

Addressing urban poverty: increasing incomes, reducing costs and securing representation

Summary: The paper considers the effectiveness of different strategies used by development agencies in urban areas to reduce poverty, including the relative merits of income generation and housing and neighbourhood improvement. Drawing on the findings of recent case studies, it suggests that the advantages of housing and neighbourhood improvements may have been under-estimated, including their capacity to strengthen social networks and to reduce living costs and that too little attention has been given to integrating income-generation with housing and neighbourhood improvement.

Introduction

"For people from low-income urban areas of Colombo, gaining access to land, common amenities and housing is often their first major collective activity... Indeed, mobilization for housing has proven to be a successful foundation from which community members gain experience in organizing, articulating their needs, identifying resources and managing the development process."

Broad indications suggest that poverty in urban areas is both increasing and changing in nature. To respond to the needs of urban residents and to the growing number of urban dwellers, more development agencies are now seeking to work in urban areas. What are the most effective interventions that they can use to assist the urban poor? To help address this question, this paper explores the effectiveness of some of the different strategies that development agencies are currently using and, in particular looks at the critical contribution of programmes that are investing in improving housing and basic services.

The broad context within which urban dwellers in most countries in the South are seeking to secure their livelihoods and meet their basic needs is bleak. In most countries in Africa and Latin America, the scale and depth of urban poverty increased during the 1980s, as national economies stagnated or shrunk (Wratten 1995, Latapi and de la Rocha 1995, UNCHS 1996). In addition, retrenchment in the government sector, increases in food prices and controls on domestic demand for goods and services have resulted in a situation where there is less formal sector employment and increasing competition within the informal sector (Bourguignon and Morrisson 1992, World Bank 1990). The impacts on the urban poor have been acute. To give just one example, Amis (1996) estimates that wage levels in Nairobi fell substantively between 1980 and 1992 with the average wage in 1992 being equal, in real terms, to only 50 per cent of the average wage in 1980.

Within the broad categorization of the "urban poor", the diversity of situations has increased. Minujin's (1995) analysis of the situation in Argentina shows that, between 1980 and 1990, average household income in Buenos Aires fell by 22 per cent with new groups entered poverty. "... [T]he poor became even poorer and middle-income groups experienced massive downward mobility, entering the world of the poor" (page 158). Noting that the data from Brazil and Venezuela indicate similar trends, he emphasises that whilst these groups do not have sufficient income to buy an essential "basket" of everyday items, they do have access to services such as water and sanitation.

Whilst some of the newer groups to join the urban poor do have adequate access to services and infrastructure, for many of the urban poor, housing, infrastructure and services remain inadequate. The needs are immense: it is estimated that some 600 million urban dwellers throughout the South are living in inadequate housing, with inadequate basic services (Cairncross, Hardoy and Satterthwaite 1990). Structural adjustment programmes have often resulted in reductions in the level and quality of service provision. However, it should be

recognised that many state services did not reach the poor or only did so very partially. As a consequence of past inadequacies and a present lack of investment, most urban dwellers have inadequate provision in the areas of water, sanitation, drainage, garbage collection and health and education services.

Whilst many development agencies have focused their work on rural areas, nevertheless there have been many projects and programmes that have sought to address poverty in urban areas (UNCHS 1996). Within a range of programmes seeking to reduce poverty in low-income urban settlements, two particular approaches can be identified.⁽¹⁾ The first emphasises the need for income generation, the second concentrates on neighbourhood improvements in housing, basic services and/or infrastructure. Recognising that no single approach is likely to be adequate, the paper seeks to examine the reasons why an integrated approach offers a more effective means of addressing the needs of the urban poor. In particular, it looks specifically at some of the reasons which explain why neighbourhood improvements are a critical component of effective poverty reduction strategies. Such neighbourhood improvement strategies have been criticised as being "not really about poverty reduction" and, therefore, some agencies are reluctant to support these programmes.⁽²⁾ This paper seeks to explore such claims and looks at some of the ways in which they both combine effectively with strategies to increase incomes, addressing some of the potential weakness of income-generation strategies.

