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# THE URBAN POOR

AND BASIC INFRASTRUCTURE SERVICES  
IN ASIA AND THE PACIFIC

*Volume III*



*A Regional Seminar*

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# The Urban Poor and Basic Infrastructure Services in Asia and the Pacific

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*Regional Seminar  
Volume III*

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A report on the Seminar held on  
22-28 January 1991  
in Manila, Philippines

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**PART D**

**CASE STUDIES**

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**Politics and Institutions in Urban  
Development — The Story of the Calcutta  
Metropolitan Development Authority**

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This paper is abridged from the original for purposes of publication.

# Politics and Institutions in Urban Development — The Story of the Calcutta Metropolitan Development Authority

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## INTRODUCTION

The Calcutta Metropolitan Development Authority (CMDA) was created in 1970 with a \$200 million grant from the Government of India (GOI). The purpose of central assistance was to create a metropolitan-level agency, in between the state-level agencies and municipalities, to plan, finance, and coordinate Calcutta's physical development. At that time, this goal seemed noble. The city had been besieged with problems on all fronts: the population in the slums was increasing; the city's infrastructure was falling apart, leaving a large percentage of the population without even basic services; unemployment was on the rise; and social unrest had escalated to such a level that nightly curfews had become the norm in certain parts of the city.

The institutional response to these growing problems was marred by a range of equally severe constraints. Calcutta Municipal Corporation (CMC), the civic body in charge of operation and maintenance of the city, was virtually bankrupt. Some 40 other agencies, each responsible for a specific activity, were engaged in disjointed, incremental improvements without any coordination among themselves.<sup>1</sup> There was no elected government at the state level and the prospect of having one in the near future seemed uncertain.<sup>2</sup> Finally, none of the dominant political parties in the state had an agenda for Calcutta's problems; at that time these parties were primarily interested in solidifying their control over parts of the city where their supporters lived and from which they could launch physical attacks on each other.

The CMDA, created by a presidential decree, was intended to be an innovative institution that would counteract, quickly and comprehensively, the problems of the Calcutta Metropolitan Region (CMR). That goal required a two-pronged strategy. To be comprehensive, CMDA was to follow an integrated approach to metropolitan development. In operational terms, this meant CMDA was to have vision, a plan for the entire CMR, and was to guide and coordinate the activities of all other institutions in accordance with this plan. To be quick and innovative, CMDA was not to be bogged down by any of the bureaucratic or political problems that had immobilized the other institutions. This required CMDA to be a semi-autonomous agency, run by a technically competent staff who were able to make rational decisions about resource allocation without undue political interference.

To begin the dual strategy of coordination and quick attention, CMDA had to be financially powerful. That meant the agency had to have the legal power and institutional mechanisms to mobilize funds from various sources, internal and external. Among the internal sources CMDA relied on were grants from GOI and borrowing from the market; it was also entitled to part of a new tax imposed on commercial vehicles entering CMR. The World Bank has been the main external provider since 1974, when its soft-loan affiliate, the IDA, agreed to provide a \$35 million credit. This was followed by two more loans totalling \$269 million assistance by the World Bank over 16 years.<sup>3</sup>

Armed with such financial resources, CMDA has invested nearly \$780 million in CMR over the last 20 years. The investment has been channelled into a number of activities, ranging from the provision of cheap credit for small businesses and slum improvements to building roads and the construction of large-scale trunk infrastructure. In the process, CMDA has created many assets, has enhanced Calcutta's quality of life (or has at least halted its further deterioration), and has generated employment for a large number of people in the metropolitan area.<sup>4</sup> This, in turn, has increased the pool of trained personnel in the metropolitan area and thereby may have made it more attractive for business investment.

Despite its achievements, the CMDA suffered severe criticisms almost from the time of its inception and these have intensified over time. The charges against the CMDA are many. To the average citizen, CMDA seems to be an organization that has failed to deliver

its promises. To the current state government, CMDA is an overtly centralized and bureaucratic organization whose investment pattern has been largely unresponsive to the needs of the poor. And to the World Bank, which continues to fund CMDA nonetheless, the agency no longer seems to be a source of urban innovations. Some at the World Bank are deeply concerned about CMDA's inability even to utilize fully its loan allocation.

There are many other criticisms of the CMDA, to which we will refer later in this report. For the moment, it is intriguing to ponder the questions: What went wrong? Why did an agency created with such strong financial and political support not deliver on its promises? How did it attract so many critics? And, most importantly, what lessons can be learned from CMDA's experience about institutional requirements for providing urban services in cities as large and as poor as Calcutta?

This paper is based upon discussions with staff of CMDA, the current mayor of Calcutta, civil servants, politicians and World Bank employees as well as a review of relevant documents. The authors' purpose was not to prove or reject the validity of the various arguments, but rather to enable the reader to reflect on the complexity of the situation, in light of the arguments presented.

## **THE CREATION OF CMDA**

It is commonly known that CMDA was created rather hastily, to counteract an unprecedented convergence of very serious problems confronting Calcutta in the early 1970s. It is less well-known that the origin of the idea of a metropolitan-level agency can be traced back to 1958. That year, Calcutta was hit hard by a cholera epidemic, which drew national and international concern to the city's quality of life. The then Chief Minister of the State of West Bengal, who was a physician by training, was particularly shaken by the outbreak of cholera in the capital city. He decided that Calcutta needed more than emergency assistance to prevent the recurrence of such an epidemic.<sup>5</sup> In this he was financially supported by international institutions that saw the need for a city-level organization to manage and plan Calcutta's future growth.<sup>6</sup> Thus, the Calcutta Metropolitan Planning Organization (CMPO) was created in 1961 to prepare a Basic Development Plan (BDP) for the city.

**CMPO: The Precursor to CMDA**

The creation of CMPO was, however, not legislatively approved, perhaps to hasten the process of institution building; thus, the newly formed agency lacked any statutory power to enforce the planning guidelines it was supposed to generate.<sup>7</sup> That did not deter CMPO from assembling a pool of external consultants, under whose guidance the organization produced a comprehensive plan for the metropolitan region. The emphasis on the entire metropolitan region, as opposed to the core city, was deliberate and it reflected the conceptual influence of the foreign consultants, some of whom had been trained in the then budding profession of regional planning.

The Basic Development Plan (BDP) was comprehensive in scope and policy-oriented in its framework.<sup>8</sup> This was a departure from the conventional urban planning of the time, which relied primarily on detailed physical plans to guide the development of cities. The BDP went beyond physical planning, and recommended a range of social and economic policies for guiding metropolitan development through a regional approach. To implement these policies, BDP recommended the creation of four functional metropolitan authorities to coordinate, plan and manage subsectoral investments in the Calcutta region.<sup>9</sup> The BDP laid some stress on the need for invigorated municipalities as active agents of local development, but it also drew attention to the utterly hopeless state of the municipalities, which, in most cases, had become ineffective.

Among the many other recommendations of the BDP, one of particular relevance for the purpose of this paper was the Bustee Improvement Plan (BIP). The BIP was a precursor to what was later popularized by the World Bank as "slum upgrading". It involved the provision of basic services, such as water, sewerage, and electricity, to slum areas that, prior to BDP, had been targets for eradication or urban-renewal projects. BIP was based on the notion that slum eradication would not solve Calcutta's problems, but would exacerbate housing shortages, thus creating more slums elsewhere in the city. The BIP received strong backing from the central government in New Delhi, but at the state and local levels, no organization showed any interest in implementing it.<sup>10</sup> Furthermore, the Calcutta Municipal Corporation (CMC) had flatly refused to get involved in BIP. The then Mayor of CMC, who belonged to a political party other than the one in power at the state and national levels, had criticized

BIP as an insidious plan to undermine the revolutionary potential for social change.<sup>11</sup> So, CMPO itself began to implement BIP in a few selected slums of Calcutta.

### ***Opposition to CMPO***

The opposition to CMPO in general and to BIP in particular took a drastic turn in 1967, when a coalition of left-leaning political parties, including the Mayor's, came to power at the state level. The critics claimed that CMPO should not be allowed to proceed with its work because, first, it had not the legal power, and second, it was a bureaucratic institution, accountable only to its predominantly expatriate staff (supported by funds from capitalist donors), whose real aim was to spy for the donor countries.<sup>12</sup>

About this time major political and economic upheavals occurred at three levels: at the center, in the state and in Calcutta. In New Delhi, the old ruling party, Congress, was returned to power, but with a very slim edge in Parliament. The new Prime Minister, Ms. Indira Gandhi, began her first term trying to manage intra-party rivalry on the one hand and a gravely deteriorating national economy on the other. As a result, the fourth national plan, which was to begin in 1967 was put on hold for three years. These problems at the center were detrimental to CMPO: it received neither strong political backing from New Delhi nor the financial support the Center had promised earlier.<sup>13</sup>

At the state level, the picture was equally bleak. The ex-Chief Minister, at whose urging CMPO was started, had died in 1962, and his political party, Congress, had become rather unpopular in the state. Yet the United Left Front, which was reelected to power in 1969, two years after its first triumph, collapsed again, under pressure from its coalition partners and the central government. Amidst these political instabilities, the state of West Bengal was gripped by the increasing violence of a Maoist group called the "Naxalbari" movement, which advocated an end to the system of "bourgeois democracy" and began to recruit urban and rural youth for the "revolutionary army". Furthermore, a daily-increasing stream of refugees began pouring into the state from neighboring East Bengal, as the independence movement for Bangladesh intensified. CMPO received very little attention amidst these growing problems: the Governor of West Bengal, who in the absence of an elected government was in charge of state-level administration, did not have the



time, the political incentive, or most importantly, the funds to champion the cause of CMPO.

### *Calcutta's Economic and Political Problems*

Calcutta bore the brunt of this economic and political crisis. At that time, Calcutta Municipal Corporation (CMC) was controlled by leftist political parties that were deeply upset with the central government, headed then by their chief rival the Congress Party, for dissolving the second United Left Front government and for controlling the state's administration indirectly, through the Governor's office.<sup>14</sup> This had created a deep mistrust, whereby any move by central or state-level agencies was viewed with suspicion by CMC, and vice versa. The authority in charge of directing CMC's activities was the Commissioner, an appointee of the state government.<sup>15</sup> The CMC's operation was totally paralyzed by stiff opposition to the Commissioner from the elected councilors and CMC's staff, who were mostly members of the leftist political parties. The relationship between CMPO and CMC was not any better: CMC saw CMPO as an agency staffed by technicians and bureaucrats sympathetic to Congress and the expatriate staff continued to be viewed as agents of imperialism working with the Congress sympathizers.

By the early 1970s, Calcutta's problems had reached a level that was ominous. There were large-scale plant shutdowns; unemployment was on the rise; most colleges were closed due to political violence; the city's infrastructure was in abysmal condition, with virtually no maintenance by CMC; and streams of refugees continued to pour into the city. At this time, Robert McNamara, then President of World Bank, visited Calcutta and was apparently appalled by the conditions in the slums.

### *New Delhi's Response*

In 1970, Ms. Indira Gandhi had sent a high-powered team of central government officials to Calcutta to assess the situation and propose some remedial measures. She had just consolidated her political position by splitting the Congress party into two, and was keen on projecting her new party as one that cared for the poor and the underprivileged. Upon their return to New Delhi, the team members had suggested to Ms. Gandhi that Calcutta needed a massive transfusion of capital; and they proposed that the capital be invested in upgrading the delivery of various urban services to the

city's residents. Though the Basic Development Plan sponsored by CMPO was consulted by the visiting team in formulating their recommendations, they did not recommend that CMPO be the principal agency for channelling this investment. Instead, the team proposed the creation of the CMDA as a statutory body that would have the legal power to mobilize and allocate resources for the execution of projects. CMDA was also envisioned as a "technical outfit", staffed by engineers and planners and free of the political problems that had crippled CMC.

### **The Birth of CMDA and World Bank Assistance**

In 1970, CMDA was created by a presidential decree. Since the state of West Bengal did not have an elected government at the time, a senior advisor to the state Governor was put in charge of the organization. CMDA began its operation by funding some 160 projects, which were selected according to the recommendations of the BDP. These projects were to be implemented by various state-level agencies and CMC, because CMDA was not equipped for implementation. Also, CMDA was not to be responsible for maintenance of any of the new assets; CMC remained in charge of that.

In 1972, the World Bank and the Government of India (GOI) began to negotiate for a soft loan for CMDA. In 1974, the World Bank and GOI agreed to a loan of \$35 million, which was earmarked for 44 of CMDA's 160 projects. The selection of the 44 projects was somewhat arbitrary, in part because the World Bank had just started its Urban Projects Division. The new division had not yet developed well-defined criteria for funding urban projects, which, in principle, were to be different from other types of projects the World Bank had funded for the previous 30 years. The project had far too many components for a host of project beneficiaries.

### ***The Turning Point***

The saga of CMDA took an unexpected turn in 1977, when the Congress Party was voted out of office in both the center and in West Bengal. Under the new state government, which was led by the Communist Party of India, the ex-Mayor of the CMC became the Minister of the new Department of Urban Development that was to oversee CMDA's operation. The state government also called for municipal elections, strongly condemning the previous

government's political motives for superseding elected local authorities.

In this new political climate, CMDA came under severe attack as an institution imposed on the state by the center and the World Bank's funding became CMDA's biggest political burden.<sup>16</sup> Nevertheless, the 30 odd municipalities in the Calcutta metropolitan region have drawn on CMDA's experience to bolster their own operations, and the World Bank provided two more loans to the institution. It is to these detailed stories that we turn next.

## **CMDA: INSTITUTION BUILDING OR INSTITUTION DESTRUCTION?**

### **The Criticisms**

The CMC, CMPO, Calcutta Metropolitan Water and Sanitation Authority (CMWSA), and even the Public Works Department (PWD) accused CMDA of strengthening itself by undermining their institutional capability. CMC's criticisms were the most pointed. It argued that CMDA's creation in essence destroyed CMC's credibility as the principal institution in charge of managing the city, increased CMC's workload and diverted funds away from CMC to itself.<sup>17</sup> The potential opposition to these anti-CMC policies was muffled, the critics argued, by superseding CMC, which had a legitimately elected council at that time.

The CMPO and others argued that, instead of coordinating their activities, CMDA had taken over some of their principal tasks as well as their best staff members. As these agencies became seriously weakened in their institutional capability, they were eventually incorporated within CMDA and its rapidly expanding institutional empire. In support of these charges, the critics point out CMDA's rapid expansion within five years from a financial and coordinating agency to an agency in charge of planning, financing, and execution. During this time, CMPO lost their best senior staff members, who foresaw CMPO's bleak future and were attracted to CMDA by higher salaries. Even the junior staff who managed BIP were taken over by CMDA as it began to implement BIP on a large scale. The damage to the Public Works Department (PWD), a state-

wide agency, was less severe though it, too, lost some of its best engineers to CMDA, where they worked "on deputation".

#### *CMDA's Counterarguments*

To what extent are these criticisms of CMDA valid? Was it a wrong policy, motivated by political objectives, as the critics argue, to create a new institution rather than strengthen CMC, or even CMPO? Answers to these questions must take into account some counterarguments in favor of CMDA's creation. To appreciate CMDA's creation one must be aware, first, of the severity of Calcutta's problems during the late 1960s, and second, the inadequacies of the existing institutions particularly CMC in formulating a response equal in magnitude to the problem. As the argument goes, Calcutta needed a massive infusion of capital, supported by first-rate technical competence and managerial coordination of some 40 agencies, each of which was responsible for some specialized task. A state-level agency would not have been appropriate for the task because the state could not act as a guarantor of the funds it would need to mobilize the resources required. More importantly, a state level agency was likely to be pressured to spread its resources geographically across the entire state.

#### *CMC's Decline*

Until 1947, CMC had been headed by prominent politicians who were honest and used the CMC to launch their careers in the national independence movement. After independence, these highly respected politicians moved up either to the state or national level, leaving behind a politically weakened CMC. Partly as a result of that, CMC's claim for resources was never taken seriously; even the limited amounts it received were largely spent on wages for its ever-growing number of employees. By the end of the 1960s, CMC was virtually bankrupt and was in no position to raise funds through borrowing. As a result, it became totally dependent on state allocations, further jeopardizing its autonomy, which had been meager to begin with.<sup>18</sup> Thus, CMDA's proponents argue, when CMC was superseded by the state government in 1972, there was virtually no public protest from Calcutta's residents. On the contrary, there was a new hope that perhaps CMDA would be able to function effectively, free of the political problems that had crippled CMC.

***CMPO: A Spent Force***

As for CMPO, it had become virtually impotent by the end of the 1960s. Foreign funding had sharply declined and the agency did not have the legal authority to raise funds. Most of the senior staff, predominantly expatriates had already left India, leaving behind a demoralized local staff who were eager to find other employment and thus hardly needed any enticement to join CMDA. In summary, CMDA was a justifiable solution in a virtual municipal vacuum.

**CMDA's Difficulties**

When CMDA was created, it was intended to be an innovative institution small in size and with highly skilled and competent technicians who would mobilize resources, prepare responsive projects and supervise their execution by other state and local-level agencies. It was to be an efficient coordinating agency with financial and political autonomy. This required a certain level of centralization of decision-making considered a vital prerequisite for coherent, quick decisions, guided solely by technical rationality.

Yet, within only seven years of operation, CMDA began to exhibit the opposite qualities: it was blamed for very slow execution of projects; its staff size had increased from 40 in 1970 to 4,200 in 1977, absorbing an increasing share of its funds; its chief executive spent more than half of his time sorting out internal management problems; its engineers were more involved in administrative work than in project design and supervision; and there was much criticism of the quality of the projects, which were completed after long delays. CMDA was blamed for using inappropriately expensive standards in design, for mismanagement of construction contracts and for its failure to achieve financial self-sufficiency. CMDA's image became that of a big, ineffective bureaucracy that was accountable only to a small, centralized group of decision makers, comprising high-level bureaucrats and their technocratic allies.

What went wrong? Why was CMDA created to transcend the existing institutional problems of urban management, only to end up acquiring its worst characteristics? Two views, one from inside the institution and the other from outside, are examined below.

### *Insider's View*

The insider's view is complex and involved two principal arguments in defense of CMDA's operation. The first of these is rather straightforward: that CMDA, because of its sheer size, drew undue attention and was blamed for virtually all of Calcutta's problems, even though some 40 different agencies were responsible for various aspects of the city's development. According to this view, Calcutta's problem in the late 1970s was not one of underdevelopment but of too much development, as two major projects (the construction of an underground subway and the second bridge spanning the Hoogly River) required large-scale excavation that seriously disrupted the normal functioning of the city. As a result, CMDA began to be popularly referred to as the "Calcutta Metropolitan Digging Authority", implying that the agency merely excavated and rarely completed its projects. The two projects were not even being implemented by CMDA, but to the average resident of the city that was not a significant factor. As they were unable to differentiate who was responsible for what, they simply assumed that CMDA was to be blamed for the disruption of their daily life. And CMDA's inabilities were attributed to its growing size, though much of the city's youth had benefitted from the employment created by CMDA's growth.

The second argument voiced by insiders acknowledges that CMDA had gradually become bureaucratic in its orientation, resembling more a "line agency" than a "corporate manager", but attributes this unfortunate outcome to ungrateful external constraints. Contrary to what was hoped – that CMDA would be able to use its financial and technical capabilities to seek cooperation from executing agencies – CMDA very soon realized that it could not rely entirely on others to execute its projects.

There were many problems in depending on other agencies for execution. First, CMDA lacked any statutory power to control the timing or implementation process of these agencies. Second, for the state-level agencies, CMDA's projects constituted only a small portion of their total budget and hence did not receive any priority. These agencies were aware that CMDA was more dependent on them than they were on CMDA. Third, since these agencies had jurisdiction over the entire state, they gave a lower priority to projects that served only the Calcutta metropolitan area. Some of these agencies also saw CMDA's demands as an intrusion on their

routine activities, since execution of CMDA's projects often required hiring new staff, who could not be laid off after the completion of CMDA's projects. Finally, each one of these state-level agencies reported to a different line ministry, thus projects that required multi-agency coordination became very difficult for CMDA to manage.

CMDA's working relationship with municipal-level agencies was no better. CMC, for example, refused to implement the Bustee Improvement Plan, arguing that it was politically dangerous for CMC employees who were largely members of the Left Front to work in the CMDA-selected *bustee* areas, which were under the Congress party's control.<sup>19</sup> There was also opposition to CMDA's activities in other municipalities controlled by the Left Front. Although these municipalities were then headed by bureaucrats from the Indian Civil Service who could have overridden any objection from the elected councillors, in practice they were unable to enforce their decision in the face of opposition by the municipal workers.

### **From Financing to Execution**

So, in 1974, the state government formally endowed CMDA with execution powers through an amendment of the CMDA Act, empowering the agency to take over the management of several sub-metropolitan organizations. Ironically, this was the beginning of the end of CMDA's effectiveness: as CMDA began to execute projects and became responsible for their maintenance,<sup>20</sup> the number of employees expanded rapidly. But CMDA's revenue-generation capacity did not expand equally. As a result increasing percentages of CMDA's budget were used to meet recurring expenditures particularly, to pay employees' salaries.

The sharp growth in CMDA's activities – now that it was involved in planning, financing and executing, as well as maintenance – and the rise in the number of employees increased the level of managerial problems the agency had to deal with. The chief executive had to spend more than half his time sorting out these day-to-day managerial problems. In the process, long-range planning, which was supposed to be CMDA's primary responsibility, was impeded. Similarly, the CMDA engineers picked for their technical competence were now busy with paperwork required by

government practices. By 1977, CMDA had begun to look like a bureaucracy, even to its own employees.

In one sense, the image of a bureaucracy was consciously cultivated. As CMDA became increasingly involved in various political problems in regard to land acquisition for location of their projects, the agency tried to protect itself from political battles with a veneer of bureaucratic neutrality. The turning point was 1977: as the Left Front political parties came to power at the state and local levels, the political assault on CMDA grew direct.

### **SERVING THE POOR: CAPITAL WORKS OR SERVICE DELIVERY?**

The 1977 elections had very clearly demonstrated that the poor, particularly those who lived in outlying areas away from the metropolitan core, were the Left-Front's primary supporters. The Left Front argued that CMDA's emphasis on large-scale capital works, such as trunk or primary infrastructure, sewage treatment plants and so on, had not benefitted the poor, outlying areas, which lacked distributional networks. Because of this, the critics argued, many of the capital projects remained unused or underutilized. Some of the critics went one step further: they argued that what the poor really needed was employment, a situation about which CMDA had done virtually nothing. They ridiculed CMDA's involvement in the Bustee Improvement Plan by arguing that these sorts of improvements did not really alter the conditions of the poor but just kept them alive to be exploited as cheap labor. Some interpreted CMDA's programs of infrastructure provisions as counterproductive; they argued that these programs diverted attention from the real problems of severe economic decline of West Bengal and Calcutta – a decline for which the central government was fully to blame. In other words, CMDA's policies were seen as primarily reflecting the central government's priorities and CMDA as a centralized bureaucratic institution unaccountable to the electorate and incapable of incorporating the priorities of the poor. In order to truly serve the poor, the critics proposed a decentralized network of institutions with strong emphasis on elected municipalities.



### **The Logic of CMDA's Investment Pattern**

It is true – as CMDA's own evaluation study indicated<sup>21</sup> – that CMDA's geographical investment pattern favored the metropolitan core over the peripheral areas. But this was not because CMDA had no intention of serving the poor, CMDA's proponents argue. It was simply a result of CMDA's trying first to complete capital-intensive projects, such as trunk and primary infrastructure, water and sewage treatment plants, and pumping stations, which were all located in the core area. CMDA had every intention of serving the outlying areas by increasing the distribution network, the argument goes, but that would have been counter-productive without first increasing the capacity of the primary system. CMDA argues that sound distribution system without any water in the pipes, or a sanitary system without outfall drains, was as useless as water treatment plans and outfall channels without secondary hookups.

As for BIP, which at one time was considered "a band-aid on a deep wound", CMDA points out that the program has been expanded in scale since 1977 at the urging of the Left Front government. Upon scrutiny the BIP might not have looked like a bad option to the Left Front government, particularly in light of the fact that large-scale demolition of the *bustees* and relocation of their residents to better housing, the option preferred earlier by the Left Front, would have been financially and legally an impossible task.<sup>22</sup>

### **The Left Front's Preference for Service Delivery**

To be fair to the Left Front, they have not been satisfied simply with BIP. It is at their urging that CMDA began two service-delivery programs for the urban poor, one to provide health services, the other to distribute credit for small-scale enterprises. Both of these programs have proved to be successful. They have reached large numbers of beneficiaries, at a low cost. The health program is administered at the community level and relies upon the "voluntary" work of women trained in basic paramedical practices.<sup>23</sup> These women, who usually reside in the community they serve, act as "barefoot doctors", providing advice to women on prenatal care, child care and basic hygiene. The credit program for small enterprises is administered by CMDA's own staff, who help commercial banks to identify prospective borrowers and help with loan

recovery.<sup>24</sup> Both of these programs are frequently cited as providing an alternative approach to CMDA's earlier projects. The underlying assumption here is that service delivery, rather than large-scale capital projects, may be more beneficial to the poor, particularly if administered at the local level by a highly decentralized network of agents who, being closer to the poor, must understand their priorities better.

### **CMDA's Responding Argument**

CMDA argues that the issue is not whether service delivery is better than construction of capital projects, but that both are required. CMDA also points out that as the health-service delivery program expands in scale, it is likely to confront some of the same problems that had adversely affected CMDA's more conventional programs. For example, the so-called "voluntary workers", who have until now worked with very minimal remuneration, are currently trying to unionize and demand the higher wages and benefits that are due other government employees. The effectiveness of the health program is also declining.

The Small-Scale Enterprise Program (SSE) also proves that without CMDA's assistance mere decentralization of credit delivery would not have worked. The key to SSE's success is a financial arrangement between CMDA and the commercial banks, whereby CMDA's cash balances are deposited deliberately with the bank branches that lend to the largest number of SSE borrowers. This instrument has proven to be a powerful tool to motivate branch managers, who may be more important to SSE's success than the grass roots-based social workers who match the borrowers with lenders. Since most municipalities lack the level of resources that CMDA is able to muster, in part, because it is a centralized operation, similar arrangements between the municipalities and the banks are unlikely to be equally effective.

### **STRENGTHENING THE MUNICIPALITIES**

Times have changed, indeed: municipalities, which until 1977 were considered generally incapable of fostering urban develop-

ment, are now considered better than CMDA in the task of urban management. Prior to 1977, municipalities in the Calcutta metropolitan region had been superseded more than once, starting in 1948, long before CMDA was created. To be precise, the bias against the municipalities can be traced back to 1931, when the Bengal Municipal Act was enacted. According to that Act, all executive powers of municipalities were vested in the municipal commissioner – a state-appointed bureaucrat – whereas the elected mayor was to serve as merely a figurehead. The assumption underlying this division of power was the following: that elected councillors could not be relied upon to achieve programmatic efficiency in municipal activities; and that a technically competent, bureaucratically suave, and politically neutral commissioner was required to supervise and manage municipal activities that otherwise would be used blatantly for political patronage. This distrust of local politicians was a peculiarly post-independence phenomenon in India, as we described earlier. Coupled with the large salary differentials between state and municipal employees, it created a generally negative image of municipalities as incompetent and politically powerless institutions. It is no wonder then that municipalities were not given the power to execute capital projects or raise revenues from sources other than property taxes.

By 1977, however, the nature of discourse about municipal capability had taken a 180-degree turn. This was, obviously, not a random outcome – it coincided with the Left Front's coming to power at both the state and local levels. The Left Front argued that, in contrast to the CMDA, which was a centralized bureaucratic institution without any political representation, municipalities of elected councillors were more appropriate for the task of urban management. In other words, the political nature of municipalities which, until 1977, had been seen as a problem, was now considered to be their major strength. Political representation was considered necessary to shape investment pattern according to people's needs and choices; it was also considered a prerequisite for popular participation in the management and maintenance of community/assets. The emphasis on municipalities was also backed by the claim that their strengthening would lead to more efficient and equitable urban development. This interpretation, one may recall, was dramatically opposite to the logic of CMDA's creation – namely, that

centralization was required to coordinate the disjointed activities of multiple institutions responsible for Calcutta's improvement.

In 1984, the state government enacted some major legislative reforms, which provided a legal, administrative, fiscal and statutory environment for enhancing the status of municipalities as key actors in urban development.<sup>25</sup> As part of these reforms, a new system of power sharing between mayors and the municipal commissioner was introduced. In the new system, called "Mayor-in-Council," the commissioner, a bureaucrat appointed by the state government, is to be subordinate to the mayor, who will now be the chief executive. In other words, the elected mayors, instead of the appointed bureaucrat, will be the final authority for all decisions. The type of decisions municipalities will have to make will also change: municipalities will now be in charge of planning and executing capital projects in addition to maintaining all municipal assets, and they will have more flexibility in generating revenues, which, until now, were confined to property taxes only. To provide incentives to municipalities, the state government's contribution to the municipalities will be in a matching form, meaning the higher the revenue generated by a municipality, the higher will be the state's contribution to it.

### **The Municipal Development Program**

Under the new scheme, called Municipal Development Program (MDP), the relationship of municipalities with CMDA will be very different from before. Unlike earlier times, when CMDA clearly dictated the type of development in each municipality and channelled state funds to them according to its own wish, the municipalities will now play a more active role by proposing their own plans and priorities, which the CMDA will check merely for consistency.<sup>26</sup> Municipalities will no longer be dependent on CMDA for funding; they will report straight to the minister in charge of municipal development.<sup>27</sup> The central purpose of MDP was to curtail CMDA's power and correspondingly enhance the status of municipalities.

What is surprising is that initiation of MDP was resisted not by CMDA but by the municipalities, particularly the smaller ones. In some cases, the municipalities were suspicious of the changes, worrying why state-level politicians were interested in strengthening

municipalities. In other cases, the municipalities were afraid that under the new system they would have more responsibilities without more revenue. Some municipalities, which had previously been controlled by locally powerful elite who managed them as if they were family estates, were afraid that reforms would require opening the process to closer public scrutiny.

There were other surprises. The changeover to the mayor-in-council system was not at all resented by the municipal commissioners; on the contrary, they welcomed the changes, which vested the final authority on the mayor. The commissioners knew all along that in a politicized environment like West Bengal, every problem – whether it be municipal worker's wages, raising of property taxes, or even such a simple decision as the location of a tubewell – required a political solution. Under the old system, the commissioners lacked the necessary political tools to be effective. For example, in CMC, the majority of the councillors and municipal workers were members of the Left Front, while the commissioner lacked any direct political affiliation. As a member of the Indian Civil Service, he was appointed to serve as a neutral bureaucrat, unhampered by the constraints of party politics. But the supporters of the Left Front – which included the mayor – viewed the commissioner as a representative of the central government (just as the chief executive of the CMDA, who is also from the Indian Administrative Service, is seen not as a neutral arbitrator).

After 1978, when the Left Front government came to power at both the state and local levels, CMC's Commissioner became administratively impotent; local councillors would bypass him and go straight to the state level with their grievances. The state government would then put pressure on the Commissioner to pursue policies in line with the councillor's preferences. By acting this way, the state government was not acting unconstitutionally. According to the Indian constitution, the state government has the final authority over all municipalities under its jurisdiction.

So, when the mayor-in-council system was introduced, the Commissioners were, in a way, relieved because they could no longer be held responsible for actions – or inactions – of the municipalities. In their new role, they were to serve as watchdogs instead of being watched, scrutinized and constantly criticized by hostile councillors and state-level ministers.

### **The Benefits of Politicization**

The politicization of the municipalities, which the mayor-in-council system explicitly encouraged, had some positive outcome, contrary to what is commonly believed. For example, CMC's tax revenue has doubled and discipline among CMC workers has increased, which has had a positive influence on the quality of municipal services, and decisions within CMC are now made relatively quickly compared to those of earlier times. How did politicization help achieve these goals? For one, the mayor has taken some very bold steps in revising tax laws and tax-collection procedures, which have worked well.<sup>28</sup> These decisions required alteration of bureaucratic norms and rules that could have never been initiated by a bureaucrat, let alone by one who was distrusted by the councillors. Also, under the new system, CMC has strong support from the state government since the mayor of CMC is a senior member of the political party in power at the state level; this has led to ideological consistency in policy-making at both levels.<sup>29</sup> Third, as a politician from the party that controls the municipal workers unions, the mayor is able to temper the workers' demands for higher wages; he is also able to discipline them via non-bureaucratic means. All in all, CMC's functioning under the new system has improved.

