

Homeless International

GUIDELINES FOR THE REVISION OF REGULATIONS FOR URBAN UPGRADING



New regulatory frameworks to support community-led slum upgrading have been tested in Dharavi (Mumbai, India) – reputedly Asia's largest slum.

INSIGHTS FROM THE FEDERATION PROCESS

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Organisations of the urban poor use life-size model houses to demonstrate locally appropriate, affordable designs – this sets the basis for negotiation around appropriate standards for slum upgrading processes.

Here, Slum/Shack dwellers' international (SDI) and Ugandan slum dwellers introduce the first model house exhibition ever held in Kampala to the Ugandan Minister for Housing, UN-Habitat personnel and local government officers.

GUIDELINES FOR THE REVISION OF REGULATIONS FOR URBAN UPGRADING INSIGHTS FROM THE FEDERATION PROCESS

1. INTRODUCTION

This paper draws heavily on the experience in settlement upgrading of Federations of the Urban Poor in Asia and Africa with whom Homeless International has worked for the last fifteen years. The Federation process has been documented in detail elsewhere¹ and is ongoing in a range of countries including Cambodia, India, Thailand, the Philippines, South Africa, Swaziland, Namibia, Zimbabwe, Zambia, Kenya and Uganda. In addition “sister” organisations exist in Pakistan, Laos, Vietnam and Sri Lanka. The starting point for most Federations is community mobilisation around money, in the form of savings and loans, and information, in the form of settlement enumerations, profiling and mapping. Other Federation rituals include life size house and sanitation modelling and the co-ordination of exhibitions and festivals at which models and prototypes designed at community level can be inspected and tested by the urban poor themselves and by public officials. Interchange within and between Federations is ongoing, through a process of community exchanges which frequently involve officials and professionals as well as Federation members.

The settlements where Federation members live vary considerably. Members live on dumpsites, pavements, and in squatter, slum and back shack areas. The Indian Federation is the oldest, formed in 1974. Others have emerged far more recently in the 1990's. They are organisationally linked through Shack/Slum Dwellers International, their own network of national Federations.

The key tools or “rituals” which are common across the Federations are summarised in the box below:

- *The formation of **saving and credit groups** creates a basis for collecting money, people and information resulting in collective capital and basic organisational capacity.*
- ***Enumerations and settlement mapping**, carried out by the urban poor themselves, enables the collection of settlement-based information, particularly relating to housing, land and infrastructure, which is owned by the poor rather than by outsiders.*
- ***Housing and toilet exhibitions and festivals** demonstrate the possible in a manner that enables fundamental choices to be made about allocation of collective assets – particularly land and infrastructure – provided through local or national state agencies. Exhibitions also create a space for policy makers, politicians and the urban poor to explore alternative options for investment and new options for planning and building standards. Thirdly, life-sized models act as a mobilising tool in communities, enabling people to get a feel for the space created and to enhance communities' aspirations about what is possible.*
- *Learning and mutual support are nurtured through a process of **exchanges** – visits to each other's communities so that experiences can be shared. Increasingly such exchanges also include public officials and other professionals, encouraging their exposure to the way in which organisations of the urban poor perceive, analyse and respond to the issues that they prioritise within their local contexts.*
- *The implementation of **small pilot projects** which demonstrate how a community driven process can design and implement solutions that make sense to them, and which act as precedents for larger scale development.*

The paper examines community-led initiatives and, more specifically, some of the experiences that the Federations and their support NGOs have gone through as they have initiated and led settlement upgrading initiatives. Many of these initiatives have been designed not just to provide better living conditions for those directly involved but also to challenge the way in which upgrading is conceived and carried out within local, national and international regulatory frameworks.

¹ See in particular Volume 13, Number 2 of Environment and Urbanisation, IIED

Some have been spontaneous developments in response to particular emergencies, others have been carefully chosen and planned in line with the priorities of local organisations of the urban poor. In many cases, as a result of Federation precedent setting, changes to policy and practice have been achieved that have affected many thousands of families.



Daily savings lie at the core of organisational development amongst Federations of the urban poor.

The paper begins with an overview of the conceptual framework of development that has guided our thinking before identifying the key challenges that have been tackled within the slum upgrading experiences considered. Examples from a range of organisations and countries are described with particular respect to their role in establishing new precedents for regulatory practice. Finally a number of conclusions are drawn with recommendations, where appropriate, for future action.

2. CONCEPTUAL FRAMEWORK

Sustainable livelihoods theory has played an important part in helping development theorists and practitioners to focus on the resources that the poor have at their disposal rather than simply focusing on their needs. The theory has been well documented elsewhere and readers can refer to documentation detailed in the bibliography for further information. I would like to note insights into use of the theory that emerged from a parallel research project – Bridging the Finance Gap in Housing and Infrastructure². The project in question focused on financing of urban investment from the perspective of organisations of the urban poor and, in particular, examined the nature of the risks that the poor take when they engage in large-scale urban upgrading initiatives in partnership with the state and with the commercial financial sector. One of the key findings related to the manner in which the urban poor were able to leverage key elements of their collective asset base in order to push for pro-poor policies at city and national levels. The two critical assets that they leveraged extremely effectively had not specifically been identified within sustainable livelihoods theory. We termed them Knowledge Capital and Institutional (Political) capital. A brief description of how these forms of asset are understood by Homeless International is given below.

KNOWLEDGE CAPITAL

The institutional knowledge created by the poor – a form of intellectual capital that has a significant role to play in the negotiation of partnerships and in the formation of collaborative arrangements with the state and with formal financial institutions. The production and collation of information by the poor, about the informal settlements where they live provides a basic example. This information has a tangible value for local authorities planning urban development. A more complex example is provided by the capacity of the urban poor to share learning and experience locally, nationally and internationally through exchanges and dialogue, a capacity that has been enhanced by the use of new information technologies that allow almost immediate sharing of information. It is this asset base that also constitutes the *anchor for the development of institutional (political) capital*.

INSTITUTIONAL/POLITICAL CAPITAL

The organisational forms, relationships and processes specifically developed by the poor to increase their capacity to escape from poverty. This concept incorporates relationships that facilitate access to, and influence on, the structures and procedures that constitute the external policy and regulatory environment in which organisations of the urban poor operate. In effect this form of asset constitutes the political base of the urban poor's organisational influence³.

While sustainable livelihoods theory helped us to focus on the significance of the resources created and managed by the urban poor, we still found the theory somewhat sterile when we tried to use it to explain the way in which the Federation process worked. So, more recently we have been exploring the relevance of Amartya Sen's theoretical approach to "development as freedom". It seems to us that this provides a way of moving forward in the development of a theoretical framework that centres its assumptions around the interests of the poor as active developers, particularly within urban areas. We find it useful that the theory stresses the "verbs" rather than the "nouns" of development.

Sen's thesis is based on the notion of five "freedoms" and of corresponding "unfreedoms" which impede people's ability to achieve the ultimate aim of development, namely freedom itself. Sen emphasises that freedom is not only an aim, but a means of development. He identifies five types of instrumental freedom:

Political freedoms – the opportunities that people have to determine who should govern, and on what principles, and the possibility to scrutinise and criticise authorities, to have freedom of political expression and an uncensored press, to enjoy the freedom to choose between political parties.

Economic facilities – the opportunities that people have to utilise economic resources for the purposes of consumption, or production, or exchange. This includes access to finance.

Social opportunities – the arrangements that society makes for education and health care in their widest sense.

Transparency guarantees – deal with the need for openness and the ability to deal with others under guarantees of disclosure and lucidity, the basis for a fundamental presumption of trust.

² A 4 year research study financed by DFID's Knowledge and Research programme. The project sought to explore how the urban poor were mobilising the finance needed to take a lead in housing and infrastructure development in urban areas.

³ In No way is this to be confused with allegiance to Part Politics, an issue that is addressed elsewhere in the paper.

Protective security – the provision of a social safety net including fixed institutional arrangements such as unemployment benefits and statutory income benefits to the indigent as well as ad hoc arrangements in the case of natural disasters.

Sen's theories have largely emerged from his work in rural areas, particularly that related to famine. Their application within an urban context may necessitate some modification. However his consistent focus on the poor as agents of change rather than as "patients" is consistent with the imagery that has emerged from the Federation process that is so fundamental to our work. Within the paper I shall seek to explore how relevant his conceptual framework might be to understanding both the opportunities and threats faced by Federations working in different contexts are facing.

Finally it is important that the core principles of the Federation process itself are recognised.

