Homeless International

Humpty Dumpty, Poverty and Urban Governance - An Exploration of Investment Partnerships with the Poor

A presentation for the 2nd Regional Caribbean Meeting of UMP

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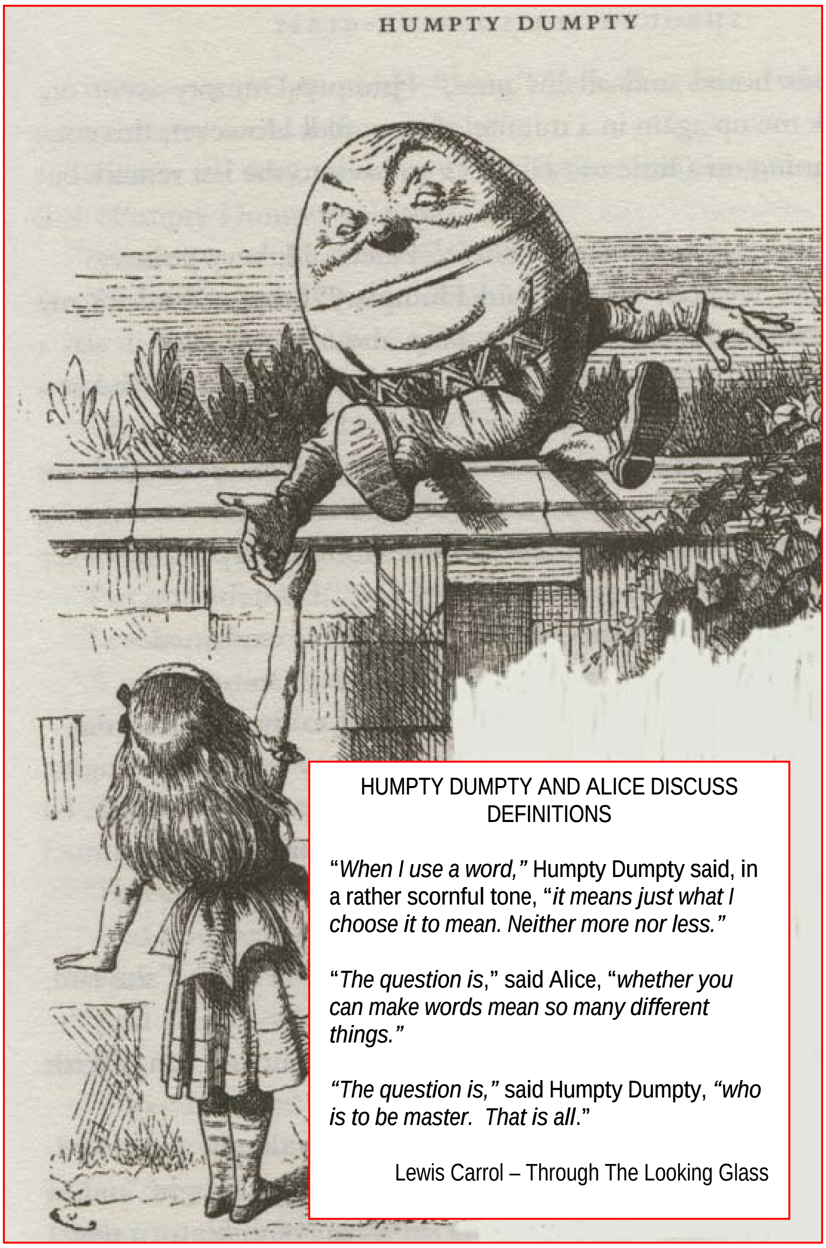

HUMPTY DUMPTY AND ALICE DISCUSS DEFINITIONS

"*When I use a word,*" Humpty Dumpty said, in a rather scornful tone, "*it means just what I choose it to mean. Neither more nor less.*"

"*The question is*," said Alice, "*whether you can make words mean so many different things.*"

"*The question is,*" said Humpty Dumpty, "*who is to be master. That is all*."

