with maintenance of the project participants. Greater attention was paid to the social aspects of the project: the encouragement of cooperation among the farmers; education and training in the technical and financial aspects of the system; and a well-supervised follow-up period once the infrastructural construction had been completed.

The financing of the participatory irrigation projects has been especially creative. The costs of materials, equipment and labor to the farmer are initially financed by way of a government loan to the association. A counterpart contribution is secured from the farmers amounting to a minimum of 10 percent of the cost of construction through labor, materials, rights of way or money. The remainder of the loan is then repaid over time through periodic fees charged to the farmers and collected by the association.

The traditional social structure of the rural environment provides a firm foundation on which to base participatory projects. In the early stages of project design, program organizers identify those persons whose leadership position in the community is acknowledged by its members and who are willing to dedicate themselves to the project. They then solicit their active assistance in mobilizing the association. By reflecting the existing local decision-making structure in the directorship of the organization and identifying the committed workers early on, the NIA has found the farmers as a whole more willing to dedicate themselves to the project's realization.

The farmers identify who will be served by the system and encourage them to join the association. At the same time, they develop rules for treatment of those persons who choose not to join, generally establishing higher irrigation fees for non-members. Project organizers encourage the farmers to incorporate a number of features in their association by-laws, one of which is that membership be composed of only those persons who actually use the water, that is those persons whose attention to the operation and maintenance of the system will directly affect their own livelihood — not absentee owners.

An additional organizational element in the the projects has been the creation of structures that encourage the careful reporting of the use of association funds to the general membership. Such safeguards help to prevent suspicion and accusations over the handling of fees. The utilization of the water users' association as the project's financial center and collection arm has resulted in a remarkable improvement in both the cost of construction and the farmers' credit record. Government officials have

noted that association members have taken seriously the repayment requirement and have sought ways to minimize construction expenses.

The water users' associations have proven to be extremely effective organizational units for project construction, implementation, operation and maintenance. By encouraging the input of the farmers early on, identification with project goals and satisfaction with the system design has been fostered among the participants. Given the problems encountered with financing rural development programs in the past, the Philippine government required the NIA to collect repayment of all project construction costs, and thus far the results have been impressive.

In addition, the NIA has taken an active role in the provision of training services to the farmers to ensure the long-term success of the association as an independent organization. Water management courses, financial management instruction and the promotion of permanent informational linkages between the government and the associations are all being incorporated into the irrigation program design.

The experiences of the water users' associations in the Philippines have shown that participatory projects can be extremely effective even in the most remote and dispersed rural environments. The success of the project has resulted in substantial changes in the manner in which the government plans to administer similar development initiatives in the future. It is evident that in the construction and maintenance of irrigation systems the traditional top-heavy, centralized approach to development is inappropriate. Moreover, the willingness of the farmers to take on total responsibility for the systems and the economic and social benefits from their efforts hold powerful implications for the application of similar programs in the Philippines and throughout the developing world.

5. PHILIPPINES: DAVAO DEVELOPMENT FOUNDATION

The Davao Village in the Philippines is an innovative residential development where a homeowners' association is currently functioning as the organizational mechanism for local service delivery and improvement efforts. The association members, bound by a deed-based covenant, bear responsibility for maintenance of shared facilities, construction of community buildings, and public transportation service. Membership in the organization is mandatory for all Davao residents and strict regulations are in force regarding the collection of periodic membership dues. Over the past fifteen years, the association has been remarkably successful in both community organization and housing development.

Background

In 1969, the rapidly growing city of Davao in the southern Philippines was suffering from an alarming housing shortage. In-migration and population growth had created an acute need for additional homes for low income families in Davao City. Under the conditions then prevailing it was impossible for these households to purchase their own homes. In response to this problem, local businessmen established the Davao Development Foundation (DDF), a non-profit private organization designed to promote the socio-economic development of the city and to provide alternatives to squatter housing for low income groups.

Seed capital was provided through interest-free loans from foundation members. Land was obtained at a concessionary price due, in part, to its remote location but primarily because the owner was also a foundation member. The chosen project site was a cacao plantation in the Village of Mandug, some 13.5 kilometers northeast of the center of Davao City. Construction began in 1972, but only after exhaustive haggling with local city officials who harbored suspicions that the project was "too good to be true." One of the foundation's founders now describes the experience as "excruciating." Despite these rocky beginnings, by 1979 the DDF village was a thriving community of 782 households occupying 31 hectares of serviced land.