Sections I and II are introductory (and might be passed over by those familiar with this topic). Section I starts the discussion by considering the importance of addressing the lack of income-earning opportunities for the poor and looking at the kinds of intervention that development agencies working in the area of income generation commonly undertake. Section II gives a short overview of the components of neighbourhood improvement programmes, describing the activities used to address inadequate housing, basic services and infrastructure. The third section then identifies and explores some of the weaknesses of income generation strategies when used alone. The fourth section then examines the contribution of such neighbourhood improvement programmes to increasing incomes and reducing the cost of essential services. The final and concluding section draws together the arguments for integrated programmes.

I. Increasing Incomes

Many of the problems associated with urban poverty are related to a lack of income. The urban poor do not have the income they need to meet their immediate basic needs for food, fuel and journeys to and from work, water, shelter and essential health care services. Lack of income means that their diet is insufficient for good health and that it is difficult to pay for families to invest in the education and training which might enable them to obtain higher wages. Lack of income also means it is difficult to save and secure assets, rendering households particularly vulnerable to crises. Having to pay medical bills, for example, may mean that families become indebted to a local money lender. Box 1 describes one study exploring some of the causes and consequences of a lack of income.

Box 1: Medja Para, Khulna, Bangladesh

Medja Para (a pseudonym) is an established inner-city *bustee* with a predominantly tenant population of about 2,200. A study conducted between September and December 1986 found that about 7 per cent of children under the age of five were severely undernourished and 43 per cent moderately undernourished using weight-for-age as an indicator. Inequality within the settlement was high, the top 10 per cent of households owned 70 per cent of all assets while the bottom 10 per cent owned 0.07 per cent. Around 50 per cent of households lived below a locally derived food poverty line. The study divided the community into five livelihood

groups using a wide range of socio-economic and demographic variables with Group 5 being the poorest and Group 1 the richest in order to better understand the relationship between income, vulnerability and ill-health.

Twenty-four per cent of households in Medja Para lost labour days due to illness or accident in the month prior to interview with the average number of labour days lost being 10 days per month. Fifty-one per cent of the most vulnerable Group 5 lost labour days due to ill-health compared to only 7 per cent in Group 2 and none in Group 1. In the most vulnerable Group 5 households, one quarter of the monthly income was lost due to ill-health. By contrast, in Group 2, the average income loss was Tk20 per month, or only 1 per cent of the monthly income. Forty per cent of all severely undernourished children in Medja Para came from households with incapacitated earners.

A more in-depth look at seven households which included **both** a severely undernourished child **and** an incapacitated main income earner showed that the average number of labour days lost in the previous three months was ten days per month. The mean value of assets owned by these households amounted to only 90 per cent of their monthly income and these households were therefore vulnerable to any crises. Six of the seven households were deeply indebted with consumption loans averaging over four times their monthly income.

Source: Pryer, Jane (1993), *"The impact of adult ill-health on household income and nutrition in Khulna, Bangladesh"*, *Environment and Urbanization*, Vol.5, No.2, October 1993, pp. 35-49

In an attempt to address inadequate income levels and improve livelihoods, development agencies have made use of a range of strategies. The following list is not comprehensive but includes some of those most commonly used.

Loan finance. NGOs have sought to provide credit for investment in employment generation and micro-enterprises. In 1990, Oxfam published a book drawing together their experience of income generation schemes for the urban poor (Hurley 1990) and, since then, experience has widened considerably, supported by increasing recognition of the importance of micro-finance. Papers for a recent INTRAC workshop reviewing the work of NGOs in four cities in Africa and Asia found that a high proportion of NGOs were supporting savings and loan activities for income generation in the settlements in which they were working.

Training and technical support. Training helps to increase the capacity of unskilled workers, thereby enabling them to earn higher wages, and helps micro-entrepreneurs to secure higher rates of return. Many NGOs have provided training both for workers and for micro-entrepreneurs. Box 2 illustrates this strategy and describes the work of Intermediate Technology in Dhaka (Bangladesh) where they provide training in conjunction with loan finance, which is provided by a collaborating NGO.