Lewis Carrol – Through The Looking Glass

September 2001

ABSTRACT

The learning emerging from the Homeless International/DFID research project - Bridging the Finance Gap in Housing and Infrastructure- has been focused on investments made by the urban poor when they organise to address poverty issues at city level. In particular the research has explored the risks that organisations of the urban poor, and the NGOs who support them, take when they enter into partnerships with local authorities, and formal financial institutions, in order to engage in slum rehabilitation, resettlement and the installation of basic infrastructure. The research initially sought to understand the financial dynamics of such engagement in differing regulatory environments. After two years however it has become clear that the financial resources of the poor are only one part of a complex asset formation process that needs to be understood if the investment options available in local authority-community partnerships are to be fully realised. It is also clear that once organisations of the urban poor become engaged in scaling up settlement upgrading and urban regeneration initiatives the impact on local governance systems can be dramatic. Their understanding and acknowledgement of the resource base that the poor can bring to development partnerships can significantly influence the response of local authorities, in terms of enhancing or constraining the process. The presentation addresses a number of key issues that have emerged from the experience of entering into local authority-community partnerships in Asia and Africa and seeks to highlight practical ways in which community-driven slum rehabilitation, resettlement and infrastructure provision can be strengthened.

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INTRODUCTION

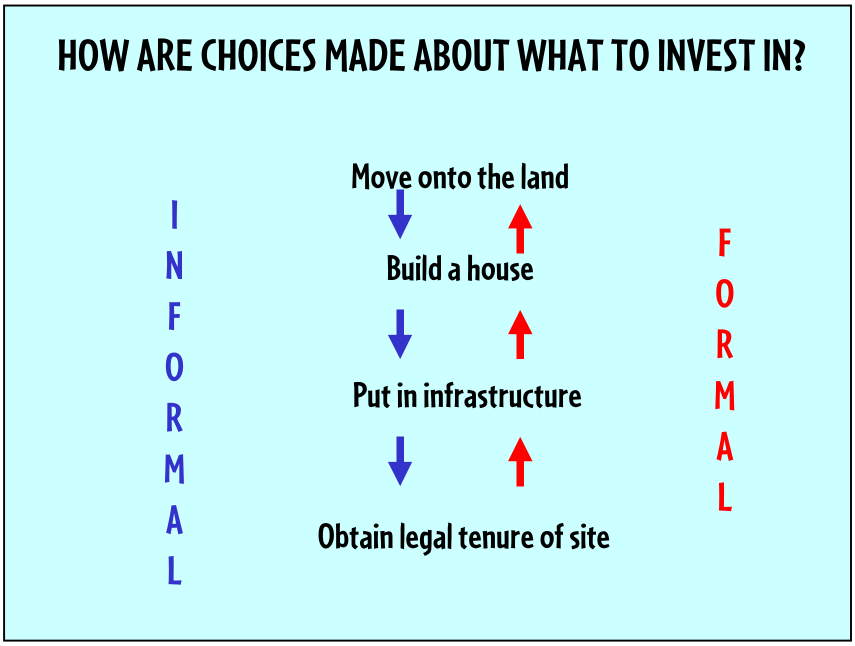
Homeless International is mid-way through a four-year DFID-funded research project calling "Bridging the Finance Gap in Housing and Infrastructure". The project has focused on identifying and understanding the risks undertaken by organisations of the urban poor when they enter into partnerships with the state and financial sectors in order to develop new options for slum rehabilitation and resettlement. The aim is to find ways to develop more effective ways to analyse, manage and mitigate these risks so that the investments made by the poor can be more effectively leveraged, particularly at City level. This paper will present some of the learning that has emerged from the research, which has been carried out in seven countries: Bolivia, Cambodia, India, Kenya, Thailand, South Africa and Zimbabwe. Additional work is planned in Jamaica and in Namibia.

