



Reducing urban poverty; some lessons from experience

Jorge Anzorena, Joel Bolnick, Somsook Boonyabancha, Yves Cabannes, Ana Hardoy, Arif Hasan, Caren Levy, Diana Mitlin, Denis Murphy, Sheela Patel, Marisol Saborido, David Satterthwaite and Alfredo Stein

SUMMARY: *Many donor agencies are recognizing the need to address the growing levels of urban poverty in Africa, Latin America and much of Asia. Many also acknowledge that they had under-estimated the scale of urban poverty. As they develop or expand programmes on poverty reduction in urban areas, there are many remarkable initiatives on whose experience they can draw.*

This paper reflects on the lessons from seven of these: three from Asia, three from Latin America and one from Africa. All these initiatives combined direct action by low-income groups themselves, working with local NGOs, with some support negotiated from one or more external agency in order to improve housing and living conditions, basic services and livelihoods. Each initiative sought to make limited funding go as far as possible - and most achieved partial or total cost recovery for some (or all) of their interventions. All used credit to allow low-income groups to spread the cost of capital investment over a number of years.

These initiatives also changed the relationship between poor urban groups and local authorities, bringing about major benefits. However, official donors may find it difficult to fund initiatives such as these, especially through conventional project-cycle oriented funding for capital projects that is channelled through recipient governments. They may also find it difficult to fund initiatives that aim to change the policies and practices of local (or national) governments; also to support initiatives that are multi-sectoral, relatively cheap and require long-term support because they are long-term processes rather than discrete projects. Initiatives that generate cost recovery may also present them with difficulties. Most official donors will need to develop new channels to support such initiatives - for instance through support for

These are conclusions drawn from a series of case studies and three international workshops on poverty reduction in urban areas organized by the International Institute for Environment and Development (IIED) in collaboration with the Thai Urban Community Development Office, the Asian Coalition for Housing Rights, IIED-América Latina and the People's Dialogue, with the support of the Rural and Urban Development Department of the Netherlands Government's Directorate General for International Cooperation - with funding from the Swedish International Development Cooperation Agency (Sida) helping to fund the preparation of some of the case studies. These conclusions were developed by the resource people who took part in these workshops and who prepared the case studies but they also drew on the suggestions of the participants at each workshop.

Jorge Anzorena SJ works with the Latin American and Asian Low Income Housing Service (SELAVIP) (and writes and edits the Selavip newsletter: the Journal of Low-Income Housing in Asia and the World); he also teaches architecture at the University of Tokyo. Address: S.J. House, 7-1 Kioicho Chiyodaku, Tokyo 102, Japan, E-mail: e-anzore@hoffman.cc.sophia.ac.jp

Joel Bolnick is executive director of the South African NGO, People's Dialogue for Land and Shelter which supports the South African Homeless People's Federation's housing programme. Address: People's Dialogue, P O Box 42860, Philippi 7781, Cape Town, South Africa, E-mail: joelb@sprintlink.co.za

Somsook Boonyabancha is deputy director of the Thai government's Urban Community Development Office and Secretary General of the Asian

intermediary funds for community projects located within these cities.

THERE ARE MANY REMARKABLE EXAMPLES OF INITIATIVES TO REDUCE POVERTY IN URBAN AREAS FROM WHICH LESSONS CAN BE DRAWN BY DONOR AGENCIES

MOST OF THESE initiatives combine direct action by low-income women and men working in community based organizations along with local NGOs and with some support negotiated from one or more external agency (local government, national agency, national or international donor). These initiatives include community based organizations and NGOs developing savings and credit schemes for emergency credit or credit for micro-enterprise and/or housing; building or housing improvement initiatives; installing some infrastructure; and setting up and managing some basic services. Most have recognized the need to act on different fronts - in response to the many different kinds of deprivation that most low-income groups face.

This paper reflects on the lessons that can be drawn from seven such initiatives:

- two that centre on savings and credit groups formed by low-income groups (mostly women) which, in turn, are part of federations, namely the South African Homeless People's Federation, and *Mahila Milan*/National Slum Dwellers Federation in India;
- the Orangi Pilot Project in Karachi, the *Casa Melhor* and *Mutirao* programmes in Fortaleza (Brazil) and the *Barrio San Jorge* programme in Buenos Aires which, despite their great dissimilarities, have pioneered new ways of working with low-income groups to improve housing and living conditions and basic services;
- one government fund which supports the community initiatives of the urban poor, the Thai government's Urban Community Development Office;
- and one donor initiated programme - PRODEL in Nicaragua, funded by Sida - which encompasses community level infrastructure and services, credit for house construction or upgrading and support for micro-enterprise development.

THESE SEVEN INITIATIVES CHALLENGE THE CONVENTIONAL SEPARATION BETWEEN THE IMPROVEMENT OF HOUSING AND LIVING CONDITIONS AS "POVERTY ALLEVIATION" AND SUPPORT FOR INCOME GENERATION AS "POVERTY REDUCTION"

ALL SEVEN INITIATIVES have the improvement of housing and living conditions and the provision of basic services as important components - although most also have other components such as support for micro-enterprises, job creation and training. Improving housing conditions is often considered by do-

Coalition for Housing Rights (ACHR). Address: ACHR, P. O. Box 24-74, Bangkok 10240, Thailand.