Box 2: Food Processing in Dhaka

Seventeen per cent of informal sector activities in Dhaka are related to food-processing and production. Food production is suited to micro-enterprise development because the capital requirements are small, there are readily available raw materials, easily understood technology and accessible markets. A further advantage is that the activities can easily be fitted around household tasks. Training in business management and food technology, together with small-scale loan finance, have enabled many women and men to transform their lives.

Minoti Ghosh is one of the women living in Dhaka who has responded to a micro-

enterprise programme. After training, with a T2,000 loan, she set up a business producing a variety of street foods. Within a few months, she was earning T2,000 a day in sales with the raw materials costing only T1,000. The shop and gas ring together cost about T1,250 a month. The additional income has enabled the family to obtain a second room to live in and two of the children now go to school. Prior to this business, Minoti was unemployed.

Sohrab Karigor was already working in the food-processing industry. He received training in various kinds of snack production and took out a loan of T7,000 to extend the enterprise. He was also helped in improving his marketing skills and in promoting his product to a number of shops. Sohrab now supplies over 20 retail outlets and is making a profit of T4,000 a month.

Source: Hall, Nick with case studies by Lui Mutharia and Shahida Azami (1996), "Urban development work in Kenya and Bangladesh", *The Urban Opportunity*, Intermediate Technology Publications, London.

NGOs may offer training to extend existing skills and to improve production efficiency and product choice. For example, APPACAN, an NGO based in Nairobi (Kenya), is working with women recently released from prison for minor offences such as hawking. They help these women to acquire new skills in income-generating trades that they can legally pursue. In addition to other trades, they make soft toys for the fair trade market. APPACAN teaches the women how to make these toys and is now advising them on how to improve the range of toys produced.

Training may also be offered in production strategies, business planning and marketing. For example, part of the work of the Carvajal Foundation in Cali (Colombia) is to establish Productive Development Centres within low-income settlements. These provide local entrepreneurs with technological, administrative and commercial assistance to help in their development (Cruz 1994).

Buyers cooperatives. Some projects encourage workers or entrepreneurs to work collaboratively to make a component of their activity more efficient. In Indore (assisted by a project within the British government's city based Slum Improvement Programme), small-scale vegetable vendors started to make collective purchases, thereby obtaining larger discounts. The Carvajal Foundation are among the many agencies that have sought to develop such purchase unions (Cruz 1994).

New production technologies. Assistance may also be offered to entrepreneurs to improve the quality of their products. For example, the Orangi Pilot Project (concerned about the quality of housing construction) developed a brick-making machine which produces bricks that are four times stronger than those previously available. As a result of the introduction of this technology, production is much greater than before and the brick making entrepreneurs in the settlement now export bricks throughout Karachi.

Policy context. Links may be developed with the local authority and other state agencies to ensure that the policies and practices are more favourable to micro-enterprises. For example, in Manila, scavengers are being organised collectively through one church based NGO in order to work more closely with the local authority and ensure that their needs are being effectively addressed. Mitullah (1991) emphasises the importance of regulations and bye-laws in a study of the constraints facing hawkers in Nairobi, and taking up such issues is another area of work for NGOs.

This section has briefly introduced some of the ways in which development organizations seek

to support increased incomes. Whilst many development interventions focus primarily on income generation, some income generation programmes have extended their work into the broad area of housing and neighbourhood development. Among these are development organisations such as SEWA in Ahmedabad (India) and the Carvajal Foundation in Colombia (Anzorena 1993, Cruz 1994). Other development assistance agencies, primarily NGOs, have focused their work in this area experimenting with a number of approaches to improve housing and provide basic services and infrastructure. The following section examines this alternative and complementary approach to reducing urban poverty.

II. Housing, basic services and infrastructure

As with the section above, this section offers a brief introduction to some of the main activities that are commonly included within one approach to urban development, in this case improvements to housing and neighbourhood conditions within low-income settlements. The section is divided into three, discussing first land, then housing and finally basic services and infrastructure.

a. Land

Many of the lowest-income groups living in Southern cities lack legal tenure and have either squatted on land or are living illegally on informal land divisions. If they succeed in obtaining land tenure and regularisation, families are no longer threatened with eviction and can invest without fear of losing their assets. Some development agencies, particularly NGOs, therefore give priority to acquiring land. In some cases there is the hope that, once legal tenure is secure, households will find the funds to make basic improvements in their living conditions (for example, in the Philippines, many NGOs have been working within the Community Mortgage Programme to enable communities to get loans for land purchase). In other cases, the agencies then provide loan finance for housing development.