The same is not necessarily true, however, of all municipalities. Many of the medium and small-sized municipalities are facing widening budget deficits, as a result of the increased expenditures that project execution requires.<sup>30</sup> These municipalities have not been as successful as CMC in utilizing property taxes, which are inelastic in the outlying areas. Many of these municipalities, where new, poor migrants live, have also not shown much sensitivity to the particular needs of the poor. This is surprising, too, because local-level planning is commonly believed to be more responsive to local needs than planning by agencies like CMDA. In reality, however, very few of the outlying municipalities have chosen to implement schemes specifically for the poor. Instead, they have opted for schemes that are of general interest, such as access roads, wider distribution networks for water, and so on. Their choice is obviously guided by their need to generate additional revenues, but, in this process, the needs of the real poor are being set aside more decisively than before. Here, too, politicization of the municipal decision-making process has been beneficial. In municipalities with strong

opposition political parties, investment decisions have been relatively egalitarian because political patronage has been checked by alert councillors from opposition parties.

Though the initial impetus toward municipal development did not come from CMDA, the agency has played a generally positive role in dismantling its own centralized administrative mechanism, which MDP required. One could argue, of course, that CMDA did not have much of a choice. With political changes at the center, state, and local levels in 1977, there was virtually no support for CMDA's autonomy from any of the three levels. Though that may be partly the case, CMDA's adaptation to the new political context cannot be explained solely on those grounds. Neither can it be explained by the fact that CMDA's chief executive at that time was an able administrator who was respected even by CMDA's loudest critics.

Perhaps CMDA responded positively to MDP for the same reason that CMC's Commissioner had welcomed the mayor-in-council system. By the end of 1970s, many of CMDA's projects had bogged down due to land-acquisition problems, which, to some extent, were created and exploited by political parties for their own purposes. As the implementing agency, CMDA was gradually drawn into, often against its wishes, political battles that led to close scrutiny of the agency's activities. Soon, CMDA's every action, past and present, was being interpreted as politically motivated. Under those circumstances, any institution would prefer to lie low and avoid activities that lend themselves easily to political conflicts. So, when MDP transferred the bulk of the decisions about planning and execution from CMDA to the municipalities, it might have been seen as a "blessing in disguise" by CMDA's senior staff. As for CMDA's junior staff, MDP did pose a threat to their job security, and there was resentment on the part of those who were sent "on deputation" to work for the municipalities.<sup>31</sup> There was another group of staff members who were adversely affected due to the shift in CMDA's responsibilities: they were the senior staff members who had been sent to CMDA, on deputation, from other agencies during CMDA's earlier expansion. As the pace of CMDA's activities slowed down, these staff members were requested to return to their old agencies and ministries, but even those agencies that had earlier complained about losing their best staff were now reluctant to take them back. This created some turmoil within CMDA regarding salary scale, seniority status, and other related problems.

Despite these problems, CMDA was able to respond quite effectively to the changing times. As mentioned earlier, the agency played a key role in introducing two innovative service-delivery systems for health and small business credit, and is currently working with the municipalities in guiding transmunicipal infrastructure development. To put it another way, CMDA is still serving a purpose for the metropolitan region.

## **LESSONS OF EXPERIENCE**

In 1972, when CMDA and the World Bank began negotiations for the first Calcutta Urban Development Program (CUDP I), each had approached the other for different reasons. CMDA's objective was to receive a soft loan to quickly build up its viability as a resource-mobilizing institution. The World Bank was searching for projects different from the conventional, large-scale infrastructure and transportation projects it had funded until then.<sup>32</sup>

### **Land Tenure Issues**

Surprisingly, among the 40 projects the World Bank had agreed to fund as part of CUDP I, slum upgrading – referred to as the Bustee Improvement Plan (BIP) within CMDA – was not included. BIP was the only component of CMDA's activities that directly targeted the poor. Its exclusion from the CUDP I investment package was particularly surprising in light of the fact that at that time the World Bank was interested in such projects.

There was a clearly articulated rationale for the World Bank's position on BIP – and it had to do with the fact that BIP did not encompass granting legal tenure to slum dwellers. The World Bank argued that without such tenure slum dwellers were unlikely to invest further in their dwellings and that many of them, particularly the renters, would be evicted as soon as improvements under BIP raised the market rent in their areas. These anxieties and uncertainties were sure to adversely affect the cost-recovery rate of BIP, the World Bank argued. Without cost recovery, the World Bank worried, BIP could not be replicated on a large scale.



CMDA's position on the issue was different, and it was based on an understanding of the unique context of Calcutta's slums. CMDA argued that unlike other Third World cities, where slums were illegal settlements of squatters, Calcutta's slums operated via a legal, three-tier tenancy structure. This operated in the following way. At the first tier were the landlords (absentee for the most part) who owned the land and leased it out to *thika* tenants, who were second on the tenancy structure. The *thika* tenants built houses on plots they had received on lease and rented them out to the occupants. Who was to be granted tenure in this context? The *thika* tenants, who owned the residential structures, or the occupants, who may have been renting the place for years? CMDA argued that the condition of Calcutta's slums was so bad and the need for improvement was so urgent, that BIP could not wait for the tenure issue to be resolved legally through the country's slow legal system.

There were other reasons CMDA then disagreed with the World Bank on the tenure issue and decided not to disrupt the existing three-tiered structure. In the early 1970s, when CMDA was beginning to implement BIP in slum areas, the political situation in the city was literally explosive. Much of this was blamed on a radical leftwing political group, the Naxalites, whose members had taken refuge within the slums where it was difficult for the police to find them. CMDA's social workers, who were in charge of introducing BIP to the slum dwellers, had, on occasion, faced resistance from Naxalite youths who viewed BIP as yet another scheme to flush them out. CMDA could overcome this resistance only with the support of the *thika* tenants, who were eager for improvements that would raise the value of their dwellings. If CMDA had heeded the World Bank's advice and insisted on granting legal tenure to the actual occupants, not only would this crucial base of support be lost but the *thika* tenants would have most likely joined the landlords and the Naxalite youth in attempting to disrupt the implementation of BIP. As an agency just starting its operation, CMDA could not afford to take this risk, which would have discredited it as an effective force in urban development.

CMDA had also foreseen some other problems, which had influenced the agency's decision not to pursue the tenure issue, despite the World Bank's insistence. One of these problems has been mentioned earlier: that of denying the *thika* tenants legal rights to the land on which they had built houses and in which they had lived,

along with their tenants, for years. The *thika* tenants are not as prosperous as their absentee landlords; in fact, many are only slightly better off economically than their own tenants. So, on grounds of social equity, the *thika* tenants could not be deprived of the small assets they had built up over the years. These assets, usually comprising a small house with two rooms at most, are usually maintained well by the *thika* tenants. Thus there was no convincing argument why, if they were granted tenure, the *thika* tenants would do less well at maintaining the improvements under BIP than the tenants at the very bottom of the three-tiered structure. True, there was a legitimate concern that if the *thika* tenants were to be given tenure, they would raise their rents after BIP, displacing some of the poorest tenants. CMDA was quite aware of this possibility and had instructed its social workers to persuade the *thika* tenants not to raise their rents. CMDA did not push for granting tenure to the *thika* tenants either, probably thinking that the uncertainty created by their lack of tenure could be used to temper their desire to increase rents.

As for the lowest tenants in the system, CMDA faced a difficult problem as it began to enumerate them. Many of these tenants were unrelated to each other and yet lived together in a single home. This multi-family occupancy pattern made it difficult to clearly identify the member of the group who "deserved" tenure. Thus it was wise on the part of CMDA not to pursue the tenure issue because it would have created social tension and, in all likelihood, would have hurt the pace of BIP's implementation.

### **Cost Recovery**

The issue of cost recovery was similar. The World Bank had been insistent from the very beginning that BIP should fully recover the cost of implementing and operating the program. To the World Bank this was essential for large-scale replicability of BIP. But CMDA had disagreed, arguing that though the goal of cost recovery might have been appropriate in other countries, it was inappropriate in the particular context of Calcutta's *bustees*. In defending this position that CMDA was not going to impose any user charges the agency had pointed to the characteristics of Calcutta's *bustees*, two of which we have already mentioned namely, the three-tiered tenancy structure and multi-family occupancy. But there was a third

characteristic: that of service delivery on a communal basis, whereby not only water is provided communally to the *bustee* residents but even toilets are communal. Who is to pay how much, and to whom, under these conditions? The CMDA struggled with this question, worrying that if the agency imposed a system of charges that appeared unfair BIP's implementation would be seriously jeopardized. As a new agency, eager to demonstrate its ability to produce visible results quickly, CMDA could not take the risk involved in following the World Bank's advice.

There is an interesting twist to this story. The Left Front movement, which had strongly criticized BIP at the beginning of its first term in 1977, has, over 10 years, not only expanded the scale of the program but has also introduced some major reforms. These have included abolishing the rights of absentee landlords and public ownership of all *bustee* lands – which, in due course of time, may make it possible to grant legal tenure to *thika* tenants. The Left Front has also been quite effective in convincing the lowest-level tenants to oppose arbitrary and unfair rent increases and forced eviction by the *thika* tenants. As for cost recovery, the Left Front has taken the approach that the cost of BIP should be borne by the entire metropolitan area, rather than by *bustee* dwellers only. That is a position that the World Bank itself has moved towards in its new thrust on urban management.

### **The Convergence of the Right and the Left: The Municipal Development Program**

There is yet another issue around which there has been a convergence of views recently, between the World Bank and West Bengal's Left Front government – two apparently ideologically opposite institutions, but both of which are concerned about the role of municipalities in urban development. As noted earlier, the Leftist political parties in West Bengal had never wanted the CMPO or the CMDA, as institutions, to guide Calcutta's development. They perceived CMPO and CMDA as representatives of a nexus of three interest groups – namely, international institutions, the Congress party and India's bureaucratic elite, who were basically interested in undermining their political appeal. The Leftist parties remain convinced that the only way to confront the power of this nexus, and have their input in decision making about Calcutta's development,

was to strengthen institutions other than CMDA, based on political representation. The municipalities, superseded by CMDA, fit the requirements of the Left parties rather well; they could be influenced strongly by grass roots-based political mobilization, and as institutions they were not particularly attractive to international institutions, which prefer to deal with relatively centralized authorities. Furthermore, municipalities are not much liked by India's elite civil servants, who would rather be appointed at the national, or at least the state level. So, the Municipal Development Program (MDP), introduced by West Bengal's Left Front government in the early 1980s, was a logical and consistent move, in line with the ideological and strategic interests of the Leftist political parties.

The World Bank's current interest in municipalities – not just in Calcutta, but throughout the developing world – was not political in the ways West Bengal's Leftist parties perceive it; on the contrary, the World Bank's approach was primarily bureaucratic, dictated according to the sole objective of program efficiency.

This objective achieving maximum program efficiency is what had made the World Bank recommend in 1974 that CMDA expand its activities from merely financing and coordinating projects to executing projects. As discussed earlier, the outcome was just the opposite: instead of increasing program efficiency, it had expanded CMDA's size and activities to a level that was not conducive to quick action. CMDA's expansion had also undermined the Calcutta Municipal Corporation (CMC), which had refused to maintain CMDA's completed projects. So, CMDA had to begin its own maintenance program, which required increasing CMDA's budget, thereby reducing the funds available for capital projects. Soon, the World Bank began to criticize CMDA for deviating from its original objectives, and for the slow pace of project implementation.

By the end of the 1970s, when the Left Front government in West Bengal made a concentrated effort to curtail CMDA's power and revitalize the municipalities, the World Bank had reached a similar conclusion – that without strong and vigorous municipal authorities, no metropolitan area could be managed well. The World Bank argued that its change of emphasis from special institutions, such as CMDA, to the local authorities was the result of World Bank's learning from experience with the urban projects it had funded, for 10 years or so, in a number of developing countries.<sup>33</sup> In line with this thinking, the World Bank made a conscious effort to

support the municipal development program in Calcutta, despite strong criticisms from the state government and CMC which wanted the World Bank's financial assistance but did not want either the World Bank or CMDA to direct the process. The World Bank not only adjusted to this new political reality quite well but, in fact, played an active role in redirecting CMDA's activities towards supporting the new types of programs – such as health-service delivery, credits for small businesses, and municipal development – that were recommended by the Left Front government.

In the 1970s, the World Bank funded the operation of another metropolitan development authority in Madras, India. The Madras Metropolitan Development Authority (MMDA) is an institution similar to what the World Bank had envisioned CMDA to be. MMDA is primarily a financing and planning organization, and it has already built a reputation for its efficient operation.

Are there general lessons that can be learned from CMDA's experience? Or, should we set it aside, hoping that the political and institutional problems that marred CMDA are unlikely to occur elsewhere? We leave it to the reader to make his or her own assessment.

#### NOTES AND REFERENCES

1. There were 33 municipalities, two corporations, namely, the Calcutta and Howrah Municipal Corporations, two self-financing improvement trusts, Calcutta Improvement Trust (CIT) and Howrah Improvement Trust (HIT), a metropolitan-wide sectoral agency responsible for water supply and sanitation (CMWSA), The Calcutta Port Trust, two transportation authorities, 10 directorates within the Government of West Bengal and several central agencies connected with the provision of basic infrastructure and services in the Calcutta metropolitan area.

2. A coalition of left-leaning political parties was elected in 1967 and 1969, but, for various reasons, the State government was dissolved by the central authorities in New Delhi; and the Governor of the State, a central government nominee, was given the responsibility to supervise state administration till a newly elected state government could be formed. We will discuss this situation in more detail later in the paper.

3. In total, the World Bank has provided three loans so far to CMDA. The second loan was for \$87 million, spread over 1978 to 1984; and a third loan of \$147 million was granted in 1984.

4. See Sivaramakrishnan, K.C., and Green, L., *Metropolitan Management: The Asian Experience*, EDI Series in Economic Development, World Bank (1986), pp. 140-170.

5. The Chief Minister, Dr. B.C. Roy, was also concerned that without some major improvements in Calcutta's physical infrastructure, urban economic growth could not be regenerated; and that without renewed economic growth, the Congress Party, of which Dr. Roy was a senior member, would lose to its main opponent, the Communist Party of India (Winnick, L., "International Urban Programs: A Development Plan for Calcutta", in *Philanthropy's Adaptation to the Urban Crisis* (1987).

6. The Ford Foundation provided much of the financial support. The World Health Organization (WHO) and the United Nations Development Programme (UNDP) also provided some support.

7. CMPO's mandate was to prepare a long-term perspective plan for the Calcutta Metropolitan Region (CMR) and an "action" plan for short-term investments. CMPO, however, was not legislatively, functionally or fiscally equipped to go beyond prescriptive planning. It was created by a formal resolution of the State Department of Health, rather than by legislative statute an arrangement that later inhibited the agency from hiring professional staff (Winnick, L. 1987).

8. Government of West Bengal, Calcutta Metropolitan Planning Authority (1986). "Basic Development Plan: Calcutta Metropolitan District, 1966-86."

9. The proposed functional agencies were (i) a Metropolitan Planning Agency, (ii) a Traffic and Transportation Authority, (iii) the Hoogly River Bridge Commission, and (iv) a Metropolitan Parks and Recreation Authority. A water agency the Calcutta Metropolitan Water and Sanitation Authority (CMWSA) had been set up earlier, in 1966, even prior to the recommendations of BDP.

10. There were a number of reasons for the lack of interest in BIP. First, *bustees* were thought to be unsafe places to work. Second, BIP was not a technically sophisticated project which was likely to generate public enthusiasm. Third, since BIP was a new type of project, requiring as much social skills as technical competence, many agencies were afraid that their staff would not be able to implement it well.

11. The then Mayor of Calcutta, Mr. Prasanta Sur, belonged to the Communist Party of India which believed that through programs, such as BIP, the urban poor, who were to be on the vanguard of social revolution, would be pacified in accepting the status quo of the capitalist system. There are many variations of this argument which are reviewed in Burgess, R., "Petty Commodity Housing or Dwellers' Control? A Critique of John Turners' Views on Housing Policy", in *The Urban Informal Sector*, K. Bromley (ed.) (1979), pp. 1105-1124.

12. See Winnick, L. (1987).

13. The central government had initially pledged a loan/grant of Rs 1,000 million (\$130 million equivalent) in the Fourth Five-Year Plan for implementing BDP. But the Plan was delayed by three years, and when it was finally reactivated in 1969, the central government offered less than half of the original allocation for BDP, arguing that the country was facing unprecedented economic hardship which required reduction in all spending categories. In West Bengal, the Center's decision was interpreted differently. The Left Front argued that the Center had changed its mind because the Congress partly had failed to come back to power in West Bengal, both in 1967 and 1969. There is some truth to this charge because the central allocation for Calcutta was raised sharply after the Left Front government collapsed and West Bengal was put under indirect control of the central government through "President's rule".

14. The central government, with advice from the State Governor that the Left Front was unable to administer governmental functions due to internal fighting among the Front members, had dissolved the State government and imposed "President's rule".

15. According to Indian Constitution, the local authorities are subservient to the State government which supervise the functioning of local authorities by appointing a Commissioner who, for CMC, is usually from the ranks of the India Civil Service (ICS). Since the selection, promotion and posting of ICS officers are done in New Delhi, the Central government can indirectly control the functioning of local authorities: that is the way the Commissioner's role was perceived in Calcutta at that time.

16. The Left Front which is led by the Communist Party of India was deeply suspicious of the World Bank's motives because to them the Bank was a global institution created to protect and enhance national and international capitalism. So, the Left Front assumed that through CMDA the World Bank would try to undermine their legitimacy and effectiveness. This initial opposition to the World Bank-CMDA connection later subdued as the Left Front government realized that instead of dismantling CMDA, the agency (and the World Bank funding) could be used to achieve their objectives.

17. CMC argued that as a result of CMDA's activities, the maintenance activities for which CMC was responsible had increased while revenues from the new *octroi* tax, imposed on commercial vehicles entering CMC, was totally absorbed by CMDA.

18. According to the Bengal Municipal Act of 1951, local authorities in West Bengal are under the control of the State government which must approve all local legislation. So, local authorities do not have much leeway in altering their revenue base without the State government's approval.

19. CMC accused CMDA of selecting *bustees* which voted for Congress as a way of rewarding them for their political support.

20. CMC refused to maintain these projects, arguing that its revenue was not sufficient to take responsibilities for the additional task which

CMDA was imposing on CMC. Since CMC did not have a good reputation for maintaining even the assets created prior to CMDA, their refusal to accept additional tasks might not have been seen as a major loss by CMDA.

21. We did not have access to this evaluation report; our information is based on personal interviews with the author of the report who still heads the Evaluation Unit of CMDA.

22. The current Chief Minister, Mr. Joyti Basu, mentioned this in his speech inaugurating the seminar on the Tercentenary of Calcutta at the Sisir Mancha on August 25, 1989.

23. The so-called "voluntary workers" are not really volunteers because they are recruited from a large number of applicants for the job which pays very little and does not provide the status of a government employee to the "voluntary workers". In other words, these workers are called "volunteers" to emphasize their non-government employee status. The purpose is to reduce the overhead cost of the program which would have doubled had the "voluntary workers" been provided the salary and benefits of a government employee at the comparable level.

24. All commercial banks in India were directed by Ms. Indira Gandhi in 1972 to lend 1 per cent of their loan portfolio at low interest rates to the poor. Till 1978, CMDA had no programs to utilize this central directive; but after 1978 it played the role of an intermediary between the banks and the poor, helping to identify prospective borrowers and assisting in loan recovery.

25. The four key legislative amendments introduced by the government of West Bengal in 1978-80 are (i) The West Bengal Central Valuation Board Act, (ii) The West Bengal Town and Country Planning Act, (iii) Calcutta and Howrah Municipal Corporation bill, and (iv) setting up of a Municipal Finance Commission. Also, the Calcutta Municipal Corporation Act of 1951 was rescinded in 1980 and the new act provided for a "cabinet system" of governance with a Mayor-in-Council at the head of civic administration.

26. In the new system, municipalities are to present their schemes to CMDA, not for approval but to help CMDA coordinate transmunicipal projects.

27. CMDA is now a Directorate, meaning a division in the Metropolitan Development Department in the Ministry of Local Government and Urban Development. The municipalities are under another Department within the same Ministry.

28. The current Mayor of CMC initiated four changes to boost revenue from property taxes. First, he prioritized revenue collection and set up a "crash program" to reduce valuation time, improve arrear assessments and step up collections. Second, he decentralized the revenue collection machinery down to the Ward level to speed up assessments and enforce collections. Third, as a way to elicit payments, he decided to collect only 50 per cent of outstanding arrears. To compensate for this "allowance" to



taxpayers, he expanded the targeted collection area by including the outlying wards. Finally, to provide an incentive for tax payment he devised an attractive "concession plan", announcing that if the defaulters paid at least 50 per cent of their arrears they would be exempt from paying any penalty, and all accumulated interest on the arrears would also be forgiven.

29. For example, the Mayor increased the sanction fee for highrise buildings by a factor of 100. The promoters on whom this surcharge was placed could not appeal to the State authorities because they were aware that the State and city level administration were controlled by the Left Front whose main political constituency is not the promoters of tall buildings.

30. Personal interview with Dr. Tapan Banerjee, Joint Director in charge of Institute of Local Government and Urban Studies, Government of West Bengal, August 17, 1989.

31. There are two reasons for resentment: first, their work load was likely to increase because of lack of assistance at the municipal level; and second, they were afraid that they will never be able to return to CMDA and, hence, would eventually lose their seniority status in the bureaucracy.

32. See McNamara, R., Address to the Board of Governors (Nairobi, Kenya, September 24, 1973).

33. See Cohen, M. *Learning By Doing: World Bank Lending for Urban Development, 1972-82*, The World Bank (1983).

# **Indonesia's Community Infrastructure Programs**

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This paper is abridged from the originals for purposes of publication.

# Indonesia's Community Infrastructure Programs

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## THE URBAN SECTOR

### Sector Overview

The urban sector in Indonesia is significant for both the economic and social development of the country. The urban population currently exceeds 45 million and is growing at 4.7 per cent a year, more than twice the overall population growth rate. If current trends continue, it is likely that well over half of total future population growth will take place in, or move to, the nation's towns and cities such that by the year 2000 the urban population is expected to reach 75 million. About 50 per cent of the total urban population is located in the 12 largest cities which are important employment generators and are currently absorbing a large proportion of labor force growth. Fully 20 per cent of the urban population, or 5 per cent of the total national population, lives and works in metropolitan Jakarta and 17 per cent of GDP is generated there.

While average incomes in urban areas have risen substantially over the past eight years, the distribution of income remains unequal with over 25 per cent of urban dwellers below the relative poverty line. Although Jakarta, with a 20 per cent poverty incidence, is better than the average it is still much worse than cities in Kalimantan (8 per cent) and Sumatra (16 per cent). The problem of income distribution is exacerbated by degradation of environmental conditions and poor health among the low-income population. These conditions are particularly severe in large coastal cities such as Jakarta where flooding, inadequate drainage and poor sanitation, together with high residential densities combine to produce high levels of gastroenteritis, pulmonary and skin diseases.

Major efforts have been made to improve the coverage of drinking water, but in 1988 it was estimated that about 50 per cent of the urban population did not have access to a piped water supply and 65 per cent did not have satisfactory sanitation facilities. In the larger cities, inadequate industrial water supply and waste disposal is a serious problem. In terms of the Government's service and equity objectives, more low-cost, local or tertiary systems investment is needed in existing under-served urban areas.

### **Administrative Context**

Provision of urban services in Indonesia forms an integral part of the overall system of planning and delivery of public services in the regions. The 27 provinces form the first-level (*dati I* or *tingkat I*) regions and each province is subdivided into second-level (*dati II* or *tingkat II*) units consisting of 247 *kabupatens* (regencies) plus 54 *kotamadya* (municipalities). Daerah Khusus Ibukota (DKI) is a special case having the status of a province. The second-level regions are in turn subdivided into 3,800 third-level units known as *kecamatan* (districts), while these are again subdivided into 66,000 fourth-level *desa* or *kelurahan* (rural or urban villages). In large urban areas there are further divisions into *rukun warga* (RW) and *rukun tetangga* (RT); the latter two, which consist of between 50-150 families, are the smallest administrative units.

The real responsibility for most urban services lies at the *kabupaten/kotamadya* level. These are concerned with roads, drainage, sanitation, public buildings, parks and the solid waste service. Markets and water supply are generally run as local enterprises (PDAM).

Village governments and community (RT) groups play an important role at the very local level. In addition to the heads of the administrative areas (RT, RW, *lurah*), village associations (*lembaga kemajuan masyarakat desa*, or LKMD) play an important role in neighborhood life. Besides maintaining access roads and footpaths, clearing drainage channels, house-to-house collecting of solid waste, and managing public water standpipes, these local groups have responsibility for planning and implementing the Inpres Desa Program and in some instances are actively involved in setting local priorities for Kampung Improvement Program (KIP) layouts. In many smaller urban communities, the bulk of urban services like drainage, waste

disposal, footpaths and even water supply have been provided on an informal basis by the local groups through *gotong royong* organized by the LKMD, RT and RW heads and *lurahs*.

## THE KAMPUNG IMPROVEMENT PROGRAM (KIP)

### *Kampung* Characteristics

*Kampung* means village whether rural or urban. Urban *kampungs* are originally rural or informal settlements which have expanded and coalesced under the pressure of urbanization. Depending on city size and growth rate, from 50-80 per cent of all urban dwellers live in these communities alongside much of the small-scale industry and cottage businesses which make up the main employment and income base for the country. The majority of the *kampungs* are not squatter settlements but have developed in an unplanned manner. Their land ownership is usually highly fragmented and composed of traditional rights which may be contested or not clearly recorded. Many occupiers pay a land rent for their use of the land to the traditional owners who obtained the land by gift or inheritance. Four types of law (Indonesian, Dutch, Muslim and Adat) may govern the land rights. The judicial system is weak in Indonesia and there is a strong tradition of the right of occupation. This complexity has resulted in "stability through confusion" with few cases of ejection by private landlords. However, government intervention, through its infrastructure projects and its influence on behalf of large commercial developers, has removed substantial portions of *kampungs* in central Jakarta, through negotiated purchase, using the right of eminent domain. Government intervention, therefore, has been the reason for principal insecurity among *kampung* dwellers. In these circumstances, public sector investment in *kampung* infrastructure lends stability to the *kampung* through implicit recognition of its permanent status. This can be aided further through provision of rights of use to *kampung* developers who happen to occupy government-owned land.

This loose but stable tenure structure is the main reason for the social stability of the *kampungs*. Everyone has a right to be there. This has resulted in a mixture of income groups living in the same *kampung*. Some *kampungs* are predominantly settled by certain

ethnic, linguistic or regional groups, and immigrants who gravitate to those *kampung*s where their family or social contracts predominate. The tenure structure has in the past allowed expansion and low-income people have not been forced into dense highly overcrowded slums as in other Asian cities. Nevertheless, densities are still high, especially in large cities, with approximately 60 per cent of urban *kampung*s having over 150 persons per hectare, and 10 to 20 per cent of *kampung*s reaching between 500 to 800 persons per hectare. Housing surveys show that 32 per cent of urban housing units are smaller than 30 sq m. Few *kampung*s can be considered squatter settlements since most residents pay a land rent to actual or purported land owners. Most households have built their own house and although they may rent out rooms, owner occupancy predominates except in central city areas.

Service deficiencies in urban *kampung*s are still very high. In the water supply sector, about 50 per cent of all urban households do not have access to piped water; this increases to 87 per cent in the regional cities. Human waste disposal is also inadequate since 61 per cent of all urban households in 1985 were without private toilets; this increases to 82 per cent in some regional cities. Conditions were much worse, however, before the Government initiated the *Kampung Improvement Program*. The diseases associated with inadequate water supply and sanitation, gastroenteritis, dysentery and parasitism, are among the leading causes of morbidity and mortality in the country. The intercensal survey of 1985 revealed a high infant mortality rate (70 per 1,000 live births), one of the highest in Southeast Asia.

### **Origins of KIP**

The KIP was first initiated in Jakarta in 1969 by DKI as an expansion of an earlier program. It was developed for a number of political, social and management reasons:

- (a) the increasing glaring deficiency between the existing upper-income colonial city and new middle-income formal housing estates, both provided with a full range of services, versus the complete absence of services in the densely-settled *kampung*s;

- (b) a similar contrast between active DKI assistance to wealthy commercial developers which needed to displace *kampung* areas along the main roads, versus lack of assistance to the poor who occupied the *kampungs*;
- (c) extremely high levels of morbidity and mortality in urban *kampungs* with periodic incipient cholera outbreaks;
- (d) the consequent need to install a complete package of infrastructure services which could only be provided in an integrated manner to avoid total disruption in the dense irregular *kampungs*;
- (e) the need for speed in providing services and consequently, a simplicity of approach to reduce the rising resentment among the poor and lower middle classes. Thus land tenure changes were avoided, as was community participation. It was felt that the provision of government-funded services would incorporate *kampungs* into a modern city structure in a social and political as well as a physical sense;
- (f) direct cost recovery from beneficiaries was avoided based on the view that the poor should not pay for urban services which had already been provided virtually free to the middle and upper classes. The KIP was therefore initiated on a grant basis, although property taxes were levied following improvements;
- (g) as a result of (e) and (f), planning and construction standards were kept low and flexible, and disruptions to existing dwellings minimized; and
- (h) a unit was established in DKI to implement the complete package of services instead of allocating them among the traditional sectoral departments.



### **Components of KIP**

KIP was thus initiated as a program to meet the minimum infrastructure needs of large numbers of urban poor at low cost. The program upgraded and/or added community infrastructure in low-income settlements, while retaining most of their existing housing stock. It concentrated on providing paved roads and walkways, drainage canals, water pipes and communal water taps, sanitary latrines, garbage collection facilities and social facilities such as primary schools and health clinic facilities that residents find most difficult or impossible to construct by themselves. By providing this basic community infrastructure, the DKI hoped that residents would themselves be encouraged to improve their own dwellings and other environmental elements. KIP inputs were planned and installed so as to minimize disruption and dislocation of households.

The main features of KIP have not changed since its beginning; they include:

- The program's inputs consist entirely of physical facilities without any direct social or economic components.
- Roads and walkways account for at least two-thirds of total expenditures in most *kampungs*; in contrast, water supply is generally less than 20 per cent and sanitary facilities below 5 per cent.
- Inputs are provided on a relatively homogenous basis, that is, there is little room for much variation in type and standard of facilities in this massive "public works" approach.
- The program has made no attempt to deal with the issue of land registration or to grant legal title to land for *kampung* residents.
- The program has also made no attempt at direct cost recovery; any increase in local revenues takes place indirectly through an expanded property tax base associated with housing improvements.

Scope, standards, intensity and pace of the program have, however, changed over time, especially since 1974, when the World Bank began its support to KIP. From an initial "core" of inputs consisting of roads, walkways, local drains, communal sanitary units, garbage bins and carts, and water taps, such facilities as primary schools, health clinic, and garbage trucks were added later. Standards have changed as well, particularly for sanitary and water supply facilities. For sanitation the trend has been away from large communal sanitary units toward individual pit privies and toilets shared by a limited number of households, and for water supply away from the large communal wells toward expansion in the piped reticulation system and provision of more communal taps serving fewer families per tap.

### **KIP Types/Approaches**

#### ***MHT in Jakarta***

KIP offers variations on a theme. In Jakarta, KIP was called M. Husni Thamrin (MHT) after an Indonesian hero, and the pace of the program accelerated dramatically after 1974, when the World Bank started to finance it. While fewer than 500 ha were improved annually during 1969-1974, this subsequently increased to nearly 1,000 ha with 400,000 persons directly benefitting per year.

As a result of this large-scale program, the Jakarta KIP had succeeded by the end of 1979 in upgrading approximately 7,500 ha and had benefitted about 3.3 million residents, representing over 70 per cent of the city's total estimated *kampung* area and population. Within a decade, Jakarta had come close to eliminating the backlog of unserved residential areas and had mounted a sustained upgrading program on a scale sufficient to have a substantial general impact on urban conditions. KIP continued to upgrade new *kampungs* into the early 1980s, but emphasis began to shift toward providing second phase inputs in areas that had been previously improved. Other KIP approaches are noted briefly below:

#### ***W. R. Supratman***

From 1972 to 1976 Surabaya city had implemented a KIP called W. R. Supratman. The approach was similar to the DKI KIP except that 30-50 per cent of the financial costs were required to be contributed by the community residents which were then matched with

local government funds. It had the advantage of stimulating more community support and better post-construction maintenance of the program than the KIP with a 100 per cent grant, but had the defect of being more accessible to the middle-income *kampung*s which could afford the financial contributions. It faded away after 100 per cent grant-assisted KIP financed by the World Bank was introduced in 1977. The Surabaya program expanded rapidly from 1977 through 1983 and upgraded a similar proportion of the city's *kampung*s as Jakarta. In general, however, the construction quality, provision of water and sanitation and community participation was better in Surabaya than in Jakarta.