Yves Cabannes is coordinator of the Urban Management Programme for Latin America and the Caribbean and prior to that worked with the NGOs Cearah Periferia and GRET in Fortaleza. Address: Programa de Gestión Urbana, Casilla 17-01-2505, Quito, Ecuador. E-mail: pgu@impsat.net.ec

Ana Hardoy is Executive Director of IIED-América Latina in Buenos Aires and also directs its community action programme. Address: IIED-America Latina, Av. General Paz 1180, (1429) Buenos Aires, Argentina, E-mail: postmaster@iiedal.edu.ar

Arif Hasan is an architect who has long worked with the Pakistan NGO Orangi Pilot Project in Karachi and has researched and written widely on housing and urban issues. Address: 37d Mohd Ali Society, Karachi 75350, Pakistan. Email: arif@archtct.khi.erum.com.pk

Caren Levy is Director of the Gender Policy and Planning Programme at the Development Planning Unit, University College London. Address: Caren Levy, Development Planning Unit, 9 Endsleigh Gardens, London WC1H 0ED, UK, E-mail: c.levy@ucl.ac.uk

Diana Mitlin is an economist working with the Human Settlements Programme of IIED; she also works on the Habitat International Coalition working group on housing finance and resource mobilization. Address: IIED, 3 Endsleigh Street, London WC1H 0DD, UK, E-mail: dmitlin@gn.apc.org

Denis Murphy is founder and director of the Urban Poor Associates in Manila which works with squatter communities to fight evictions. Address: Urban

nors to be only "poverty alleviation" since "poverty reduction" is thought to be achievable only through increasing the real incomes of poor individuals or households. But the most important reason why the initiatives considered here have given priority to improving housing and basic services is because the poor groups themselves had identified these as their priorities. Their reasons for this include the following:

- **Reducing the health burden:** Improving housing and basic services can greatly reduce the tremendous health burden that most low-income groups face owing to poor quality housing and a lack of basic services - a health burden whose scale and nature is poorly understood by external agencies.
- **Increasing their asset base:** For most poor women and men, acquiring and developing their own home (usually through self-help or mutual aid) provides them not only with a more healthy and secure base, and the possibility of no longer having to pay rent, but also with much their most valuable and secure capital asset whose value can be increased through their own efforts. In many cities or areas within specific cities, acquiring your own home also means acquiring an asset whose value rises in real terms over time.
- **Stability and security:** A home of their own is important for providing low-income households with stability and security - especially important for households with children and for the person within the household who takes most responsibility for child-rearing and household management (usually the mother). The possibility of obtaining (or building) such a house is an important source of hope for a large proportion of low-income households.
- **A recognition of the difficulties of successful "employment creation":** While virtually all low-income urban households would consider increased incomes or better paying jobs as a priority, this is often not easily achieved both because of the limited demand for the goods and services that new enterprises might provide and because of the competition they face from existing city enterprises. In many cities where a high proportion of the population have inadequate incomes and where a large, diverse informal economy exists, it is difficult to find niches for new micro-enterprises that could help to increase income or employment for low-income groups. This is especially so in cities with slow-growing or stagnant economies. However, several of the case studies - including PRODEL in Nicaragua and the Urban Community Development Office in Thailand have had successful programmes of support for micro-enterprises.
- **Increased possibilities for successful action in housing and basic services:** This includes not only what can be achieved by low-income groups and their community organizations but also (in most instances) possibilities for negotiating support or resources from local authorities or other external agencies.

Poor Associates, 80A Malakas St, Brgy Pinyahan, Quezon City, Philippines, E-mail cotrain@phil.gn.apc.org

Sheela Patel is executive director of the Indian NGO SPARC that has long worked with pavement dwellers and the National Slum Dwellers Federation in India. Address: SPARC, P.O. Box 9389, Mumbai 400 026, India, E-mail admin@sparc.ilbom.ernet.in.

Marisol Saborido is director of the Chilean NGO Cobijo Habitat y Desarrollo, based in Santiago de Chile. Address: Cobijo Habitat y Desarrollo, Miguel Claro 2334, Nunoa, Santiago, Chile. E-mail cobijo@huelen.reuna.cl

David Satterthwaite directs the Human Settlements Programme at IIED and teaches at the Institute of Latin American Studies, University College London. Address: IIED, 3 Endsleigh Street, London WC1H 0DD, UK, E-mail: david@iied.org

Alfredo Stein works with PRODEL (The Local Development Programme) supporting upgrading, basic services and micro-enterprises in urban centres in Nicaragua. Address: Altos de Santo Domingo No. 23, Managua, Nicaragua, E-mail alfstein@ibw.com.ni

EACH OF THE SEVEN INITIATIVES SOUGHT TO INCREASE THE OPTIONS AVAILABLE TO LOW-INCOME GROUPS

INCREASING PEOPLE'S PARTICIPATION is partly about increasing the options open to them - for instance, allowing low-income households to make decisions about the location and nature of their homes, the best methods of paying for their construction or improvement and for basic services, and choosing the best technology for providing these basic services in terms of quality of service relative to price. So often, one of the consequences of being poor is that someone else or some distant institution is making choices for you - where you can live, what kind of housing and basic services are available to you, what credit, if any, you are allowed and the terms under which it must be repaid.

Recognizing different priorities

Increasing people's options involves recognizing the diversity of needs and priorities within any low-income population, not only because of different incomes but also because of gender, age and ethnicity. This recognition helps to explain the different constraints and opportunities people face and therefore the differences in their priorities. Thus, low-income women's priorities are often different to those of men. The person within a household who has the responsibility for maintaining the house and for child-rearing (in most societies, predominantly women) will generally have as a high priority reasonable quality housing that is not too crowded, and basic service provision. This is hardly surprising given how difficult it is to keep infants and children healthy in overcrowded, poor quality housing which lacks basic services. It is generally women who have to cope with the lack of piped water (through having to collect water from other sources, often with the help of children) and the lack of provision for sewers, drains and garbage collection. This adds greatly to their work burden, particularly when they are combining domestic work with income-earning, as most women in low-income households do. Moreover, women may also pursue their options in a different way from men. For instance, when the local authorities threatened the pavement dwellers in Mumbai with eviction, the women wanted to negotiate because they judged that this would produce a better solution than confrontation; the men favoured a more confrontational approach.