Development agencies use a range of strategies to support land regularization and acquisition. In some cases, development agencies (primarily NGOs) work with communities to resist eviction and secure tenure of the land which they occupy (see, for example, Audefroy 1994); on other occasions they help them to negotiate with the state to acquire land, or to save in order to purchase land on the commercial market (Arrossi et al 1994).

b. Housing

Programmes that seek to assist low-income housing development typically include one or more of the following components.

Loans. Loan programmes to assist both upgrading and incremental housing development may be provided to enable people to obtain capital and therefore optimise their asset management strategies (ESCAP 1991, HIC/ACHR 1994, Mitlin 1997). Without credit, building costs are high. Only small quantities of materials can be afforded and therefore units costs are frequently high. Poor quality bricks and tiles that need frequent replacement are used because the alternatives are too expensive. Many NGOs have started to provide housing loans to enable people to afford better quality materials.

Technical assistance in building may be offered to local residents either with or without housing loans to ensure that any money spent on housing improvements and development is spent effectively. Technologies may also be improved. For example, NGOs in Rio de Janeiro (Bento Rubiao), Pakistan (Orangi Pilot Project) and the Philippines (Patambayayong Foundation) have been developing ways of improving the quality and reducing the price of building materials for low-income housing. The new technology introduced in the building

manufacturing yards in Orangi has been described in the section above. In this programme, the two main advantages for the local residents are that the walls need less frequent repairs and that they are strong enough for a second floor to be added. Later technical innovations included roofing materials that did not need to be replaced when the additional floor was added, and staircases (Orangi Pilot Project 1995). This has had further benefits for the local economy, some 60 per cent of the bricks produced with the new technology have been sold outside of Orangi to other settlements in Karachi (Orangi Pilot Project 1995).

Organisation. Community organisations may be formed or strengthened to provide local management capacity when housing improvements are taking place (see, for example, Turner 1988). Bolnick (1996) describes how community organisations throughout South Africa have been planning and managing their own housing developments. In some cases they have been making their own bricks but in other cases it has proved cheaper to buy bricks from conventional suppliers. Reusing old materials and their own labour, they have been able to construct four-room houses for about US\$ 2,000 - one third the cost of similar commercial developments (People's Dialogue 1996).

c. Basic services and infrastructure

Health and education services may be provided free or at low cost by development assistance agencies to local residents in order to increase local access throughout the city. In addition to these direct services, development agencies may support the improvement of local commercial services, training traditional birth attendants to improve the quality of service offered or providing new teaching material for the schools. This support may extend beyond training to credit for improving health centres and school buildings or for purchasing necessary equipment. In other cases, development agencies may train community leaders to use existing municipal services more effectively and to work with those services to ensure improved access for low-income residents. For example, SPARC in India have sought to ensure that municipal hospitals offer basic medical care to street children. Through specific projects and programmes, development agencies may seek to work specifically with groups that are not effectively provided for through state services, such as literacy programmes aimed at women. The HEAL programme in Lahore (Pakistan) worked with groups of women combining literacy training with health education (Hasan 1994).

Infrastructure. In the case of infrastructure such as sanitation, roads and drainage, other strategies may also be used. Development agencies may develop new low-cost technologies that residents can install themselves (Orangi Pilot Project 1995). Frequently, they offer to subsidise the cost through the provision of materials and/or technical assistance with the community groups offering free labour (for example, the DFID Slum Improvement Programme in Faisalabad offered a 50 per cent subsidy to residents' investments in improved sanitation). NGOs may be concerned with ensuring that municipal investments are made in the lowest-income settlements. They may also be anxious to ensure that the communities themselves can participate in the construction, planning and management of the programmes (Mitlin and Thompson 1995).