#### **UNICEF KIP**

By 1976 social researchers at Indonesia's universities had identified two perceived weaknesses of KIP. First, the lack of health education and of social and economic programs, resulting in suboptimal use of facilities and in neglected opportunities to stimulate small business and skill. Second, the lack of community participation, which in many conventional KIP areas had resulted in an imbalance between facilities, poor physical layout and no motivation for operation and maintenance. Assisted by UNICEF, the academics descended from campus to *kampung* to install social, economic and local solid waste management and energy programs, and stimulate community participation. While the effort was very demanding of technical and advisory input, the health education program sanitation improvements and some small business effort started to show some results, as did the effects of community participation. After a short while, however, the effort was closed down by the authorities fearing that community participation would expand into political expression.

#### **KIP Perintis**

The KIP proved extremely popular and successful in Jakarta and Surabaya, and subsequently the Ministry of Public Works (MPW) took up the program and expanded it through national grants to over 300 towns and cities during the third and fourth five-year plans (Repelita III and IV). While this expanded program introduced the KIP approach to many urban communities and provided some needed services, it suffered from being too thinly spread, with inadequate levels of funding on a per-hectare basis to

provide a substantial improvement in conditions. Participation of local governments was also weak, since it was implemented by central government officials and funded without requirements for local cost-sharing. In about 20 cities, however, foreign-assisted loan programs included KIP as a principal component of citywide infrastructure improvements. In these cases the KIP was generally more effective since the per-hectare investment levels were more substantial (between Rp 5 million to 12 million per hectare), and local governments managed the programs and participated in the financing. Some 7,000 hectares of *kampung*s were improved during Repelita II, increasing to 15,000 hectares in Repelita III and about 10,000 hectares during Repelita IV. To date, more than 800 cities and towns have implemented some form of KIP development, benefiting roughly 6 million persons.

#### *Inpres*

While not strictly KIP, *inpres* funds are often used for footpaths and drainage in *kampung*s and to supplement other KIP funds as local counterpart fundings. *Inpres* funds are essentially central government funds to local governments. *Inpres desa* (*desa* means village) is a block grant to local communities from the Ministry of Home Affairs for expenditure on locally defined programs. These grants have most frequently been spent on capital investment and rehabilitation of local roads and drainage. *Inpres jalan* is a tied grant for local roads. The geographic spread and overall level of expenditures have been impressive, and have covered both rural and urban areas. The *Inpres* programs, however, carry some intrinsic characteristics which make them unsuitable in their present form as integrated community infrastructure programs. These include: (i) uniform application of small amounts of funds; (ii) lack of multiyear planning on commitments; and (iii) poor physical planning and linkages with citywide infrastructure. This has resulted in poorly defined and inadequate expenditures in a given area and stop-start planning and implementation.

#### *International Banks, UNDP and Bilaterally Funded KIP*

As indicated above, the World Bank "bought into" ongoing local government KIP efforts and expanded them, and subsequently assisted both central and local government-funded KIP. The Asian Development Bank (ADB) took a similar approach although at a later

date and on a smaller scale. A small KIP funded by the Dutch government was implemented in perimeter towns around Jakarta and was notable for its success in introducing semi-private pour-flush toilets used by groups of 3-5 families (MMCK). These have been better maintained and used than most of the large public toilets. In general the external funding of KIP has been successful, largely because it: (i) bought into the existing Indonesian initiatives and management and, in the case of World Bank and ADB assistance, required local government to repay loans for KIP which ensured greater local government responsibility. The enormous impact of KIP on millions of urban residents, as noted above, would probably not have happened without substantial external financial assistance.

### **Financing of KIP**

Between 1979 and 1983, KIP was financed through local government funds (34 per cent); loans made available from external financing agencies to central ministries and on-lent as loans to local governments (39 per cent); and central government's own resources through the Ministry of Public Works (22 per cent). Provincial governments made a small contribution of not more than 0.1 per cent.

With typical Indonesian complexity this financial pattern has worked fairly well in providing large, timely and regular amounts of funds. The main problem has been that the fragmented nature of the funding sources are also controlled by project managers, to the ludicrous situation where a modest level of KIP infrastructure in one *kampung* may be implemented by as many as three project managers (MPW, provincial and local government PMs), leading to fragmented and uncoordinated control. This problem, however, appear to have been solved recently when the various agencies delegated their powers to the local government PMs.

The Government and the World Bank have over the past four years been trying to establish a municipal development loan fund (RDA) which could rationalize the present system and provide a more flexible and continuous flow of finance for urban services (including KIP). However, while all necessary studies have been done, its implementation has been delayed due to power struggles between and within Ministries.

## Organization and Implementation of KIP

In a typical local government KIP effort, the city government (of a *kotamadya*) or town (for *kota kabupatens*) establishes a KIP unit, often staffed by personnel from the local public works department. The KIP unit: (i) prepares an annual list of *kampungs* to be improved; (ii) supervises planning and detailed engineering of sites, usually carried out by consultants; (iii) prepares tender documents and hires contractors; (iv) supervises constructions; and (v) controls finances including claims, payments and accounting. If a *perintis* program is involved, the Directorate of Housing of the Directorate General of Human Settlements in the Ministry of Public Works (MPW) would also undertake some of the the above activities for its share of the program through its Provincial Kantor Wilayah (Kanwil) offices, as well as drawing up annually a national list of towns and *kampungs* for KIP implementation. Recently MPW has delegated more of the above functions to local governments.

At the site level, the local government establishes a local KIP committee for each site, headed by a local official (the *lurah*). The committee includes representatives of the quasi-government community council (LKMD) and possibly women's and youth groups. The *site plan* for KIP, which indicates locations of facilities and which buildings require removal, is shown to the community council which in turn explains it to individual families. Adjustments to infrastructure locations are made if enough pressure is brought by the community council. The general popularity of KIP and the Indonesian practice of consensus through community pressures normally ensures that objecting households are convinced and a scheme is eventually approved. Residents who lose all their land or house are usually offered another site within the *kampung* or a site at a public housing project in the city. The land acquisition committee is activated by the local government which negotiates with individual owners for the purchase of land needed for facilities. For land required for roads and footpaths, however, no compensation is provided under the view that the remaining site area is much more valuable to the owner than before: If more than 50 per cent of an owner's land area is taken, however, an alternative building plot is offered. As noted earlier land ownerships are generally small and tenure status are unclear. Except in central city areas there are few large landowners and the proportion of rented housing is low. In

general the compensation system has worked fairly well, especially because of the very low proportion of households which require relocation.

## EVALUATION OF KIP

### Impacts, Issues and Future Directions

Over recent years, a number of studies have explored the effect of KIP investments on the residents' physical, social and economic environment. Surveys have been carried out in Jakarta and a number of regional cities. Some of these included fairly detailed longitudinal control surveys of conditions in unimproved *kampungs*. Although the findings are by no means unanimous, there appears to be general support for the following conclusions:

- (a) **Coverage.** KIP has generally focused on badly serviced areas with poor environmental conditions in a great number of cities and has benefited low-income urban populations at low cost over a relatively short period of time by using a decentralized approach.
- (b) **Physical improvements.** Access and drainage have been improved greatly in almost all KIP schemes and substantial reductions in flooding are reported. Success in solid waste disposal and maintenance of drains and footpaths has been variable and depends heavily on the degree of community organization and participation in project planning. Water supply improvements have been effective in Surabaya, but weak in many other cities due to ineffective water supply agencies and inadequate community involvement. Sanitation improvements have been generally poor. The large public toilets and washing facilities (MCK) which were constructed were too few, due to difficulty of finding and acquiring land (due to inadequate compensation offered), or constructed in poorly located sites. They also suffered from poor maintenance because no effective users' association were formed to manage the facilities. There is much scope for improvement through better

management of MCKs and additional programs to provide individual and group family toilets (MMCKs). The emphasis on access and drainage and neglect of sanitation and water supply is illustrated in the table, which indicates the distribution of expenditures among the different physical components in various cities. The quality of construction has inevitably been mixed; common problems include inaccurate physical surveys, resulting in poor falls and profiles on drains causing backup of water and clogging. This is sometimes due to poor design or construction but is exacerbated by the absence of adequate macro-drainage systems. Concrete works are often of low quality, sometimes cracking and crumbling after a few months' use. This low quality was due, in part, to government regulations which require that small civil works contracts be implemented by small local companies which may not have enough experience, and partly to weak supervision.

- (c) **Residents' Participation and Attitudes** towards KIP. There is generally strong community support for the physical improvements. Footpaths are particularly popular; roads less so, especially among the nonmotorized majority of the population. Drainage and sanitation works are criticized if badly designed or constructed. However, the involvement of the community in the planning and location of facilities varies greatly depending on the type of KIP program and management. In general, residents' participation has not been actively encouraged by KIP project staff leading to: (i) lack of input from residents on service preference and location; (ii) inadequate raising of awareness on health and hygiene practices and maintenance of facilities; and (iii) lack of sense of ownership of the project. Surveys have shown (Taylor, 1985) that there is a strong positive correlation where there has been greater community participation in the planning of services and the subsequent level of maintenance and home improvement.
- (d) **Effects on Home Improvements.** There has been a substantial "stimulus" effect of KIP on private home improve-



ments, which have been found to be two to three times as high as in unimproved areas. It has been estimated that every Rp 1 million invested in KIP encourages an additional Rp 1.9 million in private improvements. Residents are most likely to construct fences, to extend and improve the quality of walls and floors and to invest in electricity installation. There seem to be two reasons for this high private response to public investment. First, residents appear to feel a need to have their own houses in conformity with the newly improved environment, and most home improvements are made within a year after the introduction of KIP. Second, *kampung* residents, most of whom do not have a clear legal right to their land, feel more secure after KIP, believing that government investment in the *kampung* is equivalent to an implicit recognition of residents' tenure rights. It must, however, be recognized that some of this investment is due to some residents having to rebuild the front of their houses after they have been torn down to provide rights-of-way for roads. There needs to be a better system of compensation for those residents who have been severely affected. This compensation might be combined in the future with a home improvement loan program available to the residents.

- (e) **Rents and Migration.** Housing values and rents have risen markedly in KIP areas in comparison with unimproved areas. Low rents have risen more than high rents so that the overall distribution of rents has narrowed. While there has been little out-migration due to excessive rent increases, this has been avoided by renters "doubling up" to pay for the increased rents. Overall rental space did not increase significantly, so space standards for renters have declined. The overall population growth of improved *kampungs* (which generally are the most dense) has been slower than in unimproved areas. Length of residence in improved *kampungs* has remained high and turnover rates have been no higher than in unimproved ones. Direct displacement of residents due to physical works has been very low, less than 2 per cent of the population.

- (f) **Land Values.** Whereas house values almost quadrupled after KIP (Taylor, 1985), land values on improved *kampungs* have not increased much more than in unimproved "control" *kampungs*. This may be due, in part, to the obscurity of land tenure, and partly to the low physical standards and consequent investment cost per capita by the Government (\$350 per household in Jakarta in 1986, compared to a cost of \$1,425 per household in Manila in the same time period). This lack of drastic change in land values has probably contributed to the social stability in *kampung* areas. However, as formal financial markets now emerge in Indonesia, there is increasing demand in larger cities for clearer tenure rights to provide the collateral for loans for house improvements and businesses.
- (g) **Economic Activity.** Early proponents of KIP often emphasized its catalytic role on *kampung*-level economic development. This role of KIP is probably overstated. There is substantial variation in the findings of the various surveys. In Jakarta, no impact on incomes could be discovered, while in Surabaya, family employment was observed to rise. One study found that the rate of employment in improved *kampungs* was higher and that the average household expenditures rose more rapidly than in unimproved areas. In addition, the number of small stores and workshops rose by 26 per cent in improved areas. It is not clear to what extent a more permanent increase in economic activity has been established through better access and security of tenure compared to temporary increases stimulated by project construction. Concern has been expressed by GOI and local governments that economic growth has partially bypassed the informal business sectors and failed to provide sufficient employment for the low-income groups. The spatial orientation of KIP offers an opportunity for a discrete economic component which could focus, for example, on providing assistance to small businesses, establishing production cooperatives and providing child care to allow women to work.

- (h) **Health.** More diseases were reported and more visits made to clinics after KIP. Both of these factors appear to be due to the fact that clinics were available through KIP. Before, diseases went untreated or people travelled to more distant facilities. In Jakarta, health levels did not appear to have improved, whereas in other KIP areas, there have been considerable improvements. As would be expected, health effects are greater where sanitation components are given high priority. Moreover, health conditions appear to be highly sensitive to the quality of the construction. Thus, for example, in some areas, groundwater quality improved at the pump following the installation of MCKs and drains, while in another case, water quality fell following substandard construction of MCKs and health conditions deteriorated. There has been minimal awareness-raising or education campaign on personal hygiene and public health and there is considerable scope for improvement in this direction.

### **Implications of Rapid and Extensive Coverage**

In terms of speed and coverage, Jakarta's upgrading program measures up well in comparison with similar programs elsewhere. As mentioned previously, 70 per cent of the then eligible *kampung*s had directly benefited by 1979, and further KIP activity since then has boosted this figure to about 90 per cent. Limited governmental resources have been allocated for modest improvements in selected physical facilities, which has enabled the Government to provide some benefits to nearly all eligible residents within a period of only 14 years. A disadvantage of this strategy has been that the program has thus far failed to adequately upgrade such complex infrastructure systems as sanitation and public water supply. These systems require major citywide improvements, whereas KIP has only implemented minor upgrading at the *kampung* level. Both the Jakarta and Indonesian Governments are now taking up these larger improvements under "urban betterment" or the Integrated Urban Infrastructure Development Program (IUIDP).

KIP's extensive coverage may partially account for the low level of household turnover or mobility. Since Jakarta residents observed that KIP was being extended to most of the city, they did

not feel it necessary to move to take advantage of the program. The extent of KIP's coverage has also helped moderate house value increases associated with the program. Experience in other Indonesian cities, and indeed in Jakarta during the early years of KIP, has demonstrated that turnover and house value increases are higher during the early years of KIP, since initial implementation is relatively slow. Hence, one clear lesson from the Jakarta experience is that an upgrading program should strive for one round of complete coverage as rapidly as possible to minimize such potentially undesirable impacts as sharp land/house value and rental cost increases and high turnover of households.

## **POLICY ISSUES FOR THE FUTURE**

Central government revenues are rising again through increases in oil revenues and expanding industrial products under the influence of deregulation; the Government is now showing a renewed interest in poverty alleviation and provision of basic services, especially as the presidential elections approach. KIP is again a priority program, while it is recognized that:

- urban growth is speeding up and much of the new growth is not served by local infrastructure;
- there is a need for improved sanitation and housing quality as general living standards have improved;
- there is a concern that urban economic growth has partially bypassed the informal industry and service sectors and that these activities need encouragement instead of repression if urban employment levels are to be maintained; and
- there is a need for greater community participation if the more family-oriented facilities (e.g., sanitation) are to be achieved and maintained, coupled with a more relaxed attitude to popular opinion and a greater willingness to use and encourage non-governmental organizations (NGOs) in community development programs.

Table 1: Kampung Improvement Program –  
Distribution of Expenditure for Selected Cities and Programs  
(percentage of expenditures)

	Jakarta	Surabaya	Sema- rang	Sura- karta	Ujung Pandang	Cirebon	Bogor	Tangge- rang	Bekasi	KIP Perintis
Roads, side drains, bridges	46	27	24	34	24	23	20	31	28	34
Footpaths, side drains	13	21	22	19	22	20	22	29	30	45
Main drainage	11	17	20	5	20	12	10	14	10	12
Water facilities	14	12	12	5	10)					7
Sanitation	1	5	6	7	7)	31 <sup>a</sup>	41 <sup>a</sup>	23 <sup>a</sup>	21 <sup>a</sup>	2
Solid waste	0.2	5	5	8	6	3	3	2	2	–
Health and medical	2	3	3	3	3)					–
Schools	13	10	8	11	8)	1	1	1	9	–
Total	100	100	100	100	100	100	100	100	100	100
Per hectare cost (Rp million)	12.1	10.4	11.1	8.2	11.5	3.84	4.54	4.73	4.39	2.8
Per capita cost (Rp)	43,000	29,000	37,800	29,900	33,000	n.a.	n.a.	n.a.	n.a.	9,333 <sup>b</sup>

a MCK Keluarga sanitation facilities, water supply only to MCKK.

b Assuming 300 inhabitants per hectare.

Notes:

- (i) Jakarta, Surabaya, Semarang, Surakarta and Ujung Pandang were financed under the World Bank's Third Urban Loan (No. 1336) (1979-1983).  
(ii) Cirebon, Bogor, Tangerang, Bekasi and KIP Perintis were financed under a Dutch government loan (1981-1983).

These observations were validated by the recent experience of the UNDP/World Bank-assisted urban sanitation pilot projects in Semarang and Surakarta where a partnership was established between the local governments and community organizations to promote health education and sanitation facilities, and assist households through extension services and loans to build their own toilet facilities. The experience so far has been positive.

### **Lessons Learned**

From experience in the past, some useful lessons can be learned which should be applied to policy formulation. The main ones are noted below.

#### ***Towns with Little or No KIP***

For *kampung*s without any improvements yet which have reached minimum critical density (about 150 persons per hectare) the traditional high speed infrastructure-oriented approach would be appropriate to provide basic services quickly to a large number of people. However, the level of investment per hectare should be high enough to provide the full package of services, with adequate attention to sanitation improvements, in order to have a significant impact.

#### ***Qualitative Improvements in Infrastructure***

In most large cities, 20-90 per cent of *kampung*s have received some improvements and the need for rapid coverage is past. More qualitative improvements are now needed especially for *kampung*s which were improved in the past but lack key services and social programs. Much greater attention should be given to planning levels of service and locations with the community, and to the following services: (i) sanitation, provision of group family toilets and better-managed public toilets, through creation of user associations; (ii) water supply especially better water distribution through public standpipes, and lower connection charges for individual households; (iii) more footpaths and micro-drainage; and (iv) better maintenance, especially of drainage and local-level garbage collection. In addition, better linkages are needed to citywide infrastructure and the incorporation of the KIP as a prominent component in

the local Integrated Urban Infrastructure Development Program (IUIDP).

### ***Social and Economic Programs***

A major effort is now needed in the areas of: (i) health education and nutrition in areas for the residents to take advantage of the facilities; (ii) economic programs to assist small businesses, stimulate cooperative enterprises, develop skill training and provide child care, all of which would stimulate local economic activities; and (iii) home improvement loans which would assist homeowners to provide better quality housing, expand rental space and encourage provision of individual sanitation.

### ***Tenure, Compensation and Relocation Policy***

In high density *kampungs* under pressure from developers, tenure needs to be clarified and recorded both to reduce unscrupulous low price buyouts by private developers and public infrastructure agencies, but also to provide a better property tax base and better collateral for homeowners and small businesses. Similarly in these same areas, where alternative land plots within the *kampung* are not available, higher levels of monetary compensation and or satisfactory relocation sites are needed.

### ***Community Participation***

All of the above improvements in quality and social and economic programs will require substantially greater community participation and initiative than allowed or encouraged in the past, and it appears that the Government is now willing to do this. Each KIP unit should have a community development officer in the lead role and the KIP unit staff should be strengthened with social science and community development discipline. A substantial training effort will be needed to re-orient top-down, output-oriented engineers into appreciating the new community development approach. *Kampung* committees and user groups (such as water and sanitation association, maintenance association, etc.) should be formed before the preparation of physical plans. The *kampung* committees should be encouraged to use non-governmental organizations (NGOs) to assist them in negotiations with the KIP units on the upgrading package, the banks for local finance, loan collections, skill programs, etc. Experiments could be started using a community development

fund and local cash contributions (see below). The role of the *lurah* might be reduced and replaced by the *kampung* committee which might even be elected by the residents. The rigid time schedule for KIP projects will need to be relaxed. These types of measures are needed to enable the residents to feel more in control in the initiation of the development process and thereby more committed to its results.

### *Financing and Cost Recovery*

While the increase in central government resources holds hope for expanded investment in basic services and KIP, there is also a danger that without reforms in the channeling of funds, the KIP will revert to a top-down program controlled by central government agencies with little financial participation or interest from local governments and communities. Central funds should be used instead to: (i) fund the dormant RDA (municipal loan fund) so that municipalities can borrow for municipal services, including KIP; (ii) expand the block grants to local governments and create a consolidated grant system which can be used flexibly for a specific range of basic services with requirements for them to be planned in an integrated manner (through IUIDP); and (iii) expand the taxing powers of local governments and strengthen property registration to enable them to raise funds to service loans. Some central government funds might be additionally allocated to KIP but only on a basis of matching funds from local governments and communities (say 25 per cent central, 75 per cent local). Whatever financing mix is used, it is essential that a single local KIP project manager handles all the funds which come through various sources in order to provide effective planning and coordination.

With the expansion of KIP into home improvement and business loans, some cost recovery could be initiated. The UNDP/World Bank Urban V sanitation project and a number of pilot efforts have shown that families are able and willing to take up loans for sanitation and water supply under a proper community development approach, and in fact, this stimulates more concern and responsibility at the community level. An important innovation to stimulate community influence and control may be the establishment of local community development funds by the local governments whereby communities could obtain a combination of grant and loan funds which could be operated by the *kampung* committee to: (i) hire



consultancy assistance and NGOs to help their plan and develop their KIP; (ii) finance and control the quality of small-scale physical infrastructure (footpaths, micro-drainage, MMCKs, MCKs, etc.); and (iii) provide the funding sources for home improvement and small business loans. The principal advantage of such an approach is that it would put control of some financial resources in the hands of the community, producing a more responsible attitude and better quality work than that controlled by government officials. To help maintain the fund, perhaps a sliding scale of local communities' contribution for infrastructure could be introduced based on income levels or house conditions, as well as loan repayments for individuals.

Most of the above improvements are now being tried in the new KIP in Metropolitan Jakarta. The summary of approaches and project development process is described further in the following section.

## **EVOLUTION OF THE COMMUNITY INFRASTRUCTURE PROGRAM (CIP)**

### **The New Comprehensive KIP in Metropolitan Jakarta**

#### ***Background***

Metropolitan Jakarta, consisting of DKI Jakarta (more than 8 million people) and the surrounding urbanizing towns (1.3 million population) is growing at almost 4 per cent per year. In the central city areas, population growth has stabilized, but continues to increase in the inner suburban ring and around markets through densification. Over the next 12-15 years, the DKI population is expected to double, and the surrounding urban areas to triple, through extensive settlement in unregulated and poorly serviced *kampungs*, leading to a population of about 17 million by the year 2000.

#### ***Approach and Concepts***

The CIP approach has been conceived over the past one-and-a-half years by the officials from the local government of DKI Jakarta, central Public Works Ministry (Ciptakarya) and BAPPENAS (Planning Department), with advice from NGOs, communities and the

World Bank. It has been designed to respond to the following widely held perceptions:

- (a) the popularity of KIP as a low-cost program which reaches the poor by means of an area-based approach through a package of needed services, has declined;
- (b) KIP had weaknesses with respect to inadequate attention to sanitation, and health-related subcomponents, yet there is a realization that a sanitation-only program is also inadequate with respect to meeting high-priority local needs;
- (c) demands have been expressed both from *kampung* communities and local government officials for a broader and more flexible approach which would both provide a better quality of traditional KIP services but also include new elements such as economic development and loans for individual water supply, sanitation and home improvements;
- (d) there is a need for greater community participation and involvement in the planning and monitoring of local service programs. This is perceived as fundamental for community acceptance of the services, for fulfillment of communities' responsibilities for operations and maintenance, and for repayment of loans from community associations and/or individuals which would be involved if improved sanitation, home materials and business development were included; and
- (e) there is a need for reforms to planning and financing KIP in order to: (i) ensure that an adequate level and quality of service is provided to have sufficient impact in the community; and (ii) encourage greater financial involvement of local governments and of *kampung* communities themselves.

The DKI has become concerned that its earlier KIP which, by 1984, had covered most of the existing *kampung*s, had been deficient

in addressing sanitation, water distribution, micro-drainage and access, and these *kampung*s needed additional upgrading. Secondly, both DKI and the nearby local governments wanted to expand KIP to newly-formed *kampung*s which have no services. The local governments were also concerned that KIP should be expanded to improve education to residents in health practices and the use and maintenance of facilities, to provide loans to communities to improve their existing houses and private sanitation facilities, and to use an area-based, community development focus to provide extension service and credit to small businesses and employment opportunities to women and out-of-school youth. It was recognized that the earlier KIP was deficient in community involvement and the local governments wanted to encourage much stronger community participation and use of NGOs to assist *kampung* communities to prepare projects themselves and to help them interact with local government KIP officials and staff. To initiate this approach the DKI has contracted with three NGOs to provide assistance to *kampung*s identified for the project. Consultant assistance has also been extended to DKI and nearby cities to develop a strategic sanitation plan for Jabotabek, together with criteria, standards and preliminary engineering designs for 10 selected *kampung*s which will provide the basis for cost estimates and guidance to the KIP units in the local governments and the NGOs in the field.

### **The Third Jabotabek Urban Development Project (JUDP III)**

With the above approach in mind Ciptakarya and the provincial governments of DKI Jakarta and West Java approached the World Bank to assist in the financing of an extensive Community Infrastructure Program in the Jakarta Metropolitan Area (Jabotabek). The World Bank responded positively to this proposal since it fitted well with the Jabotabek development strategy and completed two other major Bank projects in the Jabotabek region (JUDP I – a transport project and JUDP II – a water supply and drainage project).

#### ***Program Components***

This new approach to KIP has been termed revitalized KIP and is expected to absorb the traditional KIP practices over time. This community-based infrastructure program will build on the earlier experience of KIP. It will utilize a variety of low-cost solutions to

respond to prevailing ground and other technical conditions. It will provide a full range of services in existing and newly settled *kampungs* and use a strong community-based approach to improve the relevance and acceptability of KIP to the communities, and will also provide assistance to small enterprises in the areas. In order to engage local governments' and communities' interest and commitment, as well as to provide flexibility for local governments and communities to select components which are of high priority and relevant to local needs, the KIP would allow a menu (range) of subcomponents but with a core program of basic infrastructure and services. The range of components consist of:

- **Infrastructure networks.** The traditional KIP infrastructure of roads, footpaths, drainage and water supply would be continued. However, new road construction would be minimized and small footpaths and micro-drainage extended to reach less accessible (and usually poorer) areas of the *kampung*. The water supply networks would be expanded to provide service to greater number of individual household connections.
- **Sanitation and users' management.** This component would be an essential core program. Experience with sanitation where users' associations have been formed show that effective operations and maintenance together with cost recovery for public toilets can be realized if these associations are given responsibilities and proper training. This approach can also generate demand for individual and group family toilets and is most effective when it is preceded by an intensive health education and information campaign program.
- **Health services and education.** Experience has shown that sanitation and other KIP infrastructure need to be more strongly supported by an integrated package of health services and health education programs to promote and train the population (especially women and youth) in the acceptance, use and maintenance of public and private sanitation, water supply and solid waste facilities. With the assistance and guidance of the Ministry of Health (MOH), the project

would help implement the ongoing program of local health offices (*kesehatan*), by supporting the education/promotion initiatives noted above, training health workers and volunteers, and constructing and equipping health clinics (*puskesmas*). The subcomponent is viewed as a pilot effort for wider replication on a national scale.

- **Solid waste management.** Within each *kampung*, a door-to-door solid waste collection system will be established under the guidance of the community development council (LKMD). The component would finance appropriate vehicles and equipment for primary collection handcarts within these neighborhoods, large containers for transfer stations and roller-arm or lift-dumper container trucks for secondary collection and transport to disposal sites.
- **Land planning and acquisition.** In order to improve the provision of public facilities such as MCKs, schools, market facilities, parking areas and possibly in-fill plots for expansion of small-scale businesses, overall site planning and land allocation must be improved as part of the *kampung* physical development and supported with adequate funds for acquisition at market prices.
- **Training.** A major objective of the program is to improve the capabilities of the communities for planning and managing their local services, housing improvement and business operations. To make this effective, substantial training will need to be undertaken in the course of project preparation and implementation. The community development extension workers, assigned to groups of *kampung*s through the KIP units, will incorporate the training activities within their overall development program in each *kampung* community. Specialized resources to support their work will be identified by local government KIP units in coordination with sectoral agencies. Training will focus on community representatives, user group managers, small business operators, etc. In addition, training would be provided to government staff involved in the project (KIP units, sectoral agencies) particularly in the area of community develop-

ment and health education, which has traditionally been given less attention than engineering aspects and project management. Stronger training in all aspects would be needed for Botabek KIP units.

- **Small-scale credit.** A small-scale loan program will be established to provide credit access to low-income groups and individuals for a variety of purposes including home and on-plot water supply and sanitation improvement, small business support (home industry, craftsmanship, food stalls, etc.) The pilot credit program would be managed by local banks. To avoid incorporating subsidies into the programs, funds provided by local banks would be on-lent through recognized community-based financial intermediaries (CBFIs) to beneficiaries at market terms applied to small credits. Accredited CBFIs would appraise and package subloans for financing, in accordance with appropriate loan origination criteria, and would assume the default risk on the subloans.
- **Technical assistance.** Consultant assistance will be limited to specialist advisory services on small business operations, the management and operation of the community development fund, and infrastructure design and implementation in Botabek. Under the project, community development consultants would be contracted by the KIP management teams to manage the development program allocated to them.

#### ***Project Development Process***

The new CIP approach will require a more extensive involvement of the community in project activities than hitherto. In each *kampung*, a three-year development cycle will be followed to allow the community development process to take place six months to one year before implementation of physical works commences, and another six to eight months after all major components are completed. Therefore:

- A three-year development process will take place in each site starting with arrangements for community organization

and participation, establishment of user associations for specific functions (water and sanitation associations, home loan associations, business cooperatives, etc.).

- Substantial use will be made of NGO community development consultants (CDC). So far, about 50 suitable CDCs of various sizes have been registered by DKI. Each CDC has between 5 to 45 professional staff, plus a total of about 20-150 experienced extension workers.

The CIP will extend the KIP approach of integrated local service delivery and emphasize the following features:

- Human waste disposal using a range of low-cost technologies. Extension services and loans would be available to individual families and groups of families for materials for self-build or contracted construction. Public toilet and washing facilities will be provided to be operated by water and sanitation associations. Some of the earlier KIP areas which are deficient in sanitation will be targeted for this component and new unserved areas will receive more attention in sanitation.
- The sanitation program will be preceded by a health information and education campaign (HIEC) to raise awareness and improve personal habits in sanitation and nutrition. It will be prepared and operated by the Dinas Kesehatan and Bappem MHT with assistance from the CDCs.
- This will be complemented by provision of basic infrastructure services such as roads, footpaths, water supply, drainage, solid waste management and provision for new community centers for social and economic activities.
- More attention will be given to micro-drainage within the *kampungs* and with its links to the secondary drainage systems, to ensure that the additional water supplied through the project gets proper disposal and does not cause flooding in adjacent areas.

- Responding to demand among *kampung* residents for financial assistance to upgrade their homes following the physical infrastructure improvements, KIP would feature a home improvement loan (HIL) program for the purchase of materials for self-help or contracted home expansion. Existing formal sector housing finance arrangements do not provide for this need. KIP would use NGOs and community development consultants, the cooperatives and the existing community organizational structure to provide extension services.
- Recognizing that existing loan programs to assist small businesses have not been successful, the KIP would adopt a different approach to strengthen small businesses and cooperatives. In selected *kelurahans* it would use experienced community development consultants/NGOs to provide extension services to small businesses through training in business management and accounting, marketing opportunities and linkages, preparation of project proposals and identification of land and physical services needed. An accredited CBFI would make small-scale loan funds available to assist small-scale businesses and credit unions and cooperatives.

### ***Program Financing***

The following arrangements for KIP would have to be adjusted to the structural arrangement for financing urban development in the country. The main responsibility for KIP should be by the local governments and their communities. Local governments would provide finance for the public infrastructure and the initial capital for the small-scale credit from their own equity and loans from the central government (Regional Development Account), when it is operating. In addition, the central government would use its limited funds allocated to KIP as stimulus and matching grant to local governments on condition that local governments submit suitably prepared KIP proposals through their local Integrated Urban Infrastructure Development Program (IUIDP). Part of the KIP costs would be recovered through improved collection in the upgraded *kampungs*. Costs of individual and group water and sanitation facilities, home improvement loans and income-generating com-



ponents through the Small-Scale Credit would be recovered entirely from beneficiaries.