Collaboration

Federations recognise that the state on its own cannot solve problems of poverty and underdevelopment, and neither can the poor. A central principle of constructive collaboration is evident throughout the Federations' work with an emphasis on creating partnerships in which all parties are respected and seen as having something important to offer. In order to optimise the chances of such partnerships no Federation allows itself to be politically aligned with existing political parties although individuals within Federations will frequently have individual membership of particular parties.

Working on practical to improve governance

From the beginning the Federations have focused on local priorities and linked those priorities to wider support networks. When people working in partnership focus on prioritised local issues – obtaining ration cards, installing toilets, obtaining land – when things begin to improve power relationships begin to change and a new form of respect emerges. So, for example the leadership of Mahila Milan in the Pune toilet programme ultimately led to regular consultation between city officials and women from the involved communities. Governance relationships were changed by concentrating on practical ways to improve infrastructure and this ultimately resulted in local communities having a far greater say in the allocation and use of state resources.

Developing interventions at scale

If solutions are to benefit the poor as a whole and not just a minority they must be designed with the potential to operate at scale, ensuring that the poorest are included. Smaller precedent-setting initiatives may however precede such scaling-up.

Money and Knowledge = Power

The South African Homeless Peoples Federation has a popular slogan "Amandla! Imali! Nolwazi!" which translated from Zulu literally means "Power! Money! Knowledge!" The Federations all emphasise the importance of building up local savings and creating local information databases as a fundamental building block for building a community power base.

Women at the centre

The Federations' approach seeks to enable women to build the skills and attributes to play central roles in community-led development, not out of any abstract imperative for gender equality, but for some hard pragmatic reasons:

- The people most affected by the lack of land and housing are women, so it makes sense then that they should be the ones who decide how and what they learn and do.
- The mass mobilisation that is essential to develop alternative strategies for the poor to realise rights to land, housing, infrastructure etc cannot happen without large numbers of women to sustain the process and embed it in communities.
- Women have excelled in the exchange process, being so much at home in the face-to-face environment of peer learning.

All Federations boast a large percentage of leaders who are women, but also encourage men to participate positively in the development processes and hence to recognise the equal role of women.



Eveline, from the Namibian Federation, explaining to local authority officials from other Namibian towns and cities how community-led strategies for land and settlement development have worked in Windhoek. Women are at the heart of the Federation process.

Long Haul rather than quick fix

The Federations know that problems of poverty will not be solved in the short term. Changing the way that development takes place in cities so that the poor are included rather than excluded takes both time and resources.

Mutual need and reciprocal learning

Federations link together to provide mutual support because they identify a common need and commit themselves to a reciprocal process of shared learning through on-going exchanges.

3. KEY CHALLENGES

Despite rapid urbanisation many urban authorities have failed to recognise the significance of informal settlements to the socio-economy of their cities. This lack of recognition is closely related to common characteristics of many cities in developing countries – local authorities with insufficient resources, inadequate land planning, a lack of cadastral and demographic data, and a culture of emergency political response rather than future projection and planning. Forced evictions, land grabbing by political and business elites, and a reactive accession to the pressures of large-scale business interests for land, have dislocated settlements to the detriment of large populations of the poor as well as to cities as a whole. There is however a growing trend to tackle urban development on a more comprehensive basis and an increasing number of authorities are designing city development strategies based around broader consultation practices. However the social, political and technical challenges of creating a more inclusive city-wide planning and development process remain huge particularly in the area of settlement upgrading, not least in a context where “participation” is frequently limited to notions of “willingness to pay”. In this section we examine some of these challenges, identifying the problems that are being faced and providing some examples of initiatives where clear progress has been achieved.

Acknowledgement and recognition

The Indian Alliance⁴ has repeatedly pointed out how areas where many thousands of people have had their homes for many years have, historically, been demarcated on official planning maps as vacant land. While over the last decade many slums have become formally recognised, many others have not.



At the same time officials have either supported repeated attempts to remove such populations or, more commonly, treated them with a convenient myopia. Pavement dwellers in particular were treated with a form of dramatic institutional blindness in terms of quantification and understanding, until the late eighties when the national census methodology was modified in response to the demands of the Indian Alliance, and on the basis of census data collected by the NSDF/Mahila Milan themselves.

However data alone is not sufficient. Pro-active strategies for upgrading through “precedent” projects have shown that practical examples demonstrating how things can be changed are needed so that city and state officials can provide support with practical policy making that can be truly facilitative to the urban poor. Precedents do not just explore new technical options of physical design and related standards. They also provide an opportunity to test new institutional relationships, financial mechanisms and ways to share learning

Pavement dwellings provide both a residential and economic base. Many have been in existence for over three decades.

Recognising the existence of those living in informal settlements remains a challenge in many cities. In many of the larger urban centres in developing countries more than

50% of the population live in such settlements and a lack of accurate data and information precludes effective planning for current populations let alone for the populations that will exist in the decades to come. There are an increasing

⁴ Consisting of the Society for the Promotion of Area Resource Centres (SPARC), the National Slum Dwellers Federation (NSDF) and Mahila Milan (MM). For further information refer to Burra and Joshi’s paper for this workshop.

number of examples emerging from the Federation process that demonstrate how effectively the urban poor themselves can organise to create accurate databases about their own settlements. However such an exercise, if it is to benefit city planning at a broader level, requires a commitment to shared planning, with city authorities acknowledging the key role that organisations of the urban poor have to play in conceptualising and realising settlement upgrading options.

“Official data” collected on informal settlements by outsiders is frequently unreliable either because basic data collection has not taken place in a co-ordinated fashion or because data is inaccurate and flawed. Political influences frequently play a part in distorting information. The settlement enumeration and mapping exercises that constitute one of the main rituals of the Federation process offer an alternative. When people collect and own information about themselves and are able to use it to negotiate on their own behalf, data collection tends to be considerably more rigorous. It is hard to lie to your neighbour about how many people live in your house and what work they do. Community-led enumerations also provide a means of organising and prioritising at community level and can lead to rapid changes in community-city authority relationships.

In Victoria Falls in Zimbabwe the problem of families living in plastic bag housing on public land was recognised but it wasn't until 1999 when the local Federation carried out its own enumeration that the full scale of the deficit in infrastructure provision became apparent. 15,000 people were living in plastic bag housing, 300,000 tourists were visiting the area each year and the existing infrastructure had been designed for a population of 8,000. Data provided by the Zimbabwe Federation was used as a basis for planning wider infrastructure provision as part of planning that the town authorities carried out with a number of bi-lateral donors. The process of sharing information also strengthened relationships between the Federation and the Town authorities and has led to a longer-term strategy of land allocation and development for the urban poor.

Community-led enumeration and mapping has proved vital to the success of numerous urban upgrading projects in which Federations of the urban poor have participated. In Mumbai for example enumeration of Dharavi, the largest slum in the city, demonstrated that the World Bank had underestimated the population by a factor of 4. During the eighties as enumeration became a regular practice, data collected on families living alongside the city's main rail tracks laid the basis for co-operative mass relocation of 18,000 families in 2001-2 under the World Bank funded MUTP II project. More recently Federations from India, Kenya and South Africa have assisted the Ugandan government and two city authorities in Kampala and Jinja to develop detailed slum profiles that will allow the implementation of a land allocation strategy aimed at creating cities without slums over the next fifteen years. There are many other such examples that could be quoted, all of which contribute to a far higher level of transparency in city level planning and, hopefully, to a stronger basis for the trust required for equitable land allocation to occur.