Facilitating low-income groups' right to act, organize and make demands

Making people aware of their own capacities and resources can help increase the options available to them. So too can showing how to use these to leverage more choice. Professional advice and support can increase the choices further - but successful professional intervention requires that the value of such intervention is recognized and accepted by low-income households.

Empowerment is more than citizens and their organizations being allowed to act and make choices. It also includes the institutional and judicial framework that guarantees their right to act, to organize and to make demands within representative political structures - and that regulates or controls the power of other groups to limit their choices or contravene their rights. Each of the seven initiatives sought to encourage decision-making processes within the organizations formed by low-income households, including decisions which would normally be made by external "professionals". For instance, in India and South Africa, the women who form the savings groups, with the ultimate goal of funding their own houses, develop their own house designs - first as drawings, then as cardboard models, then as life-size models so that they can assess whether the size and design of different rooms is appropriate. This also allows each element to be carefully costed - and decisions can be made about what could be changed to reduce costs.

EACH OF THE SEVEN INITIATIVES SOUGHT TO MAKE LIMITED FUNDING GO AS FAR AS POSSIBLE - LARGELY THROUGH AN EMPHASIS ON ROOTING THE INITIATIVE ON THE CAPACITIES, SKILLS AND KNOWLEDGE OF LOW-INCOME COMMUNITIES, ON KEEPING DOWN COSTS AND ON ACHIEVING COST RECOVERY (AND WITHIN THIS OF USING CREDIT TO MAKE COST RECOVERY EASIER FOR LOW-INCOME GROUPS)

IN SOME, INCLUDING Orangi Pilot Project's support for lane sanitation and the emergency savings and credit scheme developed by *Mahila Milan*, there was no need for cost recovery because people used their own money to finance the development intervention.

All external agencies that seek to reduce poverty (from small local NGOs to the largest government agencies and international donors) are faced with a contradiction: the need to keep down unit costs and minimize subsidies per person (so that limited funds reach as many people as possible) yet also reach the people with the lowest incomes, the least capital assets and often the lowest educational levels. It seems unfair to seek the least-cost solutions for the poorest groups - who are also those who generally benefit least from aid. This is especially so when many middle and upper-income groups benefit more than they do from subsidies - for instance on loans for house construction or purchase, and on infrastructure and services.⁽¹⁾

But there are important reasons for keeping down costs and for recovering them wherever possible, because this allows the initiative to be more independent and thus less subject to the power and control of external funders (including government agencies and international donors). For instance:

- The less the external funding, the greater the possibility for low-income groups and their organizations to retain control;

1. In many cities, households with connections to water supply and sewers (predominantly middle and upper-income groups) pay less than the real cost of supplying and maintaining these systems - while households with no connections (predominantly low-income households) often have to purchase water at many times the cost per litre paid by those with piped water. In many countries, subsidized housing loans are available to middle or upper-income groups - or they can obtain tax deductions on such loans.

the greater the external funding, the more the external funders will want to influence its use and the less chance low-income groups will have to determine how best to use it. As a community organizer in South Africa said, "...we want to avoid handouts because, with handouts, someone else defines what we have and what we can do with it." The less subsidy a poverty reduction programme provides and the more cost recovery it generates, the less it is seen to be a "welfare" or "charity" programme (and managed as such) with all the implications that this brings on how the funding agency (and others) view the "recipients".

- The less the external funding, the greater the chances of sustaining or expanding the initiatives when external funds are no longer available.
- The less the external funding, the less the likelihood that wealthier groups will seek to hijack the programme.
- The less the external funding, the greater the chance of addressing dependency and of forging a new kind of relationship between community organizations and external agencies.

One of the main problems with many donor funded initiatives is that they provide too much money, too quickly. They often swamp the capacity of low-income groups and their organizations to manage funds.

If costs can be kept down, funding can reach more people and there is a better possibility of cost recovery

The costs of most conventional projects can be divided into the cost of materials and components (including the cost of getting these to the site) and equipment needed, the cost of labour (e.g. for building houses or health centres), staff costs for the management and running of any service or maintaining any infrastructure and, for private contractors, profit. The net cost also depends on how much of these costs can be recovered - usually from those who benefit from the initiative.

In most of the initiatives discussed, every attempt was made to keep down costs per person or household reached. Wherever possible, costs were recovered from those who benefited, largely by allowing them to spread the repayment of the more costly capital investment through credit taken on by individuals. In some, savings schemes were important as a means of building up the capacity to repay - and also to allow people to gauge whether they could afford to make regular payments (initially into their savings account; later to repay credit). Keeping down costs and the potential for cost recovery are obviously strongly linked since the lower the cost per household, the greater the ability of low-income households to repay. In the use of credit, care was taken not to impose impossible repayment demands on the low-income households (for more details, see below). In some of the initiatives, repayment conditions were proposed by the households themselves - or negotiated with them.

Keeping down the costs of building materials and components. Measures to achieve this included:

- setting up small, community managed building material depots within each settlement which can purchase materials at wholesale prices, serve as centres for advice and be far more accessible to those purchasing building materials (being much closer to homes and being open at weekends and in the evenings when commercial stores are generally closed);
- support for local workshops which fabricate components widely used in house construction or upgrading (for instance doors, windows and frames);
- local production of basic building materials where this reduces costs;
- negotiating the use of expensive capital equipment from the local authorities when necessary (for instance bulldozers, JCBs for digging ditches, etc.);
- negotiating special deals with suppliers over price, delivery etc.