*Initial Concerns/Risks*

The concerns that might be raised over comprehensive KIP is its apparent complexity and therefore, manageability. The previous phases of CIP have been successful as regards the public infrastructure improvements. The main concerns for the new CIP approach would be the implementation of the social and economic development aspects. There are however, a number of strong reasons why the risks would be minimal. First, it is up to the local government to choose the extent of KIP they wish to implement. This is not a predetermined or large predetermined package forced on the local government. Second, many local governments have established KIP units with experience in implementing physical-oriented KIP. Third, the use of competent and motivated groups of NGOs and other specialized skills to operate at the *kampung* level will strengthen both the community motivation and the technical quality of planning and implementation. Fourth, the matching fund principle from the central government will avoid the problem of separate central government projects and place responsibility and incentives on local governments. Lastly, incorporation of community infrastructure and development in the IDAP/IUIDP process should link the comprehensive KIP clearly to other urban infrastructure programs.

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**Urban Poor, Housing and  
Basic Infrastructure Services  
in The Republic of Korea:  
The Case of Three Cities**

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# **Urban Poor, Housing and Basic Infrastructure Services in The Republic of Korea: The Case of Three Cities**

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## **INTRODUCTION**

Rapid urbanization which developing countries are experiencing is described as the cause of urban poverty. Because of massive rural migration, urbanization in developing countries has been occurring at a much faster pace. Most migrants from rural areas are poor, poorly educated and lack technical skills. Finding an adequate job is not easy for them. Because of high urban rents, they simply cannot afford adequate housing and tend to settle in squatter areas around the urban fringe.

In the Republic of Korea the key problems of low-income families have changed over time. Until the 1960s when the country's society was basically agrarian, unemployment was the key issue, and living conditions were extremely poor as well. Rapid industrialization during the 1960s and 1970s created a lot of job opportunities particularly in urban areas, significantly relieving unemployment. Now housing, education and medical services have emerged as central issues. The urban Saemaeul Movement begun in the 1970s and contributed considerably to improvement in the overall living conditions of urban low-income families. Basic infrastructure services have been increased, provision of piped water and sewage facilities have been expanded, and almost all households have electricity. The prime issue of low-income families has shifted to transience in house ownership caused mainly by shortages of housing stock for the urban poor. In view of these changes, this paper will mainly focus on housing problems while analyzing studies of

three cities in the Republic of Korea. The studies were undertaken by the Korea Research Institute for Human Settlements (KRIHS).

## THE CONDITIONS OF THE URBAN POOR IN THREE SELECTED CITIES

### Survey and City Background

A search of the literature on urban poverty in Korea revealed that most researchers on urban poverty in Korea had confined their study to poverty problems in metropolitan areas such as Seoul or Pusan and did not pay much attention to the problems of the poor in smaller cities.

By contrast, a KRIHS study on urban poverty expanded the geographical area of investigation in order to see whether there are significant disparities in terms of living conditions among cities of different sizes, the aim being to achieve a more realistic understanding of nationwide urban poverty aspects in the Republic of Korea. Six cities were studied: Seoul, Tregu, Songnam, Chongju, Masan and Mokpo. Out of these six, three cities were chosen for the present study: Seoul as large, Songnam as medium, and Mokpo as small city cases (see Table 1).

Table 1: Population and Poverty Areas

Item	Seoul	Songnam	Mokpo
Population (in thousands)	10,287	515	250
Number of poverty areas	103	32	28
Number of survey areas	6	3	3
Sample size	300	135	139

Source: City governments of Seoul, Songnam and Mokpo, as of 1988.

Seoul, the capital of the Republic of Korea, is like many other capitals in developing countries, a primate city with important socioeconomic and cultural activities. Since the 1960s, population

and most migrating populations have poured into Seoul. The unbalanced growth of the capital region, including Seoul and the Kyunggi Province, has become a serious national issue. In 1988, Seoul's population exceeded 10 million, accounting for about one fourth of the country's total population.

Songnam, currently one of the major satellite cities of the capital, is located about 20 km away from Seoul. In 1989, the population reached about 530,000. Until 1968, however, Songnam (Guangju county then) was no more than an agrarian area with a population of a few thousand. In 1969, the population was only 6,000, but growth has been very rapid since then. The sudden growth was due to the influx of a large number of people from Seoul as the result of squatter clearance-and-relocation programs.

In the late 1960s, the Seoul city government had planned and constructed several large-scale housing sites in Guangju county in order to accommodate the people who were displaced from the squatter areas in Seoul. In 1969, clearance and relocation was started even before those housing sites were adequately equipped with basic infrastructure services such as entry road, water supply, drainage and lighting and so on. Furthermore, there were no means of employment for the relocatees. This was a very serious drawback with the result that considerable numbers of the relocated returned to Seoul mainly for employment reasons. In the meantime more poor people had moved into the city, adding to the population.

At last, in 1971, serious mass demonstrations broke out at these housing sites, causing deep concern. The immediate cause of the incident was the shortsightedness of Seoul city's planning and execution of the program. Seoul city authorities simply forced squatters in Seoul to move to the new housing sites without ensuring adequate basic infrastructure services. So most of the relocatees had to construct houses for themselves and endure lack of services and joblessness. As a result, the relocation program was stopped. In 1973, Guangju county, as the relocation area was called, was given city status and renamed Songnam.

Mokpo, a small port city, is located 423 km away from Seoul at the southwestern tip of the Peninsula. The population growth has been very slow since the 1940s and its economy also has been stagnant. In 1988, the population was only 250,000 and its area 35.1 sq km.



From each of these cities, several typical poverty stricken sub-standard housing areas were selected and household heads were interviewed by trained survey specialists. Only those households whose income did not exceed the average urban household income at the time of the survey were investigated in order to exclude the nonpoor households within poverty areas.

### General Living Conditions

#### *Household Income and Expenditures*

Table 2 shows household income by family members. As a whole the earnings of the household head accounted for about three fourths of total household income, while earnings of other family members accounted for the rest, indicating a substantial contribution by other family members.

Compared with the national average urban household income which was W 765,000 in 1989, the income levels of the poor families are about a half or less. In particular, the income level of Mokpo was substantially lower than the national average urban income. It may be said that the city's lower degree of economic growth is also reflected in the income level of the urban poor.

Table 2: Household Income  
(W 10,000)

Item	Seoul	Songnam	Mokpo	Total
Household head	34.8	34.1	28.2	32.4
Spouse	2.6	3.7	3.9	3.4
Other members	5.0	4.0	2.0	3.7
Government subsidy	0.1	0.3	0.0	0.1
Others	0.5	0.7	2.1	1.1

Source: KRIHS (1989).

As shown in Table 3, major items of household expenditure include food, housing, education, public fees (water, electricity, telephone, etc.), transportation, medical and heating expenses. The household expenditure in each city appears to be in proportion to

the degree of economic growth and income levels of the cities. Food prices are higher in Seoul and Songnam than in Mokpo, indicating that income level is higher than in Mokpo. Housing expense is higher in Seoul and Songnam than in Mokpo, reflecting the higher price level of house and land.

It is noteworthy that education expense is highest in Mokpo among the three cities, mainly because considerable numbers of children in Mokpo go to big cities to study and, consequently, have to pay additional expenses, including board charge, etc. Among the three cities, medical expense is lowest in Mokpo, which might indicate that the poor of this city receive little medical service.

Table 3: Household Expenditures  
(W 10,000)

Item	Seoul	Songnam	Mokpo	Total
Food	12.2	9.5	6.6	9.4
Housing	7.2	7.4	4.6	6.4
Clothing	1.1	1.3	1.0	1.2
Education	3.0	2.0	4.4	3.1
Medical	1.2	0.8	0.5	0.9
Transportation	2.5	2.4	1.2	2.0
Heating	1.2	1.4	1.1	1.2
Public fees	2.1	2.0	2.2	2.1
Miscellaneous	3.5	2.1	3.1	2.9

Source: KRIHS (1989).

### *Characteristics of Household Head*

Table 4 shows some characteristics of the household head of the three cities. In Songnam and Seoul they are younger than in Mokpo; the average length of education is higher in those cities, too, than in Mokpo. Average working hours per month are much greater than the national average of 223 hours. The working hours become even greater, as the city size gets smaller. In the case of Mokpo, monthly working hours reach 256 hours, which is equivalent to about 60 hours per week.

Table 4: Characteristics of Household Head

Item	Seoul	Songnam	Mokpo	Total
Age (years)	43.4	43.0	45.5	44.0
Education (years)	9.3	9.7	9.0	9.3
Monthly labor (hours)	239	242	256	245.7

Source: KRIHS (1989).

Table 5 shows occupational composition of household heads of the three cities. About half or a greater proportion of household heads are engaged in production jobs in all three cities. However, among these only a small fraction (about one-eighth) accounts for skilled labor jobs. Next come sales and service jobs which account for about one-fifth to one-fourth. Significant differences can be found in the proportion of office workers, for example, office jobs in Seoul reached 11.7 per cent while in Mokpo they are 6.9 per cent only.

Table 5: Occupation of Household Head  
(per cent)

Item	Seoul	Songnam	Mokpo	Total
Office worker	11.7	9.3	6.9	9.3
Sales and service	25.3	26.1	21.6	24.3
Production labor (Skilled)	50.9 (17.6)	50.6 (10.8)	58.6 (9.3)	53.4 (12.6)
Unemployment	9.3	14.0	12.9	12.1
Others	2.8	0.0	0.0	0.9

Source: KRIHS (1989).

### *Material Poverty Aspects*

Table 6 shows some indicators which can be used as a measure of material well-being. Surprisingly, ownership rate of relatively expensive home appliances is quite high, thus, TV set (94 per cent), refrigerator (82.6 per cent) and telephone (76 per cent) are no longer rarities. Nevertheless, Mokpo's inferiority in terms of almost all indicators is clear again.

**Table 6: Ownership of Durables and Service  
(per cent)**

Item	Seoul	Songnam	Mokpo	Total
TV set	95.6	96.4	90.1	94.0
Refrigerator	85.9	89.1	72.7	82.6
Washer	35.7	47.3	15.7	32.9
Gas range	77.9	80.9	52.9	70.6
Telephone	81.1	71.8	75.2	76.0
Camera	30.5	41.8	10.7	27.7
Newspaper	36.1	39.1	20.7	32.0

Source: KRIHS (1989).

Though the Republic of Korea has achieved remarkable economic growth during the last several decades, as shown in Table 7, other material poverty indicators disclose that the undernourished household is still there and that obtaining adequate education and medical service is a serious problem of the urban poor.

**Table 7: Material Poverty Indicators  
(per cent)**

Item	Seoul	Songnam	Mokpo	Total
Hunger <sup>a</sup>	6.1	0.9	4.1	3.7
Giving up education <sup>b</sup>	16.2	14.5	13.0	14.6
Giving up medical care <sup>c</sup>	40.3	32.7	30.1	34.4

Source: KRIHS (1989).

a Response to the question, "Have you ever skipped meals because of money during the past year?"

b Response to the question, "Have any of your children given up further education because of money?"

c Response to the question, "Have you given up going to hospital because of money during the past year?"

### Housing and Infrastructure Conditions

In this section housing and infrastructure service conditions of the urban poor are observed in terms of physical characteristics of housing, infrastructure, housing tenure and financial burden, and opinions on their residential environment.

#### *Housing Characteristics*

As Table 8 shows, most of the urban poor tend to live in one-storey detached houses. Compared with other cities, Mokpo's housing is composed of nearly 100 per cent one-storey detached houses. Songnam, a satellite city of Seoul, has a higher number of two-storeyed houses with multi-occupancy closely related to the fact that Songnam has been rapidly developed for the relocated people from Seoul.

Table 8: Building Type  
(per cent of dwelling units)

Item	Seoul	Songnam	Mokpo	Total
One-storey detached	84.9	76.4	99.2	86.8
Two-storey detached	2.4	9.4	0.8	4.2
Multi-occupancy	12.3	12.3	0.0	8.2
Others	0.4	1.9	0.0	0.8
Sample size	252	106	125	483

Source: KRIHS (1989).

In the districts of the urban poor, the history and evolutionary process of substandard housing areas can be figured out by comparing the ages of the building (Table 9).

Table 9: Age of Buildings  
(per cent of dwelling units)

Item	Seoul	Songnam	Mokpo	Total
By 1950	10.3	13.0	17.8	13.7
1951-60	17.9	5.8	5.7	16.5
1961-70	49.6	31.9	34.7	38.7
1971-80	16.5	34.8	20.8	24.0
Since 1980	5.8	14.5	1.0	7.1
Sample size	224	69	101	394

Source: KRIHS (1989).

Since the rapid growth of the Korean economy, Seoul and Songnam have grown rapidly. To accommodate the physical setting to the economic change, urban renewal has been widely accomplished, thus only a small percentage of old houses remain in these two cities. However, Mokpo has many old houses. Compared with other cities, Mokpo has far fewer new houses. This indicates that Mokpo has been a relatively stagnant city. On the other hand, the so-called *panjajib* (a board-framed shack), the typical form of housing in the 1960s, has nearly disappeared from all the cities.

Table 10 shows that buildings constructed with cement-block and cement-brick account for about 80 per cent of the total housing stock in substandard housing areas. Cement-block, as a stable building material, is most widely used in building a house. Seoul shows the largest percentage of cement-block (62.9 per cent), next Songnam (43.1 per cent) and Mokpo (31.6 per cent).

Table 10: Building Material  
(per cent of dwelling units)

Item	Seoul	Songnam	Mokpo	Total
Red-brick	3.2	3.9	0.0	2.4
Cement-brick	24.7	37.2	52.4	38.1
Cement-block	62.9	43.1	31.6	45.8
Wood	2.0	6.9	7.8	5.6
Clay-brick	6.4	6.9	8.2	7.2
Others	0.8	2.0	0.0	0.9
Sample size	251	102	120	473

Source: KRIHS (1989).

Because most of the substandard housing in Seoul had been built in the process of rapid rural-to-urban migration, the size of housing units is small as shown in Table 11. On the other hand, most housing in Songnam has been built for several families to live together, therefore, the unit size of housing is relatively larger. The size of housing in Mokpo is big, mainly because most of the housing units are old and one-storey detached ones.

Table 11: Size of Housing Units  
(per cent of dwelling units)

Item	Seoul	Songnam	Mokpo	Total
1 to 10 <i>pyong</i>	33.7	3.7	4.1	13.8
11 to 20 <i>pyong</i>	35.7	22.2	16.4	24.8
21 to 30 <i>pyong</i>	11.5	23.1	28.7	21.1
31 <i>pyong</i> and larger	19.1	51.0	50.8	40.3
Sample size	252	108	122	482
Average	18.8	38.1	32.2	29.7

Source: KRIHS (1989).

Note: *Pyong* = 3.3 sq m.

Table 12 shows that occupied rooms per household in Seoul and Songnam are much smaller than in Mokpo. Because of many families living under one roof in Songnam, occupied rooms per household are smaller though the area of housing unit is bigger than in Seoul. In Mokpo's case, occupied rooms per household are large, because of larger units areas with smaller number of families under the roof.

Table 12: Number of Rooms per Household  
(per cent of households)

Number of Rooms	Seoul	Songnam	Mokpo	Total
1	48.2	56.0	16.5	40.2
2	39.5	25.7	50.4	38.5
3	9.9	13.8	14.9	12.9
4+	2.4	4.5	18.2	8.4
Sample size	253	109	121	483
Average	1.7	1.6	2.4	1.9

Source: KRIHS (1989).

### *Infrastructure Services*

The problems of substandard housing comprise not only overcrowding but also poor infrastructure services. This part deals with water supply, toilet type and facilities, and heating methods of urban poor households. Water supply is quite good in all three cities; 95.1 per cent of households have access to piped-water supply, either indoors (80.4 per cent) or outdoors (14.7 per cent) (see Table 13). The high rate of outdoor piped water in Songnam is related to the high proportion of multi-occupancy houses in the city, which commonly use a common piped water service in the court.



Table 13: Water Supply  
(per cent of households)

Item	Seoul	Songnam	Mokpo	Total
Piped water indoors	86.6	73.4	81.1	80.4
Piped water outdoors	11.5	20.2	12.3	14.7
Others	1.9	6.4	6.5	4.9
Sample size	253	109	122	484

Source: KRIHS (1989).

The majority of housing units (67.3 per cent) are not equipped with private toilets (Table 14), and 84 per cent of the households use the pit latrine in squatter areas (Table 15). This shows that infrastructure service conditions of the poor have not been greatly improved. Usually, a communal toilet was used where rapid population growth far outpaced housing construction in low-income areas. As shown in Table 14, the proportion of communal type is highest in Seoul. In Songnam, the proportion of common toilet types is about two-thirds, which can be explained by the high proportion of a relatively new multi-occupancy houses in the city. On the other hand, the high rate of the common type in Mokpo seems to be related to the old traditional house type which has only one toilet.

Table 14: Toilet Types by User  
(per cent of dwelling units)

Item	Seoul	Songnam	Mokpo	Total
Private	31.6	33.0	33.6	32.7
Piped water outdoors	11.5	20.2	12.3	14.7
Common	40.3	62.4	66.4	56.4
Communal	28.1	4.6	0.0	10.9
Sample size	253	109	122	484

Source: KRIHS (1989).

Note: Common stands for a toilet type made for multifamily use within a house.

Table 15: Toilet Facilities  
(per cent of dwelling units)

Item	Seoul	Songnam	Mokpo	Total
Pit latrine	87.7	90.9	94.1	90.9
Flush	12.3	9.1	5.9	9.1
Sample size	253	109	120	482

Source: KRIHS (1989).

In regard to the heating method, as shown in Table 16, nearly 100 per cent of housing units use briquettes. As reconstruction is predicted in the process of urban renewal, Seoul is higher than the other two cities in the rate of using briquette fireplaces. On the other hand, Mokpo displays the highest use briquette-fired boilers, which is probably because most houses were built for long-term occupancy.

Table 16: Heating Type  
(per cent of dwelling units)

Item	Seoul	Songnam	Mokpo	Total
Briquette fireplace	48.6	33.0	18.2	33.3
Briquette boiler	49.4	65.1	79.3	64.6
Fuel boiler	1.6	1.9	1.7	1.7
Others	0.4	0.0	0.8	0.4
Sample size	253	109	121	483

Source: KRIHS (1989).

### *Housing Tenure and Rent Burden*

Table 17 shows housing tenure and rental types of dwelling units in substandard housing areas. As described earlier, Songnam's development was initiated for relocatees from Seoul around 1970. Therefore, most houses in the 1970s were designed and built for multifamily use; the lowest proportion of Songnam in the owner-occupied type seems to reflect such a legacy. On the other hand, the rate of owner-occupancy in Mokpo is higher than in the other two

cities, since Mokpo has many old lower-priced houses. Frequently, tenants in Mokpo pay rents in advance on a 10-month basis.

Table 17: Housing Tenure and Rental Types  
(per cent)

Type	Seoul	Songnam	Mokpo	Total
Owner-occupied	32.8	25.5	39.8	32.7
<i>Chonse</i> <sup>a</sup>	37.5	38.2	35.0	36.9
Monthly rent <sup>b</sup>				
with deposit	24.5	25.5	0.8	16.9
<i>Sakwolse</i> <sup>c</sup>	2.0	3.6	21.1	8.9
Monthly rent	3.2	7.2	3.3	4.6
Sample size	253	110	123	486

Source: KRIHS (1989).

a *Chonse* does not require monthly rents but a lumpsum safety deposit for the period of 1-2 years.

b Monthly rent with deposit requires both monthly rents and some amount of deposit.

c *Sakwolse* requires payment of 10-month rent in advance.

Table 18 shows average monthly rent burden by the rental type. As indicated in all types, rent burden is the highest in Seoul and the lowest in Mokpo, reflecting the prevailing market price.

Table 18: Rent Burden by Type  
(W 10,000)

Type	Seoul	Songnam	Mokpo	Total
<i>Chonse</i>	8.9	8.0	4.2	7.0
<i>Sakwolse</i>	13.9	5.0	3.8	7.6
Monthly rent	7.6	4.9	—	6.3

Source: KRIHS (1989).

Table 19 indicates the proportion of households in each city which plan to buy a new house in the future, regardless of their ability to pay. About 69 per cent of positive answers show a strong demand for housing ownership. The table also shows that the aspiration of having a house is higher in Songnam and Seoul where the owner occupancy rate is relatively low.

Table 19: Plan for Buying New House  
(per cent of households)

	Seoul	Songnam	Mokpo	Total
Yes	64.9	79.8	61.5	68.7
Sample size	251	109	122	482

Source: KRIHS (1989).

Table 20 shows financial sources to purchase a new house. Only 11 per cent of respondents have the financial ability to raise funds by selling property and using savings. The money can also be provided by a mutual-loan club or personal savings (65.2 per cent). However, considering high prices of housing and the low income of the prospective buyers, the feasibility of buying new houses is low.

Table 20: Financial Sources for Housing Purchase  
(per cent of households)

Sources	Seoul	Songnam	Mokpo	Total
Property sales	6.7	2.3	9.3	6.1
Savings	63.2	61.6	70.7	65.2
Safety deposit	4.9	5.8	4.0	4.9
Private loan	16.0	15.1	13.3	14.8
Others	9.2	15.2	2.7	9.0
Sample size	163	86	75	324

Source: KRIHS (1989).

Table 21 shows responses to the question of "What is most needed in your house now?" About 69 per cent of the residents indicated an additional room. The proportion asking for one more room is highest in Seoul (73.2 per cent) where the number of rooms was only 1.7 per family.

Table 21: Most-Needed Improvements  
(per cent of households)

Item	Seoul	Songnam	Mokpo	Total
One more room	73.2	65.0	68.6	68.9
Toilet, shower	11.3	17.0	13.7	14.0
Kitchen	11.7	13.0	13.7	12.8
Storage	3.8	5.0	4.0	4.3
Sample size	239	100	102	441

Source: KRIHS (1989).

Table 22 shows responses to the question of "What is most needed in your community?" Forty-six per cent of respondents display great concern about their children by selecting the children's playground as first priority. Similarly, 15 per cent chose a village library. The majority expressed the opinion that children should be educated from the early years in order to ensure success in life. A community center particularly for the old was more needed in Mokpo than in the other two cities, showing that the number of the old is higher in Mokpo and community consciousness is still strong.

Table 22: Community Facilities Needed  
(per cent)

	Seoul	Songnam	Mokpo	Total
Nursery	9.4	12.2	6.8	9.5
Hall for aged	6.7	8.9	17.5	11.0
Children's playground	47.1	57.8	33.0	46.0
Village library	10.8	16.7	17.5	15.0
Communal workplace	6.3	—	1.0	2.4
Communal washing	0.9	—	2.9	1.3
Village hall	5.8	2.2	13.6	7.2
Others	13.0	2.2	7.7	7.6
Sample size	223	90	103	416

Source: KRIHS (1989).

Table 23 indicates whether a household has experienced demolition and relocation or not. In the Seoul region, a squatter eviction-demolition-and-relocation method was usually for urban redevelopment. As a result, Seoul and Songnam have substantial proportions of households which have experienced demolition and relocation. However, the rate is very low in Mokpo because demolition and relocation rarely occurs in small cities.

Table 23: Experience of Demolition and Relocation  
(per cent of households)

	Seoul	Songnam	Mokpo	Total
Experienced	19.0	14.5	4.1	2.5
Sample size	252	110	123	485

Source: KRIHS (1989).

Table 24 shows reasons why about 70 per cent of owners of houses are in favor of urban renewal projects. About 70 per cent of house owners agree with urban renewal. For example, the house owners in Seoul prefer redevelopment because they may have the

opportunity of possessing a flat by implementing a redevelopment project. On the other hand, in Songnam and Mokpo, more house owners want to improve the urban environment by renewal. Particularly in Mokpo, only 10.8 per cent of residents consent to redevelopment even if there is the possibility of possessing a flat, partly because they are short of information and the city does not have any specific redevelopment plans.

Table 24: Owners' Reasons for Favoring Renewal  
(per cent of households)

	Seoul	Songnam	Mokpo	Total
Flat ownership	59.8	26.1	10.8	32.2
Priority ticket	0.3	17.4	13.5	10.4
Amenity	27.2	43.5	45.9	38.9
Employment	3.6	8.7	18.9	10.4
Others	9.1	4.3	10.9	8.1
Sample size	60	23	37	120

Source: KRIHS (1989).

House owners who do not consent to redevelopment believe that redevelopment cannot ensure the possession of a flat, or maintenance costs might be too high for them. Table 25 shows reasons why tenants are in favor of renewal projects. About 62 per cent of the tenants consent to redevelopment. The reason differs among cities. For tenants in Seoul and Songnam, the dominant reason is improvement of urban amenity and satisfaction of compensation level. The tenants in Mokpo, however, think that urban renewal will boost employment.

**Table 25: Tenants' Reasons for Favoring Renewal  
(per cent of households)**

	Seoul	Songnam	Mokpo	Total
Due compensation	27.8	31.7	6.7	22.1
No right to object	11.1	17.5	13.3	14.0
Employment	7.4	9.5	60.0	25.6
Amenity	40.7	36.5	20.0	32.4
Others	13.0	4.8	0.0	5.9
Sample size	108	63	30	201

Source: KRIHS (1989).

Table 26 shows what directions the urban renewal projects should take as indicated by the desire of the residents of substandard housing areas. Construction of public rental housing including long-term loan housing with low interest is mostly preferred by residents in Seoul and Songnam. On the other hand, authorized self-improvement or government-assisted redevelopment is preferred by the residents of Mokpo.

**Table 26: Directions of Renewal Desired  
(per cent of households)**

	Seoul	Songnam	Mokpo	Total
Self-improvement	27.4	27.7	45.4	33.5
Public rental housing	56.0	55.6	49.5	53.7
Joint redevelopment	2.6	2.8	0.0	1.8
Renewal	14.0	13.9	5.1	11.0
Sample size	193	72	99	364

Source: KRIHS (1989).



## ASSESSMENT OF POLICIES AND PROGRAMS

### Past Policies and Programs: Evolution

#### *Demolition-and-Relocation Policy*

Since the 1960s, as the result of massive rural migration, explosive population growth has taken place in urban areas, particularly Seoul. The spatial redistribution has brought serious problems of shelter, transportation and urban infrastructure services in large cities. Among these, the most serious problem for low-income households was the lack of adequate housing. Most rural migrants had to construct their own shelter on land owned by others. However, urban renewal was urged mainly by real estate owners interested in making use of public land occupied by the migrants; this forced poor residents to move out to other areas.

#### *Relocation and Provision of Settlements (1961-1972)*

In the 1960s, the Government carried out simple relocation programs of the poor. Originally, this kind of program was applied to the victims of fire and floods but also, in order to implement urban consolidation projects such as expansion of roads and streamlining railway sites. A typical project of this type was the development of a large-scale housing site, namely Gwangju Daedanji, in the suburban area of Seoul to accommodate relocated residents from the inner city by the Seoul city government. To accommodate a large number of relocatees, a large-scale housing site development project was carried out. However, it was very difficult for the new residents to live in a kind of shanty town without sufficient infrastructure services and particularly, few employment chances.

#### *Construction of Citizens' Flats (1967-1970)*

Since 1967, the construction of flats was activated in order to provide living space for households displaced by the demolition-and-relocation method and at the same time to solve the housing shortage problems. However, because the citizens' flat policy had been initiated without considering socioeconomic implications, these project areas gradually changed hands becoming residential areas owned by middle and upper-income households. In the process, the urban poor had to move out again toward cheaper areas to survive.

***Legalization and Self-Help Development Policy (1967-1973)***

In 1967, a selective legalization policy was initiated in order to utilize substandard housing stock by ensuring legal improvement to substandard housing. The legalization program, originally started as a temporary provision for substandard dwelling units, did not last long and was replaced by a self-help development program in 1971.

Through the implementation of this policy, the Seoul city government could improve living conditions in some areas without land use alteration, as in converting public riverside land or parkland into residential areas. Consequently, one third of the planned target of housing improvement was achieved, without using public land.

Public land disposal was delayed mainly due to the problems of boundary identification, land use alteration, disposal permission by the Government and limited financial capacity of squatter residents. Legalization and self-help development policy replaced many *panjajibs* (board-framed houses) with cement-block houses; as a result, the housing quality in project areas became better than before. However, it seems that the policy suspended degradation of squatter areas only temporarily, and squatter areas were designated again as housing redevelopment districts in 1970s.

It is true that legalization alleviated many worries about squatter clearance and brought a temporary stability to squatter areas. However, substandard housing again became the object of clearance and the reason for this vicious circle was mainly because this policy was not accompanied by public land disposal.

***Substandard Housing Area Redevelopment Policy***

Squatter settlement policies in the 1970s had included both clearance and relocation of squatter settlements mobilizing administrative power and housing redevelopment utilizing the economic resources of middle and upper-income class residents. Housing redevelopment policy has evolved in 1973 upon the enactment of a Special Law. The Law classified redevelopment programs into two types: "inner city redevelopment" and "housing redevelopment". Through this legal action squatters were helped to become legal homeowners.

However, residents in substandard housing areas were supposed to pay all the costs of redevelopment themselves. Consequently, the success of the policy was mainly dependent upon

residents' participation. On-site redevelopment (1975) was actively carried out from 1976 with a USAID loan. In 1982 the loan was discontinued, the project was delayed for a long time and so improvement and redevelopment was replaced by clearance and redevelopment.

The 1975 scheme was designed so that the city government provided basic infrastructure and a housing lot, while residents constructed their houses. But since the residents have to bear all the cost for purchasing public land, rebuilding houses and moving, the self-help project has not been widely accepted. The Seoul municipal government encouraged "commissioned redevelopment" (1979-1982), involving two parties: the city government and the redevelopment association, increasing the project scale and requiring more financial resources than for on-site redevelopment.

Other residential programs for low-income families during the 1970s included relocation to outskirts and provision of priority tickets for citizens' flats (1975) and subsidy for clearance (1973).

#### ***Joint Redevelopment Policy (Private Sector Investment)***

Since 1983, the Government has adopted joint renewal policies in cooperation with large construction firms and owners of squatter houses, under the guidance of the city government.

This policy was designed to be mutually beneficial, so that construction firms could obtain land and homeowners could obtain priority rights to the newly-constructed apartments, based on the amount of land relinquished. However, most renters in joint redevelopment districts are loud in their complaints as to an oppressive physical removal and tenant eviction program. Here, joint redevelopment has critical problems in terms of inadequate attention paid to the renters.

As the joint redevelopment policy began, housing costs and rents in the redevelopment area went up significantly and most apartments built were for middle-income groups. Many residents had to move to other areas as a result and poor tenants were dispersed into other substandard housing areas including underground rooms or vinyl houses which are not suitable for human habitation.

#### ***Improvement of Living Conditions in Substandard Housing Areas Policy (1989)***

Because of mass demonstrations caused by demolition, increases of housing prices and other problems of previous policies,

the Government designed a new urban renewal policy: "improvement of living conditions in substandard housing area policy", which was initiated in 1989. As of 1990, 77 districts have been designated and written consent is being taken. Under this policy, the city government undertakes construction of public facilities (public utilities, roads, parks, etc.), guaranteeing adequate housing to tenants displaced by new construction. With respect to public infrastructure services, the normal citywide standard is applied to the area. Structural renovations of houses are left to the owners, subject to city ordinances on safety, sanitation, etc. To provide legal support, the Central Government enacted a Special Law in 1989. According to the Special Law, redevelopment must be agreed to by two-thirds of land owners, two-thirds of home owners, and one-half of renters residing over three months in the redevelopment districts.

One problem should be pointed out. When home owners improve housing conditions, they usually raise rents. This process imposes an excessive burden on the renters but serves to increase the income of the home owners.

#### ***Permanent Rental Housing Policy (1989)***

A permanent rental housing policy was launched in 1989. This policy is aimed at providing rental housing to low-income families at relatively low rates. In advanced countries, housing policies for the poor are of two kinds: direct housing supply by government intervention such as public or social housing and subsidized housing cost based on income and affordability. The Republic of Korea is now considering direct supply by the Government.

Many poor people anticipate that permanent rental housing will meet their needs. For instance, approximately 80,000 households reportedly living in vinyl houses around Seoul believe that a permanent rental housing program will solve their housing problems. Since the demand is expected to be high, strict selection is required. Priority is given to three groups: social welfare recipients, people displaced by urban redevelopment activities and poor war veterans.