Management and Organization

Although the management of DDF is vested in a nine-member Board of Trustees made up of members of the business community, the responsibility for administration and project execution rests with the residents. The DDF has implemented a social development program to ensure resident participation in community projects. The operating arm of this program is the Davao Homeowners' Association. Membership in the association is automatic for residents of Davao Village and group achievements to date have been impressive. At present, the association operates a bus service connecting the village to Davao City, provides sanitation services, and maintains the water system and street lights. In addition, with the assistance of DDF, the homeowners association has established a kindergarten and high school in Mandug as well as a community health clinic. Recreational facilities have been constructed and a local cultural ensemble

has also been organized. Finally, a cottage industry workshop has been started as an income-augmenting project for the residents. The ultimate aim of the social development program is to make DDF village a self-contained community.

The DDF board acts primarily as an intermediary between aspiring home buyers and the governmental housing entities. The principal government agency involved in the funding of housing projects is the Social Security System (SSS), which provides subsidized housing finance to individual applicants. Total project costs through SSS financing amounted to US\$666,700, by September 1979, when the first three phases of the Mandug Project were completed.

The Housing Program

In addition to the aforementioned association membership requirement, potential residents must agree to several strict covenants imposed by DDF. Only immediate family members of the homeowner are permitted to live on his property. The housing unit cannot be used for commercial purposes, nor can the property be rented out. Furthermore, a homeowner cannot engage in domestic activities that would be detrimental to the village environment. Consequently various forms of livestock raising are prohibited. The written permission of the DDF is required for all forms of construction activities. Additionally, the homeowner is required to pay his corresponding share for usage of the communal water pumps and street lights and is responsible for the maintenance of that portion of the drainage canal fronting his premises.

Covenants regarding the payment of association membership fees to cover community services are contained in the various contracts executed by the applicant as conditions of the sale agreement. Non-compliance with these village regulations could result in a fine of US\$278 or even lead to the repurchase of the housing unit.

Foundation members are aware that in order to make housing units available to low income families construction costs must be kept to a minimum. With this in mind, modest development specifications have been adopted, such as uncovered canals for drainage and sewerage and simple asphalt roads. In addition, the selection of housing units is limited to six models and all designs include concrete walls and G.I. roof sheets — the least expensive construction materials available. The size of housing units ranges from a 40 sq.m. "core" at US\$639 to a 60 sq.m. "deluxe" for US\$1,693. All homes are constructed on 240 sq.m. lots which are sold at US\$1.39.

Purchases of construction materials are made in bulk and in cash to take advantage of market discounts. Interim financing assistance for these materials is obtained from the Philippine Business for Social Progress (PBSP), another private foundation, which in turn is repaid through SSS housing loans after completion of construction. To counter escalating building costs, DDF has embarked on a community cooperation program for house construction. Future homeowners are grouped into various work teams to construct their own houses, while DDF furnishes the technical expertise and administrative functions. This scheme has served not only to reduce labor costs but has fostered a sense of cooperation among the team members.

Financing Plan

Liberal long-term housing loans by the SSS under its Group Housing Plan have allowed residents to pay low monthly amortizations on house and lot ranging from US\$2.78 to US\$11.11 for 25 years. Each home buyer applies for the housing loan through DDF which then determines the eligibility status. The applicant must be an SSS member, married, with total household monthly earnings of less than US \$66.77 - \$83.33. However, these processing fees may be paid on an installment plan between the applicant and DDF. No down payment is required. As a result of these liberal financing terms and additional cost reductions, DDF village is able to offer the least expensive housing in the Philippines.

The DDF has realized that although its financing terms are already low, they nonetheless remain beyond the capacity of the poorest sector to pay. In 1980, 20 percent of Filipino families were earning less than US\$13.89 a month, an income too low to afford the required monthly payments for DDF dwellings. Consequently, DDF is continuing its efforts to bring housing costs down. Studies are underway for a joint housing venture in which FBSP would provide the overall financing and DDF would manage and develop the project. Envisioned to serve families with income of US\$27.78 and below, this proposed project would be a departure from existing design standards, utilizing construction materials presently considered unacceptable by government housing authorities.

Problems and Constraints

A number of problems have arisen in the realization of the Davao project. As mentioned above, the Philippine government has imposed strict regulations regarding construction materials and land improvement requirements that have added considerably to the cost of development. In addition, financial documents are often tangled in the web of government bureaucracy. The SSS loan application process is plagued by delays and approval time can vary, further complicating the construction process. Finally, while these problems have impeded the realization of certain foundation goals, the safety of the Davao village itself is now being threatened by the escalated activities of anti-government rebels in the surrounding area. The future of the village consequently may largely depend upon factors outside the control of its residents.