INVESTMENT PARTNERSHIPS – FOCUS AND ASSUMPTIONS

There are four fairly basic questions that we have asked when looking at community driven initiatives that entail a partnership with the state and the commercial financial sector:

- What kind of investment is being made?
- Who is making it?
- What kind of risk does the investment entail?
- Who is taking the risk?

We know that the starting point for the different stakeholders varies. The investment strategies of the poor nearly always begin as survival strategies which reverse the logic of the formal planning and approval process that operates in most of our countries. While the formal process begins with an assumption of a "legal" route, the informal process is often forced to assume that legality is non-achievable, at least in the short term. In terms of governance this means that the poor start as "outside" investors with few chances to access the resources of the state or the formal financial markets. In the past this "outside" status has effectively meant that the poor's struggle for survival becomes a war of attrition with formal authorities, consuming valuable resources that could arguably be used far more effectively.



Over the last two decades this war of attrition has increasingly been questioned and a rhetoric of "enablement" and "partnership " has become popular in the global policy debate. However the challenge has been to "walk the talk". All too often progressive, enlightened policies gather dust on office shelves because no real mechanisms are in place for delivering the solutions that are required and the partnership arrangements that are envisaged remain a fantasy. Survival rather than development strategy rules the day for both the poor and the state. In the meantime the financial sector minds its own business.

Two important options or trends seem to have emerged as the "enablement" model has progressed:

- The state withdraws from responsibility for protecting and developing the resource base of the poor on the assumption that this responsibility can now be "privatised" and/or devolved to local authority level and the poor are left as "invaders"

- The poor themselves become organised and develop an institutional framework (informal or in some cases formal) that facilitates confrontation or negotiation with the state and local authorities around investment and the allocation of responsibilities, including that of mediation.

We have tried to focus on the learning that is emerging when the latter scenario, especially that element based on negotiation, becomes a reality. In particular we are exploring new approaches that have emerged in slum upgrading, slum and squatter resettlement, the provision of infrastructure services (water, sanitation, drainage, solid waste disposal, etc.) and ways in which these are interwoven into the complex investment dynamics of urban livelihoods. In doing so we hope to demonstrate how effective the poor can be as investment partners.

THE POOR, THEIR SETTLEMENTS AND THE CITY – STORIES FROM INDIA

It is frequently assumed that the poor, by definition, have nothing to contribute to complex investment strategies developed at a city level. Requirements for "participation", often imposed by external funders, may result in research and consultation exercises with the poor. However all too often these exercises constitute an invitation to carry water in baskets – the poor themselves have no control over the process, the outcomes or the implementation/ and their role is limited to being there and making repayments. Recent experience in India challenges this limited notion of participation and investment partnership.

A Story of Toilets and Governance

Pune, a city in Maharashtra is growing rapidly. As in many Indian cities half the population live in informal settlements with extremely limited access to adequate sanitation. In theory the city authorities are responsible for delivering sanitation services but the mechanisms for doing so have proved inadequate. Facilities are constructed and maintenance contracts awarded but the average working life span of a public sanitation facility has been less than two years. Money continues to be paid out to maintenance contractors but at community level people have to defecate in paper, wrap it up and dump it elsewhere.

The City Authorities recently began a new initiative. They invited NGOs to submit tenders to build community sanitation blocks throughout the city with a condition that the cost for each project should be 75% or less than the price charged through the conventional contractor delivery system. One of the NGOs that responded was SPARC – the Society for the Promotion of Area Resource Centres which works in alliance with two peoples' organisations – the National Slum Dwellers Federation (NSDF) and Mahila Milan (a network of slum and pavement dweller women)[1]. Known as the Alliance, these three groups worked with local communities to develop toilet blocks with a difference. The community design process involved many people. Women's savings and loan groups initiated by Mahila Milan were particularly active. The toilet blocks had special sections for men, women and children. A community hall was incorporated on top, which could be used for meetings and rented out for weddings. A caretaker's flat was incorporated so that the facility would be properly looked after. In different communities additional elements were added – a tea facility, a polling booth – people had all sorts of ideas and priorities. The City Authorities provided for the capital costs of the projects and allocated the land. However the community took on the responsibility of maintaining the facility for a 30-year period. The community benefited but so did the City Authorities, and the planning and inauguration events that took place in each community brought city officials and poor people together for discussion and debate. The active role of women in managing the projects changed the relationship they had with city officials – speaking out, voicing opinion and making choices changed their status.