Such a program has several problems, too. Although permanent rental housing is in a sense the most effective way to deal with low-income housing problems, equity and efficiency questions have frequently been raised because of the large amount of initial government investment required, as well as financial support for

operations and maintenance costs in relation to a limited number of beneficiaries. A supply of permanent rental housing will hardly trigger upward mobility in the low-income housing market if tenants are composed of the most deprived people. Construction expenses are entirely supported by Central Government budget which means competition with other programs for the government budget each year. In tenant selection, emphasis has been put on household size. However, a general understanding is that an expansion of permanent rental housing supply is a necessary step to relieve the housing problems of the poor.

### **Effectiveness of Policy Types: Evaluation**

#### ***Self-Help Development and Gradual Improvement Policy***

Former redevelopment approaches in the Republic of Korea include: clearance redevelopment, conservation redevelopment and rehabilitation redevelopment. Improvement redevelopment is a new approach considered more suitable to deal with the problems of the poor. This means that the residents of the substandard housing areas improve their living conditions and dwellings themselves. In the process of redevelopment, government and public agencies provide the residents with redevelopment subsidy, building sites and relaxing of legal regulations.

Legalization of illegal housing and self-help improvement were carried out in the 1960s. In 1989, a "Special Law" was passed, which aims to improve living conditions in standard housing areas in consultation with residents.

This policy seems attractive not only to government agencies but also to residents in squatter areas. This policy needs smaller capital investment and can be achieved without migration of the residents. It is more effective when residents can bear a part of development costs, which is preferred by home owners rather than renters. However, self-help and gradual development policy is a long-term measure. Similar policies have been executed several times in the Republic of Korea without great success and the necessity of this type of project would decrease in proportion to rising income level.

### **Concentrated Investment of Public Funds Policy**

A type of "concentrated investment of funds" project appeared in the Republic of Korea, taking the form of clearance redevelopment, commissioned redevelopment, joint redevelopment and others.

This type of redevelopment usually destroys the spontaneous living conditions of the poor and stability of their lives and finally places a higher economic burden of housing expenses on poor households. In the United States and the United Kingdom, redevelopment projects were executed in order to consolidate old and run-down buildings. On the other hand, in the Republic of Korea, redevelopment was carried out in the areas which originally started as substandard housing areas. In addition, development costs were not financed by the public sector but by the private sector.

This type of redevelopment project tends to be accompanied by all-out demolition. Therefore, the important questions lie not only in how funds are invested, but also in how alternative temporary shelter is provided during the demolition period. However, most previous redevelopment projects were not successful in preparing temporary accommodation arrangements. Demolition requires expensive countermeasures not always effective in solving the housing problems of the poor.

### **Financial Support and Price Control Policy**

Since the poor possess only limited loan redemption capacity, the expansion of direct financing (i.e., loans) has no great meaning for them. A "supply-side subsidy" policy, which aims to build more housing units with reasonable rents, may be more effective. In this case, the Government should bear some of the redemption interest to maintain cheaper rents. This has been done in two ways: by controlling rents and by controlling property prices. The Government has used these mechanisms in wartime and aggravated residential distress conditions caused by a great rise of rents. However, this kind of control policy is not a permanent solution because it may reduce the housing supply.

## CASE STUDIES OF CITY PROJECTS

### Seoul

#### *Joint Redevelopment Project: A Case of Sadang 2-Dong*

A private company and home owners cooperate to build new high-rise flats and share profits. The project is initiated on a voluntary basis with the identification of a project by home owners and the construction company selected by representatives of home owners. A redevelopment association is created to work with home owners to get the required two-thirds vote for approval. The municipal government plays the minor role of providing necessary administrative guidance. Under this program more than 10,000 high-rise flats were built in about 20 old areas since 1984; the program is continuing in about 25 squatter areas in Seoul.

Sadang 2-Dong which is selected for our case is one of those areas where the joint redevelopment project has been implemented recently. The area is located in the southern part of Seoul and is very near to the Han River. The total land area of Sadang 2-Dong joint redevelopment project is 46,783 sq m. About 92 per cent (42,909 sq m) of the land of this area is owned by Seoul municipal government, the rest being private land. The area is on a hillside and near a subway station. The project area had a total of 537 dwelling units and about 1,000 households.

Before 1965 this area was covered with forest. In October 1965 about 4,000 squatters had settled down who were evacuees from development areas like Choongmoo-Ro and Myung-Dong near the Seoul city center. The influx of evacuated squatters to this area continued till 1968. The Seoul municipal government provided 10 pyongs of land to each squatter household. By 1968, this became one of the largest squatter settlement areas within Seoul. A few years later, however, this area was designated a redevelopment area by the municipal government. But it took more than 10 years to launch the redevelopment project. The implementation of the project is chronologically summarized as follows:

- 1984 Establishment of redevelopment association of home owners
- 1984 Selection of construction company

- 1985 Designation of redevelopment area by the Ministry of Construction
- 1985 Approval of master plan of redevelopment project by Seoul municipal government
- 1986 Changes of construction company
- 1987 Beginning of voluntary demolition of houses by home owners

Most of the residents before demolition were low-income families. About 70 per cent of heads of households were unskilled laborers and construction workers. Since one earning member was not enough for the family, most wives were also engaged in part-time jobs.

A study of the impact of redevelopment project on squatters of this area documented negative effects on tenants and home owners alike in economic and social terms. In the process of implementing the redevelopment project, the community itself became the site of conflict between different groups. As a result, close social ties and relations among residents have been hurt and destroyed. Most of all, conflict between home owners and tenants is notable. This conflict stems basically from the fact that the renting families asked more compensation for relocation and for better bargaining power; they refused to move out and staged a sit-in demonstration resisting physical removal and tenant eviction. In fact the redevelopment association proposed to the renting families to choose either W 800,000 for compensation for relocation or a right to enter an 8-pyong unit in high-rise flats after completion of the redevelopment project. However, the leaders of the renting families did not accept this proposal and asked for more. Since the more tenant families get for compensation, the less the homeowners profit from the project, the conflict between them became serious. Internal conflicts took other forms as well causing delays in implementation.

Second, since the joint redevelopment project relies basically on market principles, lot speculation is found to be a major market mechanism inducing voluntary demolition of houses in the squatter area. Houses in the area have been sold more than once during the two years since the project began. Buyers of houses are mostly "outsiders" who are interested in the new apartment complex to be built in the area, or real estate brokers who intend to make a profit



out of buying and selling houses in the area. Accordingly, the price of houses has been escalating and lot speculation has been rampant. A 10-*pyong* house was sold at W 20 million in 1987 when eradication was started, soaring up to W 45 million around October 1988. Because of the voice of the renters' association, renters are given "a right" to have a 8-*pyong* room for W 10 million. The renter's right is also prone to speculation. Its price has increased from about W 1 million to W 6 million for the last year. Squatter-residents have always succumbed to the influence of lot speculation, though very few residents have made profits from it.

Third, the redevelopment projects have not brought about improvement of living conditions of residents. It is generally observed that squatter-residents have been dispersed into neighboring areas. As much as 80 per cent of move-outs have concentrated in neighboring areas and the rest in other areas within Seoul, still others settled in the outskirts of Seoul or neighboring cities, and a few returned to rural areas. About 20 per cent of 93 move-outs have resettled in squatter areas again. There is no remarkable change noticed in the ownership of houses before and after moving out, however, some owners fell into the renters category. In general, the housing condition of move-outs has not improved much compared to their conditions in Sadang. The size of their rooms becomes a little larger, from 3 *pyong* to 4.4 *pyong*. But the number of rooms per household is still the same, 1.6 per household on average, while the number of households per dwelling unit has increased from 2.7 to 3.7 households. In other words, move-outs come to have a larger room space at the cost of living in more crowded houses. Most move-outs report longer commuting hours for going to schools or work places. They evaluate their new settlement areas not much better than Sadang-Dong, though housing conditions became a little better.

In sum, the study concluded that cheap housing areas with reasonable public facilities, transportation and social networks to be utilized for self-supporting systems are rather squeezed due to the redevelopment project.

*Provision of Permanent Rental Housing:  
A Case of Choong Kye-Dong*

Following the Government's new policies of permanent rental housing programs for low-income families, the Choong Kye-Dong site was completed in November 1989. Located northeast of Seoul

city, the site comprises 13 five-storey apartment buildings accommodating a total of 640 households. The total construction cost of the Choong Kye-Dong site is W 10.4 billion, financed by the central government (W 9.4 billion) and tenant's money (W 1 billion).

As of 1990, all the 640 dwelling units have been occupied by certified tenants. The Government set up the criteria for the selection of tenants who were: low-income families who are recipients of the social welfare programs such as house insurance, living expense support and medical insurance; also, it was stipulated that the tenant should be a resident of the same *ku* (neighboring area) in which the site is located. Based on these two criteria, a total of 3,908 households are identified as qualified applicants for permanent rental housing (see Table 27). About 69 per cent applied although only 23.2 per cent of the applicants have been selected as tenants.

The rent of the Choong Kye-Dong permanent rental housing at W 35,000 per month is relatively cheap. But the tenant must deposit W 1.7 million as key money and pay an extra W 37,000 for heating cost. However, this relatively cheap rent is still thought to be unaffordable by some low-income households. A survey revealed that a large proportion of welfare recipient households (63.6 per cent) did not apply for this rental housing because they felt the rent was too high. Other reasons for not applying for this rental housing include "want to own house", "size of rental housing is too small" and "inconvenient for commuting to working place".

Table 27: Selection Criteria for Permanent Rental Housing

Criteria		Grading Points
Density per room	more than 6 persons	20
	5	15
	4	10
	less than 3	5
Age of household head	more than 60	10
	50 - 59	15
	40 - 49	20
	30 - 39	18
	less than 30	20
Duration of residence within Seoul	more than 10 years	20
	5 - 9 years	15
	less than 5 years	10
Number of household Members	more than 6 persons	20
	5	15
	4	10
	less than 3	5
Household composition <sup>a</sup>	3	10
	2	8
	1	5
Others <sup>b</sup>		10

Source: Don Min Ryum, "Target Group of Permanent Rental Housing and Selection of Tenants", 1990, p. 12.

a Number of applicable types among the following household groups: an extended family, a single parent family, a family with handicapped members and a child household head.

b To be determined by each municipality.

Reflecting the selection criteria, the tenants of the Choong Kye-Dong rental housing have lived in Seoul for a long time. More than 60 per cent have lived in Seoul for more than 20 years. Two thirds of the tenants have been recipients of various welfare programs for

more than three years. The number of household members is much larger for the tenant of Choong Kye-Dong site (average 5.2 persons) compared to Seoul (average 3.8 persons).

About 90 per cent of the heads of the tenant households are in the 40 to 50-year age category. Most heads of tenant households are engaged in unskilled labor (39 per cent), service occupation (10 per cent) otherwise unemployed (27 per cent). However, the education level of the head of tenant households is much higher than the average welfare recipient in Seoul and the monthly income of the tenant households of the Choong Kye-Dong site (W 394,000) is much higher than the average welfare recipients in Seoul (W 257,000).

It is of prime interest here to examine whether their living condition has been improved and how much they are satisfied with the new housing condition. Overall, the survey results indicate that the living conditions of tenants of Choong Kye-Dong permanent rental housing has improved considerably.

Table 28: Living Condition: Before the Permanent Rental Housing

Criteria		Grading Points
Total floor space	less than 2 <i>pyong</i>	1.0%
	2 - 3 <i>pyong</i>	24.2%
	4 - 5 <i>pyong</i>	34.5%
	6 - 7 <i>pyong</i>	14.8%
	more than 8 <i>pyong</i>	25.5%
	average	5.7 <i>pyong</i>
Number of rooms used	1	71.0%
	2	27.5%
	more than 3	1.5%
	average	1.3 rooms
Rent	average key money	W 2.9 million
	deposit	W 1.6 million
	monthly rent	W 40,000

Source: Don Min Ryum, *op. cit.*, p.18.

Table 28 compares the living condition before and after the tenants moved into the Choong Kye-Dong rental house. First, the floor space has almost doubled. Before the move they averaged 5.7 *pyong*, but now it is 10 *pyong*. Also before the move 71 per cent of households used only one room and on the average they used 1.3 rooms, while the current rental house has two rooms. Despite this considerable improvement in living standards, the security deposit and monthly rent remain almost the same. The tenant paid W 35,000 monthly with W 1.7 million of security deposit.

The living standard of Choong Kye-Dong permanent rental housing, as indicated above, is higher than that of the average low-income families. On the average, the welfare recipient households living in the same *ku* used 1.5 rooms and 5.9 *pyong* of floor space, while the tenants of Choong Kye-Dong site used 2 rooms and 10 *pyong*. In addition, the tenants have their own toilet in every unit, but only 12 per cent of other low-income households have their own.

Improvements in living conditions of the permanent tenants are well reflected by their satisfaction with various elements. Table 29, however, shows that the preference of low-income groups is still for the traditional bazaar type of market rather than the modern supermarket.

Another change in the tenant's life style is in neighborhood relationships. It is well-documented that many low-income families living in squatter settlement areas maintain very close kinship and social ties with neighbors. The close contact with neighbors would in fact help a lot in their daily life. For instance, borrowing goods and money or exchanging information for jobs are very common. However, the survey shows that after they move into the permanent rental house tenants experience a loss of social ties with neighbors. About half of the tenants responded that they have no contact with neighbors and only 19 per cent have close relationship with neighbors.

In sum, it seems that this new housing program for the low-income families has significant effects on improving their living standards. Also, a preliminary analysis shows that the efficiency is relatively high in comparison with opportunity cost and benefits accrued.

Table 29: Satisfaction with Various Factors

Item	Tenants <sup>a</sup>	Other
Size of house	3.7	2.4
No. of room	3.6	2.5
Inside layout	4.0	2.4
Size of room	3.7	2.4
Toilet	4.4	1.9
Kitchen	4.3	2.2
Bathroom	4.4	1.9
Entrance	4.3	2.9
Heating	4.1	3.1
Piped water	4.5	3.5
Sewage	4.4	3.5
Electricity	4.4	3.7
Transportation	3.5	2.9
Education facility	3.4	2.9
Market	3.2	3.0
Playground	3.8	2.4

Source: Special Survey Conducted by KRIHS, 1990.

a Figure indicates average satisfaction score from five-point scale, giving 5 for very satisfied.

## Songnam

### *Improvement of Living Conditions in Substandard Housing Areas: A Case of Hanseong and Jahae District*

As pointed out the joint redevelopment project has many negative effects. Recognizing them, the Government designed in 1989 a new urban renewal program: improvement of living conditions in substandard housing areas. This program is devised for upgrading and improvement rather than clearance or radical redevelopment. This program seems to be much better than the joint redevelopment project. This study introduces the case of Songnam city.

The municipal government of Songnam city made a master plan for improvement of one of the substandard housing areas called "Hanseong and Jahae District". This is one of the typical substandard housing areas formed by the influx of low-income families from

Seoul since the early 1970s. The total land area of the district is 230,791 sq m. The population density is 756 per hectare. This project intends to improve the living conditions of the population through reconstructing old substandard housing and providing infrastructure and open spaces. The project may benefit both residents and the city government as well. For residents, housing condition and overall living environment will be improved and the property value of their houses will also be increased. The city government is expecting to relieve some problems of the poor.

Table 30 summarizes some characteristics of the project area. About 63 per cent of the land is owned by private individuals and the rest by the city government. Most of the houses (77 per cent) were built before 1980. More than half of the resident households do not own their own houses. Only about one third of the households use the whole dwelling unit and another one third lives with more than three other families in the same dwelling unit. Although piped water is supplied in the project area, residents often suffer from shortage of water due to the high elevation. Most roads in the area are narrow.

Table 30: Major Characteristics of the Project Area

Land ownership	Private	62.7%
	City government	37.3%
Year of construction of houses	Before 1980	77.2%
	1980-1985	16.9%
	After 1985	5.9%
Home ownership	Owner	45.7%
	Renter	54.3%
Number of households per dwelling unit	1	36.0%
	2 - 3	36.4%
	4 - 5	24.1%
	6 and more	3.5%

Source: City of Songnam, Master Plan for Improvement of Living Conditions in Hanseong and Jahae District, 1990.

For making better plans, the city government solicited residents' opinions. The survey results indicate that more than half the residents thought their houses are substandard (55 per cent) and are dissatisfied with their living environment (54 per cent). They are particularly dissatisfied with narrow roads, lack of waste disposal facilities and the steep gradient of the area. They would like public facilities such as community library, playground, clinic and public bathhouse. A large proportion of residents (47 per cent) want the city government to sponsor the project, but 31 per cent want the National Housing Corporation.

Based on these physical and socioeconomic conditions of the project area and needs of the residents, a residential site plan was made. The plan sets the basic directions as appropriate for low-income families. Implementation would be on a self-help basis and it should benefit both home owners and renters.

The site is planned to accommodate 4,750 households with resident population of 19,000. For this purpose, 57.5 per cent of the total land is allocated for single detached housing lots, 10.8 per cent for apartment housing and the rest (31.7 per cent) for public facilities and open spaces. Improvement of detached single houses is supposed to be done on the self-help basis. For those whose houses have to be demolished, a total of 294 units of apartment housing will be provided, 140 for home owners, 88 for renters, and 66 for sale in order to secure a part of the project cost. The size of these apartments will be 11.518 *pyong*. Of the land owned by the city government, most will be utilized for public purposes, such as roads, public facilities and open spaces. But about half the land for apartment housing will also be provided by the city government.

For implementing this project it is estimated that a total of about W 1 billion is needed; of this 47 per cent is for construction of apartment housing, 19 per cent for compensation, 14 per cent for improvement of detached single housing, 11 per cent for public works and 9 per cent for public buildings. The financial sources of this project cost will be on the general account of the City Government (28 per cent), public sale of apartment housing (45 per cent) and city land (27 per cent). The project is planned to be implemented in three years, from 1990 to 1992.



## **Mokpo**

### ***Clearance and Relocation: A Case of Yudalsan Park***

The case of creating Yudalsan Park has been frequently cited as a peculiar example of clearance and relocation of squatter settlements to make a city more pleasant and secure open spaces for citizens. Yudalsan is a mountain in the city, of sentimental value to the citizens. Before the plan for the creation of Yudalsan Park was initiated in 1982, the mountain had a number of squatter settlements. In 1981, a movement began to make the mountain area a citizen's park and a five-year Park Creation Plan was made. Citizens' participation was mobilized to bear the cost of afforestation while the city government provided the financial resources for moving and clearance of squatter settlements and purchasing privately owned land. To encourage citizen's participation, a special citizens' association was established in 1982. According to the original plan, the project was implemented in five years from 1982 to 1986 and needed about W 6 billion. It was planned to remove and demolish 1,163 houses; purchase 40.5 ha of privately owned land; re-afforest 53 ha, open new circular roads and make facilities for hiking.

To accommodate those evicted, it was planned to construct a total of 750 dwelling units of apartment housing, three quarters of the cost to be financed by the city government. However, the plan was revised. As of 1988, 588 houses were demolished; 17.9 ha of private-owned land were purchased; 1,631 m of new road was constructed; and about 200,000 trees were planted, financed by W 600 million of citizens' donations.

## **CONCLUSIONS AND PROPOSALS**

As previously noted, there could be different ways of dealing with housing and infrastructure service problems of the poor. Considering the current situation in Korea, however, some sensible directions can be summarized as follows.

### ***Recognizing Squatter Settlements as Permanent Shelter for the Poor***

Up to the 1970s, substandard housing areas or squatter settlements had been regarded as temporary settlements of the migrant

from rural to urban areas. However, in the late 1980s the demographic composition in squatter areas was made up of not only the first generation of rural migrants but also of the second and third generations who were born and raised there. For them it became a frequent occurrence to move from one to another affordable place, which often turns out to be located further away from their workplaces, each new place without stability. It has been argued by many that, to find any meaningful solutions for housing and infrastructure service problems, squatter areas must be seen as permanent settlements not temporary ones.

#### *Improving the Economic Situation of the Poor*

In the past, the official aims of squatter redevelopment and housing improvement projects tended to be physical improvement or upgrading of dwelling units in certain areas. Not much attention was paid to the affordability of the residents. Because of the so-called improved or upgraded housing, units were more expensive to live in. Most of poor households had to leave in search of cheaper places. One can conclude that it may be better for them to stay and endure the low quality of housing quality than to be evacuated when they have no place to go. That is why so many squatter redevelopment projects were confronted by fierce battles of objection and almost discontinued.

Accordingly, "accommodation arrangement before clearance" as housing policy for the urban poor should be carried out in the future. Transitory dwelling facilities must be supplied for relocatees before demolition. This provision makes it likely that relocatees will not oppose radical redevelopment and may effectively counteract the settlement problems of the illegal squatter. In the new political situation, squatter clearance or redevelopment must be withheld unless physical improvements are made without imposing an excessive burden on the residents. The ultimate goal lies not in physical improvement of housing but in improving the economic situation of the urban poor.

#### *Meeting the Housing Needs of the Poor as National Minimum*

It is generally known that the housing unit size is in proportion to the household income. But if we use income or ability-to-pay criteria, it is clear that the poorest households cannot afford decent

housing. In this situation, it is no longer the problem of an individual but a matter of basic human rights, and the intervention of the State is called for. It seems necessary that an architectural approach be introduced in strategies wherein the application of the Building Code and the Urban Planning Law should be appropriately relaxed in substandard housing areas.

#### ***Expanding Public Intervention and Role***

In order to avoid mass demonstrations caused by squatter demolition-and-relocation methods, policies were shifted toward the joint redevelopment method which permitted transfer of the development right to private sector. It turns out, however, that housing prices and rents rose significantly and the original poor residents could not afford the high rent and maintenance costs. They had to sell their meager property rights (i.e., the priority ticket) and had been forced to move out to other areas with worse dwelling conditions but often at higher costs. In the process, the development gains were monopolized by large construction firms. Some off-site middle incomers were other major beneficiaries, who bought the dwelling units at prices much lower than the market under the fixed price systems.

To correct the situation, a new policy guideline should be prepared, which mandates that substantial portions of development gains be reinvested for the project site and residents through expanded government intervention. In other words, it is a question of how the development gains should be redistributed among developer (construction firm), off-site purchaser of dwelling units and on-site resident households. Therefore, it seems necessary that the national and city governments should expand their role and intervene in the redevelopment process in such a way that much of the development gains go to the original households of the project. It is impossible for the poor to purchase houses at market price. Therefore, as a part of income redistribution policies, support to housing expenses should be given to reduce the rent burden.

#### ***Stressing the Importance of Land Resources***

Housing problems in squatter areas are closely related to the problems of land. Since squatters simply took over public or private land without legal ownership and built their own houses, they did not have the formal means to resist demolition and slum relocation

policies. The essence of the problem of squatter areas lies in the problem of land ownership. It is impossible for them to acquire legal building permits because they do not own the land, even if authorization were made on the substandard dwelling unit itself. Accordingly, the whole process of redevelopment or site improvement of squatter area on public land actually begins with public land disposal, i.e., transfer of public land to private ownership. But in the Republic of Korea, the view is that crucial policy mistakes have been made in public land management.

In many advanced nations, public rental housing for low-income families have often been constructed on public land owned by either national or local government. So, housing units on public land were excluded from the housing market, and, in effect, those units became public property or public goods. Some governments have pursued expansion of public land stocks and housing development projects for the urban poor have been continued on public land.

In the Republic of Korea, as far as public land is concerned, the policy has been in the wrong direction and much of public land has been transferred to private ownership leaving hardly any leverage with the Government to direct socioeconomic policy. Therefore, it has been strongly argued that public land stock should be preserved as much as possible so that public housing can be built on public land.

### *Solving the Problem on Large Scale*

A typical redevelopment project shows that evicted squatters without proper arrangements are expected to find another place to settle. So, in many cases, the result was no more than a transfer of the problem from one place to another. Also, the negative impact of a redevelopment project included: (i) dispersion of squatter areas within or beyond the boundary of municipalities, continuing the vicious circle, and (ii) increases in house rents and prices in vicinity areas.

This has happened because the squatter problem has been approached on a specific area project basis and not on a citywide or nationwide basis in long-term plan. A reasonable approach to substandard housing and infrastructure problems in a nation or city would require first, the identification of the problem on a holistic and enlarged scale and, second, setting-up strategies to resolve the problem step by step.

For instance, a city government should make a long-term plan with detailed annual targets under which goals be specified, namely, x substandard housing units may be removed only when y new public units are built within z years. At the same time, the operational plans including private and public financing schemes and allocation of area plans, should be backed up in order to achieve the goals specified in the master plan.

### ***Regulating the Informal Rental Market***

Currently, it is assumed that the aggregate amount of the key money in the informal rental housing market, which accommodates more than half of urban households, exceeds W 20 trillion. And, unless the Government intervenes in this market and imposes some proper forms of regulation, it seems impossible for the urban poor or even the middle-income families to afford the housing services they need because of tremendous increases in housing prices and rents. In the short run, if the Government is not able to supply enough units of permanent public rental flats, government controls on both rent increase and terms of renting should be imposed in order to protect the majority of urban households and, in particular, the urban poor.

As shown by the survey results, it turns out that the urban poor pay 30-50 per cent of their income for housing, even though the absolute amount of housing expenses are the cheapest among income groups. Consequently, as the rent level goes up, it tends to squeeze even expenditures for food. Until the public rental units are adequately provided for them in the longer run, control of both rent levels and the terms of renting seem to be necessary and they would greatly contribute to the stability of housing services for the poor in the meantime.

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# **Non-Governmental Initiatives in the Philippines**

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# Non-Governmental Initiatives in the Philippines

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## INTRODUCTION

This study describes the programs and strategies that the private sector, consisting of nongovernmental organizations (NGOs), private builders/developers (PBDs) and urban poor organizations (UPOs), have adopted to improve the access of the urban poor to basic infrastructure services in the Philippines. It presents policy and programmatic issues and needs involved in developing a more responsive and acceptable approach to the urban poor's problem of land, socioeconomic and political housing and other basic facilities.

The study is made up of four parts. This introduction gives the socioeconomic and political context including recent events. The second part presents the strategies and learning experiences of the private sector, with emphasis on organizations operating in Metro Manila, in its thrust to help uplift the quality of life of the urban poor. The third part contains an assessment of achievements and identifies policy and programmatic issues as well as factors responsible for successes and failures. The paper concludes with recommendations for policy and program reforms addressed to both the public and private sectors.

### **The Urban Poor**

Urban poverty is growing at an alarming rate. A slow pace of development in the rural areas is triggering the influx of rural poor to urban areas in search of what they perceive and hope to be better opportunities. Such migration and rapid urbanization has produced

a growing number of slum dwellers, insufficient and deteriorating delivery of basic services, rising unemployment and increasing crime rates, among others.

By the year 2000, Metro Manila – the most urbanized area in the Philippines – is projected to have a population of 12.6 million, with more than half in slum and squatter areas. Accelerated increase of population will, likewise, occur in other urban areas, particularly Cebu and Davao as Metro Manila reaches a saturation point.

Among the many burgeoning problems of the urban poor, housing, particularly home ownership and security of tenure, has come out to be the most serious and most pressing. Only 64 per cent of households in urban areas own their dwelling units. Of these, 63 per cent own the land on which the dwelling units are built. The rest either rent the land or simply squat on it (Medium-Term Philippine Development Plan, 1987-1992). As to access to services such as water, about 50 per cent have water connections. A large segment of the urban poor rely on artesian wells, public faucets and open deep wells. Only 16 per cent of low-income households have direct-water lines. (UNICEF study, 1986).

The dwellings of the urban poor are usually makeshift, made of light materials including cardboard. Many of these dwellings consist of a single multipurpose space. An extra room is often subleased to another family. The congestion in the slum areas brings about sanitation and health problems. With the inadequacy of basic infrastructure services in these areas, such conditions are aggravated and adversely affect particularly the children of these families.

Solid waste management, which includes the collection and disposal of garbage and street cleaning, falls under the supervision of local government units. Because of the enormous volume of garbage, these units find difficulty in delivering the necessary services, resulting in open dumping. This practice coupled with inefficient systems and lack of sewerage facilities has caused flooding in the low-lying sections of the urban areas, mostly slums and squatter areas as well as other congested places.

With regard to sanitation facilities, the majority of the Metro Manila households have their own toilet, the predominant type being the hand-pour toilet (about 70 per cent). The majority of the poor, who do not have such toilets, resort to open pits. There are no public toilets available to service the poor.

The top-down approach to delivering services has failed and because of this, more and more of the urban poor are prompted to help themselves. Some urban poor communities seek assistance from the nongovernmental sector, accepting the fact that the Government is not able to fully respond to their needs. Since 1986, NGOs and UPOs, and lately the PBDs, have actively and continuously lobbied for an urban land reform and housing program that would solve the present problems of the urban poor.

### **The Need for Urban Land Reform and Social Housing**

The Philippine Constitution provides that "urban poor or rural poor dwellers shall not be evicted nor their dwelling demolished, except in accordance with law and in a just and humane manner, ..... and that there shall be no relocation without adequate consultation." Despite this constitutional provision as well as the existing government policy of *Tigil Gibaan, Tigil Tayuan* (or Stop Demolition, Stop Squatting), there are still cases of demolitions which have led to deaths and homelessness, gravely affecting children and women.

Because of these, NGOs are lobbying for a moratorium on demolition, repeal of a presidential decree of the previous government labeling squatters as criminals, drafting of a genuine pro-poor urban land reform law, and intensified implementation of the Government's Social Housing Program.

From interviews with leaders among the urban poor, it was gathered that despite the efforts of the present leadership to help the poor, the bureaucracy does not allow easy access to basic services. Also, the existence of too many agencies in the housing sector complicate matters, discouraging many NGOs/UPOs from actively participating in the Government's housing programs. Syndicates in slums and squatter areas have also been a deterrent factor in the implementation of these programs.

While some NGOs continue to advocate for urban policy reforms, development NGOs focus on facilitating and actual delivery of basic services and programs that revolve around empowerment concepts and principles. Only a few urban-focused NGOs deal with housing. However, their number is increasing due to the Government's new Community Mortgage Program (CMP), which provides financing for communities of the poor to purchase



their own land, subdivide it and provide it with infrastructure (see the Philippines Country Paper).

The following case studies show the different alternative strategies adopted by and accomplishments of a few NGOs, UPOs and PBDs in facilitating access by the urban poor to basic infrastructure services based upon empowerment principles.

## **THE STRUGGLE FOR FULL IMPLEMENTATION OF THE SOCIAL HOUSING AND LAND REFORM PROGRAMS**

### **The Social Housing Program**

The struggle of the urban poor for a social housing program began early in March 1986, right after the installation of President Aquino. During that time, a Social Housing Group was created under the Task Force on Housing and Human Settlements of the Presidential Commission for Government and Reorganization (PCGR), tasked to formulate the framework of a Social Housing Program (SHP) which would be the thrust of the National Shelter Program (NSP) of the Government.

The struggle continues to be a long, hard process that has led to the convergence of efforts of NGOs and UPOs. Before the finalization and approval of the Social Housing Program during the third quarter of 1988, the NGO and urban poor sector went through a series of consultations, participation and lobbying during which different groups were organized to strengthen the position of the urban poor. A coalition called KUMALAP-PA (*Kuwalisyon ng Maralitang Taga-Lungsod Laban sa Huwad na Pabahay at Palupa*, or a Coalition of the Urban Poor Against a Pseudo Housing and Land Reform Program) was formally organized on 25 August 1988. This coalition was initially composed of 27 national alliances and federations coming from 255 urban poor community-based organizations. The coalition's primary task was to push for the adoption of the proposed Social Housing Program which was finalized after undergoing a series of revisions.

The final event that led to the approval of the proposed Social Housing Program was a mass rally on 8 September 1988 attended by at least 7,000 urban poor and supporters wherein urban poor leaders dialogued with key officials of the government. Because of the

sustained, vigorous lobbying efforts of the NGOs and UPOs involving public forums, media campaign, multi-sectoral and focused-group meetings and dialogues, and mass rallies, the proposed Social Housing Program was finally officially approved on 15 September 1988 by the Housing and Urban Development Coordinating Council (HUDCC).

The Government has not actively taken steps for the full implementation of the SHP despite the existence of a substantial amount of funding to support it. Because of such slowness and seeming complacency to the needs of the urban poor, a number of UPOs and NGOs, particularly the KUMALAP-PA members, consolidated their efforts and resources to stage another lobbying strategy to push their demands.

In May 1990, KUMALAP-PA members staged a one-day fast along EDSA to press their demand for fast-tracking the implementation of the SHP. This event caught the attention of many government officials and some members of the Senate and Congress. Simultaneously, letters to the President from KUMALAP-PA were delivered through sympathetic officials of the Government. Media took interest in this move. One of the articles (written and published in Manila Chronicle) was entitled, "Listening With Your Heart", an article which described the urban poor's struggle for land, their aspirations and demands.