Some people also saved money by recycling windows, doors and frames from their previous houses.

However, it is difficult to generalize since each initiative had different ways of keeping down costs, based on local opportunities and local possibilities for negotiation with municipal authorities and other agencies.

Keeping down the costs of infrastructure and services. In some cases, costs were kept down by the people organizing and managing construction themselves - for example, in the design and construction of sewers/drains in Orangi, with technical and organizational support from the local NGO. The same is true for the installation of piped water and sewers in Barrio San Jorge, with additional cost savings through the use of small-bore, shallow sewers. Professional knowledge was used to redefine standards so that improvements could be more easily afforded and still effectively meet needs.

Keeping down the costs of building. In most of the initiatives, very careful costings were done for all capital investments (a house, a community centre, a workshop....) with careful consideration of where savings might be made. In all instances, costs were kept down through low-income households doing a significant proportion of the work that would normally be done by paid labour. Most of this was undertaken by individuals on their own homes although new houses were being built through mutual self-help by savings and loans groups in India and South Africa and, in most of the initiatives, the inhabitants contributed free labour to construct community facilities. In South Africa, some of the mutual self-help groups reduce the costs of skilled work because they do not pay electricians, plumbers and other specialists to do the more complex work but pay them to train people in the savings groups to do it themselves.

Keeping down staff costs. This was usually achieved by having elected or appointed members of community organizations

or federations take on tasks for which they are not paid. For instance, collecting the savings each day and managing the savings groups in India and in South Africa is done by an appointed person from each savings group. In some of the initiatives, there is a recognition of the limitations of this procedure, since elected representatives from within low-income communities also have inadequate incomes and limited time to devote to organization and management.

Credit can help achieve cost-recovery

In all seven initiatives, credit had some role as an important means by which low-income households could spread the cost of repayment for the more expensive capital investments over a longer period. But in several of the initiatives, especially in South Africa, India and Thailand, credit had another, perhaps more important, role - credit as a means of collecting people as well as money. Savings and credit schemes are also the means of supporting self-organization and self-mobilization within low-income settlements. They bring people together, help them organize and show them that they can save regularly, manage finance and negotiate with external agencies. Once a community based savings and loans group generates, spends and manages funds, it becomes organized. It develops the capacity to articulate its members' priorities. It learns to negotiate for resources and support both within its neighbourhood and with external agencies. It helps its members develop confidence in their own abilities to organize and build. It helps to establish or consolidate trust among group members. The savings group also becomes better organized in defending the interests of its members - as in, for instance, fighting a threat of eviction. In South Africa, the comment was made that when a woman saves and has a savings account, she begins to talk about her needs and priorities. In the case studies from India and South Africa, the savings groups became the engines of the community organizations and their federations. In the Orangi Pilot Project, lanes have to be able to organize the saving and collection of funds prior to receiving technical assistance to install sanitation. This includes the need for households in each lane to reach agreement on who can, who can not and who will not contribute to the costs.

Seeking to reach the poorest groups

It is always difficult to reach the lowest-income groups with any programme for poverty reduction, especially the poorest groups within low-income settlements. This is especially true for any programme that focuses on improved housing and basic infrastructure, both of which generally have high capital costs in relation to people's capacity to pay. Programmes that provide basic infrastructure and services in illegal or informal settlements have been successful in reaching people with very low incomes and providing substantial improvements - as in each of the initiatives discussed. However, it is often difficult to pro-

vide the poorest households with the opportunity to buy or build their own homes. Many have no land plot (even if illegally occupied). In many instances, women have particular difficulties not only because of discrimination in employment opportunities but also due to legal constraints in getting access to (let alone ownership of) land. Most of the poorest households have little or no possibility of finding the time and resources needed for self-help construction. Although self-help construction lowers costs, it still needs constant expenditure on building materials. Many of the lowest-income households appear to have no savings capacity and thus no possibility of joining housing programmes that require savings. They may be unable to make any repayments because all income is used on daily necessities. Many low-income individuals or households have to move constantly in response to economic changes so they have no permanent base where they can develop a better quality home. In many of the lowest-income households, all men and women work such long hours that they are unable to commit themselves to projects that involve a lot of self-help. There are also the special problems faced by single-parent households in combining income-earning with child-rearing and the required labour contribution to any self-help programme. But our external analyses of what "the poor" can or cannot do often underestimate the extent to which the poorest households have clear ideas and priorities about what they want. The women pavement dwellers in Mumbai (formerly Bombay), whose households must have some of the world's lowest urban incomes, managed to set up and sustain their own emergency credit programme which then developed into a savings scheme for housing. They designed a savings scheme which was appropriate to them, i.e. with the requirement to save something each day (with someone visiting them each day to collect the money) but with no required minimum amount for these daily savings. These women are also actively designing the kinds of houses they want and are searching for land sites where they can be developed. Ironically, their expenditure on maintaining and repairing their pavement dwellings is about the same as the payments they would have to make on a long-term loan which would allow them to pay for their own house, if all measures were taken to make sure the houses were constructed in the most cost-effective way.

The lowest-income households can never save enough to purchase a good quality house with basic services or even save enough for the deposit for a loan which would allow them to do so. But most can save something and, in so-doing, they become part of a larger organization that works to find a way which will allow them to obtain their own house or improve their existing one - or, for those living on illegally occupied or sub-divided land, a way to negotiate for legal tenure. As the next section will describe, a large part of reducing poverty is redefining low-income groups' relations with local authorities. Savings groups provide a means to help low-income groups organize their demands and provide proof of their capacity to contribute towards solutions. For instance, in South Africa, a large proportion of the 50,000 people who are members of the savings schemes

that make up the South African Homeless People's Federation are from the poorest urban households. The amount that they can save will never be enough to allow them to obtain the necessary credit to cover the cost of land purchase and to pay a contractor to construct a home for them. But it is enough to get them organized and to help them negotiate the subsidy available to low-income households and, when combined with the subsidy, to build good quality homes themselves.