In Cambodia the challenge of acknowledgement and recognition has proved particularly dramatic. The local Federation has carried out detailed surveys of all of the Phnom Penh's 550 informal settlements and had a long working relationship with the city government. However the city government itself has faced huge problems in developing a strategy for settlement upgrading. There is no Ministry of Housing, no legislative mechanisms for regularising human settlements, no government programmes to provide basic services and no institutional sources of housing finance. Within this post-war context it is perhaps not surprising that in-situ upgrading has, until recently, been low on the political agenda or that the pressure from commercial interests for central urban land has led to mass evictions. Recent reports from the Urban Poor Development Fund (UPDF) in Cambodia and from Mbare in Zimbabwe capture the situation well:

“The UPDF has been able to provide housing and income generation loans to only some of the 11,000 families who have been evicted in recent years from their settlements in Phnom Penh. These loans have helped people to rebuild their lives at resettlement sites they purchased themselves or at the big government relocation colonies at the outer edges of the city. Some of these relocation projects involved a high level of community participation, others didn't. The government's commitment to provide alternative land to evicted families has been important, but as Phnom Penh develops, evictions are increasing, and there is a danger that resettlement becomes the ONLY option. In fact most of the city's poor settlements are on land which is not needed for urban development or infrastructure projects and these settlements could be very nicely upgraded for a fraction of the cost of resettlement. These communities provide a much-needed stock of housing for the city's workers which neither the poor nor the government can

afford to replace. A big investment in housing and services has already gone into these settlements, whose central locations and built-in social support structures are vital to poor people's survival. Upgrading basic services and environmental conditions in these settlements is the cheapest and most practical way of improving the lives of Cambodia's urban poor, while making the city a more beautiful place for everyone to live in." UPDF Report May 2003

Mbare, Zimbabwe – Globalisation from the bottom up

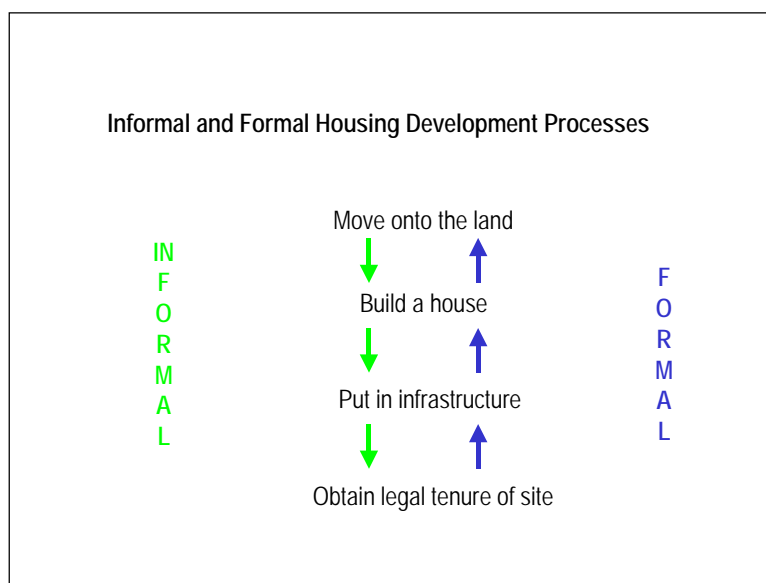
Mbare is an inner city neighbourhood in Harare that is home to thousands of poor Zimbabweans. In April 1999, the Zimbabwean Homeless Peoples Federation started an enumeration of the people living in Mbare. After six weeks they had surveyed 4,500 families, finding out information about their living conditions and their housing needs. But as importantly, they talked about the Homeless People's Federation to anyone who would listen. By the time they had completed the first phase of the survey after six weeks, almost 40 new savings schemes had started.

The savings schemes started to consider what they could do to help their members get housing. Meanwhile the results of the enumeration were analysed to present them to government officials who know little about conditions in Mbare. In putting together the exhibition, the Zimbabwean Federation was able to draw on members of Namibian, Indian and South African Federations who offered their experience in house modelling and strategies for managing relations with the state. Just by being there, the international groups attracted the interest of the media and they helped to give "legitimacy" to this people's event.

From Slum Dwellers International, Journal No. 2, March 2002.

Getting the policies, procedures and processes right

An important challenge in slum upgrading lies in the significant differences that exist between formal and informal development dynamics. The formal development process, reflected in planning regulations and building bylaws assumes an investment dynamic that is almost a mirror inversion of the survival strategies that the urban poor have been forced to adopt as shown schematically below.



The formal process, embedded in planning and approval procedures assumes that legal tenure of land precedes the installation of infrastructure and the construction of housing. In practice, for the majority of urban residents in cities in developing countries, no such option exists⁵. The expense and practical difficulties of obtaining legal tenure, combined with structurally embedded practices of pay off and corruption, preclude such a process operating in practice. The constraints that confront the poor leave them with no option but to occupy, build and improve prior to tenure regularisation. Indeed it is often only as a result of the investment that they make in this manner that regularisation becomes an option that is eventually seriously contemplated by city and state officials. Where large-scale slum upgrading initiatives are planned this contradiction between the expectation of the formal system and the real options of the poor becomes particularly apparent.

The formal process in most commonwealth countries has been derived historically from British planning regulations designed for quite different circumstances and contexts. In reality the urban poor have used residential development not only as a means to house themselves but, in many cases, and over considerable periods of time, to create the basis for a claim to existence as a citizen. A citizen has the basic rights of access to water, sanitation, drainage, solid waste collection, transportation and secure tenure. Most slum and shack dwellers do not. Without a residence such rights are impossible to realise. With residence the same rights become future options around which people can organise and negotiate collectively for their common good. Sen's notion of freedom created by active agents seems particularly appropriate in this context.

So how do communities begin to take the lead in determining how upgrading should occur? The work of the Federations has demonstrated again and again the need for practical precedents that can demonstrate to the urban poor themselves, to policy makers and to other interested parties (such as bankers), that community leadership of slum upgrading is not only feasible but advantageous in many ways. The importance of setting precedents that produce solutions for the urban poor and for urban centres as a whole, has been well documented in a previous paper prepared by Sundar Burra and Sheela Patel for this project⁶. Other analyses also emphasise the importance of changing policy and practice. Policy change on paper is hollow if nothing actually changes in the real settlements where poverty is suffered⁷. Precedent setting projects are also important because they allow new designs and approaches to be tried and

⁵ See Payne (2002) for further discussion of this issue

⁶ Norms and Standards in Urban Development- The experience of an Urban Alliance in India. Paper prepared by Sundar Burra and Sheela Patel for a workshop held in May 2001

⁷ See Jack, 2001, Pragmatic Advocacy, Homeless International

tested visibly. Communities, public officials and professionals are provided with an opportunity to see how new methods work out in practice, to assess their cost and their acceptability. Burra and Patel's paper details a whole range of precedent setting initiatives that the Indian Alliance has taken on over the years. In addition to these there are a range of examples from other national contexts that deserve mention and that are covered briefly in the sections below.

How the urban poor can take a leading role in development

There are an increasing number of examples of successful community-led initiatives that have not only provided benefits to people within particular settlements, but that have laid the basis for a change in city or state policies and practices which could benefit large numbers of people living in informal settlements. Some of these have helped to demonstrate how existing policies need to be changed so that they can actually be implemented on the ground. Others have led to entirely new policy initiatives. In nearly all cases however a considerable amount of time has been required to demonstrate alternatives and to make these intelligible and usable to all stake holders with an interest in ensuring that policies work effectively. It is therefore important to recognise not just what needs to be changed but how to apply those changes in practice.

Over the last decade one of the results from the on-going exchange processes managed by SDI has been that city and state officials, as well as poor people, have benefited from exposure to community-led processes. When teams of slum dwellers and officials visit a city together to see what can be achieved in upgrading within serious community-city partnerships the policy development process can accelerate. This happened when teams from Mumbai visited Pune to see how a community-led sanitation programme was tackling the lack of toilet provision across a major city⁸ - the approach was replicated in Mumbai within less than a year. After Kenyan and Ugandan officials visited India to learn about housing and sanitation schemes there were immediate breakthroughs in approaches in Kenya and Uganda to land allocation using community driven enumerations and mapping as the planning database.

Two of the schemes that demonstrate the leadership of the urban poor and that have had, or are likely to have an impact at national policy levels are discussed below.

The Rajiv Indira-Suryodaya Slum Upgrading Scheme has been documented elsewhere and in more detail with reference to the impact of the Coastal Regulation Zone legislation in Mumbai.⁹ It is an important flag ship project for the Indian Federation, being the first community-led development to take place under the State of Maharashtra Slum Rehabilitation Act and serving as a pilot for the potential upgrading of slum housing in Dharavi, reputedly Asia's largest slum.

Gautam Chaterjee, previously Head of the Slum Rehabilitation Authority and later Additional Commissioner in Mumbai accurately described the significance of the project at a workshop held in 2000:

" The people have come together to create a novel way of dealing with slum upgrading. These schemes should not just be real estate developer motivated but should also be taken up by NGOs with the communities. Here is one example out of the present 400 schemes that we are currently implementing in the city of Mumbai. The beginning was small no doubt. About fifty people came together but then we thought their involvement was the real purpose for which the Slum Rehabilitation Authority was set up. We therefore extended full-hearted support for the exercise. We have about 25 procedures that need to be followed before work can start on the ground, right from the formation of the co-operative society through to decisions about who is eligible to get a unit. Then giving the letter of intent for the building work, giving the inclination of approval for the building plan, giving the commencement certificate for the building plan, providing transit tenements for the people who have to move out and ensuring that only those who need to be shifted are actually shifted. A host of things had to be done, but the best part of it in this case was that one was assured that since the community together is doing this, and every decision made is made in consultation with all the people. It is not as we have seen in the other cases where the developer comes, trying to move a case forward with only one or two representatives of the community and usually we cannot be sure if they really represent the views of the community as a whole. Here is an example of real community participation. People have learned from the experience. We have learned in the authority how people can come together and tell the architects and the planners how the design of

⁹ Paper prepared for this same workshop by Burra, Joshi et al

their housing can be done. I also mentioned that we have shown one model tenement but we have extended this scheme already from 52 people to 209 and soon other communities will join this sort of exercise."