The Pune initiative is now being replicated in Mumbai. 220 municipal sanitation contracts have been awarded, through the Alliance, to communities to construct communal toilet blocks. 220,000 people will benefit from better sanitation as a result. Municipal officials and communities in Pune were able to show local authority-community teams who visited from Mumbai and other cities what they had done – to share the nitty-gritty details of how they created a partnership that worked. As a result the lessons are travelling and being transformed into new approaches in other states as well as cities.

THE PARTNERSHIP CHALLENGE - WHO'S PLAYING?

The slum dwellers who broke down their own houses

The Mumbai Transport Project, funded jointly by the Indian Railways Authority, the State Government and the World Bank has encountered many problems but the most serious issue, and one that threatened serious delays, was that trains could not travel at optimal speed unless 15,500 households were relocated. The involvement of the Indian Alliance, who understood the dynamics and were involved in the design of the entire project, has meant that relocation which was scheduled to take 5 years has been done in 2 ½ years. Railway slum dwellers, many of whom had lived in the rail track settlements for over thirty years, voluntarily broke down their own houses and moved into alternative accommodation. Some moved into transit camps built by the Federation, others moved into accommodation built by the state. This happened because, in the words of the Alliance, " the pip-squeaks were made partners and the state and the finance people learnt to work with the poor in new ways". It also happened before all the contractual agreements had been signed and sealed. What provided the basis for this important transformation in the way that urban poverty and the problems of a city were approached? Probably the fifteen years that the Alliance had spent helping families living along the tracks to build a Federation, a capital base through savings and loan groups and a detailed data base of socio-economic information that belonged to the Federation themselves rather than to outsiders. The resettlement took place in record time but the investments that made it possible took place over many years.

Building on land development rights

When the State Authorities introduced land development rights to slum and pavement dwellers under the 1996 Slum Rehabilitation Act the assumption was that conventional developers would develop and manage construction projects that enabled poor people to realise these rights. However changes in the real estate market meant that contractors pulled out – the profit margins were not attractive enough. The Indian Alliance responded with a community-led initiative that has resulted in a partnership between three co-operatives of slum dwellers, the Alliance's own development company (Nirman), professional engineering and architectural consultants, a contractor, Citibank, and Homeless International. The financing arrangements were built on investments by all the partners[2].

How was such a financial partnership developed? The financial negotiations for this scheme have taken over three years. In the meantime a major building has been constructed with no signed financial agreement in place. One of the biggest problems has been that no one in Citibank has ever tackled a scheme of this kind and there has been a huge staff turnover in Citibank so that there has been little chance to institutionalise the learning and development that has taken place. Each time new Citibank staff have arrived they have had to learn from the beginning how community-driven schemes work in practice and SPARC, the Co-operatives and the Federation have had to spend valuable time taking them through it. There has been no turnover of staff in the co-operatives and the NGOs and it is their persistence that has enabled the scheme, which is recognised by the Slum Rehabilitation Authority as a flagship, to become a reality.

WHAT IS AN INVESTMENT AND WHO MAKES INVESTMENTS?

In simple terms investment can be defined as the use of an existing asset base to create additional assets. However when we start to explore what this means for poor people and for

[2] For further detail on how this scheme is being financed through an international guarantee arrangement, and some of the complexities of putting it in place see McLeod 2001

the cities and towns where many of them live, we find ourselves in the land of Humpty Dumpty and Alice. One person's investment can be seen as another's invasion. It is often assumed that gain by some necessitates loss to others. So how do we get to a position where everyone invests and everyone gains – where the poor benefit and the city as a whole becomes a better place to live?