REDUCING POVERTY IS ALMOST ALWAYS ABOUT REDEFINING LOW-INCOME GROUPS' RELATIONS WITH LOCAL AUTHORITIES

IN ONE SENSE, this is obvious, as many of the deprivations faced by low-income groups are the result of local authorities failing to meet their responsibilities for service provision (water, sanitation, health care, schools, etc.). Local authorities so often seek to bulldoze the illegal or informal settlements where a high proportion of low-income groups live and, generally, such authorities exhibit antagonistic attitudes and hostile policies towards the homes, organizations and livelihoods of low-income groups. But this need to alter relations between low-income groups and local authorities is usually forgotten by external agencies intent on implementing "poverty reduction" projects. **In most instances, external agencies would be far more effective in reducing poverty in urban areas if their actions strengthened the capacity of low-income groups to negotiate with local authorities and to reach agreement on partnerships to address poverty.**

This may pose considerable difficulties for official development assistance agencies since supporting urban poor groups to negotiate a fairer deal with government agencies is not considered a legitimate part of their work. They were set up to support the projects or programmes of recipient governments. They negotiate with national government agencies on what projects or programmes should receive support. It is rare for local authorities to be involved in these negotiations - and certainly local NGOs and representatives from community organizations do not take part in these negotiations.

However, international donors must recognize that, in most instances, many of the deprivations faced by low-income households could be reduced or removed by local governments, even if such governments have limited power and resources. For instance, local authorities could:

- improve low-income groups' access to the public services to which they have a right as citizens and for which the local authorities as well as central governments generally have responsibility (for example, schools, health services, emergency services and police protection);
- seek legal solutions for low-income households living on land they occupied illegally (either by transferring tenure to them or by providing alternative sites which meet their needs and

priorities). Getting official recognition for low-income groups' right to live where they are and/or getting legal tenure of the land they occupy or the land they negotiate from local authorities was an important part of the work in most of the seven initiatives;

- ensure that low-income households' homes and settlements have adequate provision for water, sanitation, drainage and garbage removal. Where this is too costly for municipal agencies or utilities, improved provision is always possible through community directed and managed provision but this can always be greatly helped by municipal support. Each of the seven initiatives had examples which showed the extent to which infrastructure and/or service provision could be improved at relatively low cost through partnerships between low-income groups, local NGOs and municipal authorities;
- ensure much greater flexibility in the application of building codes, infrastructure standards and site lay-out norms. These codes, standards and norms are often unrealistic or inappropriate - and a major reason why low-income groups cannot afford to buy land and build a house legally.

In most of the seven initiatives, international funding, although modest in scale, provided support in the early stages and helped demonstrate how the approach would work. This, in turn, helped legitimize the initiative in the eyes of local authorities and national agencies. Once an initiative is established and has been shown to be successful, the possibilities for negotiating support from local authorities and national agencies obviously increase greatly. **Donor agencies should seek to fulfill this role much more.**

SUPPORTING POVERTY REDUCTION IS NEVER EASY FOR DONOR AGENCIES NOT ONLY BECAUSE OF THE NEED TO HELP CHANGE POOR GROUPS' RELATIONS WITH GOVERNMENT BUT ALSO BECAUSE OF THE DIFFICULTY IN RECONCILING THE SCALE AND NATURE OF THE NECESSARY SUPPORT WITH ANY DONOR'S STRUCTURE AND MANDATE

ALL OFFICIAL DONORS are subject to stringent controls on the uses to which their funds can be put. The projects they support often have to show demonstrable results quickly. The donors are also subject to constant pressure to reduce their own staff costs with each staff member having to manage more funding. Within such constraints, it is easier for them to fund a few large, standard, capital projects - and very difficult to fund much of what is recommended here. For instance:

Each initiative for reducing poverty has different funding requirements and different patterns largely because people's poverty is rooted in the specifics of their own city and its economy, in the land-owning structure, the political system, etc. If reducing poverty has to include a redefinition of low-income groups'

relations with local authorities, then the best means of doing so will vary greatly from place to place. In addition, in each city, circumstances are constantly changing and external funding has to be able to respond to such changes.

The most successful initiatives are often processes, not projects: The necessary support for processes which address urban poverty (for instance supporting the development of savings and credit schemes, providing technical support to self-help builders, helping cover the cost of legal fees for negotiating land tenure, supporting community organizers to visit and learn from each other) often does not fit into funding systems that were set up for discrete projects and clearly defined project cycles. Some initiatives take a long time to develop - especially where community organizations are weak or non-existent. Many of the more successful initiatives took time to develop - to learn what was needed. Also, time to learn about what did not work well and about the best point of intervention. The inhabitants of most low-income settlements face deprivations in many aspects of their lives and, for poverty to be eradicated, all need to be addressed. This means that, in any settlement, new initiatives must capitalize on existing successes - as one problem is solved (for instance negotiating legal tenure of the land), the organization can move on to address the next problem (for instance the need for schools or water and sanitation). But donor agencies are pressed to limit the time they spend supporting any initiative or to fund only one project in any settlement.