Since this speech the Rajiv Indira – Suryodaya scheme has had to deal with all the complexities of the CRZ legislation that have been documented in a separate paper¹⁰. As a result of that engagement over 3000 families are likely to benefit from modifications that are being recommended in the way in which CRZ is applied in Dharavi. In addition it is likely that there will be implications for the 149 slum pockets which house over 63,000 families that are affected by similar CRZ norms elsewhere in Mumbai. It is hoped that changes in application of the legislation will enable upgrading to go ahead in these areas which are currently denied improvements because of their location within CRZ defined zones.

In **South Africa**, the Federation and their support organisation Peoples Dialogue have been able to use practical demonstrations of housing and infrastructure to influence the way in which subsidies are allocated for housing. They have lobbied to make subsidies directly available to communities so that the management of design and construction can be handled by organised groups within the Federation's housing savings schemes. This in turn has facilitated a far greater degree of in-situ upgrading than has been possible with more conventional approaches relying on commercial developers and housing has tended to be built to a far higher standard. However the process has not been straightforward as housing is a regional rather than national competency in South Africa and the Federation has had to negotiate with each regional authority to determine practical operational access to subsidies. The case study over the page describes this process.

¹⁰ Burra op cit

In 1992, when the new South African government was elected, a national housing capital subsidy was introduced targeted at lower income groups who had land to develop. The assumption was made that private sector developers would take the main responsibility for designing and building the new homes. The subsidy delivery mechanisms adopted reflected this assumption and financing of housing schemes was, in effect, restricted to developers and commercial banks. This meant that communities, however well organised, who wished to control their own housing development were excluded from direct access. This was not simply a matter of control over design and location. It also meant that communities had no control over cost. The resulting schemes produced housing that the South African Homeless People's Federation found unacceptable, particularly as they knew that they could build far better quality and larger housing with the same budget available to the developers. However without access to finance they faced a serious constraint. One of the first things that they did was build a toilet, demonstrating that they could build a perfectly adequate facility for one tenth of the amount being charged by the developer. The developers produced serviced plots with toilets and, at best, a tiny top structure which, together with developer's profits, used all of the allocated subsidy for a single household. The Federation clearly demonstrated how they could construct significantly larger houses, with individual designs using collective material purchase and construction, and saving considerable expenditure by using their own labour and that of small contractors within their own communities. In many cases they also began producing building materials. The precedent-setting effect of this community initiative was powerful. Using their own bridging funds extended through a facility known as the uTshani Fund, communities not only began to construct housing in significant amounts but also challenged the government to broaden the legislation under which housing subsidies were allocated to allow communities to have direct access to development funds. An additional component (known as the People's Building Process) was added to the legislation to facilitate this and the then Minister of Housing (Jo Slovo) allocated 10 million rand to the uTshani fund to ensure that the Federation could bridge finance their construction to cover the delays that accompanied processing of applications for subsidies. A Representative of the Federation was also appointed to join the National Housing Board.

The bridging finance approach was fine in theory but far more difficult in practice. The subsidy delivery system was organised on a provincial basis and local provincial housing boards could choose not to allocate subsidies directly to communities. This produced inconsistent state response across the country. While the Western Cape for example delivered large numbers of subsidies to members of the Homeless Peoples Federation and eventually provided wholesale subsidies to be administered by uTshani, Kwa Zulu Natal failed to extend a singly subsidy in this manner. This placed tremendous pressure on the uTshani fund to become a primary lender rather than simply to extend short term bridge financing. The subsidy processing bureaucracy proved onerous and the amounts owed to the Federation (in practice to uTshani) by the State escalated rapidly. In addition those who were the poorest tended not to have land on which to develop housing and were effectively blocked from receiving the capital housing subsidies.

Although the South African Alliance reached an agreement with national government in 1996 to release subsidies directly to uTshani Fund, this was subject to provincial approval. The nine Provincial Housing Boards took their time in this. Even in provinces where the subsidy agreement has been approved, subsidy release often takes years, even when houses have long since been built with uTshani Fund bridging finance. Out of nearly 8 000 Federation houses built, only 1 550 had received subsidies by March 2001 (many of these subsidies were taken without loans). This has created a gradual cash crunch for uTshani Fund, as stipulated 'formal' loan repayment rates have understandably faltered during the delays in subsidy release. Continued inflows from donors, however, have helped to compensate for this.

Release of housing subsidies to the Federation via uTshani Fund, even for completed houses, is an unpredictable and resource-consuming process. As noted above, many Federation houses built with uTshani loans as far back as 1995 have yet to receive subsidies. Although nearly 6 000 Federation members have taken loans, only about 1 550 subsidies have been released since 1994. For every subsidy received by the Federation between 1998 and 2001, 3.5 loans were given out. The government currently 'owes' uTshani Fund nearly R32m ((US \$4m) in subsidies for houses built with uTshani Fund bridging loans, making it by far the largest debtor to the fund.

(Abstracted from case studies on the South African Housing Federation carried out by Ted Bauman for Bridging the Finance Gap in Housing and Infrastructure).

As the South African and Indian cases clearly demonstrate, the process of changing policies for upgrading and of ensuring that operational systems match policy objectives, takes time and achievements are rarely realised within a typical "project" time frame. In many of the examples of precedent setting that have come out of the Federation process, change at policy level has taken ten years. In the case of the original pavement dwellers who established Mahila Milan in India, it is now twenty years since they began organising and their own scheme (Milan Nagar), developed after Mahila Milan successfully advocated for pavement dwellers to be granted the same development rights as slum dwellers, has only just reached foundation level in 2003.

Precedents for land allocation and secure tenure

Practical organisation around settlement development is facilitated where policies are put in place that ensure equitable land allocation, secure tenure and the application of appropriate and affordable planning and building standards. As has been well documented elsewhere (see Payne et al) land allocation and the huge variety of formal and informal tenure options that currently exist provide significant challenges to communities undertaking upgrading. There are few settlements where tenure is uniform or simple.

"The population is not only squeezed, it is also subject to uncertainty associated with ambiguous and irregular land allocation, commonly referred to as "land grabbing". The State owns 50 per cent of this land officially. However, individuals have over time negotiated informal arrangements with the authorities to erect structures and collect rents. The result is that most slum dwellers are tenants. Structure owners are under no obligation to maintain premises or provide basic services. The ambiguous tenure status of those living and working in informal settlements - structure owners and tenants alike - prohibits them from enjoying their rights as urban citizens. They are not recognised officially by the State and as such do not participate in decision-making processes that affect them.

The primary constraint to the improvement of the living conditions of informal settlements in Nairobi is, and remains, insecure land tenure. This has led to the prevailing situation where absentee landlords build semi-permanent rooms for rent without providing adequate water and other environmental sanitation facilities for their tenants. Poor and inadequate access routes within these settlements also hinder service improvements.

Quoted in Warah, 2003

In Nairobi and Kampala, a prevalent pattern of rental arrangements has led not only to different claims of ownership but also to different claims to tenancy. In the enumerations carried out by the Pamoja Trust in Nairobi, a range of interest groups have been identified. These include:

- ◆ Structure owners living in-situ and renting out space to tenants.
- ◆ Absentee structure owners who may own considerable numbers of structures which are rented out but who may not be residents within the settlement themselves.
- ◆ Tenants.



Photos of families taken outside their numbered shack structure form part of community-managed slum enumerations, enabling families to prove ownership/residence and hence eligibility for involvement in slum upgrading.

Each of these groups has very different interests, and decisions regarding their entitlement to land allocation are critical to the long-term success of upgrading schemes. If only owners are allocated land, the majority of the poor (particularly women) are excluded from the long-term development benefits that will potentially accrue. On the other hand if landlords are excluded altogether the backlash can be violent and destructive. Arriving at a compromise requires an extensive process during which everyone in the community has access to accurate information about the circumstances

of those with an interest in residential property in the area concerned. Within the Federation process, enumeration and mapping lays the basis for this discussion to take place so that decisions concerning equity, when they are taken, are widely owned.