One starting point is to try and understand the nature of the assets that can be invested, particularly by the poor.

Sustainable Livelihoods theory[3] has identified five forms of asset or capital that can help in understanding the resource base of the poor:

HUMAN CAPITAL – skills, information, knowledge, ability to labour, health.
SOCIAL CAPITAL – social resources (networks, membership of groups, relationships of trust, access to wider institutions).
PHYSICAL CAPITAL – housing, basic infrastructure (transport, shelter, water, energy and communications) and the means and equipment of production.
FINANCIAL CAPITAL – financial resources available (savings, supplies of credit, regular remittances or pensions)
ENVIRONMENTAL (NATURAL) CAPITAL – natural resources (land, water, wildlife, bio-diversity, environmental resources).

This typology was initially developed in a rural context and we have found that it has some important limitations in addressing urban poverty. For this reason we have identified two further forms of capital which we believe to be important in understanding why the kind of initiatives we have described in India have come about.

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, processes 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 influence.

The extensive groundwork carried out by the Indian Alliance in building institutional capacity among the poor and in developing relationships that have brought together diverse stakeholders at local, city, national and international levels exemplifies the creation of institutional (political) capital.

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

[3] This is a growing area of debate in Development Theory. For further information refer to www.livelihoods.org

constitutes the anchor for the development of the institutional (political) capital discussed above.

THE INFORMED CITY

The organisation of information at settlement level by railway slum dwellers exemplifies the creation of knowledge capital. As the Indian Alliance has shared its learning with other organisations in India and elsewhere in the world, many other examples have occurred where the intellectual capital of the poor has become a tangible force for change.

The Case Of The Plastic Bag Dwellers And The Tourism Hub

Victoria Falls in Zimbabwe is well known as a tourist centre. Publicity blurb describes the town as "*One of the Seven Wonders of the World - a magnet for those seeking exotic adventure*". Behind this exotic description lies a massive challenge to urban managers and the people who live and work in the town of Victoria Falls. The town is situated in a National Park. Income generated by the Falls itself goes straight into the national rather than local purse. Investment in local facilities and infrastructure is however the responsibility of the Town. Some basic statistics help to outline the nature of the challenge:

- A population of 40,000 projected to increase to 150,000 by 2025
- 15,000 people living in back-shacks and plastic bag housing
- 300,000 tourists a year, with plans to increase this number to over a million and to encourage them to stay as long as possible.
- A water and sanitation Infrastructure system designed for 8,000 people

Within Victoria Falls many of those living in back-shacks and in plastic bag housing in "holding camps" are members of the Victoria Falls Federation of Homeless People – part of a national Federation. There are 9 savings groups based in informal settlements within and on the outskirts of the town. It is as a result of the survey work carried out by the local Federation that the Town Council has information about the number of people living in informal settlements. It is as a result of their planning and vision that a collaborative plan for resettlement has been developed and is being implemented within a community-local authority partnership, despite the political turmoil that is taking place nationally.

The Town Council has allocated land for development and is working with the Federation to design and install basic infrastructure. All concerned recognise that the scheme will be incremental. While plots will have secure tenure the initial housing that will be built on them will be constructed from the same temporary materials that people depend on now. Financial realities mean that the application of outdated building standards based on British bylaws imported with colonialism will be scrapped in practice. However that still leaves another set of standards that are difficult to deal with – the standards and procurement procedures of external funders such as the bi-lateral and multi-lateral agencies engaged in urban development. To what standard should the major access roads and minor roads be constructed and over what time period? If all roads are to be of tarmac the costs will be high and the work will have to be done by external contractors. If the roads are made of concrete inter-locking slabs the work can be done by the community itself and the initial capital costs will be lower. The procurement procedures of external funders often make no allowance for this kind of important negotiation concerning cost and control trade-offs. The big question is who defines the standards that are to be acceptable – the community, the Council, the state government or the funders? If the solution relies on a partnership between them all how is that partnership to work if there is no space for compromise and no way to mediate that compromise?