Processes often need funding quickly - or need not spend money already allocated: Supporting a large people's movement or federation is often full of confusion, especially where these federations have grown to become movements owned and managed by tens of thousands of people each working within their own locality and political economy. If external funders want to support the work of community organizations formed by low-income groups and their federations, they have to be able to accept the unexpected including the sudden need for funding - should a new opportunity arise - or the need not to spend funding that should have been spent, as circumstances change. Community organizations are constantly negotiating with government, for example to avoid being evicted from the land they occupy or to obtain land on which they can build; to get funds promised by politicians released by the bureaucracies; to get the water company to bring in water mains; or to stop the local authority demanding that all housing and site plans conform to local regulations (doing so greatly increases the cost of housing). Succeeding in such negotiations is often more important for poverty reduction than are the funds provided by external donors. However, the external funds often have a critical catalytic role, setting in motion and funding the community initiative that then develops the organization and its capacity to negotiate. Many successful initiatives needed an initial period of experimentation, pilot projects and gradual attempts to scale up the pilots. External resources are often needed to support

this initial period and, in so-doing, to help establish the legitimacy of the initiative within the eyes of the local authorities. Then, if low-income groups and the organizations they form develop a model that works and that can expand rapidly (as more groups become involved), funding may be needed to support a large and rapidly growing number of groups.

Each project or programme of support must avoid fixed models: This may be the case even within a single project as the inhabitants of different settlements or neighbourhoods within the project choose different ways of organizing. For instance, in Orangi in Karachi, each lane within this huge informal township chose its own way of organizing and generating cost recovery when developing sewers. In Thailand, with support from the Urban Community Development Office, the cooperatives chose different solutions in the design and building of their houses.

IF OFFICIAL DONOR AGENCIES WANT TO GIVE A HIGHER PRIORITY TO POVERTY REDUCTION IN URBAN AREAS, THEY NEED TO DEVELOP NEW CHANNELS THROUGH WHICH THEY CAN REACH LOW-INCOME GROUPS AND THEIR COMMUNITY ORGANIZATIONS

IF OFFICIAL DONOR agencies accept the need for new channels, one key question is - what support will these new channels provide to low-income communities to help enhance their power and their capacity to negotiate with government agencies and to demand that national and local government agencies should meet their responsibilities for, among other things, service provision? This need not be in opposition to "getting things done" - as can be seen in the examples of grassroots savings and credit groups which addressed members' needs but also allowed a better organization with which to negotiate. Below are some suggestions:

Support new initiatives by urban poor groups: Many community based initiatives for reducing poverty began with a relatively small amount of funding from some international agency. This external funding helped start an initiative for which there was no support from local government. But once the initiative was established and had demonstrable achievements, there were increased possibilities for negotiating support from national or local sources.

Ensure interventions recognize difference and diversity: As noted earlier, there is considerable diversity within any low-income population with regard to needs and priorities - influenced by (among other things) levels of income, age, gender, household structure and ethnicity.

Support processes: Many successful initiatives grow in scope and scale. Although as this occurs it is possible to draw support from other quarters, where there is the opportunity to greatly

increase the scale or scope of an initiative, there is often the need for continuous support from an international agency. Often, this does not require high levels of funding - merely constant support. There is a tendency among funding agencies to limit their support for any initiative to a single project. This is not to say that external donors should continuously support every project - but they should be prepared to continue funding initiatives that they helped to found which have the possibility of scaling up to other settlements or of addressing new problems. And, as noted above, if low-income groups and the organizations they form develop a model that works and that can expand rapidly (as more groups become involved), funding may be needed to support a large and rapidly growing number of groups.

Seek a balance between social and physical capital: One particular difficulty in any project evaluation is assessing the intangible or unmeasurable benefits. All projects must seek a balance between the formation of social and physical capital. To become too results oriented can mean trampling on social capital but to be too process oriented can mean that not enough gets done to really make a difference to the poor. Most agencies, when evaluating a project, look at the physical improvements and forget to evaluate the expansion in social capital which includes the extent and quality of the capacity left when the project is finished. But many physical improvements do not extend beyond the life of the programme. What these groups have demonstrated is that it is possible to have a lasting impact if development interventions are strongly rooted in community action, assisted by professionals willing and able to support community processes.

Supporting the tenacity of groups representing the urban poor: This is similar to points made above about supporting processes - but with a slightly different perspective. If many of the deprivations associated with poverty are the result of local authority policies and of such authorities' attitudes towards low-income groups (which have been shaped by wider societal attitudes), then these are not easily changed. Sometimes, sudden political events help change these attitudes - for example, the return to democracy in Argentina and Brazil and the ending of the apartheid state in South Africa - but even here, real progress in redefining the relationship between the poor and the local authorities still requires an endless struggle by low-income groups. It would be naïve to think that this is a struggle that can easily and rapidly achieve its goal of reducing or eradicating poverty. In addition, many powerful groups will lose out if the approach outlined in this paper is followed - including many NGOs, consultants and contractors who benefit from the existing system. Many of the initiatives now judged to have been relatively successful in improving conditions for low-income groups endured years of struggle before they came to be judged as such.

Supporting learning: Each time an external agency intervenes or provides support, it has the potential to support learning processes both for itself and for the communities with which it works. Research undertaken by communities to better understand their own context can strengthen their knowledge and capacity to define the problems and the means of addressing them. But communities are often told they need not produce the research because it has already been done by others. **New means must be sought to accelerate learning among all actors (including international donors) on how to reduce poverty in urban areas.** This will require more structured efforts to identify what has been learnt and to share this. It will require more precise attempts to evaluate the impact of projects and programmes with poverty reduction aspects - including considering some of the key qualitative changes that have been noted already. It will also require a willingness to discuss initiatives that have failed or were only partially successful. At present, all international agencies are reluctant to discuss the shortcomings of the initiatives that they support. Whilst this is entirely understandable within the current political climate which is cutting aid budgets, and with media interest in aid often concentrating on "the failures", it also greatly limits the learning process.