One of the biggest challenges in mediating land allocation and granting secure land tenure is that of protecting benefits that are intended for the poor in the longer term. In Nairobi, and many other cities, a form of slum recidivism has frequently resulted from settlement upgrading initiatives. Where upgrading occurs, new housing and/or tenure security is allocated. However the families that initially benefit frequently sell off their interests and move to other slums. Some reputedly repeat the exercise several times, gaining economic benefit each time they sell out. In Addis Ababa, Ethiopia, infrastructure upgrading benefited many thousands of people until the resultant increase in land value led to eviction so that better off families could benefit. Many other examples could be quoted where benefits intended for the poor are rapidly "sold on" to other better off households or grabbed by more powerful groups. Where rapid on selling occurs, it is nearly always because of short term expediency and a lack of the structured support systems that enable the poor families concerned to manage the economic and political pressures involved. Where "grabbing" and forced eviction occur it is frequently the case that the perpetrators have strong political and financial connections, often at the highest levels of government.

The SDI membership has been very aware of the danger that benefits resulting from collective investment can be usurped by others. In order to militate against this happening they have used a number of different strategies. Collective tenure in which selling of property is managed by the collective itself rather than the individual has been one of these. The Rajiv Indira- Suryodaya scheme for example provides collective leasehold tenure to the families that have moved into the new buildings. If a family needs to sell because they genuinely have to move, then the price of the unit and the allocation to a new owner is determined by the elected leadership of the Housing Society. Ensuring that households are active in local savings and loan groups has been another important strategy, ensuring that funds are available not only for emergency situations but also for investment in economic activities that can improve the financial circumstances of the household generally. This area is addressed further in the section on risk management and mitigation below. In addition the extended support networks that have developed within SDI mean that when crises are faced there are always others with relevant experience who can provide advice and back up as difficult situations are worked through.

Precedents for Planning and Building Standards

In 1987, pavement women in Mumbai who had formed a collective organisation known as Mahila Milan began to dream about the housing they wanted to live in. They constructed cardboard house models and later full size models, inviting professionals and officials to come and discuss the designs that they had created. One of the important features of the models that they eventually judged to be both acceptable and affordable was a fourteen-foot back wall with a sloping roof. This feature allowed for the construction of a mezzanine (or loft), nearly doubling the available living space for only a 30% increase in the cost. The problem with this pragmatic idea was that it did not meet local building bylaws which limited ceiling height to nine feet. Burra and Patel have described how this design innovation by pavement dwellers has been tried and tested over time in a variety of different upgrading scenarios including the high rise construction of Rajiv Indira-Suryodaya discussed earlier. However at each stage there has been a battle with officials. The fourteen foot wall was eventually officially sanctioned after four years of lobbying, a process that required prolonged, determined and persistent effort by the Federations and Mahila Milan as well as considerable financial resources to produce practical demonstration models. Without this co-ordinated action by an organisation representing large numbers of people, it is unlikely that the changes would have been accepted.

Other Federations have proved successful in achieving similar changes in regulatory practice:

- The Namibian Federation, supported by their NGO the Namibian Housing Action Group, were able to persuade government to reduce plot size requirements so that developments would be affordable to Federation members. This is an important example because the Namibian Federation and the Windhoek City Council took a collective risk in establishing a new standard for plot sizes in spite of national plot size requirements that were considerably larger.
- In Huruma, one of the Nairobi slums where the Pamoja Trust works, the City Council took a similar approach accepting that plots would need to be reduced in order to accommodate all the residents. To achieve this the Council made the area a special development area.

- When families were relocated from alongside the railway tracks in Mumbai's Urban Transport Programme they needed transit accommodation. The Indian Federation, by building the first transit camp themselves were able to demonstrate to state officials and to the World Bank that a reduced spatial standard of 125sq feet/family rather than 225 sq. ft per family worked well, particularly for families whose previous option had been to live in 80 sq. foot houses immediately adjacent to the danger of the rail tracks.
- In Argentina, in Barrio San Jorge an informal settlement in Buenos Aires the local authority accepted that building standards would take time to improve and they tied allocation of secure tenure to improvement in standards over a time period acceptable to families living in the barrios.

These developments are all indicative of constructive community-city relationships which often precede the changes that are required in national level policies. Hugo Rust, for example, from Windhoek City Council's Department of sustainable development and planning, explained their strategy:



The first permanent model house built in Huruma to demonstrate appropriate, affordable, designs for community-led upgrading in Nairobi's slum areas.

"We try and allow the people to take an active hand in their upgrading, we allow them to purchase a big block from the City of Windhoek, which we do not sell to them in terms of individual households urban because its not legal and also they cannot afford it. So we provide them with a big block, which they as a group they buy from the City of Windhoek. We do an informal layout if they do not do it themselves and then we place the people on the [site] as per that informal layout with the idea that one day government will come to its senses and realise that 300 square metres [individual plot size] is too big. People are actually happy with 180 and 200 square metres...so at that stage then, when the national housing policy is changed, we can actually give those people individual title... That's what we are trying to do at this stage."

Piecemeal approaches are not enough

Kingston, Jamaica is a city characterised by polarised communities, high levels of urban conflict and wide spread *de jure* tenure insecurity. Initiatives aimed at area upgrading including strategies to build new housing and to reduce urban violence have consistently failed. Where upgrading has been carried out implementation has taken place on a project-by-project basis targeting specific communities. Frequently the result has been household displacement. Better off families, or those with better connections to informal and formal political interests replace those for whom the upgrading was intended. Where a focus has been placed on tackling localised urban violence such as in the Jones Town project supported by DFID some success has been realised but this has arguably been at the expense of other communities. Gunmen functioning as area dons move out of the project area but move into other communities and urban violence is shuffled around the city rather than being overcome. Such shuffling is possible because many informal settlement residents lack a legal claim to the homes and land that they occupy. They have no redress in the courts when they are pressurised to move out. This form of urban upgrading shuffle is almost inevitable when solutions are developed on a piecemeal rather than city-wide basis. Hence the need to develop city-level strategies for tackling secure tenure and upgrading investment.

The Kingston example given above is only one of many examples that could be discussed to demonstrate that relatively expensive one-off projects rarely have an impact at a city-wide level without a wider institutional infrastructure such as a national Federation of slum dwellers being in place. Wider structures allow single projects to become precedents that can be scaled-up, particularly when the projects are designed with scaling-up in mind from the start. One of the benefits of the Federation process is that it helps large numbers of people working across and between cities to prioritise interventions that they believe will help significant numbers of their peers.

Managing risk

The issue of risk has already been addressed in an earlier paper prepared for this project¹¹ and will not be addressed in detail here. However it is important to reiterate that the risks that organisations of the urban poor and their support organisations take when engaging in joint ventures with the state and with other actors from the financial and construction sectors are significant. As can be seen from the examples cited so far in this paper, the poor have had to organise significant resources over long periods of time in order to demonstrate that their developmental priorities can offer pragmatic planning and development options for cities as a whole, not just the poor. Inevitably some risk taking is riskier than others. Perhaps the least manageable risk is political risk.

In the Bridging the Finance Gap research project it was found that one of the most pervasive risks faced by organisations of the urban poor when they became pro-active in the development process was that of political risk. All too often pro-poor policies are non-existent, and city authorities position themselves as proponents for a war of attrition against slum dwellers. In other cases policies are in place but are either not operationalised or are dysfunctional. Even where policies are effective in practice they can be overturned rapidly, to the detriment of the poor, when there are changes in political power. Where such changes arise from short-term political expediency they can have serious negative impacts on the long-term investments that organisations have made in building sustainable systems. In Mumbai for example the removal of development rights granted under the Slum Rehabilitation Act from slum dwellers would have serious consequences for slum dwellers, leading to a loss of financing options for future improvements made on a collective basis.