Perhaps this article, in addition to follow-ups made by a few sympathetic government officials, was instrumental in having a positive response. As a result, the President assigned the Chairman of the KABISIG (KABISIG is a government program under the Office of the President which harnesses people's participation for the country's development) to look into the demands of the sector. Thus, in December 1990, a Presidential Task Force on Social Housing was created to direct the implementation of the SHP.

The formulation and approval of the Social Housing Program (SHP) is one big step in the institutionalization of people's participation in policy and program formulation of the Government. Another big step was the recent appointment of an urban poor leader as a sectoral representative in Congress.

A major hurdle that the urban poor sector has yet to overcome, however, is for it to take a central role in the implementation and monitoring of the said program. In the process, the poor also have to remain consistently vigilant in ensuring that people's participa-

tion in decision making, policy formulation, implementation and monitoring of programs meant to benefit the urban poor is observed, supported and sustained.

### **The Urban Land Reform Program**

If the prospects for the Social Housing Program appear bright, the proposed Urban Land Reform Program faces greater difficulties. In 1986, the Bishops Businessmen's Conference (BBC), an advocacy NGO composed of representatives of the Church and the business sector, conducted a series of sectoral consultations in all regions of the country to come up with an Urban Land Reform and Housing Program proposal to be submitted to the Congress. The NGO sector, the urban poor as represented by the UPOs and the PBDs, came up with their individual sectoral proposals. The NGO and UPO versions were consolidated as one version shortly after the consultations. In 1988, the sector was told that the Government had "harmonized" all the proposals and come up with the final proposal to create a Department for Urban Land Reform and Housing. The urban poor sector and the NGOs, however, felt that a substantial part of what they had initially proposed had not been adopted in the "harmonized" version. As a result, the sector sought the assistance of representatives in Congress who could introduce/sponsor their proposal.

At present, many bills in Congress and even in the Senate espouse different versions of an urban land reform program. One version embodies what the urban poor consider to be the most acceptable pro-poor urban land reform program. This version has, according to some groups, already truly harmonized all the positions of the majority of the UPOs and NGOs who were involved in its preparation. The year 1991 has begun but still, there is no indication of any move to pass an urban land reform law.

Despite the issues and difficulties, the urban poor nonetheless still hope that their plight would somehow be improved. They look at their representative in Congress as one who could accelerate the solutions of their problems and one who could help realize their hopes and dreams. The urban poor's major needs and wants are: the passage of a genuine, pro-poor urban land reform law, comprehensive implementation of the Social Housing Program and improvement of the delivery of basic services.

## **ASSESSMENT AND POLICY IMPLICATIONS**

This portion will not only deal with the experiences of the people's organizations and the private corporation mentioned herein, but will also touch on the experiences of the urban poor/NGO sector in general, as described by the leader who became part of this study. Assessment of initiatives and corresponding implications are clustered according to two major areas of concerns of the sectors involved in this study which are, namely: (i) land acquisition, and (ii) housing and other basic infrastructure.

### **Land Acquisition**

#### *General*

Urban poor leaders and NGO officials who were interviewed for this study identified the land issue as the most critical component in any housing program. According to them, land acquisition continues to be a struggle despite efforts of different sectors (e.g., NGOs and sympathetic government leaders/officials) to facilitate the process.

Although the Government has the Community Mortgage Program to offer as one of the major solutions to the issue of land acquisition, such is not enough given the present situation and conditions in the government bureaucracy. The intentions of the CMP are admirable. However, the process that the originator has to go through inhibits mass participation of potential NGO originators. One major bottleneck arises from the point when the beneficiaries negotiate with the landowner. According to the urban poor leaders interviewed for this study, slum dwellers and squatters find difficulty in getting the approval of the landowner. More often than not, negotiations fail. The urban poor wish that the Government would step in to help them in the negotiation.

#### *Examples*

Each NGO/UPO/PBD in this study had its own story to tell about land acquisition. The following sections highlight the factors that facilitated and/or hindered land acquisition.

In the case of Habitat for Humanity Philippines Foundation, the private land was acquired through the efforts of the Philippine

Christian University, with small but significant contributions from the 273 beneficiary families. The University purchased the 2.5-hectare property for the beneficiaries which is now being managed by the community cooperative. The acquisition was not a difficult struggle because from the very start, the beneficiaries had a clear understanding of their role and responsibilities in developing a community, particularly, of the need to share whatever they could afford in terms of time, effort and money. This way a dole-out scheme was avoided. Such increase of awareness was made possible through the efforts of the social workers of PCU.

PCU social workers, who worked in the area for two years before Habitat came in, adopted a wholistic approach in dealing with the problems of the community. The spiritual component of their approach proved to be very effective in the reorientation of the values of the families. It was then very easy for the families to develop the values of discipline, industry, honesty, perseverance, harmony and cooperation which were later on manifested in their subsequent activities.

In the case of SAMA-SAMA, ZOTO and Medel Tenants Association, land acquisition proved to be a long and difficult process – a struggle in itself. The main factor which sustained their efforts was the moral support given by the NGO (Community Organizing for Philippine Enterprise) for SAMA-SAMA and ZOTO, and advocates of the Social Housing Program, respectively. These NGO and SHP advocates were also responsible in enabling the communities concerned to plan and organize the series of steps to acquire the land. Strong and credible leadership was another success factor in the cases of SAMA-SAMA and Medel Tenants Association.

### **Housing and Other Basic Infrastructure**

Self-help housing was proven to be a feasible strategy in low-income housing as shown in the two NGO cases. On-site development, too, is more acceptable to the urban poor since this approach fits into the need of the urban poor to be as near to their source of livelihood as possible. The locational factor has been also mentioned in the interviews with the urban poor leaders.

The NGO cases therefore showed that settlements created by and/or with the urban poor themselves or where they were greatly involved in planning, decision making and implementation, are

more appropriately functional to respond to their needs. All of the urban poor leaders involved in this study prefer upgrading of slums and self-help housing over other schemes.

However, while the urban poor can satisfactorily put up their own dwellings to suit their needs, they are far less effective in establishing a satisfactory physical environment. In this regard and as shown by the NGO cases and the case of Medel compound, private practitioners or other groups specializing in sites-and-services development are needed to assist the communities.

### **Common Factors**

Across areas of concerns, there are common factors that proved to be very instrumental in the success of the organizations. These can be classified into the following:

#### ***Structures and Management***

From the different cases described in this study, community organizations and people's participation are the key to the success of any housing project. In addition, clear directions, coordinated management and strong leadership proved vital. The creation of appropriate functional committees to support the community organization is necessary in pursuing an activity, as shown in most of the cases.

In land acquisition, what seemed to be a major obstacle was the Government itself. The urban poor complain about the government's lack of a strong political will to implement even its own programs. The series of events before the approval of the Social Housing Program and the activities undertaken to come up with an acceptable urban land reform program proposal only reflect the Government's inability to respond immediately and appropriately to the needs of the urban poor.

In the interviews, the urban poor leaders complained about the existence of too many agencies in the Government that the urban poor have to deal with in accessing basic services. And, to complicate this further, these agencies are located in places distant from each other. Through the years, urban problems, in general, have been addressed through a number of institutions which are not properly coordinated. Duplication of functions aside from fragmen-

tation of services exist among the different agencies involved in urban poor development.

The local and national offices still have to improve their coordination and move towards decentralization since up to now, power and authority are generally centralized.

### ***Ownership Factor***

The ownership and security of tenure factor is a big moving force and inspiration for people's participation in any housing project. It becomes the cause of all other development activities for the individual, the family and the community. Because of the importance of this factor, the NGOs have put it as a priority action point in all their pro-programs.

### ***Focus on People's Participation***

All sectors acknowledge the fact that after the EDSA revolution, people have become more vocal in demanding their right to participate in development activities where they are taken as subjects. People's participation, however, in many development projects is being limited only to certain aspects, levels of degrees by many policy makers, planners and administrators who have been accustomed to formulating problems, working out solutions and deciding priorities for the people.

The "blueprint" approach still prevails in many government offices. This is also true with a few organizations in the private sector. In housing, for instance, there are still some agencies which mass produce houses that have been planned and developed by the planners without, in some cases with the least, participation of the would-be users of their products.

In the cases above, without people's participation, the projects and the struggle could not have happened. Among all the facilitating factors in the cases, people's participation played a central role in the success of all the endeavors. Across cases, the participation of the people was present from planning, implementation up to monitoring, but most specially, in the decision-making process.

From and because of such participation, the beneficiaries learned to develop their confidence and self-esteem and the belief that they have the inherent capability to chart their own destiny. Despite their poverty and the seeming hopelessness, most of the urban poor, themselves, have learned to strive to improve their lot.

Dependency was minimized through reliance on empowerment principles.

### **PEOPLE'S INITIATIVES IN LAND ACQUISITION, HOUSING AND OTHER BASIC INFRASTRUCTURE SERVICES**

The 1980s witnessed the emergence of urban poor people's organizations as a potent force in the Philippines' reform towards true development. Under the present Government, NGOs and UPOs have taken on an increasingly significant and strategic role that goes beyond the simple provision of goods and services. More and more of these organizations are being entrusted by the Government with responsibilities that will have developmental impacts.

While advocacy NGOs and UPOs work for the passage of a genuine Urban Land Reform Program, some of the developmental NGOs work closely with the urban poor sector in improving the delivery of basic services and other programs and projects to empower the poor. A few of these organizations concentrate on land acquisition and housing through various schemes, including the recently launched CMP which started two years ago.

The difficulties in dealing with the government bureaucracy had earlier prompted many developmental NGOs to explore and test alternative schemes of helping the urban poor in accessing land, housing and other related facilities, either completely without or with little government assistance. Although efforts have been made at simplification, many of these problems remain. The Government on its own will find great difficulty in meeting housing needs alone. What is therefore required is a partnership between the Government, the private sector and the NGOs that recognize and promote shared responsibilities for the provision, delivery and maintenance of basic infrastructure services, particularly land and housing for the urban poor.

Among the NGOs involved in housing programs are: Marian Housing Foundation, Freedom-to-Build, Inc. and Habitat for Humanity Philippines Foundation, Inc. all in Metro Manila; Pagtambayayong Foundation, Inc. in Cebu; and Mindanao Land Foundation in Davao City.

Of the organizations dealt with here, only Habitat for Humanity Philippines Foundation, Inc. is not involved with any



government housing program and relies heavily on donations of construction materials, money and manpower initially acquired from cooperative and volunteer private agencies and individuals in the Philippines and abroad. Pagtambayayong Foundation, which began on its own, is now involved in the implementation of the Community Mortgage Program of the Government as well as its other privately supported programs.

### **Pagtambayayong Foundation, Inc.**

#### ***Background of the Organization***

*Pagtambayayong*, or mutual aid, reflects the diverse activities of an NGO in Cebu City, assisting the homeless to acquire decent homes. In 1980 a successful experiment with an informal housing cooperative initiated by the Cebu staff of the Community Organization of Philippine Enterprises (COPE) inspired a group of young community organizers to form the Pagtambayayong Foundation, Inc. (PFI).

PFI formally started to operate as a non-stock and non-profit corporation in September 1982. As guiding maxims, Pagtambayayong inculcates self-reliance, maximum group participation and collective leadership. PFI aims to transform the urban poor from merely consumers to actual developers by providing them training opportunities and financial assistance. To date, PFI has organized at least 20 informal housing cooperatives with more than 2,500 member families scattered throughout Cebu Island. These groups are composed of low-income slum dwellers whose family heads are either self-employed (mostly laborers and vendors), rank-and-file employees or factory workers. The projects, in various stages of development and house construction, include both upgrading and setting up new settlements to help decongest the inner city slums.

PFI receives generous support from both local and international funding agencies such as the Ramon Aboitiz Foundation, United States Agency for International Development, MISEREOR of Germany, Philippine Development Assistance Program (a Canadian supported agency) and Philippine Business for Social Progress, among others. PFI is also a developer accredited by the National Home Mortgage Finance Corporation (NHMFC) to access home financing from the National Government's Unified Home Lending Program.

***PFI's Program Strategies***

The organization of potential beneficiaries lies at the heart of Pagtambayayong's people-centered approach. Its strategy can be summarized in four major features, as follows:

- **People's initiative and participation.** The project belongs to the beneficiaries; Pagtambayayong merely provides assistance and, if necessary, guarantees their loans.
- **Full cost recovery.** All project expenses are on the account of or paid by the beneficiaries.
- **Freedom to build and/or incremental approach.** Site development and house construction are the responsibilities of the beneficiaries themselves, that is, they are expected to do what the poor have been doing for years – building their homes gradually using primarily their own resources.
- **Appropriate technology.** Pagtambayayong assists the beneficiaries in house construction through the promotion of durable but inexpensive materials, such as: soil-cement blocks, fiber-cement roofing and low-cost cement substitutes.

Pagtambayayong provides technical, financial and social services through the following interrelated programs:

- **Housing cooperatives.** Through community building and various financing programs, Pagtambayayong encourages its beneficiaries to form housing cooperatives to enable their members to acquire and develop home lots at a very low cost and build a community of concerned neighbors serving as a means for further development of themselves and their communities.
- **Livelihood projects.** By effectively combining local resources with the energy, determination and creativity of the urban poor, Pagtambayayong's income-generating activities foster self-reliance rather than encourage dole-outs.

These undertakings are initiated with the beneficiaries ultimately managing and financing the projects.

PFI's livelihood projects are in support of housing. Employment generation is enhanced during site development and house construction. PFI's experience shows that for an average 30 sq m house, six workers are needed in one month. Thus, plans to establish construction teams which will be managed by the workers themselves are afoot. One income-generating project, which supports the housing projects, is the manufacture of "cinva ram" blocks and other housing materials. Other income-generating activities include backyard gardening, livestock raising and cottage industries.

To support the housing cooperatives, Pagtambayayong also maintains a Building Materials Production Center which promotes research and development and use of inexpensive, alternative housing materials. The Center envisions training the beneficiaries in production and installation of these products on-site.

#### *Lessons from PFI's Experience*

The desire for home ownership is one significant motivating factor that PFI responds to in facilitating the process of transforming the beneficiaries from landless to homeowners. Through a Memorandum of Agreement (MOA), PFI is authorized by the beneficiaries to negotiate for land acquisition and site development. Pagtambayayong and its beneficiary communities realize that concerted and conscious community actions will result in the reduction of cost and increased participation and unity among them.

Pagtambayayong has learned and improved from its experience over the last eight years. PFI has learned the need for constantly upgrading and updating its strategies as well as for collecting relevant and timely data and information to enhance the viability of its housing cooperatives, particularly in the financing aspects.

### **Habitat for Humanity Philippines Foundation, Inc.**

#### *Background of the Organization*

The Habitat for Humanity Philippines Foundation, Inc. (HHPF) is an ecumenical, Christian housing ministry that seeks to make decent shelter a matter of conscience. Needy families and members

of the middle and upper classes work as partners to build new houses as well as new relationships and a feeling of community.

HHPF is one of the thirty country branches of Habitat for Humanity International which originated in Georgia, USA in 1976. HHPF has its own Board of Trustees which provides policy directions based on international guidelines, host country requirements and cultural sensitivities. The organization works through committees for decisions in administration, site selection, infrastructure and horizontal development, house design and construction, family selection, community organization, livelihood ventures and public relations.

HHPF, which is only two-and-a-half years old, has housing projects in five cities in the Philippines, namely: Santiago in Isabela province, Dumaguete City, General Santos City, Midsayap in Northern Cotabato province and Kamarin in Kalookan City. An upcoming project will soon be implemented in Sorsogon. HHPF operates on a "no-interest, no-profit" basis to serve impartially selected families from the lowest income level group. The target beneficiaries of the organization are the homeless, landless, underemployed or seasonally employed, as well as small entrepreneurs with little or no capacity to borrow from lending institutions.

Indigenous resources for implementing programs and projects come in the form of gifts, donations and non-interest bearing loans from donors such as individuals, business corporations and other funding agencies who support the principles and concepts of Habitat.

HHPF's key housing development philosophy is **cooperative estate management**, which will facilitate rooting and stability of the families resettled through its programs. The organization depends heavily on three resources which it identifies as: credible development strategy, money or materials and solidarity. These, according to HHPF officials, have made the *bayanihan* (cooperative) spirit among development workers, benefactors and beneficiaries a demonstration of the value of "loving your neighbor as yourself". Another unique feature in HHPF hardly seen in many NGOs is the high spiritual value component in all its programs and activities, a moving force that cannot be quantified and yet can produce quality results that may spell success and sustainability in all its undertakings.

HHPF is guided by its slogan of "No More Shacks!" and pursues it through a seven-point philosophy of development facilitation:

- house availment at no interest, no profit;
- "sweat equity" to reduce construction cost;
- cooperative estate management strategy and training;
- community organizing and leadership training;
- livelihood enhancement;
- health and nutrition delivery system; and
- spiritual care

#### ***The Kamarin Project***

HHPF's first project is located in Kamarin, Kalookan City. This project, which created a community, went through a long social process with the support of HHPF's partner agencies, namely: Philippine Christian University (PCU), Christian Children's Fund (CCF) and Shaw Foundation. The Kamarin housing project owes its success to the community-organizing efforts of the social workers of CCF and social work students of PCU through the CCF-funded project called "Agape Family Welfare Project" (AFWP). Starting two years before HHPF got into Kamarin, the community organization was relatively put on its feet. What is now known as SNKI (Samahang Nagkakaisa sa Kamarin, Inc. or United Association of Kamarin) with a membership of 273 families was registered with the Securities and Exchange Commission in 1986.

**Land Acquisition and Control.** The PCU, with small but significant contributions from the 273 families, purchased a 2.5 hectare property for the SNKI administered as a cooperative with PCU as trustee. The land is titled in SNKI's name. In December 1988, PCU and HHPF agreed to work together for the project. Actual work on the site began in April 1989 initially with the construction of a workshed. The site is near schools and a government hospital. Access to transportation is not a problem.

HHPF and SNKI agreed not to subdivide the land into individual lots as a form of control. Based on the experiences of other NGOs and the Government in providing access to individual ownership, many urban poor families who have been awarded certificates of ownership of land have sold their properties and "squatted" again in other areas. This tendency of many urban poor has led to "professional squatting", a factor that deters the success of any effort in resettlement.

**The Beneficiaries.** The 273 families agreed that the 150 most needy among them would be prioritized to benefit from the housing program on the acquired landsite. The families were selected by a Family Selection Committee based on beneficiaries' level of need, willingness to help build the houses and ability to repay the loan. Considerations included size of family, character, proximity to work place and other local factors with the objective of developing the kind of community mix whose constituents would likely support each other. The remaining 123 families who will not be housed share in the use of the land for cooperative ventures. The families approved for housing render "sweat equity" equivalent to 200 hours of work in the construction of a house. Houses constructed are awarded by drawing lots.

**The Plan.** In April 1989, selected families in Kamarin began working together on houses designed by a local architect and on the land site, laid out by a volunteer engineer. The houses are built on a quadruplex plan, that is, four independent units under one roof. Each unit has a floor area of 26 square meters including a kitchen and a toilet. The floor is cement; walls are cement block and *lawanit* (a kind of plywood); the roof is galvanized steel. Each lot is 72 square meters. HHPF assigns a supervisor to a housing project and works with a local committee to design and construct houses as well as hire laborers and invite volunteers. Applicant families are expected to contribute 200 hours of self-help to the housing project before they are approved as awardees.

**Cooperative Estate Management.** SNKI has set aside one hectare for the housing project and 1.5 hectares for the community facilities and development projects such as a playground, a cooperative garden, community livelihood projects, common facilities such as for laundry, *botika sa barangay* (a community drugstore) and a multi-purpose center. Four wells provide water to the residents. Shaw Foundation's grant is being used for site development to

include roads and drainage system. The residents contribute time and labor for the construction of the access roads, pathways and the drainage system of the community.

**House Cost and Repayment Plan.** House cost depends on floor area and acquisition cost of land, if land is not donated. Recipients are encouraged to pay fully during their gainful life expectancy or by age 65. A selection committee works out details with each recipient to provide the most comfortable options possible. As a rule of thumb, amortization should be a close approximation of what a recipient pays in rent.

Initial funds to construct the houses came from Habitat for Humanity International; money and materials from different sources were also donated. Houses are sold to partner families at no profit with no-interest mortgages. Monthly mortgage payments are deposited in a "Fund for Humanity" so that houses for others can be built. The mortgage, covering the cost of house and site development, is for 20 years with payments made monthly. For example, a ₱40,000 (\$1,333) house requires a monthly amortization of ₱167 over 240 months. Families may choose to pay off mortgages in less than 20 years.

The SNKI and HHPF mutually agreed on a fund-handling scheme defining the roles and responsibilities of each party. At present, payment and collection of amortization are being managed by the SNKI's Finance Committee. All savings and remittances are deposited in a bank under the account of the Fund for Humanity of HHPF.

**Kamarin Habitat Committees and Activities.** The SNKI, with the help of the organizers of the AFWP, came up with a five-year community development plan which integrates five major components, namely: income generation, housing, health and nutrition, formal and nonformal education and cooperative estate management (community land ownership and maintenance). These components incorporate and nurture Christian value formation in action plans. A nonformal education program integrates Christian denominations represented.

Under the SNKI, four committees have been organized, namely: Christian Education and Nurture, Family Selection, and Finance and Construction. A newsboard has been put up for the committees and a community billboard has been put up for monitoring payments and self-help accomplishments. It indicates dates for house

payment, record of "sweat equity", date when the house was awarded, self-help completed and a record of monthly payments on mortgages.

The community conducts socioeconomic activities such as tree planting, backyard gardening, livestock raising, training in primary health care, cooperatives and estate management, value formation, livelihood and skills training.

### *Lessons From Experience*

The easy implementation of the project is traced to the community-organizing efforts of the social workers; the spirit of volunteerism of individuals and like-minded groups reducing the cost of production; community participation in land acquisition and housing as well as in all other activities. The result was a sense of involvement and commitment.

Former squatters' shacks have graduated to decent, sturdy houses affordable to the lowest-income level group. Through the months of training, these new homeowners have taken responsibility for ordering building materials, making purchases, doing the construction tasks, collecting payments on mortgages and maintaining the community facilities, including the community billboards that monitor accomplishments and financial administration.

HHPF's future plan revolves around an innovation called the Ninth Home Program which would generate funds locally while building linkages and partnerships with those who can share resources. With the strengthening of the SNKI and the community committees and the community's medium-term plan in action, HHPF will be gradually phasing out from the implementation of the project, providing the necessary support whenever needed by the community.

## **SAMA-SAMA**

### *Background and Organization*

SAMA-SAMA was conceived to work for and ensure a just and humane settlement of the urban poor residing in the National Government Center (NGC) area in Quezon City. The struggle for land began in the early 1980s. Faced with the never-ending threats of demolition and a government plan to resettle the poor in far-flung



areas, the residents of the shanty town united to push their demand for justice. Thus in 1982, the SAMA-SAMA was born.

With the assistance of an NGO, the Community Organization of Philippine Enterprises (COPE), a pioneer in community organizing, the SAMA-SAMA laid out its twofold demand, namely: a moratorium on demolitions and on-site development. The concept of organized action was molded as early as 1975 when the local parish initiated the formation of prayer groups. These small neighborhood groups aimed at enhancing spiritual learning and Christian living. The social workers and community organizers observed, in the early months of the community, that the meetings often led to the discussion of poverty.

### *The Project*

Under the leadership of the second president of SAMA-SAMA, the people started lobbying for a bill to be passed in the *Batasang Pambansa* (Parliament) allocating 90 hectares of land for on-site development of the homes of the 9,000 families in the area. A series of mass actions was held to push the association's demands. Such actions were even more intensified in protest of the continuing demolitions in the area while the bill was still in-process at the *Batasan*. Mass rallies were held in front of the offices of the National Housing Authority (NHA).

The mass action resulted in NHA agreeing to support the SAMA-SAMA's demand for the disposition of the 90-hectare lot to the urban poor. Later on, the people were informed that an amount of ₱30 million would be provided by the Government for development in favor of the people in the area. However, the amount was used for relief purposes when natural calamities struck the country. The Government then asked the people to relocate in two areas earlier designated for development. The events that followed, with NHA actively convincing the people to resettle in the two areas, resulted in a split in the ranks of SAMA-SAMA. A small group, including the Association's president, opted to be resettled in the two areas while the bigger group decided to stay and continue their demands for on-site development in NGC.

SAMA-SAMA called a general assembly in January 1985, and a new president of the Association was elected. Under the new leadership, SAMA-SAMA rallied for the passage of a bill demanding housing and on-site development, this time without an area size to

be stipulated, but for space enough to accommodate all the families. However, this bill was never passed as it was insufficiently supported.

When Mrs. Aquino was installed as President, SAMA-SAMA pressed for the implementation of her promises to improve the condition of the urban poor by holding a mass rally, again at NHA. This time, they asked the Government to recognize the 10-man committee they had formed as the official representatives of the people.

Five months after the proclamation, Memorandum Order 151, creating the National Government Center Housing Committee and establishing the implementation guidelines, was signed. About 18,000 squatter families occupying the site before the cut-off date (26 February 1986) were considered eligible for the project. The NGC Housing Project is now in full operation. SAMA-SAMA, which still serves as the backbone of the project, has mushroomed into 85 geographic chapter-memberships from the original members and it is still growing. On 23 July 1989 President Aquino handed over to SAMA-SAMA a check for ₱6.2 million (\$207,000) which was to be used for reblocking and to start the engineering structures at the pilot site. The pilot site was a 7-hectare area, and is supposed to accommodate 868 families who will occupy 60 to 110 sq m lots, depending on their capacity to pay. The CMP is being considered as a financing scheme.

### *Lessons from Experience*

The key factor in the success of the project is the active involvement and participation of SAMA-SAMA in all activities from identification of problems and issues, action planning, implementation of the plan, monitoring and above all, decision making. The 10-year struggle for land of the urban poor at the NGC is a big success that will always be remembered by all of those who witnessed and were involved in the struggle. Because of the unity and perseverance of SAMA-SAMA, moved by a cause and inspired by the support of the NGO sector and the active participation of the residents in the area, the cause – a piece of land for the poor – had been won.

## **Medel Tenants Association, Inc.**

### ***Background***

The story of Medel Tenants Association, Inc. illustrates the first application of the Social Housing Program (SHP), under the Housing and Urban Development Coordinating Council (HUDCC). Medel is a 3.2-hectare residential place located in the heart of Mandaluyong, Metro Manila where presently 1,200 families live. Most of these families belong to the lower-income group who derive income from vending, househelp, carpentry and other sources which require labor.

The Medel family strictly imposed discipline with respect to rent recovery, peace and order and community organizations. Organizations were limited to those approved by the Medels, among them organizations to support religious, sports and youth-oriented activities. Failure to pay the rent (land) would mean double the amount and those who had been delinquent in paying the monthly rental were evicted.

### ***The Project***

After several weeks of consultation and meetings with the then Deputy Secretary-General of HUDCC and after having complied with the criteria of the SHP, the area was chosen in August 1988 for one of the 18 identified prototype projects to field-test the arrangements for SHP's implementation.

With the assistance of some NGOs who were part of the formulation of the SHP and the Mandaluyong JAYCEES, the Medel Housing Cooperative was organized and registered. The officers and members of the Cooperative became familiar with the SHP, particularly on the roles, responsibilities and obligations of the officers and the community as a whole.

It should be noted that there are three basic criteria that the community had to meet. First, ownership of the land had to be established and disputes resolved. Second, the community was organized as a housing cooperative and accredited by the Presidential Commission for the Urban Poor. Third, the residents had to accept the philosophy, policies and framework of the SHP as well as be sure of their commitment to be actively involved in the program.

With the community having been chosen as a prototype project under the SHP (even though at that time the SHP was not being fully

implemented by the Government except for the Community Mortgage Program which is actually just the financed part of the SHP), the officers of the Cooperative undertook an intensive house-to-house campaign to promote and explain the program meant for the entire community. Part of this campaign was to convince the residents to pay an initial down payment, should they agree, as a precondition for the proposed Memorandum of Agreement (MOA) with the Medel family.

Because of sustained action, the Cooperative finally was able to collect more than 10 per cent for their initial down payment. Despite this, however, the owners did not want to part with their land. Various representations with the owners were made including the intervention of the Mayor of Mandaluyong. Finally, the owners agreed to sell their land and the MOA was finalized in December 1988 for the first community mortgage released under the system and program.

After the lot was acquired, the community, which provided labor and materials, started to develop the land, particularly the drainage system and paving of roads. The Housing and Land Use Regulatory Board (HLRB) approved the plan for site development, wherein the Cooperative is the developer and originator. The Cooperative hired the services of HUSSMAN, a private professional company, to be the construction managers.

The Cooperative also created necessary committees to handle various aspects of the project, among which included technical reviews and finance. The Cooperative took charge of collection of funds and repayment of the CMP loan. An amount of ₱5.00 for development and an additional ₱0.25 for administrative costs were collected daily from each family. At the end of each month, the total amount collected for the month was deposited with the Development Bank of the Philippines, with which the loan agreement was made.

The Cooperative also took care of the purchase of construction materials as well as the provision of labor. All records of the Cooperative were made open for the community to see and monitor. The project, covering the development of 30,200 sq m was completed in November 1989, almost 20 months from the time the community was formally organized. Now, each family has its own land title (average of 60 sq m per family), which is being amortized monthly

in amounts ranging from ₱98 (\$3.3) to about ₱400 (\$13.3), paid for 25 years at an interest rate of 6 per cent per annum.

The completed project includes: potable water supply (piped), electricity and septic tank/toilet for each family. A 6-meter wide road, 8 alleys of 4 meters in width and 2-meter wide footpaths, all cemented, were also constructed. The Task Force Arki helped the residents improve the design and renovation of their houses.

The community is being helped to improve their livelihood through the assistance of a professional who established links with a private business firm for the assembly of some electronic equipment. Aside from this, job work and other home-based livelihood activities are being implemented by the community. What happened in Medel reflects a three-year struggle to own a part of 3.2 hectares of land. Moved by the community spirit and inspired by support from volunteer professionals and students, the Social Housing Program, under the community mortgage scheme, was a success.

#### *Lessons from Experience*

The struggle of Medel is one that will serve as a model and inspiration to the urban poor. The community spirit made possible the successful implementation of the concepts and strategies of the Social Housing Program, a program that was collectively formulated by the urban poor, the NGOs, the private business sector and the Government. The key to the successful implementation of this new approach lies in the legitimacy of the community organization and its credibility with its members.

#### **Zone One Tondo Organization (ZOTO)**

ZOTO is the result of the organizing efforts of an NGO named Philippine Ecumenical Council on Community Organization (PECCO), an interchurch ecumenical group in Tondo, Manila at one time the biggest slum in Asia. PECCO's goals in organizing the residents of Tondo were as follows: (i) to promote a training program for organizers in a systematic and professional way; and (ii) to build a mass-based people's organization through which the primary psychological blocks to planning, decision making and action by the people could be eliminated. Before ZOTO came into being in the late 1960s, there was the Federation of Tondo Foreshore Land Tenants Association which lobbied for the passage of laws

which would provide them the opportunity to buy the land that they were occupying at reasonable prices.

ZOTO rallied around issues of security of land tenure, provision of basic infrastructure, social facilities and basic livelihood services. A series of mass actions conducted by ZOTO brought presidential recognition resulting in the commitments of some government resources. In-city relocation was one of ZOTO's demands that was positively received by the Government. The Dagat-Dagatan project was therefore declared an area for priority development (APD) which would provide for the ownership of land by relocated families. The project was spearheaded by the NHA in close consultation with the people and other NGOs which were working in Tondo then. After 14 years of struggle to acquire land and housing, ZOTO closely monitored the project.

### **Las Piñas Community Organization**

The community described here is composed of small fisherfolk along a coastal road, vendors, factory workers and other daily and irregular wage earners. The community, which is situated just behind the Las Piñas parish church, occupies three pieces of land (one of 1.7 ha, a second of 3 ha, and a third of 1 ha) originally privately owned. With the intercession of the Catholic Church through its Cardinal, the owners agreed to sell their properties. The properties were acquired by the Public Estate Authority (PEA) of the Government and developed by the NHA. The negotiation between the families and the PEA regarding the price of the land took one year. From the initial amount of ₱180.00 (\$6) per sq m, it went down to ₱115 (\$3.83). The total amount of the land is payable in 25 years. The process of acquisition involved constant dialogue between the PEA and the people at the parish grounds. More than 1,000 families are currently being benefited by this project.

The NHA constructed the road, drainage canal and sanitation facilities. Through NHA, the community was able to install systems and facilities for their water and electric supply, but sanitation facilities were neglected.