HOW IS AGREEMENT REACHED IN COLLABORATIVE INVESTMENTS?

We have briefly described some of the experiences of organisations of the urban poor in India and Zimbabwe as they become involved in partnerships with local authorities and formal financial institutions. Many more examples can be cited from the Bridging the Finance Gap Research study. As we begin to share these examples and to explore the learning that is emerging from them, a number of lessons about collaborative investments become clear:

- There are no rapid solutions and no quick turnarounds – the one and two year project approach associated with private investment simply does not work in addressing urban poverty
- The investments that are successful in terms of creating new sustainable assets retained by those who are supposed to benefit from them are created on the basis of relationships built up over the long term
- Investment partnerships work best when all the parties have something to offer and something to gain and this is acknowledged by everyone involved.
- Successful partnerships require a common meeting ground and a language for negotiation that everyone can understand
- The best agreements are not necessarily those that are legally contracted up front - legal agreements frequently follow rather than precede implementation.

WHAT HAPPENS WHEN INVESTMENT PARTNERSHIPS ARE IMPLEMENTED?

One of the pressures on community-driven initiatives is to succeed – constantly. There is little space provided in project design and assessment for mistakes and for learning. However mistakes are inevitably made precisely because these are new kinds of initiatives – experiments if you like, albeit experiments that entail considerable risk. The nature and the potential impacts of risks taken in community-initiated investments are described in detail elsewhere[4]. The significant question is what happens when risks are taken and mistakes are made. Do people learn from them and move on or do people give up and blame someone else? One of the strengths of the Indian and Zimbabwean Federations is their membership of an international network – Slum/Shack Dwellers International (SDI) – which supports the sharing of experiences and learning through a process of local, national and international exchanges. Communities learn from each other and, increasingly, involve representatives of their local authorities in the exchange process so that they can learn as well. In this context the learning that emerges from mistakes becomes invaluable as many people benefit and avoid making the same mistake themselves.

The other side of the coin is what happens with success. Our experience is that it is usually shared or stolen. The exchange process supports systematic sharing but it is arguable that stealing constitutes the fastest form of replication. Credit is stolen by politicians, technology is

[4] In many cases communities and the NGOs who support them shoulder a much larger degree of risk than other stakeholders. See McLeod 2001

stolen by builders, analytical frameworks are stolen by development theorists. Sometimes what's shared or stolen comes back in the form of edict, guidelines for good practice, or credos. Sometimes what's shared or stolen leads to new and creative initiatives that improve on the original. In either case, collaborative investments involving communities and the state change people and power relationships. They provide a tangible means of developing good governance and of deepening or grounding democracy[5].

HOW DOES ALL THIS HELP IN ADDRESSING URBAN POVERTY?

If community-local authority investment partnerships are carried out as isolated pilot projects - the exceptions to business as usual – their transformative potential is neutralised. If, however, the learning and knowledge that emerges from attempts to leverage the assets of the poor and those of local authorities is systematically shared by organisations of the poor and by policy makers, an important potential for change can be realised. The Pune experiment in community-driven sanitation is being replicated, at scale, in a number of other Indian cities. As a result the standard of sanitation services in informal settlements is improving and the benefits in terms of health and dignity are being realised by many thousands of people. Institutional relationships are being developed that make the learning emerging from the participating cities available to others, and the passive "participants" of the past are becoming the active teachers of the future.

A similar process of sharing is happening in Thailand where the state-initiated Community Organisation Development Institute (CODI) is delivering a range of community loans through linked networks that now share learning and decision-making about resource allocation in both rural and urban contexts[6]. When both the knowledge capital and the institutional (political) capital of organisations of the poor is strengthened their capacity to invest in urban development grows incrementally. Democracy becomes more than simply ticking the box that decides who shall be the master that Humpty Dumpty refers to. It becomes a means for the poor themselves to take a lead in the creation and implementation of development strategies that benefit towns and cities as a whole. When this happens resources are used more effectively and efficiently. Costs are reduced because middlemen who add minimal value are by-passed, and communities become the on-going caretakers of important collective resources.