Another major risk area lies in the response of different interest groups to settlement upgrading. Payne has noted the growing tendency for middle income groups to push for political agendas that prioritise the removal of slum dwellers rather than of the conditions that the poor are forced to live in (see Payne paper for this project). Burra and Patel have also described how legal challenges to state policy taken by environmental groups in Maharashtra have focused on demands for the displacement of large populations of the poor with no associated compensation or resettlement assistance. It is also clear from the Indian Alliance's recent experience in submitting tenders under competitive conditions, that a strong contractors lobby with close political connections is unlikely to favour approaches that displace control over important development processes to slum dwellers. How can the potential conflict resulting from competitive agendas being pursued by differing interest groups be resolved? How can the poor ensure that political agendas are not skewed by influential minority interests in non-accountable ways? The long term answer has to lie in the political freedom that Sen advocates – *"the opportunities that people have to determine who should govern, and on what principles, and the possibility to scrutinise and criticise authorities, to have freedom of political expression and an uncensored press, to enjoy the freedom to choose between political parties."* As slum dwellers become increasingly organised and develop internal systems of accountability and transparency that ensure their priorities benefit the majority, and do not exclude the poorest, their capacity to realise this form of political freedom increases because they constitute a politically significant critical mass. In the short term the situation is far more precarious and it is important that donors and other supporters of community-led development acknowledge the complexities and unpredictability of challenging "business as usual".

The Rajiv Indira-Suryodaya scheme presents a particularly interesting case of precarious risk assessment and management. The biggest risk takers in the process have unquestionably been the slum dwellers from the housing society that initiated the whole project and those that have supported them financially with bridge financing. It is the society members that have destroyed the slum housing in which they previously lived and moved to transit housing to enable the scheme to take place. It is their supporters that have provided scarce financial resources to show how such an approach could work and who stand to lose financially should modification in the CRZ's application be rejected. Unfortunately this reality is not always recognised by more formal agencies that see risk through a more self-centred eye. Citibank, for example, has consistently failed to provide the loan that was initially agreed and for which hard currency guarantees have been in place for more than three years. Despite this failure to deliver, the "partnership" between Citibank and the Indian Alliance on the Rajiv Indira-Suryodaya Scheme has been promoted worldwide by Citibank as an example of its ethical banking stance. In the meantime the Indian Alliance continues to take the risk because if they fail to do so, massive numbers of the urban poor will effectively be excluded from the right to upgrade their settlements due to a lack of alternative precedents for policy change.

¹¹ McLeod Ruth, 2001 *The Impact Of Regulations And Procedures, On The Livelihoods And Asset Base Of The Urban Poor - A Financial Perspective*. See also *Experiences Of Linking Community-Based Housing Finance To Formal Finance Mechanisms*, paper presented at the Gavle Housing Finance Seminar sponsored by UNCHS and the Swedish Ministry of Housing.

Finance

A more detailed paper is being prepared on financing settlement development as part of this project with a particular focus on analysing the costs involved in the Indian Alliance's confrontation with CRZ legislation. However it is pertinent within this paper to identify the need for a variety of financial services if community-led settlement upgrading and the corresponding challenge to existing regulatory frameworks is to be facilitated¹².

In the Bridging the Finance Gap in Housing and Infrastructure study, eight forms of finance were identified as being important for settlement upgrading. These were:

1. Financing immediate short term credit requirements for individuals

Saving and credit groups provide an important basis for the accumulation and circulation of capital within local communities. Collective savings are used for emergency, consumption and business purposes. Housing savings help to build the deposits that many longer-term housing loans require. Within the Federation model typified by the Indian Alliance, groups manage finances themselves and determine the interest rates at which they lend their own money to each other. However patterns of consistency develop over time as the groups learn through experience and share this learning with other groups through federation networks. Savings operate as one of the fundamental means through which people learn to organise effectively as a group and to manage money.

2. External grants for financing basic capacity - the economic and social base

Grant funding has enabled the creation of strong community organisations anchored in women-led savings and loan groups. Savings practice collects people and information as well as money. Mapping and enumeration also requires grant funding and is crucial in the creation of settlement databases that can be used to negotiate with the state. Representatives of established groups spread the word and help others to begin the Federation process, supported by an exchange process that spans cities, countries and continents. In doing so they create a network of linked communities. The Indian Alliance estimates that it takes about two years of basic mobilisation of this kind before a local Federation emerges that shares common objectives and principles.

3. Grants & revolving loan funds for financing development of small scale pilot and demonstration (precedent setting) projects

With basic organisational capacity at community level, organisations of the urban poor are able to take on small scale investment projects in slum rehabilitation, resettlement and/or infrastructure provision – toilets, sanitation, water, solid waste management, access roads, drainage. These projects demonstrate how designs and ideas developed at community level can work in practice. They provide an opportunity to develop and test new skills, not least within the relationships that must be negotiated as a project is implemented. Perhaps most importantly they provide a chance for people to learn from their own collective initiative.

4. Grants for financing learning, knowledge creation and capacity building

As communities and NGOs invest in demonstration projects and in scaling-up, their learning is rapid and dramatic. Sharing the learning that takes place (and the knowledge that is created) is vital. However funding for documentation and exchanges that facilitate this sharing is scarce. City level teams of Municipal authorities, slum dwellers, NGOs and private sector interests could use funding in this area to build on the basis of experience from other cities and receive ongoing support from people who have gone through the process before them.

5. Financing risk management and mitigation.

The risks undertaken by the poor when engaging with the state and with the formal financial sector need to be acknowledged. At the same time a far greater degree of understanding needs to be developed by both banking institutions and organisations of the urban poor as to what lies behind the differences in perception and judgement that are so apparent between them. Without better understanding, the chances for improved mediation between the formal and informal financial sectors seem remote. One of the entry points to building understanding in this area is that of providing support for risk analysis, management and mitigation by organisations of the urban poor so that space for dialogue and negotiations with banks can be created.

¹² For more detail see McLeod 2002.

6. Financing promotion and the creation of new alliances with public and private sector agencies

Urban slum rehabilitation, resettlement and infrastructure provision is of interest to many different stakeholders. Too often however the learning that is emerging from cutting edge community driven processes is restricted to a network that is already part of the process. Funding is needed for promotional work with major local and international agencies to persuade them of the importance of the work that is going on and to enable them to find ways in which they can become part of supporting it without swamping or co-opting the process. Funding is also needed to support exposure programmes for banking staff so that they can understand the investment processes of the poor and develop the internal mechanisms within their own institutions that are required if intermediation between informal and formal systems is to occur.

7. Grants, loans, contract fees, technical assistance and subsidies for large scale pilot projects

Once an approach has been tried and tested it may be refined. It is then ready for scaling-up. This is a stage when the financing gap becomes very apparent. Initial attempts at scaling-up are themselves considered pilots and demonstrations but the size of the projects means that, with very few exceptions, lack of access to capital is a prohibitive constraint. The funding required is usually too large (and sometimes too complicated) to be covered by standard NGO project financing. The potential for leveraging the resources of the poor is significant at this level if the appropriate financing, procurement and community contracting processes and mechanisms can be established.

8. Mortgage refinancing

Refinancing is needed to release the bridge financing that is used to cover the capital costs in rehabilitation, resettlement and infrastructure projects, so that it can be re-used on other schemes. Most refinancing comes in the form of long term mortgage financing designed around individual retail lending. Refinancing from local financial institutions however requires that negotiators are well prepared and appropriate technical assistance in this area (that is sensitive to the processes of organisations of the urban poor) is hard to come by.

Not all these forms of finance are readily available to Federations and part of the work of supporting the Federation process is to ensure that the full range of financial services is made available. This has been achieved by the provision of grants, loans and guarantees in different forms. Increasingly a range of services has been accessible to Federations through their own community capital funds, largely capitalised by Northern NGOs but, in some cases, also attracting significant local governmental funding as well as local contributions from Federation members themselves. To varying degrees these funds have effectively used the saving reserves and track records of the Federations to leverage additional external funding in a variety of forms.

The existing Funds of Federations within the broad SDI network are summarised in the table below¹³. The Funds are important because they allow for collective investments to be made in a way that is prioritised by the poor themselves. They also allow flexibility in determining which precedent setting initiatives should be developed and provide a means of covering risks associated with these initiatives.

NAME OF FUND	COUNTRY	STARTED
UTshani Fund	South Africa	1994
Gungano Fund	Zimbabwe	1998
Twahangana Fund	Namibia	1995
SPARC Samudhaya Nirman Sahayak	India	1999
Philippines Urban Poor Development Fund	Philippines	2000
Urban Poor Development Fund	Cambodia	1998
Community Organisations Development Institute	Thailand	1992
Orangi Charitable Trust Rural Development Trust	Pakistan	1987
Pak Ngum Fund	Lao PDR	2000
5 Provincial Cities Funds	Vietnam	2001

These capital funds tend to share common characteristics. However there are important variances between them, as there also are between them and other funds that have been established with the aim of providing financial services to the urban poor. In looking at a range of local funds we have found it useful to ask a number of questions:

¹³ For further information on these funds, their origins and experience see Housing by People in Asia Special Issue: Community Funds 2002. New funds are currently being established in countries where the federation process is relatively new.