According to the NGO (Asian Social Institute) which acts as the facilitator, there is a very positive relationship between the NHA and the community. The project manager of the NHA proved to be the key to the acceptance of the project. As soon as the community was

organized (community organizing took two years of work), an umbrella Council of the Leaders was formed representing at least 10 groups of urban poor residing in the area or its vicinity. A cooperative was formed to take care of their community income. The community organized a rice cooperative that is being supplied by a farmers' group in Tarlac. Each delivery consisted of 200 sacks (twice per month). The development activities are still ongoing with the NGO facilitating. NHA continues to meet regularly with the residents.

## **PRIVATE DEVELOPERS'/BUILDERS' INITIATIVES IN LOW-INCOME HOUSING AND OTHER BASIC INFRASTRUCTURE SERVICES**

### **Sector Background**

Private builders and developers (PBDs) in the housing industry usually concentrate on projects assuring a high rate of return, making it impossible for the low-income level group to avail of their resources. However, because of the new Government's campaign for private sector participation in solving the nation's housing problems, the PBDs, in the late 1980s, started responding to the low-income group and the urban poor.

The PBDs' active involvement was seen in 1987 when the Bishops Businessmen's Conference (BBC) started its regional and sectoral consultation for the formulation of a draft Urban Land Reform and Housing Program (ULRHP) that was to be submitted to the Government for consideration. The PBDs through the leadership of the Chamber of Real Estate and Builders Associations, Inc. (CREBA), prepared its own version of an urban land reform and housing program and submitted this proposal to the BBC. Since then, CREBA has been joining different multi-sectoral activities aimed at alleviating the plight of low-income groups. Another active private group which was involved in the proposal and consultations was the United Architects Association of the Philippines (UAAP).

The Private Sector Low-Income Housing Association (PRIS-LIHA) actively participated in the organization of the Tri-Sectoral Network for the Urban Poor (TSN). As a member of TSN, it was expected to create linkages between the poor and the PBDs and help

the other sectors come up with an acceptable low-income housing development program. Although a number of PBDs are interested in the SHP, very few are actually going into it because of the constraints and lack of incentives for them. PBDs have participated in a limited way in the formulation of the Social Housing Program (SHP) during the late 1980s. One of the more active PBDs in the implementation of the SHP is Labrador Development Corporation, which led the PBDs during the series of consultation meetings on the SHP.

Some architecture students are involved in the SHP and related projects in cooperation with professionals. With the help of some NGOs and/or private individuals, housing cooperatives were organized in the project areas and were made responsible for the overall management of the site development and housing project in their own locals.

The involvement of PBDs and a group of architecture students from the University of the Philippines named Task Force Arki is illustrated in two cases mentioned in this study. They worked with the poor communities in the planning, decision making, implementation and monitoring of people's housing projects. With the help of Task Force Arki the people were enabled to prepare designs and development plans for their communities based on the principle of "minimum dislocation, maximum retention". Private professional volunteers and the Task Force Arki supervised the people in the implementation of the plans. On-site development included construction of pathways and footpaths, drainage systems and improved shelter. According to one private developer, the urban poor themselves can best implement a housing project meant for them, and this was proved in 16 projects in which he had participated.

### **Labrador Development Corporation**

Labrador Development Corporation (LDC) is one PBD with a social conscience. LDC's contribution to urban poor needs is a social housing project in Batasan Hills, Quezon City. LDC bought 11 hectares of land worth ₱9 million (\$300,000) for an on-site development project to benefit at least 300 urban poor families presently residing in the area.

A project coordinator from among the urban poor was designated to coordinate all activities of the project. The Task Force Arki and LDC technical staff are working closely with the people in



developing and implementing their plans. Community organizers were hired by LDC for the social development of the residents in the area. These people comprise an active team that aims to realize social housing for the urban poor of Batasan Hills.

However, one obstacle to the smooth implementation of the project in the area was the presence of a syndicate that initially resisted the on-site development project. Primary representation has been handed proper authorities by the project team to solve the syndicate problem. A housing cooperative has been organized to lead in the implementation of the project. On-site development activities have just started.

With respect to the private business sector, there is not much to report because of the present constraints that inhibit the sector from participating actively in housing for the poor. The involvement of the private sector should be provided with assurance of faster investment turnover to strengthen its financial portfolios and liquidity. In the case of LDC, however, the Corporation's president bought the 11-hectare piece of land in Batasan Hills for the poor of the area under the SHP scheme for on-site development. Because of his commitment to promote the SHP, being the lead PBD during the SHP, he has become a role model in the housing industry.

## CONCLUSION AND RECOMMENDATIONS

There have been varying degrees of awareness on the situation of the urban poor and the inadequacy of basic services in recent years. The struggle for land continues. Housing for the urban poor remains an urgent issue in need of immediate action. The urban poor say that only when security of tenure has been positively assured can one talk about the sustainability of other urban basic services. This has been the incessant cry in slums and squatter areas. Studies, including the findings of the UNICEF-assisted Urban Basic Services Program (UBSP), confirm the need to address the land and housing problems more than any other prevailing issue.

From the experiences of the urban poor cited in this study, the recommendations revolve around the importance of people's participation in the entire development process; community organizing as a strategy for the empowerment of the urban poor; ownership of land and shelter through the Social Housing Program as the ap-

proach to achieve ownership; and a strong political will by the government to implement and support pro-poor programs.

This study has portrayed the important role of an organized community in accessing urban basic infrastructure services starting from land acquisition and housing. The participatory approach, as adopted by the communities mentioned in these cases, moved away from the usual government service delivery model in which the government has always played the role of a "benefactor" and the community the "recipient". In this study, the communities took the initiatives in looking for ways and means by which land could be acquired. Because of the unity, cooperation and perseverance of the communities, access to services was made possible. The role of the community is strengthened by the participation of NGOs or PBDs, present in the area with the primary aim to empower the poor.

It should be noted that in the communities mentioned in the cases of Habitat for Humanity Philippines Foundation, Medel Tenants Association, SAMA-SAMA and ZOTO, the level of organization and participation was relatively good.

From the various learning experiences of the communities, it is clear that provision of urban basic services as a participatory effort is dependent on the beneficiaries' active involvement in decision making, planning, implementation, monitoring and evaluation. And what is needed to bring participatory urban services to fruition, is to facilitate the expansion of the beneficiaries' awareness of the need and scope of such activities through a relationship with the development facilitators. Such activities should, however, move towards building self-reliant communities able to sustain their own development.

The empowerment of the urban poor, however, could not have been realized if it were not for the **community organizing efforts of the NGOs** who acted as facilitators, enablers or catalysts in the development process. It is therefore necessary that in any infrastructure services program, **community organizing** must be the key to facilitate understanding and acceptance of the project, as well as facilitate support and cooperation from the sectors involved, particularly the urban poor.

## APPENDIX

### **Critique of the Social Housing Program**

There is a need to speed up the implementation of the Social Housing Program (SHP) emphasizing the following strategies:

#### *Provision of Land and Security of Tenure*

According to the leaders of the urban poor, there are various schemes in land arrangement aside from those directly involving cash. The urban poor suggest, as in the SHP, that any one or a combination of the following schemes be adopted to expedite the SHP:

- Land readjustment which requires pooling of lots into a contiguous area based on an approved development plan;
- Land assembly through negotiated purchase or expropriation;
- Land swapping through exchange of parcel of land or share of stock;
- Land banking in order to promote planned development; and
- Land grants through donation and usufractory arrangements.

#### *Mobilization of Available Resources*

- project implementation by the private sector;
- project management/administration by the intended beneficiaries through their cooperatives;
- liberalized regulations and incentives by the Government; and

- funding through traditional government outlets, grants, and multilateral aid.

***Assurance of affordability***

- more comprehensive community mortgage;
- materials financing;
- lease/rental on lot and/or house;
- intensive development of alternative housing modules; and
- special low cost fund allocation.

***Provision of Support/Facilitating/Activities***

- containment of squatting;
- conduct of livelihood programs;
- participation of NGOs;
- promotion of beneficiaries' cooperatives;
- provision of social services by the Government;
- provision of technical assistance by the Government and the private sector; and
- one-stop processing.



# **Financial Strategy for the Urban Poor**

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# Financial Strategy for the Urban Poor

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## RECENT DEVELOPMENTS

A significant feature of development activities in the urban sector in the eighties was the extensive build-up of housing and infrastructure finance systems in Asia and the Pacific. Several countries have witnessed the emergence of new financial institutions for mobilizing household savings, providing home ownership, home upgradation and shelter-related infrastructure finance. In the case of a large country like India, there has been a phenomenal growth of regional-specific housing finance institutions both in the public sector and the private sector. Commercial banks, which had shied away from housing finance, are now entering the Indian housing finance scenario, particularly after the establishment of the Indian apex housing finance institution, the National Housing Bank, in 1989. There have also been significant developments in refinancing mechanisms, mortgage insurance and secondary mortgage market activities in the region.

While the institutional infrastructure is developing, the scope of the services of institutions seems to be progressively declining in terms of the total urban population: the households in fast-growing urban informal settlements, which constitute the majority of the urban poor settlements, are largely beyond the operational jurisdiction of the emerging financing system. Conventional policies expect a home loan seeker, for example, to fit into the norms of the financial institution and allow no scope for flexible approaches to fit into the loan-absorbing and loan-servicing capacity of the individual. Affordability analysis is restricted primarily to a regular monthly income parameter, while many of the urban poor do not have regular incomes. Mortgage lending depends upon having a properly registered land titles, also not available to many of the poor.



There are several misconceptions among formal financial institutions on critical issues. One is that the inclination and capacity of the urban poor to repay a loan is low. Another is that a high element of subsidy is needed in programs for the poor. However, the positive inclination of the urban poor to meet their financial commitments and their capacity to pay reasonably high rates of interest quite regularly is demonstrated in the operations of the informal credit system, which has a good recovery performance in virtually all developing countries.

The ability and willingness of the poor to pay is evident also in the case of urban services such as potable water, sewerage, sanitation and electricity. A recent study<sup>1</sup> in three cities in India shows that the informal payments made by urban poor households in slum settlements to have access to non-potable water is considerably higher than those made by a formal sector household for "safe" piped water through the public water delivery system. In fact, the pricing of water and electricity provided by the public distribution system in India has a high element of subsidy, which is denied to the urban poor in slum settlements, primarily on the ground that they are beyond the scope of city development plans and partly because of the prejudice of planners, administrators and financiers that the poor only want "free" goods or, at best, may be able to make only "token" payments for the services.

A significant recent development, which holds promise for a more positive response from governments and financial institutions in the nineties to the basic service needs of the urban poor, has been the increasing acceptance of informal settlements and activities as a part of the reality of planned urban and suburban centers. The Second Delhi Master Plan, completed in August 1990, for example, has recognized the urban informal sector and is the first Indian City Plan to provide some norms for space for the activities of the informal sector, adjacent to sites zoned for the formal sector. International organizations have now accepted the informal sector by recognizing it as part of the private sector having initiative, dynamism and enterprise which needs development support. National and provincial governments in developing countries not only recognize the urgency of enhancing the economic activity base and upgrading the living environment in slum settlements, but they have also introduced innovative programs, such as the Nehru Rozgar

Yojana in India, and the Kampung Improvement Program (KIP) in Indonesia.

International agencies have also recognized that a major weakness of the financial systems of developing countries, namely resource mobilization, is related to the poor linkages between the formal and the informal components of the financial system. The lack of proper interaction and work relationships between these segments of the financial system seems to be a critical issue. In many countries, formal sector institutions face serious resource problems due to an inability to attract savings. In many cases, formal institutions are required to lend at below-market rates of return. In such instances, they often have to rely on fiscal incentives such as exemptions from taxation to motivate households to save with them, resulting in marginal additions to the resources of the financial system. On the other hand, evidence is available of substantial involvement of poor and even middle-class households in informal savings schemes, aimed largely at meeting some anticipated lumpy expenditure. This latter channel of household savings is not accessible to the formal financial institutions, primarily because their saving instruments and mechanisms do not fit into the field-level relations of income flows, behavior and saving habits of informal sector households.

The Society for Development Studies (SDS), an Indian NGO, has made an attempt to estimate the total savings base in the Indian economy, including urban informal households.<sup>2</sup> These estimates suggest that 16.4 per cent of Indian savings originated in urban informal households. The SDS study further estimated that the net savings rate for urban informal households was 12.7 per cent of household income per annum. A significant feature of the savings efforts of the informal sector households is the crucial role of women in savings mobilization efforts.

## **OPERATIONAL DEFICIENCIES**

The basic operational constraints of housing finance institutions to provide home loans to the urban poor originated from the conventional approach to housing finance developed over the last two decades. This conventional policy lays down strict home loan eligibility criteria, statutory restrictions on computation of loan

repayment installments and unrealistic loan repayment schedules, which tend to restrict the eligibility of the urban poor to participate in the loan programs and to create a home loan package which is beyond the sustaining capacity of the urban poor.

Conventional credit eligibility criteria require a regular and documented income flow statement and financial collateral for the home loan. In some cases a personal guarantee, often two to three times the proposed home loan amount, is acceptable in lieu of financial collateral. A preconceived parameter of affordability, fixed across-the-board at around 25-30 per cent of monthly income, is used to assess the loan repayment capacity. The urban poor, who primarily earn their livelihoods in informal activities often subject to seasonal variations, are, more often than not, unable to meet these stringent home loan conditions.

The urban poor have a relatively larger proportion of non-monetized receipts than their relatively better-off counterparts, who may be engaged in an economic activity in the formal sector. A proper assessment of loan absorbing and servicing capacity of the urban poor will have to necessarily examine non-monetized income flows.

Another operational deficiency of the conventional home loan strategy is to provide access to only one of the several credit needs, namely, home construction and upgradation finance. In the ranking of household priorities of the urban poor, household consumption needs have the highest priority and income-generating activities seem to be on a higher preference curve than shelter development activity. Thus, a single component credit program has a high probability of misuse of credit. The urban poor requires a composite credit that would meet all the credit requirements. This alone would make housing construction and upgradation a practical reality.

## **CHALLENGE OF THE NINETIES**

The challenge of the nineties is to provide an effective access to the urban poor to institutional finance facilities that are normally available to the higher percentiles of the urban population. Two issues seem to require in-depth consideration:

- Mobilization of funds from low-income households.

- Strategy for providing financial services to low-income households including strategy for affordability upgradation.

### **Mobilization of Funds**

If formal financial institutions could develop a working relationship with informal savings systems already operating at the community level, they would have access to a new source of funds. At the same time, the ability of low-income households to participate in the credit programs of the formal financial system might also be increased. A six-point group-specific saving mobilization strategy is proposed for consideration:

- Identify the "savings zone" in the target saving community, assess their savings behavior, identify saving determinants and estimate savings potential on the basis of grass-roots level data and direct interaction;
- Design, on the basis of the above-mentioned inputs, group-specific savings instruments and schemes to fit the needs, capacity, expectations and requirements of the community (do not expect the community to fit their saving plans to the fixed schemes of the institution);
- Incorporate a good element of flexibility in all aspects of the working of the savings instrument;
- Develop a single and flexible delivery system for collection of the savings as well as their servicing. The community should be tapped when liquidity is expected to be high and a rigorous motivation campaign should be undertaken on a continuing basis and in particular preceding periods of anticipated spurts in incomes and potential savings;
- Develop a flexible withdrawal system to instil confidence in the community and liquidity of the savings instrument; and
- Provide incentives at specific community level and not on across-the-board basis.

### **Strategy for Providing Financial Services to Low-Income Households**

A basic weakness of the specialized approach to credit is that it meets only one of the financial needs, say, shelter finance. While a single-component approach might be workable for the relatively better-off segment of the society, enough evidence is available to suggest that, for the urban poor, it is desirable to consider an integrated approach to the provision of credit, with facilities for upgrading not only the settlement but also the economic activities of its occupants. The single-component shelter finance activity often fails to create a self-sustaining development process. While such credit might succeed in initiating a shelter development and upgradation programs (say, up to some preconceived minimum level or norm fixed by the slum upgradation agency), real upgradation of the low-income habitat can be realized only when the individual household is able to upgrade its income as well.

Economic and shelter upgradation are interrelated, particularly for self-employment and home-based activities. The shelter provides the much-needed base to accelerate the qualitative and quantitative development of the economic activity which, in turn, would be necessary for further upgradation of the shelter.

Policies for the poor have to be formulated on the basis of two basic operational principles:

- Prior assessment of program needs (including finance and non-finance) for integrated shelter, related infrastructure and economic activities; and
- Assessed capacity for absorbing credit based upon a realistic and effective repayment system.

### **INNOVATIVE PROJECTS**

Two projects involving integrated shelter and economic upgradation are being introduced in India. In these, loans are to be provided for shelter, infrastructure and economic activity. NGOs have been assigned a catalytic role in the implementation of the projects. A similar type of project is under consideration in In-

Indonesia, where different cost funds will be pooled to establish a single rate of interest on a composite loan.

### **An Integrated Development Project in India**

The National Capital Region (NCR) Planning Board, established by the Government of India to develop centers of economic activities and human settlements to serve as countermagnets to the capital city, has developed an integrated development project to provide shelter and work place and access to skill upgradation, finance and other inputs.<sup>3</sup> It has adopted an operational definition of an informal sector economic unit, recommended to them by SDS, as "one whose development needs the inclusion of infrastructure, finance, etc. (and who) is not specifically taken into account by the Government in the preparation of regional development and investment plans". A number of economic activities to be promoted in the informal sector have been identified. Work has been initiated in Meerut, 65 km from Delhi, in cooperation with the Meerut Development Authority (MDA) for projects in the handloom and sports goods industries. The development support to be provided by the NCR Planning Board and the MDA includes provision of land, basic infrastructure, hygienic living and working environment, working capital, skill upgradation facilities and subsidies for marketing of products.

### **An Integrated Human Settlement Development Project in India**

This project will be a testing ground for many of the components of the Indian National Housing Policy. In particular, a model will be developed for an effective partnership of the Government, an NGO, the private sector and the community in all the activities that are required to formulate and implement a need-based total human settlement program. This strategy is required since the resources of the Government sector are limited; even these limited resources do not fully reach the urban poor due to operational deficiencies and high overheads of public agencies. The project not only seeks to bring about a more efficient utilization of public resources but also to mobilize resources and expertise from outside the governmental system.

The project will further develop an existing program of the Slum Wing Delhi Development Authority (DDA) that seeks to bring in expertise and resources from outside the government system. In these ongoing programs, the role of the NGO is directed mainly to provision of some community development services like health care, education or income-generating activity and the formation of cooperatives of the urban poor to facilitate access to land and finance.

It has now been realized that there is also a need to bring about economies in the development cost of physical infrastructure within the settlement and a new type of infrastructure delivery system using community and NGO inputs may have to be evolved that would reduce the dependence on public sector construction.

Several SDS studies have suggested that there is a need for an attempt to be made towards social and economic upgradation of the community. This might require development of appropriate socioeconomic infrastructure and environment.

The project, formulated in this perspective, will be a complete integrated package that would provide land, build need-based physical, social and economic infrastructure, develop three or four low-cost housing models for adoption by the participants, formulate and execute need-based skill upgradation programs that are likely to bring about an additionality in income generation, facilitate access to the participants to institutional finance and other services that are normally available from the Government and public agencies and provide an environment and opportunity to them to develop their own shelter unit in an phased manner, consistent with improvement in their income level and loan-absorbing capacity.

The project will cover around 1,500-2,000 households who are presently squatting on land that has been earmarked for other projects. Multipurpose cooperatives of 200 members each will be formed for allotment of individual plots of 18 sq m and to have access to a home loan (estimated at about Rs 15,000 [\$750] per unit). An attempt will be made to stimulate residents to participate in savings-linked home loan programs and other self-upgradation activities so that, in the near future, they could upgrade their capacity to participate in a permanent housing activity.

The SDS, as the NGO, would take up the entire task of organizing, motivating and mobilizing the squatter households to relocate to an alternative site as well as designing the layout, preparing the

plans and executing the developmental work for the physical infrastructure, based on preassessed needs of the community for shelter and economic activities. Low-cost model housing types will be developed for adoption by the community. To facilitate this process, the SDS will provide access to the technology, relevant skill development and a building materials bank. Apart from the architectural, planning and engineering responsibilities, the SDS will take up the responsibility for economic upgradation of the community through skill development, access to economic activity-linked inputs and markets as well as monitoring and evaluating the project. DDA will function as a facilitator in the housing sector in all respects, including the obtaining of official permissions and access to all normally available governmental inputs, services and assistance.

The financial package that is envisaged to be developed in this project will be based on a composite credit concept. Through a tie-up with various housing finance and other financial institutions, credit will be provided to meet both shelter and economic upgradation needs through a single-window mechanism. Various innovative schemes are likely to be explored and developed to facilitate loan recovery. A Community Development Fund might be created through a one-time grant from some financial institutions or the Government and used to undertake economic upgradation activities. A Project Risk Fund is also under consideration.

While it is desirable to develop a community-based cost recovery system, exclusive reliance on this mechanism has a danger of the whole community suffering for the lapse of a few members. Hence the project proposes to involve the community for purposes of providing group collateral and loan disbursement, but loan recovery will place full responsibility on the individual and the community would play the role of a "pressure group" to motivate and possibly help the individual community members to meet the loan repayment dues.

The project would provide for the community to maintain the on-site infrastructure and services, because experience in slum upgradation programs in India has shown that the major environmental degradation factor in resettlement programs is the lack of community participation in maintaining on-site infrastructure.

An integral part of the project is to develop work sheds where basic tools and equipment will be installed and made available to the community to utilize them on rental basis as experience has shown



that an ownership solution is not absorbable in the initial years and results in high default rates. In effect, the project will operationalize a development strategy in which the low-income households will be given access to all requisite support to facilitate them to undertake, on a continuing basis, an interlinked shelter and economic upgradation activity. This is critical because the initial home loan of Rs 15,000 would be just adequate to build a minimum quality shelter unit and only an improved economic status will enable the community to upgrade its shelter to an "above the poverty line" habitat.

The participation of the Slum Wing DDA and the SDS will be withdrawn from the project after 3.5 to 4 years, when it is anticipated that the project will become viable and self-sustaining. During the project period, the NGO will also develop the managerial capabilities in the community so that some of its members could take over the management and administration of the project under a Community Development Board that will be constituted.

### **A Low-Cost Community-Based Shelter Project in Indonesia**

A project is being formulated in two sites in Indonesia on the principle of integrated human settlement development on a community basis. Perum Perumnas, the national land and infrastructure development agency, will provide plots. There will be three loan components, namely, for plot, shelter construction and economic activity. The plot and construction loan will be provided by Bank Tabungun Negara (BTN) and Regional Development Bank (RDB), through their subsidized and loan schemes at an interest rate of 12 per cent.

An important component of the project is a flexible criterion to assess affordability, going beyond the conventional parameter, exclusive monthly income, and including some other parameters like potential income, past saving behavior, potential savings and composition of household budget. The effect of different housing standards, mixes of hired and self-help labor, Government and NGO intervention to provide basic household needs like food and construction materials at reasonable rates will be considered in the project. There will also be a training component in the project to upgrade and diversify the skills of the community and participating NGOs will seek to strengthen the access to inputs required for developing home-based economic activities.

## **IMPORTANCE OF HUMAN RESOURCE DEVELOPMENT**

The success of the projects that seek to introduce innovative features will largely depend on development of an institutional approach, rather than an ad hoc, individual, official-based initiative, as is the present practice. An institutional approach would require awakening and active participation of the whole bureaucratic and institutional mechanism. There has to be continuous interaction and flow of information in both directions. The desirability of training needs basing human resource development (HRD) progress on assistance is obvious. In the Indian context, the Ministry of Urban Development, Government of India, with the support of the Slum Wing DDA, have established an Informal Sector Centre for Research, Information, Policy and Training, one of whose functions is to develop specific HRD programs on management of urban informal sector for different categories of trainees, including senior policy makers, administrators, mid-level functionaries and grass-roots level workers. These programs would seek to awaken interest in development of informal economic activity and improved settlement environment, provide knowledge to initiate a process of rethinking, equip the officials to appropriately assess the needs of the community and utilize these assessed needs inputs to develop specific policies and strategies. A new type of HRD methodology, course curriculum and modules will have to be developed to bring out the desired attitudinal changes in the urban sector programs and the institutional system.

## **CONCLUSION**

The development policy for the urban sector in the nineties will have to be based on the principle of an integrated or total approach to poverty alleviation. Isolated interventions to upgrade one or two components like shelter, environment, skills or income generation opportunities, are unlikely to work in view of the close interdependency and intricate relationships between each of the components. A human settlement upgradation approach must replace the conventional housing upgradation approach. This strategy is particularly crucial in the field of financial intermediation. The urban poor do

not need access to only one of the financial inputs but to all of them in a composite manner. A total financial package will reduce misuse of the credit, and be most effective in upgrading ability of the poor to participate in the services of the formal financial system. This is also likely to have a positive impact on the loan absorbing and loan servicing capacity of the urban poor.

The success of an integrated human settlement strategy for the urban poor will be dependent upon the attitudinal changes in the perception and approaches of all the actors: the policy maker, administrator, banker and grass-roots level public functionary. The present occasional and experimental approach to innovative urban policy initiatives can then develop into an institutional approach that functions on a self-sustaining basis and not because of the special interest and concern of a few dedicated persons. Governments will then be able to respond more positively to the enabling role that is expected of them in urban development programs in the perspective of the UN Global Strategy for Shelter and other programs to alleviate poverty situations in developing countries. Structural adjustment problems that affect the urban poor more than the affluent have a higher probability of being resolved through this strategy that seeks to improve the total human settlement environment and income-generating capabilities of the urban poor.

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**PART E**

**RECOMMENDATIONS OF  
WORKING GROUPS**

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# **Recommendations of Working Groups**

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## INTRODUCTION

The Working Groups, which met for two days, considered the presentation and discussion of all the preceding papers, and prepared the following reports.

### GROUP I: NON-GOVERNMENTAL INITIATIVES

#### Objective

The challenge posed by urban poverty is one of reducing exploitation, relieving misery and creating more humane conditions for working, living and development for those disadvantaged people who have made the city their home or are in the process of doing so. The task is one of adequately feeding, educating, housing and employing a large and rapidly growing number of impoverished city dwellers who live on pavements, in unhygienic slums and in illegal squatter colonies and who are struggling to make a living from low-paying and unstable jobs.

#### Basic Premises

In considering the subject of non-governmental initiatives, the central issue is people's initiatives. **The miracle of urban poverty is that poor people meet most of their needs and supply most of their services themselves.** No matter how inadequate their ways of meeting needs and providing services may appear, that is what guarantees their survival in a hostile environment. If they waited for outside agencies — whether government or non-governmental organizations — to provide all the necessary services, they could not survive in the city.

However, considering the constraints of the poor to gain access to resources and technology, the government, private sector and the NGOs have useful roles to play in strengthening the urban poor's capability to improve their conditions of living.

**Any scheme for poverty alleviation should start with a recognition of the centrality of poor people in meeting their own needs and of the fact that government and NGOs are still secondary, if not**



minor players, in the provision of services for the poor in most countries of this region.

**So far, governments and NGOs have achieved only sectoral development with limited coverage.** Few programs even envision universal coverage of the poor with essential services. It is only poor people themselves who have achieved this. The criterion formulating any program should be: is it capable of full replication within available resources?

**The fundamental question is how the government, NGOs, international agencies and the formal private sector can best be organized to participate in poor people's efforts to meet their needs.** The UN Global Strategy for Shelter gives us a clue. There must be a change from the patron-client relationship to a mutually supportive partnership relationship in which government and NGOs play facilitating and enabling roles.

**Given the centrality of the urban poor in the provision of basic services, effective participation of the people at all levels and stages of decision making should be ensured.**

### **Representation**

The urban poor should be appropriately represented at all levels of government and in all phases of policy-making, planning, program implementation and evaluation of urban services. For example, in Pakistan, some seats in municipal councils are reserved for special groups such as women and labor; perhaps seats could also be reserved for representatives of the urban poor since their proportion of the population is so high in many Asian cities. The exact mechanisms for achieving the representation of special interest groups at all levels will have to be determined by each country according to its political and social environment. There are three institutions outside of government which can play important roles in providing basic services for the urban poor. These are:

- (i) community-based organizations (CBOs) which consist of members of poor communities;
- (ii) non-governmental organizations (NGOs) which are non-profit agencies external to the communities; and

- (iii) the private sector which consists of for-profit organizations including those in the informal sector.

There is a clear need to multiply the number and to improve the quality of CBOs. However, it is important that they retain their autonomy and accountability to their community.

### **Types of NGOs**

NGOs can be characterized by the approach that they take in terms of community participation. These types are not mutually exclusive and may often overlap. The approaches are:

- (i) charitable – providing services for people;
- (ii) developmental – promoting people’s participation in the implementation of the program;
- (iii) participatory – involving local people at any stage of need definition, planning and implementation; and
- (iv) empowering – helping people to initiate and carry out activities themselves.

Another way of classifying NGOs is by their sponsorship. These include:

- (i) CBOs which consist of local people;
- (ii) NGOs which are external to the local community;
- (iii) advocacy NGOs;
- (iv) government-sponsored NGOs;
- (v) private sector NGOs;
- (vi) religiously motivated NGOs;
- (vii) civic organizations such as Rotary, Lions and Jaycees;

- (viii) NGOs organized by political parties;
- (ix) international NGOs including regional ones; and
- (x) professional NGOs such as those consisting of academics and professionals.

Each of the above types and approaches has successfully helped improve the access of the urban poor to basic infrastructure services. CBOs can plan and install simple infrastructure such as water pumps, latrines, sewers, drains and roads; acquire and subdivide land; assist in the operation and maintenance of infrastructure; and mobilize savings and funds from other entities. This has been done in the Orangi Pilot Project (OPP) in Karachi, in various community infrastructure projects in the Philippines and in land-sharing projects in Thailand. However, since CBOs may lack necessary access to information, knowledge and technical skills, NGOs and the government must play much stronger roles in assisting CBOs. A coalition of these has often been successful. For example, in Karachi, the OPP has developed a simple, reliable method of constructing sewers and has assisted lane managers in organizing the lane members to lay out the sewer lines and contracting and supervising the work of contractors. OPP, in turn, receives modest support from a commercial bank which has recognized the importance of assisting the poor.

### **Roles of NGOs**

It will be misleading to bracket all NGOs in the same class and, therefore, wrong to expect them all to play the same or similar roles. A great diversity in nature, character, ideological stance, target group support base and way of functioning characterize the NGO sector. Some key NGO roles are:

- (i) The **organization of CBOs** in order to help people to utilize their potential, to assert their rights and to fulfill their obligations. These involve helping people to develop self-awareness, a realistic understanding of their situation and the capacity to plan and take action to improve their lives. It also involves the identification of

leaders and the understanding that each member can fulfill leadership functions in helping the group move towards its goals. The whole process can be called "empowerment of poor people".

- (ii) **Sharing information** vertically between government and the people and horizontally among CBOs and NGOs. NGOs can act as intermediaries between government and CBOs; by informing people at the grass roots about relevant government programs and ways of getting access to them and informing government about the needs and living situations of the people.
- (iii) **Advocacy** to government organizations, funding agencies, the private sector and other concerned organizations.
- (iv) **Supporting the generation of alternatives and innovations** through experimental, pilot and demonstration projects.
- (v) **Professional and technical assistance** to CBOs; e.g., housing, health, sanitation, education, etc.
- (vi) **Playing the role of critical partners** with government and funding institutions.

### **Role of the Private Sector**

- (i) The private sector should be involved in providing basic services such as water, electricity, roads, so that the government can use its resources to address more adequately the particular needs of the urban poor.
- (ii) In view of the resource constraints of government, it should provide favorable conditions for greater private sector participation in the provision of basic services for the urban poor at affordable rates. For example, to expand housing for the urban poor, government can make land available to the private sector with the condition that

it reserves a certain number of plots for the poor and subsidizes cost through the commercial development of the rest of the land.

- (iii) The private sector can make affordable credit available to poor people at times and places which are convenient and comfortable for them. Thus, small lending facilities could be opened in poor neighborhoods which would operate in the evening and on weekends. Creditworthiness would be determined by the reputation of the person and loan recovery facilitated through group loans or the acceptance of the kind of traditional collateral given to money lenders such as family jewelry. The private sector, or an NGO, could plan, organize and franchise these money shops in a standardized way to assure that they would operate profitably at the market rate of interest.

For example, in Indonesia, a revolving fund will be established under local governments which individual and group borrowers may tap for financing sanitation, water supply, home improvement and micro-enterprises. Loans will be accessible to low-income borrowers through two channels. One will be through the establishment of a revolving community development fund. The other will be through existing community-based financial institutions (CBFIs) which will lend to their members. The local bank will handle both the community revolving fund and the loans to the CBFIs. In both channels, the local intermediaries, such as the local community groups or CBFIs, would offer the following advantages: (a) access to loans would be based on savings practice and group repayment responsibility (peer group pressure) instead of collateral or income criteria; and (b) loans would be available in cash and the repayment collection will be handled by these local organizations.