In the examples of community-local authority investment partnerships that we have described the local authority played an important role in achieving success. Local authority leaders were prepared to take significant risks to create a new space in which ordinary people in poor communities could determine how local resources were to be used for collective benefit. This was possible because support intermediaries had helped communities to build a basic institutional capacity prior to major financial investments being made. Local Federations had been established using peoples' own resources. People had developed processes for deciding how to use their own shared resources and had an ownership of this decision-making capacity. Communities had also developed information about themselves which they were prepared to share with local authorities if the terms of engagement involved with that sharing reflected an approach to community investment that made sense to them.

[5] For a fascinating exploration of "Deep Democracy" see Arjun Appadurai 2001
[6] See CODI update newsletters available on the CODI web site www.codi.or.th

The other important actor in city-level partnerships is the commercial sector – not just in terms of options for larger scale financing, but also in terms of access to the technologies that poor communities need if they are to scale up successful initiatives. In the Indian work private sector architectural and engineering firms have become involved in working within a community-driven process, changing some of the ways in which they work to absorb new options such as community monitoring of building quality and standards as well as significant community influence on building design.

Where new financing mechanisms have been developed the openness and learning capacity of banks and other formal financial institutions is of crucial importance as the long-term success of collaborative investment will be largely dependent on accessing capital from local markets rather than from external funding agencies.

All the experience we have had to date suggests that "what goes round comes round" and "you reap what you sow". When risks are taken in good faith to create new space for partnerships, and the learning that emerges is shared and passed on, the relationships that are strengthened as a result provide a security that allows for further risk taking. New approaches are tried, building on the knowledge that has already been created and, even when mistakes are made and things go wrong, people bounce back and move on because they have invested in developing the institutional relationships that provide resilience.

WHAT EXTERNAL HELP CAN BE PROVIDED FOR INVESTMENT PARTNERSHIPS?

Homeless International has had a part in developing two new initiatives that the UK's Department for International Development (DFID) has spearheaded. The first is the City-Community Challenge Fund, other wise known as C3 [7]. The initiative is being piloted in Uganda and Zambia and provides a capital fund that can be used at community level to support community-initiated local urban development projects. The aim of C3 is to develop an effective and transferable mechanism for channelling multiple small-scale investments to poor communities so that they can form more effective relationships with local authorities – the kind of relationships that are needed for local authority-community collaborative investment.

The second initiative is the Municipal Infrastructure Financing Facility (MIFF).[8] This facility will be piloted in India. It has been designed to provide capital loans, loan guarantees, technical assistance and knowledge grants to organisations of the urban poor and their support NGOs. Access to such resources is needed in order to implement demonstration and scaling up of community-initiated slum rehabilitation, slum resettlement and basic infrastructure projects in partnership with local authorities. Perhaps most importantly the facility is being designed to facilitate direct provision of urban investment loans from the local financial sector to organisations of the urban poor. The design of the MIFF project has drawn heavily on the research findings that have emerged from our Bridging the Finance Gap in Housing and Infrastructure research.

[7] See John Kiyaga-Nsubuga, Raphael Magyezi, Sarah O'Brien and Mark Sheldrake's article in Environment and Urbanisation www.iied.org/eandu

[8] Later known as CLIFF – see www.homeless-international.org/cliff for more information.

In addition to the initiatives being developed by the Infrastructure and Urban Development Department of DFID there are a range of other initiatives being developed by bi-lateral and multi-lateral donors. The challenge is to link these up so that the learning that emerges can be shared not only by funders but by the people making the sweat, blood and tears level of investment that really counts at community level. We hope that this meeting of Caribbean practitioners will contribute positively to that process and look forward to sharing experiences with you.

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