- ◆ What are the sources of capital and the conditions of provision?
- ◆ Who controls the allocation process?
- ◆ What is the cost of access?
- ◆ How/where does the capital circulate and where does it end up?
- ◆ Who takes the major risk?
- ◆ Whose institutional capacity, political clout and knowledge base is strengthened?
- ◆ What broader impact does the capital provision have on further access by the poor to local capital?
- ◆ What broader impact does the capital provision have on the capacity of organisations of the poor to take an active role in urban governance?

An initial typology of existing financial mechanisms has been developed together and is provided as Annex 2.

Institutional arrangements and relationships

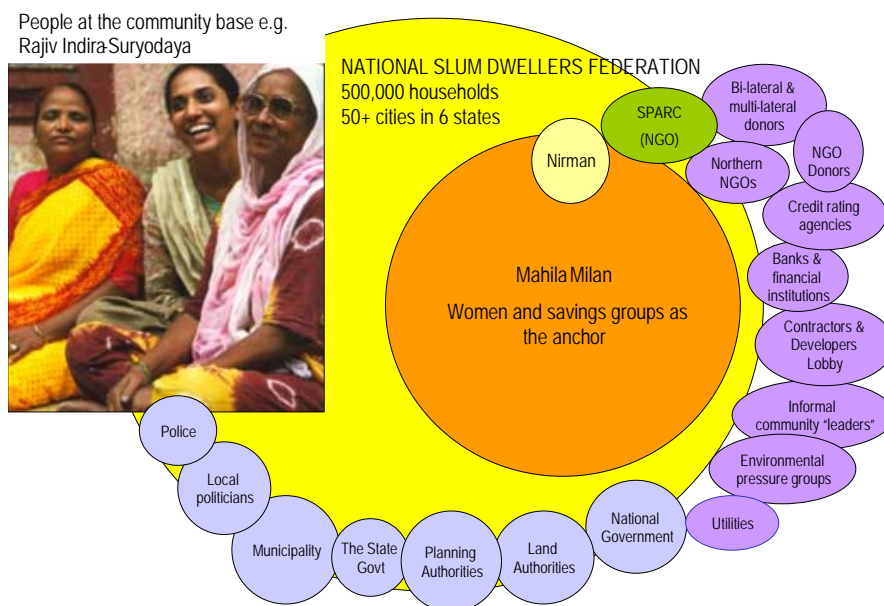
Institutional arrangements and relationships are frequently developed, tested and strengthened as a result of precedent-setting upgrading projects. However scaling-up successful precedents presents significant challenges in this area. Scaling-up inevitably broadens the range of stakeholders and interest groups involved in upgrading initiatives. In most cases, as well as local funding, there will also be a component of external financing sourced either at regional or global levels from, for example, the regional development banks or from an agency such as the World Bank. There will also be a range of local agencies and institutions with specific responsibilities for implementation and regulation. This means that large-scale investment in upgrading inevitably involves complex relationships with a range of institutions linked through a local to global continuum, with each level having its own priorities and expectations in terms of planning criteria and procedures. In some cases these agendas may be conflicting and, almost inevitably, communication and decision-making on an inter-agency basis will face the challenges of differing organisational cultures and languages as well as differing perceptions regarding the legitimacy of the informal and formal development approaches outlined at the beginning of this paper.

The work carried out by the Indian Alliance around the CRZ legislation provides an excellent example of such complexity. The legislation is national, the specific difficulties faced in Mumbai are really only shared by other larger coastal cities such as Chennai and Kolkatta. In order to challenge the legislation a state committee must take the initiative and itself decide that application of the legislation needs to be amended within an area where they have jurisdiction. They must then submit a convincing case to the relevant national body.

The “test” scheme is a scheme that has been initiated by a local housing society in collaboration with a national Alliance and with financing being provided from a range of sources including:

- Nirman, the Alliance’s own capital fund (capitalised initially by northern NGOs),
- The Community-led Infrastructure Finance Facility (CLIFF) hosted by Nirman and funded from the UK Government’s DFID and Swedish Government’s SIDA via Cities Alliance (hosted in the World Bank) and Homeless International in the UK.
- Citibank
- A hard currency Guarantee provided by Homeless International.
- Grant funds through a Rehabilitation and Resettlement grant provided by Homeless International.

In developing and implementing the scheme a vast range of agencies have to be dealt with ranging from the Slum Rehabilitation Authority right through to the Utility companies. A schematic version of the relationships involved is given below.



Dealing with this complexity of institutional arrangements requires a long-term investment in building relationships and developing communication patterns that can be trusted by all parties concerned. In effect this means building institutional/political capacity, in a manner that Federation processes become embedded in institutional relationships that are visible, comprehensible and accountable to the urban poor. Within this context, organisational forms become important. It is often the case, for example, that the legal framework under which community and non-governmental organisations are legally registered places considerable constraints on their operation as land developers. Land development may be specifically precluded under the terms of their registration or may attract punitive taxes which limit the viability of upgrading exercises. In India this proved the case with SPARC which was registered as a voluntary organisation under the 1860 Societies Registration Act. In these circumstances it is necessary to create special purpose vehicles, either for a particular initiative or so that an institutional form with special powers and responsibilities can be introduced on a more permanent basis to deal with specialist tasks. In the case of the Indian Alliance, a new Section 25 company was established - SPARC Samudhaya Nirman Sahayak. This took a considerable time and in order to become fully operational has needed additional financial and human resources. Special purpose vehicles can also be useful in settlement upgrading as a means of limiting risk within an organisation. A project organised formally as a limited joint venture can be treated as a separate financial entity ensuring that any losses incurred are restricted to that entity and do not place the wider organisation at risk. This level of formalisation has not yet fully occurred within the Indian Alliance.

In other cases, the ways in which relationships and activities are regulated needs to be challenged. For example, the World Bank has produced special guidelines for procurement where the aim is to support community driven processes. In theory these guidelines enable community contracting on World Bank financed schemes and provide an alternative to more conventional tendering procedures designed to regulate competition between commercial interests. In practice the Indian Alliance found them limiting because the flexibility provided only applied to projects in which contract sums were less than US\$100,000 equivalent. Scaling-up precedents in sanitation and resettlement work financed by the World Bank frequently require much higher levels of expenditure. Once World Bank officials visited the schemes that were being implemented by the Alliance the need for greater flexibility in this area became very apparent and the ceiling was raised to US\$1 million.

Another challenge in institutional relationships relates to the way in which long-term maintenance of upgraded facilities is ensured. In India maintenance of public sanitation facilities has been notoriously bad with maintenance personnel contracted by local authorities having to be "bribed" by communities to carry out any work at all. The end result is

usually a facility that becomes totally defunct within two years. When communities take the lead in design and development a very different arrangement can emerge as demonstrated by the city-wide sanitation programmes in Pune and Mumbai. In this case the community becomes organised during the design of the facility, which incorporates living accommodation for an on-site caretaker funded by regular contributions from the community as well as by takings from "outside" users. In the case of large upgrading schemes incorporating high-rise features, the issue of long-term maintenance can be particularly daunting. Not only are families faced with increased regular costs resulting from entering a more formal residential status (e.g. utility bills and property taxes) but they also face considerable maintenance costs which have to be organised collectively as the facilities are collectively owned. Within the Indian Alliance the approach has been to encourage each family to provide a deposit of 20,000 Rupees which is held on long term deposit together with those of other families. The interest generated provides a means of covering collective maintenance costs.

4. CONCLUSIONS AND RECOMMENDATIONS

Precedent setting projects play a crucial role in demonstrating the possible and in providing the evidence needed for formal changes in policy and practice. Precedents go beyond technical specification – creating and testing institutional relationships, financial mechanisms, and sharing experiences are all involved. The projects usually entail significant risks and the responsibility for management and mitigation of these risks is currently left almost entirely with the poor and the organisations that support them. To compound matters the unpredictability of such projects is often seen as evidence of “poor management” on the part of the poor rather than as demonstrating the effort that is required to change dysfunctional systems. Grant makers could assist by building in flexibility to project planning and budgeting.

Upgrading is usually a cheaper option than resettlement but is seen as more complex to organise. In some cases partnerships between organisations of the urban poor and local authorities are not sufficient on their own to withstand pressures for relocation. In these cases lobbying for policy intervention at national level becomes important. In other cases, conflict between the formal development process, and the informal process that the urban poor have had to adopt, presents attitudinal barriers to alternative upgrading arrangements.