### **The Role of Government**

- (i) Government organizations should promote appropriate partnership arrangements with private sector entities in

the provision of shelter and basic infrastructure services for low-income groups. This would not only bring in the private sector's resources but also take advantage of their management expertise. Some of the services could be contracted out to private firms. Several countries in the region are already involved in joint venture arrangements with private developers in providing low-income housing. Appropriate policies should be evolved to further promote such collaborations.

- (ii) The government should encourage NGOs to be involved in pilot projects and vice versa.
- (iii) The government should facilitate capacity building in CBOs and NGOs through financial and technical assistance. An institutional mechanism in the form of a nodal agency may be created to facilitate coordination between NGOs, channel financial assistance and organize technical support. CAPART (Council for Advancement of People's Action and Rural Technology) created by the Government of India presents a possible model for replication.
- (iv) The government should provide information on the services that it is responsible for providing to the urban poor in order to maximize their access in an equitable way.

### **Institutional Framework**

As in the Philippines and in the case of rural NGOs in India, it would be advantageous to have an official policy for facilitating cooperation between government and NGOs. The Philippine program includes the following features: (i) consultative mechanisms which address common concerns; (ii) sharing of official development assistance available to government with extra-governmental organizations; and (iii) the preparation of a comprehensive list of NGOs which will be used for accreditation and other basis for further cooperation.

NGOs perform a crucial link between government and CBOs and between the private sector and CBOs. In the case of Indonesia,

a government decree in March 1990 identified areas of cooperation between the government and NGOs and encouraged local governments to make use of NGOs in specific developmental projects. For example, NGOs are now being hired to assist cooperatives in the area of (i) establishing effective organization; (ii) business management; (iii) skills training; and (iv) bank operations and bank referrals. In Kampung Improvement Program (KIP) projects, NGOs are being hired to perform the following functions and responsibilities:

- (i) At the project management level, NGOs establish information systems on NGOs, private groups and specialists for use by the project implementation units, sectoral agencies, banks and non-banking financial institutions. This makes it possible to tap their experience and skills in (a) research and analysis of generic community development and informal sector issues; (b) training for local government staff in the community development approach; and (c) establishing monitoring and evaluation systems.
- (ii) At the community level, NGOs (a) conduct in-depth socioeconomic surveys and needs assessments; (b) act as community motivators and trainers of community leaders and members; (c) assist community organizations to review local government plans and prepare their own community improvement plans; (d) provide assistance to small businesses and entrepreneurs, skills training, operations and maintenance of community facilities, arrange community finance, liaise with local banks or other community-based financial institutions; and (e) liaise with other sectoral agencies regarding their specific program.

Another example of such a linkage comes from the Philippines. The Community Mortgage Program offers squatters the opportunity to acquire the land they occupy by making available low-interest, long-term mortgage loans on a community basis for a term of up to 25 years. It is divided into three stages: First, the acquisition of land; second, the provision of horizontal development (e.g., sanitation, water, roadways, electricity); third, the provision of a house. The

program encourages beneficiary communities to undertake negotiations and tasks at all three stages assisted by government or NGO as mortgage originator.

## **GROUP II: ROLES OF DIFFERENT LEVELS OF GOVERNMENT**

### **Primary Goal — The Rapid Reduction of Poverty**

The Seminar recognizes that one of the primary goals of public policy in the region should be the rapid reduction of poverty. We recognize further that the **most important policies for achieving this goal are not within our sector**. They include: (a) economic policies that stimulate opportunities for the poor to gain from their own labor; and (b) human resource investment (most important in the education and health sectors) that enhance the capacity of the poor to do so.

**Nonetheless, urban land and infrastructure policies are also vital to economic development** (more so than has generally been recognized). Constraints in present land and infrastructure delivery systems substantially and unnecessarily raise costs for economic activity and, in particular, inhibit the economic mobility of the poor. Limits on supply in relation to growing effective demand result in: (a) rapid inflation in land prices; and (b) extra cost for businesses who must provide their own infrastructure services to compensate for inadequate public systems. As a result, prospective entrepreneurs who lack capital (i.e., the poor) are prevented from starting small businesses. Those businesses that are initiated must pass excess costs on to consumers and are thus less competitive. Both factors slow economic growth and employment generation.

**Therefore, the development of effective land and infrastructure systems warrant high priority in public policy** because of their potential direct contribution to economic growth (and, thereby, poverty alleviation) as well as their social benefits.



### **Strategy: Affordable, Sustainable Urban Development**

Asia's economies have exhibited tremendous dynamism over the past decade and the majority of GNP growth has been produced in urban areas. Nonetheless, Asia now accounts for 42 per cent of the world's urban poor, and the number of poor people in the region's cities is growing at a remarkable pace. Furthermore, in most countries, **traditional policies (which focused on direct government provision of shelter and urban services for the poor) have met only a negligible fraction of the need**, have entailed high per-unit cost and have been inequitable (in that a large share of the resources intended for the poor have been diverted to middle-income groups).

**The strategy for addressing this issue must be to create affordable and sustainable land and infrastructure development processes that meet the needs of the poor as well as the society at large. This strategy appears feasible in Asia, but depends on policy reforms that:** (a) reduce per-unit costs by adopting appropriate and realistic standards and technologies; (b) significantly expand resource mobilization and broaden access to credit for the poor; (c) recover full costs from middle and upper-income groups and from the poor to the extent feasible; (d) assure that all subsidies are provided to the poor (and do not leak out to higher-income groups); and (e) significantly improve the responsiveness and managerial efficiency of public and private institutions.

### **Government's Role**

The Seminar recognizes that **effective urban development depends first on releasing and enhancing the productive energy of the people themselves** (along with supporting private intermediaries such as non-governmental organizations (NGOs), development firms and financing institutions). Consistent with the United Nations' "Global Strategy for Shelter to the Year 2000", government's role in land and infrastructure should involve: (a) giving primary emphasis to enabling and facilitating the activity of the people and supporting private intermediaries; and (b) gradually withdrawing from the direct production of housing; but (c) improving its own performance in the direct provision of infrastructure and land.

It is also recognized, however, that: (a) in all countries, this **transition in government's role should be planned as a staged process** – it cannot happen overnight in any country; and (b) the pace and the path of change in the public-private sector mix is likely to differ in different countries depending on country-specific circumstances.

In all circumstances, a part of government's role is establishing goals and broad policies that frame the incentives for actions by all participants. Such goals and policies should be developed by a participatory process to assure that they reflect the aspirations of the people themselves.

In land and infrastructure development, government's role in **enabling and facilitating private (informal and formal) activity** should entail: (i) **setting the "rules of the game"** that shape and influence private behavior, along with (ii) **improving the performance of institutions that implement and monitor the rules**. In most countries of this region today, this requires in particular:

**Reforming the regulatory environment**, by modifying zoning, subdivision and building regulations to provide: (a) affordable development standards (consistent with basic health and safety requirements); (b) a simplified regulatory system that is enforceable (which may require lessening the degree of attempted control over some topics and areas); (c) rules that encourage (rather than inhibit) business formation, the provision of rental rooms and other income-earning activities for the poor in residential areas; and (d) streamlined applications processing (e.g., eliminating multiple-agency reviews and automating application-tracking with forceful targets to increase the speed of case resolution).

- **Establishing efficient land-titling systems** which permit families, firms and communities to acquire secure tenure in a short period of time and for a modest administrative cost.
- **Establishing appropriate prices for public services** so as to motivate efficient use of resources.
- **Providing information that can facilitate actions by the people and their intermediaries**. This include access to information systems on land and infrastructure as well as

accurate information on government rules, plans and programs.

- **Assisting in the creation and operation of effective intermediaries (NGOs, community-based organizations (CBOs), cooperatives, etc.) to assist the poor** in securing adequate basic services. It is recognized that in some cases, simply setting the rules properly, offering new program options and providing adequate information, may stimulate the creation of intermediaries without further intervention. In many cases, however, additional intervention by government may be required: e.g., implementing pilot projects and providing seed money, training and technical assistance.
- **Strengthening and improving the performance of national finance systems** in a manner that: (a) induces substantially increased resource mobilization; (b) makes funds accessible to all income groups based on reasonable underwriting criteria, with special emphasis on assuring access by the poor; (c) provides credit on reasonable competitive terms; and (d) offers new and more flexible financial instruments as may be required.
- **Reviewing impacts and making revisions as needed to assure that all government policies and programs (whether directly related to the sector or not) do not inadvertently inhibit access by the poor to land and basic infrastructure services**, and that resource allocations and program operations are complementary in this regard.

#### ***Government's Direct Role in Urban Land and Infrastructure***

**Government's direct role in urban land and infrastructure should be strengthened in several ways:**

- (i) While the provision of serviced land for housing (i.e., land plus on-site infrastructure) should ultimately be accomplished in the main by the people themselves (with supporting private intermediaries), **government may need to perform as a major land developer in the interim where private provision is now severely constrained;**

i.e., to create land supply breakthroughs to curb unreasonable inflation in land prices. Where this is required, government land development agencies (and corporations) must develop in an efficient and businesslike manner, giving attention to reasonable land inventory management, cost control and pricing policies.

- (ii) It is even more promising in these circumstances for government to **create effective public-private partnerships in land development**. In these entities, the private partner should take the lead in land assembly and project design, financing, implementation and marketing, while the public partner is responsible for setting goals and general planning, facilitating development (including the clearing of regulatory barriers); and monitoring performance consistent with the public interest. In such projects with a private formal sector developer, government should encourage the provision of a substantial number of plots for the poor to attain the benefits of mixed income developments. In facilitating informal sector land development, government should use a mix of infrastructure provision, special land titling procedures, flexible (minimal) regulation and other means to encourage orderly but affordable settlement patterns.
- (iii) **Government should continue to control the direct provision of most trunk infrastructure** (water and treatment facilities, power generation, main distribution/collection networks, main roads). It should use this function proactively to shape the pattern of development on the urban fringe (towards areas that permit environmentally sensitive areas) and to open up land in sufficient quantity to address the needs of population growth. In particular, such planning should assure that areas of settlement by the poor receive their due share of service. In most of the region, there is a need to markedly improve the efficiency and effectiveness of government's trunk infrastructure provision and operation through more tough-minded

planning, project management, cost control and operating and financing arrangements.

- (iv) **Even with respect to trunk infrastructure, however, government can improve performance by delegating functions to appropriate private entities (through contracting out, public-private partnerships and other mechanisms).**
- (v) **Government should continue to play a leading role in the provision of services to already built-up low-income settlements, but shift more of the planning, financing and implementation responsibilities to the people themselves (with supporting NGOs and CBOs). The goal should be to encourage the provision of services in sufficient quantity to eliminate current deficits in a reasonable period of time, with the recognition that sufficient scale can best be achieved by enhancing the people's role.**
- (vi) **All government involvement in low-income settlements (new or already established) should give new emphasis to measures that enhance income-earning capacities and opportunities for the poor, particularly for women. This may include the integration of physical improvements with government and/or NGO-provided services such as skilled development, access to credit, child care and basic health and household management training.**

### **Roles of Different Levels of Government**

In principle, the level of government that should be responsible (and accountable) for any function is that level which is best able to facilitate the mobilization of resources and to manage their application in the public interest. In most of the region, this implies the **need for substantial further decentralization of government functions in land and infrastructure to the local level.** In many cases, this will require legislative changes to clarify local responsibilities and permit adequate planning, administration and revenue generation.

It is recognized, however, that because of lack of local capacity and other constraints, such decentralization cannot take place immediately. It should be planned for as a phased process in which local responsibilities are expanded as capacity is enhanced in the framework of an intergovernmental partnership.

### ***Local Government***

With this understanding, the ultimate role of local government in the delivery of land and infrastructure services should be to perform the following functions (in a manner that is responsive to the people's needs):

- **Performing (planning, implementing and controlling) all of the government functions identified above as they directly interface with the local community, i.e., enabling and facilitating the activity of the people and their intermediaries (setting the rules of the game, providing information, assisting in the creation and operation of intermediaries that service the poor, strengthening local finance systems) and directly providing land delivery and infrastructure services along with the effective operations and maintenance of infrastructure systems.**
- **Preparing physical development action programs for the urban area as a whole.** Such plan should: (1) indicate citywide priorities for major infrastructure improvements and new land development; (2) be accompanied by feasible financing plans; (3) be backed up by broad spatial structure plans that emerge from analysis of the cost, environmental and other impacts of alternative development patterns; and most important, (4) be prepared through a participatory process involving community and other private sector representatives as well as political programs for individual communities within the urban area by bottom-up processes within those communities rather than being dictated by the citywide planning process).

- **Mobilizing, allocating and managing the use of resources (financial, human, political, institutional and others) as needed to perform these functions effectively, giving special emphasis to assuring access by the poor.**

#### ***Higher-Level Governments***

Even with movement toward decentralization, the role of **higher-level governments** related to land and infrastructure delivery will continue to be of great importance. Functions include:

- (i) **Defining national plans and policies** in a manner that:  
(a) reorients policy to recognize priority for the needs of the urban poor; (b) allows the meaningful participation of local leaders in decision making; (c) provides realistic guidelines related to land and infrastructure services without inhibiting local priority setting in response to local needs.
- (ii) **Giving high priority to strengthening the capacity of local governments** through (a) technical assistance; (b) training; (c) development of model management and administrative systems; and (d) improved incentives (in civil service and other rules) to permit localities to recruit and retain qualified staff.
- (iii) **Performing research and policy analysis developing relevant national information systems and actively disseminating information** in a manner that assists local public and private sector leaders and professionals to better address the challenges of rapid urban development in general, and the problems of the urban poor in particular.
- (iv) **Providing adequate mechanisms (interministerial and inter-level forums and procedures) to assure that actions of higher-level governments (and international agencies) related to urban development are coordinated and designed in a manner that supports and maintains harmony with local development efforts.**

- (v) Providing appropriate grants to localities in a manner that offers incentives for efficient and effective local land and infrastructure development, giving emphasis to meeting the needs of the urban poor.
- (vi) Planning and programming strategic infrastructure (e.g., national highways, power-grids, major port development) so as to expedite national economic development and thereby, poverty reduction. Plans for such infrastructure investment should be made in consultation with local governments.
- (vii) Taking actions to support the development of efficient building, building materials production and real estate development industries: e.g., through research, training, technical assistance, support for effective professional and trade associations and standards and facilitate legislative and regulatory changes.

### **Changing and Improving the Performance of Government**

In most countries in our regions, the serious implementation of the strategy and roles outlined above will require a substantial improvement of performance of government at all levels. In many cases, this means a dramatic transformation of attitudes and operating procedures in our public bureaucracies. Some principles toward this end are identified in the paragraphs below.

- (i) **Reducing the scope of government provision activity.** The strategy recognizes the continued need for a strong public sector, but understands that to achieve strength, governments must focus tightly on activities they are best suited to perform. Governments should continue to innovate and experiment in the direct provision of services, but they should be prepared to hand over continuing operating responsibilities to NGOs and other private intermediaries when appropriate.
- (ii) **Strengthening the structure of civil service.** Civil service systems in much of the region are rigid and do not offer sufficient incentives for recruiting and retaining



qualified personnel. Incentives are weakest with respect to service in local government. Incentives should provide opportunities for flexible career advancement and mobility, as well as decent rates of compensation and tie both tightly to performance. Reform of these structures warrants high priority.

- (iii) **A major emphasis on capacity building must be initiated**, including the development of more effective (streamlined) operating systems and substantial increases in training and technical assistance. In urban land and infrastructure the need is there to build the capacity of the people and their intermediaries as well as government.
- (iv) **Clear definitions of responsibility (and accountability) and openness in coordinated action.** A "turf mentality" that avoids the sharing of ideas and information on planning leads to overlapping and duplicative government programs. This outcome destroys the force of strategic initiatives.
- (v) **Reform of standard operation procedures and attitudes.** Bureaucratic attitudes that constrain efficient government performance as well as inhibit reasonable self-help activity of the people often stem from rigid operating procedures that emphasize style instead of results. New attitudes about the true goals of public service and effective methods of achieving them must be built into the programs (at universities and elsewhere) by which government officials receive their initial training, and regularly reinforced by the introduction of more flexible rules for day-to-day behavior and consistent monitoring of performance in relation to those rules.
- (vi) **Effective management systems for goal setting, planning, finance, administration, monitoring and performance appraisal.** It has been shown that effective public management can be achieved by performing each of these operations but flexible procedures.

- (vii) **Significant improvement in information flows.** This requires the serious planning and implementation of programs to ensure that relevant participants remain well-informed about what is going on in urban development and government's response to it. It also requires involving the people and private intermediaries as well as government officials. Techniques range from forums that permit free interchange to more frequent and effective use of telecommunications. This will also require the development of adequate data bases on changing urban conditions and public programs.

### **GROUP III: FINANCING MECHANISMS, CONSTRAINTS AND FUTURE OPPORTUNITIES**

The Working Group expanded on the issues discussed in the resource papers and case study reports in regard to financing mechanisms for basic infrastructure, housing and income-generating activities which together are essential for the improvement of the quality of life of the urban poor households. The Group recognized the need to select appropriate technology and cost-effective alternatives as a means to optimize the efficient utilization of the limited resources that may be available. In addition to this, there is an urgent need to mobilize the resources available at the local government level, private sector and the urban poor community itself and to a certain degree, to enhance the mechanism to deliver an adequate portion of these resources and other financial and technical assistance to finance basic infrastructure, shelter and income-generating activities.

The Group further recognized the following constraints:

- (i) there is a lack of priority given, in the allocation of financial and other resources available from international and government agencies, to the needs of the urban poor for basic infrastructure, shelter and income-generating opportunities;

- (ii) the full potential of local financial and other resources has not been adequately mobilized in most countries to meet the needs of the urban poor for basic infrastructure, shelter and income-generating opportunities; and
- (iii) there is a lack of access to institutional finances to meet the credit needs of the urban poor households for basic infrastructure, shelter and income-generating activities.

### **Mobilizing Financial Resources of Federal and Provincial Governments**

Rather than undertaking urban infrastructure development directly, the federal/central and provincial governments should **channel more financial assistance to the local governments**, who are better able to identify local needs, mobilize local resources, command local support and are in more effective touch with the local opinions. This financial assistance can be given through various forms of grants and loans. In many countries, there is no clear formula for the devolution of revenue-sharing and grants to the local governments from the highly elastic sources of revenues that are collected by the federal and provincial governments. These grants are usually devolved on an ad-hoc basis and in some countries on the basis of recommendations of special commissions, but the specific needs of local government and urban poor do not seem to be given adequate cognisance.

**Distribution of annual grants based on revenue-sharing** should be based on, among other factors, population served, local governments' fiscal needs (based on sound financial management), local fiscal capacity and the extent of urban poverty. In addition to this, since taxes on motor vehicles and fuel are often collected by the federal or provincial government, an annual grant for road maintenance should be given to local authorities, based on the total length of urban roads maintained. Specific grants should be given to local governments to partially finance capital costs of infrastructure and social amenities projects.

The grants should be made **conditional on attainment of certain levels of performance**. The quantum and terms of these grants should be reviewed on a regular basis by a joint commission

of federal/provincial/local governments concerned and the community.

Matching grants can be a way of **encouraging municipalities to direct their resources to areas which the central government regards as a priority**, as well as encouraging local revenue mobilization.

### **Improving the Financial Capabilities and Capacities of Local Governments**

Local governments should expand the local revenue base while strengthening financial discipline and improving efficient use of resources. The revenue base of the local government includes taxes, licensing fees, user charges and borrowing.

While exploiting existing taxes to their full potential, the local governments should be **facilitated to impose other local taxes**. These include property tax on vacant land and unoccupied premises based on full value as if developed to its potential, *octroi* (which can be a substantial and elastic revenue source but may have economic disadvantages), surcharge on electricity bills, surcharge on entertainment taxes (on theaters, hotels, etc.), and betterment taxes or development charges on properties frontaging infrastructures to be developed. Property tax should be levied on properties of government and public corporations, or *grants-in-lieu* should be given. Property should be revalued on a regular basis, minimizing the gaps between the market and assessed values.

**User charges** should be levied wherever feasible and cost-effectively on infrastructure and public amenities provided by the local governments such as water, sewerage, garbage collection (probably for commercial, industrial and institutional premises only), motor vehicle parking and public toilets. The user charges should be based on proper pricing policies which imposes higher unit rates to consumers who can afford and who consume more (thereby cross-subsidizing the urban poor). The user charges should also reflect the true cost of the urban infrastructure as a service.

**The laws governing the taxes, licensing revenues and user charges** should be updated and rationalized to incorporate appropriate penalty on defaulters and the provisions of these laws should be enforced. In addition to this, the public should be educated on the importance of paying local government levies and how

they are used to benefit the community. Incentives may be given to the taxpayer for regular and prompt payments on one hand and to the revenue collector, on the other, as incentives. The revenue collection system should be automated where possible so that there will be more timely detection of defaulters and reduced collection costs.

Since **land** is a value resource for generating the required finances, it is desirable that the federal and provincial governments alienate underutilized land to the local governments. Alternatively, these land resources can be leased to the private sector for joint development with the local governments. The development can be moderated to ensure sufficient provisions are directed to the urban poor. In leasing or redeveloping these lands, the needs and interests of the occupants/settlers (whether legal or illegal) must be safeguarded.

The local governments can enhance the financial resources through borrowing and issue of local bonds. There is a need to **institutionalize the loan finance mechanism** (such as the municipal bank, credit corporations, etc.), in order to better manage and distribute the loans that may be available from federal and state governments, international financial institutions and private credit facilities. Apart from providing the loan facilities, such an institution can also assist in strengthening the financial management capabilities of the local authorities. However, these institutions should not undertake implementation responsibilities or other responsibilities which can be provided by the local authority itself. Local bonds are useful in mobilizing savings, business surpluses and "hot" money and the investments in these bond issues (from "hot" money) may be exempted from income and wealth taxes upon maturity.

The **financial management capabilities** of the local government should be further improved, through modernized financial procedures which are appropriate to local government context, rationalized financial controls, better budgeting systems (such as program budgeting with performance measurement and evaluation), updating financial policies and timely audited accounts. Proper accounting system should be adopted for better financial management.

**The financial policy and expenditure program should reflect the high priority to meet the needs of the urban poor.** The financial

policy and expenditure programs should be examined in terms of their effects on the urban poor.

### **Mobilizing Community Resources Through the Development of Appropriate Community-Based Financial Institutions**

There is a need to develop **appropriate financial institutions** such as credit unions, savings and loan associations, savings banks, or cooperatives to mobilize the resources available within the community. These institutions should have easy access to finances from the commercial, governments and international financial institutions, thereby having a broader base for credit facility. The credit facilities offered should have built-in features to mobilize savings from the community itself.

The scope and feasibility to establish a **materials bank** for building materials and construction equipment and tools may be considered to reduce construction costs. The government agencies, non-governmental organizations and private enterprises may play a facilitating role. This will help to bring in economies of scale in the purchase of basic materials.

In terms of credit facilities, experience has shown that a single-purpose credit facility is likely to be partly or wholly diverted to other financial needs. An alternative to this would be a **composite loan** which would contribute to the needs to upgrade basic infrastructure and shelter without sacrificing the improvement of the economic status of the urban poor household. The effectiveness of the composite credit facility will be dependent on non-conventional policies governing assessment of loan needs, loan-absorbing and servicing capacity of the urban poor which should reflect appropriate credit eligibility criterion (which should be based on other factors in addition to documented income and collateral), disbursement system, computation of realistic interest rate and repayment system.

Another approach is the **integration** or mutual cooperation of the **informal credit mechanisms** practice within the community with the **formal credit system**. The informal credit market is characterized by group-specific credit assessment, simplified loan approval process, efficient disbursement and recovery system and high interest rate (due to limited fund stock and high velocity of circulation). In order to reduce the interest rate of the informal credit

market, it is desirable to provide refinancing credit facilities from the formal credit market as well as to introduce competing sources of credit facilities. This form of mutual cooperation would also facilitate the mobilization of household savings of the urban poor into the formal credit market.

Efforts should be made to **encourage community-based organizations which can enable poor communities to improve local infrastructure through their resources**. NGOs may be a vital instrument in facilitating this process. Governments should consider establishing mechanisms to channel financial and other resources directly to local poor communities, to enable them to meet their own infrastructure needs according to their own priorities.

### **Mobilizing Private Sector Resources**

Private sector resources can be effectively mobilized through carefully designed and formulated policies that include:

- (i) **private or joint venture development** of infrastructure and housing projects which should incorporate adequate interventions to protect the interest of the urban poor households affected;
- (ii) **mobilization of funds from private financial institutions** towards financing specific projects/programs; tax incentives may be offered to financial institutions for schemes which benefit low-income groups; and
- (iii) **relaxation of regulatory controls** which inhibit informal subdivision of land for low-income groups and prevent access to formal credit systems.

### **Action Plan**

Having considered the various constraints and future opportunities to mobilize the various financial and other resources available, the Group recommends that:

- (i) **multilateral and bilateral financial institutions should direct a greater proportion of the financial and technical assistance to programs for the improvement of basic infrastructure and shelter for the urban poor;**
- (ii) **federal and state/provisional governments should strengthen the local authorities** (municipalities, etc.) through the provision of adequate financial and technical assistance, in order to enable them to better meet the needs of the urban poor through basic infrastructure provision, income-generating activities and shelter programs;
- (iii) **local authorities should improve and strengthen their financial capacities** through rationalizing their financial policies, sound financial management and improving their revenue bases and revenue administration;
- (iv) the government (at federal, state/provincial and local levels) should **adjust the existing policies, laws and regulations** to encourage the mobilization of the financial resources of the private sector, part of which could be directed to programs to improve the settlements of the urban poor;
- (v) federal and provincial governments, where possible, should **alienate underutilized land** to the local governments for development or lease to private sector for joint development with the local government. These developments should be moderated to ensure sufficient provisions are directed to benefit the urban poor;
- (vi) **efforts should be made to promote the development of community-based organizations, credit unions or cooperatives** which could mobilize the resources of the community itself through savings and loan facilities;
- (vii) **community-level activities must be extended** to include construction of physical, social and economic infrastructure, in addition to construction of basic infrastructure



and shelter, which is now well-accepted as a community-level program. There is a need to explore the feasibility of setting up of materials banks to assist urban poor communities, which will help to bring economies of scale in the purchase of basic materials. Attempts may be made at total community development that covers land, shelter, infrastructure, development of local skills and social and spiritual values, income-generation opportunities and community's capabilities to undertake development program.

- (viii) **a network for the Asia and Pacific Region should be established, for the purpose of compiling and establishing a data bank for community-based and non-governmental organizations' initiatives and programs for meeting the needs of urban poor for basic infrastructure, shelter and income-generating opportunities. The focal point for network may be one of the established research institutes within the region, which are committed to community-based programs. Such a network should be interlinked with other existing network of interest such as CITINET, HABINET, etc. to tap information of interests. International organizations such as ADB, EDI, ESCAP, World Bank, etc. may provide financial and technical assistance for the establishment of such a network; and**
- (ix) **ADB and EDI may consider monitoring the progress made by the participating countries in the implementation of recommendations made in this Seminar.**

**PART F**

**SEMINAR PROGRAM AND  
PARTICIPANTS**

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## SEMINAR PROGRAM

**Tuesday, 22 January 1991**

- Hotel 7:00 – 8:30 am Registration**
- 9:00 – 9:15 am Inaugural Address –**  
Mr. William R. Thomson,  
Vice-President (Operations),  
Asian Development Bank (ADB)
- 9:15 – 9:35 am Keynote Address –**  
Mr. Teodoro Katigbak, Presidential  
Advisor on the Urban Poor and  
Chairman, Housing and Urban  
Development Coordinating Council,  
Government of the Philippines
- 9:35 – 10:15 am Coffee Break**
- 10:15 – 10:45 am Picture-Taking**
- 10:45 – 10:55 am Statement on Behalf of the Economic  
Development Institute (EDI) of the  
World Bank – Mr. Farrukh Iqbal,  
Deputy Resident Representative,  
The World Bank, Manila**
- 10:55 – 11:10 am Seminar Arrangements and Program –**  
Mr. P.K. Thomas, Manager,  
Water Supply and Urban Development  
Division (West), ADB
- 11:10 – 11:30 am Theme: Past Approaches and  
Emerging Challenges –**  
Dr. Yeu-Man Yeung, Professor,  
The Chinese University of Hong Kong
- 11:30 – 12:00 noon Discussion**

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- 12:00 - 2:00 pm Lunch hosted by Mr. S.V.S. Juneja,  
Director, Infrastructure Department,  
ADB
- 2:00 - 2:15 pm **Theme: Roles of Different Levels of  
Government** - Dr. Thomas Kingsley,  
Director, Center for Public Finance  
and Housing, The Urban Institute,  
Washington, D.C.
- 2:15 - 2:45 pm Discussion
- 2:45 - 3:05 pm **Country Papers:  
People's Republic of China, Pakistan**
- 3:05 - 3:30 pm Discussion
- 3:30 - 3:50 pm Coffee Break
- 3:50 - 4:10 pm **Country Papers: Malaysia, India**
- 4:10 - 4:30 pm **Calcutta Case Study**
- 4:30 - 5:00 pm Discussion

**Wednesday, 23 January 1991**

- Hotel 9:00 - 9:15 am **Theme: Non-Governmental Initiatives**  
Dr. William Cousins, Consultant
- 9:15 - 9:40 am Discussion
- 9:40 - 10:00 am Coffee Break
- 10:00 - 10:10 am **Country Paper: Philippines**
- 10:10 - 10:30 am **Case Study: Philippines**
- 10:30 - 11:10 am Discussion

- 11:10 – 11:30 am **Country Papers:  
Bangladesh, Sri Lanka**
- 11:30 – 12:00 noon Discussion
- 12:00 – 1:30 pm Lunch
- 1:30 – 1:45 pm **Theme: Financing Mechanisms,  
Constraints and Future Opportunities**  
Mr. Charles Nick Devas,  
Senior Lecturer, Institute for Local  
Government Studies,  
University of Birmingham
- 1:45 – 2:15 pm Discussion
- 2:15 – 2:35 pm **Country Papers: Thailand,  
Republic of Korea**
- 2:35 – 2:50 pm **Case Study: Republic of Korea**
- 2:50 – 3:20 pm Discussion
- 3:20 – 3:40 pm Coffee
- 3:40 – 4:00 pm **Country Paper: Papua New Guinea**
- 4:00 – 4:30 pm Discussion
- ADB 5:15 7:00 pm Reception hosted by  
Mr. In Yong Chung, Vice-President  
(Projects), ADB

**Thursday, 24 January 1991**

- Hotel 9:00 – 9:15 am **Case Study: Financial Strategy for the  
Urban Poor – Mr. Vinay Lall,  
Consultant**
- 9:15 – 9:40 am Discussion

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- 9:40 – 10:00 am Coffee
- 10:00 – 10:10 am **Country Paper: Indonesia**
- 10:10 – 10:35 am **Case Study: Indonesia**
- 10:35 – 11:25 am Discussion
- 11:25 – 11:35 am **Country Paper: Nepal**
- 11:35 – 12:00 noon Discussion
- 12:00 – 1:30 pm Lunch
- 1:30 – 1:45 pm **Theme: Emerging Issues**  
Mr. K. L. Luthra
- 1:45 – 5:00 pm **Working Group Sessions**
- 5:30 – 7:00 pm Reception hosted by  
Mr. Farrukh Iqbal, Deputy Resident  
Representative, The World Bank,  
Manila

**Friday, 25 January 1991**

Hotel **Working Group Sessions**

**Saturday, 26 January 1991**

Hotel 8:30 – 12:00 noon **Field Trip – Low-Income Housing**

12:00 – 1:30 pm Lunch

Hotel Distribution of Working Groups'  
Reports

**Sunday, 27 January 1991**

Hotel Review of Working Groups' Reports

**Monday, 28 January 1991**

Hotel	9:00 – 10:30 am	<b>Presentation of Working Groups' Conclusions and Recommendations</b>
	10:30 – 11:00 pm	Coffee Break
	11:00 – 11:10 pm	General Announcements/ Word of Thanks
	11:10 – 11:30 pm	<b>Closing Remarks</b> – Mr. S.V.S. Juneja, Director, Infrastructure Department, ADB
	11:30 – 12:00 noon	<b>Conclusions</b> – Mr. Utis Kaothien, Seminar Chairman
	12:00 – 1:30 pm	Lunch
		Departure of Participants



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