Learning through exchanges: Exchange visits have been central to the learning process and to expanding the scale of each of the seven initiatives. However, it is not only the professional staff that visit each other but also the pavement dwellers or shack dwellers themselves - for instance, the treasurer or convenor of the savings group or the elected representative from the organization. These exchange visits have been of particular importance to the National Slum Dwellers Federation - *Mahila Milan* in India and the South African Homeless People's Federation, as exchange visits help found or develop new savings groups, as well as allowing groups to learn from each other. Most visits are organized between communities in the same city or between cities within the same country. But there are also regular visits by community organizers between India and South Africa - and increasingly other countries too. For many women, this was the first time they had been out of their neighbourhoods, and these visits meant considerable gains in their confidence and knowledge. Many development agencies use community exchanges but few to such effect. What is critical is that the exchange programmes are part of a programme to support community-led development. The exchange strengthens both the visiting and the receiving group.

Federations: If low-income households are able to organize beyond the level of the community - for instance as different savings and credit groups join to form a federation - this increases their chances of negotiating more supportive policies, especially from levels of government above the local (for instance at provincial or national levels). It also increases their ability to resist anti-poor programmes - for instance large-scale forced

eviction programmes. In addition, each low-income settlement needs a cohesive and inclusive community organization that is clear about what it wants and what it can get from government, and that knows how to negotiate. Organized peoples' movements such as those found in Fortaleza and federations such as the National Slum Dwellers Federation in India and the South African Homeless People's Federation can encourage their development and support their learning (for instance through exchange visits as described above).

NGOS AS MEANS, NOT ENDS

IT MIGHT APPEAR strange that so little mention has been made of NGOs in this paper, when innovative local NGOs played important roles in each of the seven initiatives. This is because these NGOs' success was dependent on them working with low-income groups and their community organizations as true partners - working together for common aims and objectives. At their worst, local and international NGOs can be as bureaucratic, non-transparent and non-participatory as the worst government departments and international agencies. Low-income groups often resent NGOs and may seek to manipulate them. NGOs are so often considered in the same light as local politicians and political parties because they always try to control the process and NGOs that control community organizations' access to funding sources (especially international funding sources) can also reproduce all the worst characteristics of the patron-client relationships often seen in local politics. Strong community organizations and federations can be the best check against this happening.

Most NGOs face comparable contradictions to the international donors. All NGOs working with low-income groups and their organizations struggle to reconcile the needs of a people/community driven process with the bureaucratic logic of the governments and international agencies with whom they also work. Since the NGOs are usually dependent on funding from governments and international agencies, the demands of the funders can take precedence over the needs of the low-income households. International donors can do much to support "good practice" by NGOs - for instance by ensuring that the scale and form of funding they provide matches that needed by low-income groups and their community organizations, and by encouraging NGOs to be transparent and accountable to the low-income groups with which they work. NGOs that seek to work in real partnership with low-income households and their community organizations and federations need funding agencies which understand how to fund community processes. Many funding agencies impose demands that limit the possibilities for NGOs to work as real partners with people's organizations.

Many NGOs have developed new ways of intervening in poverty reduction that have important lessons for international agencies. These include:

- Learning not doing for the first phase in order to understand how to work best with communities.
- A form of technical and organizational support that works at the pace and level that low-income households and their community organizations can manage. This often means working more slowly than the pace that “project cycle” oriented international agencies require. It often means a considerable period of discussion with the low-income households and their organizations before anything is planned. For instance, the Indian NGO SPARC was not set up with the intention of developing projects and delivering services “to the poor” - but this makes its relationship with international donor agencies difficult in that most such agencies are seeking NGOs who can in fact do this.
- An advisory role to low-income households and their organizations in negotiating with government agencies (and international agencies).
- Being clear about what is possible and what is not. It is easy for NGOs to promise too much or to raise expectations within the settlements in which they work to too high a level. This does not auger well for their long-term relationship with the inhabitants of low-income settlements.
- Moving from “doing” to training and technical support. As the scale of an NGO’s programme increases in terms of the number of households with which it works and the range of activities which it supports, so too does the need to identify and support other groups to undertake the implementation. Staff from the Indian and South African NGOs which support the federations in their own countries could never have managed the savings groups as their number multiplied far beyond that which any professional NGO could manage. Neither could they afford to do so as staff costs would have been too high. They recognized the potential for many of their original tasks to be taken over by community organizations although those who take on the tasks need continuous support and training. Many NGOs with good technical skills lack the knowledge and experience to work as trainers and social organizers - although such work is often a very important component of NGO work.
- Strengthening community based organizations as representative organizations through building the link between community members and leaders rather than drawing the leadership away from local residents. In many cities, there is also the final goal of transferring responsibility for many forms of infrastructure and services to government agencies and/or private utilities, even for infrastructure and services that the communities developed themselves. This means that low-income inhabitants come to be treated the same as middle and upper-income groups in terms of provision for water, sanitation, drainage and garbage collection systems provided and maintained by the relevant government agency or private utility. The same is true in the provision of schools, emergency services and health care. However, there are also many instances where government provision is inadequate or uncer-

tain and communities might choose to retain control.

- Recognizing the difficulties faced by international agencies who support NGOs. International agencies often require levels of documentation from NGOs on project preparation, management and evaluation that are complex and time-consuming (each agency having different systems). However, NGOs in turn must recognize that these are generally conditions that the funding agency supporting them has to comply with. Bilateral agencies are accountable to their elected governments and also have to comply with regulations set within their own institutional context. Many international agencies need to seek ways of eliminating unnecessary reporting requirements and of helping NGOs who receive their support to meet the reporting requirements - but NGOs themselves must also improve the quality and regularity of their reporting. Many NGOs are not good at financial management.