The Federation exchange process provides a means for slum dwellers and public officials to assess options and to develop the trust needed for radical changes in approaches to settlement upgrading. Unfortunately funding to support this process is hard to mobilise and donors could usefully consider additional allocations to cover these costs.

Secure collective tenure provides one means of ensuring that poor families are protected from pressures to sell their new or improved housing to other wealthier households. Secure tenure also helps to prevent destructive forced evictions.

The urban poor take on significant risks when they engage with state and financial institutions to build partnerships for slum upgrading. Of the many risks they face, the urban poor and their support organisations who provide bridge financing are particularly vulnerable to policy changes, or conflict with other pressure groups, which can directly affect the viability or feasibility of community-led slum development. Strategies for managing political risks are key to the process of advocating for pro-poor changes to regulatory frameworks.

Communities require access to a variety of financial services if they are to lead settlement upgrading, and hence demonstrate alternatives to existing regulatory frameworks. Financial requirements include access to immediate short-term credit, to finance for small and large scale pilot projects, and to finance for capacity, knowledge and relationship building. However, not all these forms of finance are readily available to Federations and facilitating access to them remains an important challenge.

The complex institutional relationships and legislative requirements involved in urban upgrading often lead to the need to establish special purpose vehicles. The legal forms that are required may not be available at all under current legislation or may take a considerable time and significant resources to set up. Working ahead of the game makes sense in this area.

Procurement procedures need to be carefully assessed to ensure that organisations of the urban poor are not being excluded from taking a lead role in their own development in the name of transparency and accountability. Again precedent-setting and exposure to community-led upgrading processes can play important roles in convincing large development agencies to change procurement procedures.

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Homeless International:

www.homeless-international.org

www.theinclusivecity.org

SPARC:

www.sparcindia.org

www.citywatchnews.net

Slum/Shack Dwellers International (SDI):

www.sdinet.org

Asian Coalition on Housing Rights (ACHR):

www.achr.net

ANNEX 1 - HISTORICAL ANALYSIS

A dateline overview of change instigated by Federations of the Urban Poor 1986 to 2003

	INDIA	Pakistan	S.E. Asia	S.AFRICA	ZIMBABWE & NAMIBIA	KENYA & UGANDA
1974	National Slum Dwellers Federation formed.					
1984	SPARC established.					
1985	1 st census of pavement dwellers.					
1986	Mahila Milan established					
1987	NSDF, SPARC, Mahila Milan alliance established.					
1988	1 st model house exhibition					
1989			ACHR established			
1990	1 st alternative housing proposal submitted to Housing Dept.	Urban Resource Centre established		Sandbag housing project Khaylitsha		
1991	1 st high rise housing begins (Markandya) – the 14 ft wall. 1 st concrete model houses at Mankurd & Dharavi Mahila Milan builds 1 st low rise units at Jankalyan					
1992	56 houses constructed at Dindoshi – Adarsh Nagar		UCDO established in Thailand		NHAG established.	
1993	115 houses constructed at Jankalyan. 1 st toilet block at PD Mello			Victoria Mxenge housing project begins	NHAG visit Zimbabwe.	
1994	Development Control Rules amended to accommodate 14ft wall.			SA delegation to India to look at Federation process. SA Federation launched. 1 st BIT centres established. 1 st pilot toilets constructed. UTshani Fund established.		
1995	Borivali wall constructed. 700 families move 30ft from rail tracks		Cambodian Federation launched.	1 st uTshani loans to 21 groups in 6 settlements. 1 st SA visit to Zimbabwe.	Savings begins in Zimbabwe. Twahangana Fund established in Namibia	
1996			UCDO established in Thailand. 1 st Cambodian Housing exhibition.	1 st housing exhibition E. Cape 1 st exchange with Namibia. 1 st major infrastructure project Kanana		1 st SA delegation visits Kenya.
1997	Discussions begin re. Rajiv Indira and Kanjurmarg transit settlement. (125 sq. feet standard) Milan Nagar Housing exhibition. SRA legislation finalised		City wide settlement surveys in Phnom Penh. Cambodian Urban Poor Fund established. 1 st resettlement at Boeung Krappour	Massive increase in land invasions. 1 st National Forum.	1 st house built at Katatura.	
1998	Construction begins at		Resettlement at Toul		Dialogue on Shelter	

	Kanjurmarg and Rajiv Indira. Kanpur Housing exhibition.		Svey Prey in Phnom Penh. 1 st assembly of Philippines Federation		Zimbabwe established. Zimbabwe Federation launched. Gungano Fund established. Namibian Federation launched. NHAG moves to Federation model.	
1999	City-wide toilet programme begins in Pune. Toilets incorporate caretaker flats and community halls. SSNS established.			5000 th house constructed.	Namibian Federation launched. House model exhibition Windhoek. 1 st Zimbabwean enumeration Mbare. Model Housing exhibition Harare. 1 st houses constructed in Beitbridge, Zimbabwe. 400 plots allocated by Council in Vic. Falls	SDI established. Pamoja Trust established.
2000	NSDF launches Indian Secure Tenure Campaign. World Bank amends procurement rules to accommodate Kanjurmarg.		UCDO expanded nationally, becomes CODI. Campaign. Philippines Urban Poor Fund established. Pak Ngum Fund established in Lao.			Pamoja Trust launches secure Tenure Campaign
2001	MUTP resettlement of 12,000 families begins. CRZ restrictions declared for Rajiv Indira.		Golden Spray Housing project begins in Philippines. Philippines launch secure Tenure 5 cities Fund established in Vietnam.	SA Federation launch Secure Tenure Campaign.		1 st enumerations in Nairobi. SDI build housing and toilet exhibition at UN General Assembly in New York
2002	City wide toilet programme begins in Mumbai. (6,400 toilets) Airports Authority resettlement of x families begins. CLIFF initiative begins in India.		UPDF expanded and strengthened with backing from Hun Sen, the Prime Minister.	Urban Resource Centre established. Federation and uTshani restructured.	1 st service loans extended in Namibia. 600 plots allocated by City of Windhoek, 90-0 in other towns. Secure Tenure Campaign launched in Namibia.	SDI delegation invited to Uganda. 1 st enumeration in Kampala & Jinja. SDI housing and toilet exhibition at Urban Forum, Nairobi. 1 st concrete model house in Nairobi.
2003			100 slums upgrading programme announced in Cambodia.			1 st housing exhibition in Kampala.

ANNEX 2 – TYPOLOGY OF FUNDS

	Local saving & credit groups	NNGO Grants	Local Development Funds	Challenge Funds	Local Bridge Funds	SDI International Bridge Funds	Guarantee Funds	CLIFF	Formal credit agencies
Source of funds	Daily savings within local savings groups	Charitable giving, statutory grants, trust & foundation grants.	Bi-lateral and multi-lateral grants and soft loans. Debt forgiveness allocations. Corporate giving. State allocations.	Bi-lateral grants	Northern NGOs, local savings groups contribution to pooled saving, local NGO reserves, state allocations	Northern NGOs,	Local NGO reserves, NNGOs, corporate depositors, bi-lateral and multi-laterals	Bi-lateral and Northern NGOs	Government allocations, Bi-lateral & multi-lateral grants and soft loans. Commercial deposits. Bond issues
Allocation	Controlled by leadership of savings groups	Controlled by funders	Controlled by funders	Controlled by reps. of key stakeholder groups	Controlled by communities & local NGOs	SDI Co-ordinators and Board	Funders	Controlled by reps. of key stakeholder groups	Controlled by Management and Share holders
Examples	Mahila Milan, savings groups in Federations belonging to SDI	All Northern NGOs providing grants for urban work, Trusts & Foundations	Social Investment Funds, KRC Trust Fund, Corporate Philanthropy Funds, CODI, Social Housing Foundation,	DFID Civil Society Challenge Funds, C3 Challenge Funds, Country & sectorally specific Challenge Funds	uTshani, CODI Gungano, Twahangana, Phnom Penh UPDF, NACHU, OPP, Payata UPDF	SDI Central Funds	HI Guarantee Fund, USAID Loan Guarantee Fund, Women's World Banking		HUDCO, HDFC, Commercial Banks, Building Societies
Individual credit	X			X					
Building CBO capacity and mutual support networks		X				X			
Small pilots		X	X	X	X	X			
Local learning & knowledge sharing		X	X	X	X	X		X	
Promotion & new alliances		X				X		X	
Risk mitigation & management		X				X	X	X	
Demonstrations of scaling-up								X	
Refinancing									X