SOME THOUGHTS FOR THE FUTURE

- **FOR THE MORE** prosperous countries in the South (especially in Asia and Latin America), **to promote more discussion on the role of local authorities, national agencies and national philanthropic organizations in addressing poverty reduction in urban areas** along the lines outlined above. At its base, the challenge is to create systems which work for low-income groups. An important part of this is to seek new ways through which national NGOs and international networks can hold governments accountable for the promises they make with regard to policies and practices for poverty reduction. In countries where the necessary resources exist within national boundaries but are not available to the poor, one key role for external funding agencies is to support local initiatives that demonstrate approaches that have a wide application, and then to support the flow of resources which will allow the necessary expansion in coverage from local and national agencies (through, for instance, local trusts, local authorities, national agencies).
- **A need for new international channels** to support the setting up and consolidation of savings and credit schemes set up by low-income women and for strengthening people's movements and federations, including their representation of different interests and needs. If donors recognize the importance of channelling resources direct to low-income groups and their organizations, they will probably need to develop new channels to do so because of the constraints that conventional channels face in providing appropriate support.
- One possibility is to **set up funds for community initiatives in different cities** drawing on the experiences of the Urban Community Development Office in Thailand and the Sida supported programme of PRODEL in Nicaragua. Most cities require a local funding source that is able to raise broad issues about what is needed to promote effective and inclusive urban development, and then able to support initiatives that

2. Some aid programmes are giving their embassies more scope for small grants funds - but this cannot achieve what is recommended here unless these funds have staff with experience of working with low-income groups and their organizations and who remain for long periods in that city. Funds are also needed in each major city, not just in the capital city. It may also be difficult for embassy funds to employ staff from the city in which they are located - and to have offices that are accessible to urban poor groups, and accounting systems that help set new standards of accountability and transparency for the inhabitants of the city where they work.

address such needs. Ideally, such funds should be set up in many cities with each drawing support from different donor agencies.⁽²⁾ These should be set up to gauge the extent to which such funds could implement the kind of approach to poverty reduction that has been recommended here and provide the intermediary institutions through which all official donors could channel funds to reduce urban poverty in any particular city.

These funds should:

- provide loans, grants and technical and legal advice to support a great range of initiatives within the city where each fund is located including those linked to improving housing, infrastructure, many different kinds of basic services, employment, income and legal rights;
- ensure, in each city, that support for community initiatives becomes more continuous, more flexible, more responsive to changing circumstances, on a larger scale, better linked to on-going city activities and with a stronger emphasis on drawing on local resources and on keeping down costs;
- set new standards of accountability and transparency both to funders and to the low-income groups whose initiatives they support.
- Develop a stronger understanding of **what is possible with regard to employment creation and micro-enterprise support in urban areas**, especially where this also supports improved housing and basic services and improved environmental quality.
- **Seek new means of supporting land acquisition and its development for housing by low-income groups.** This includes ways in which community organizations can identify different land sites, and the possibility of acquiring them, and ways in which credit can increase their chances of purchasing land.

THE CASE STUDIES AND GENERAL PAPERS

BELOW ARE LISTED the case studies on which this paper draws, and other papers prepared for discussions on poverty reduction in urban areas.

A. Case Studies

SPARC and its Work with the National Slum Dwellers Federation and Mahila Milan, India - Sheela Patel, SPARC, 1996, 17 pages.

Reconstructing Social Capital in a Poor Urban Settlement: The Integrated Improvement Programme, Barrio San Jorge - Ricardo Schusterman and Ana Hardoy, IIED-America Latina, 1996, 25 pages.

The Orangi Pilot Project, Pakistan - OPP Research and Training

Institute, 1996, 14 pages.

The Urban Community Development Office, Thailand - Somsook Boonyabancha, 1996, 9 pages.

From Community Development to Housing Finance : From Mutiroes to Casa Melhor in Fortaleza, Brazil - Yves Cabannes, 1996, 29 pages.

Decentralization and Urban Poverty Reduction in Nicaragua: The Experience of the Local Development Programme (PRODEL) - Alfredo Stein, 1996, 27 pages.

FONHAPO: The Experience of the National Fund for Low-income Housing in Mexico - Enrique Ortiz, due May 1997.

Our Money; Our Movement (case study of the Women's Credit Union in Sri Lanka) - Alana Albee and Nandasiri Gamage, IT Publications, London, 1996.

Bottom-up Initiatives for Poverty Reduction: An NGO effort in Ga Mashie, Accra, Ghana - Anoba J. Annorbah-Sarpei, 1997, 15 pages.

uTshani Buyakhuluma (The Grass Speaks): People's Dialogue and the South African Homeless People's Federation - Joel Bolnick, 1997, 22 pages.

B. Overviews and General Works

Urban Poverty: Reconsidering its Scale and Nature - David Satterthwaite, 1996, 22 pages.

Reaching Low-income Groups with Housing Finance - Diana Mitlin, 1997.

City-based Funds for Community Initiatives - Diana Mitlin and David Satterthwaite, 1996.

ORDERING THESE PUBLICATIONS: *Our Money; Our Movement* can be obtained from IT Publications, 103 Southampton Row, London WC1B 4HH, UK. All the others can be obtained from Human Settlements, IIED, 3 Endsleigh Street, London WC1H ODD, UK; e-mail: humansiied@gn.apc.org. These are available as xeroxed working papers at UK£ 3/US\$ 5 each (half-price for Third World orders). For postage and packing, add 15 per cent for the UK, 25 per cent for Europe and 40 per cent for elsewhere.