III. The limitations of approaches based on income generation

Whilst it is frequently recognised that income generation and neighbourhood improvements offer benefits when implemented together, on many occasions single faceted strategies and programmes are still common. This section looks at the limitations of approaches concerned solely with income generation and employment. The argument is not that support for income generation is unnecessary; many urban households and communities have insufficient income to meet their basic needs and projects, and therefore programmes that increase incomes have a real and positive impact on levels of poverty. However, there are several factors which suggest

that income generation programmes, when used alone, may not be an effective strategy for reducing poverty.

Poverty and economic vulnerability. Income generation projects seek to address poverty through increasing labour productivity and employment opportunities. During times of economic prosperity this may be effective but it may be more difficult during periods of economic recession or other adverse economic changes. Box 3 describes what happened to the low-income women in Zimbabwe during the recession of the early 1990s. The general economic context was a difficult one. In 1992, the government started to retrench 25 per cent of state sector employees. A further measure introduced under the Economic Structural Adjustment Programme was the reduction in food subsidies. This resulted in the cost of living rising by 45 per cent between mid-1991 and mid-1992 for one sample group of randomly selected households in a low-income settlement in Harare (Kanji 1995). The consequences for livelihood strategies were severe.

Box 3: Women's Incomes in Recession

A study of 100 households living in a high-density low-income suburb in central Harare examined livelihood strategies between 1991 and 1992, the period in which the Economic Structural Adjustment Programme was implemented. In 1991, 80 per cent of households had at least one other source of income in addition to formal or self-employment. By 1992, this had dropped to 70 per cent. Lodgers' rent was the most important and stable non-wage source of income for main householders although women's income-generating activities were the most common source of non-wage income throughout the sample (in both 1991 and 1992). However, there was a significant decline in women's income-generating activities between the two surveys.

It has been argued that during an economic recession households (and particularly women) increase their informal income-generating activities as a "coping mechanism". However, this strategy depends upon local opportunities. In Harare, some sectors of informal production and services, including those in which women are most involved such as knitting, sewing and crocheting, appear to be saturated and women producers faced declining demand, increasing competition and rising costs of inputs. The fall in the demand for clothing in Harare was a major factor in the decline, corroborated by a higher-income respondent in the study who explained that, in order to cut expenses, she was only buying one woollen garment and not three, as she usually did, for the cold season. The impact of changes in demand can also be seen through the experiences of another woman who makes bedspreads:

"I used to sew five bedspreads a week and know that I could sell them. Now it is different. I can't find customers. Many people cannot afford to buy clothes, let alone bedspreads. For me, money for the material is also a problem. I only make bedspreads when I know I have a customer."

Although one hairdresser reported an increase in the number of clients because higher-income women could no longer afford to use more expensive hairdressers in town, another complained that she had had to give up because the women she served no longer had the money to have their hair plaited. The women who have managed to continue making a profit from their activities now find they have to work harder and longer hours. Despite this, earnings from their regular income generation activities have *declined* [original emphasis] by 45 per cent in real terms and earnings from their irregular activities by 23 per cent. The only activities which showed any increase were small-scale buying and selling including the purchase of food items such as vegetables and drinks from large central markets or wholesalers and reselling them

within the settlement, and taking crocheted or knitted items to South Africa and selling them for cash or trading them for clothes later resold in Harare. However, the traders argued that both of these activities have become more difficult.

Source: Kanji, Nazneen (1995), "Gender, poverty and economic adjustment in Harare, Zimbabwe, *Environment and Urbanization*, April.

As this example shows, markets are subject to many different sources of instability, and therefore support to improve livelihood strategies does not necessarily result in secure improvements in income. The rapid and recent crisis in some Asian economies illustrates some of the uncertainties associated with market based solutions to development needs. There are many reasons for such uncertainties. Local enterprises producing for the local economy are dependent on the general level of demand. Recession in a city or in a particular industry on which the local city economy depends may reduce the demand for a whole range of other goods and thereby also reduce the incomes of those who are not directly employed within the industry. Economic difficulties may be the result of any one of a number of factors such as problems in securing raw materials, a crisis in government's macro-economic management, adverse changes in inflation or exchange rates, and new technologies making old goods or manufacturing methods redundant.

Whilst income generation projects meet the immediate need to increase incomes, they do not necessarily reduce the vulnerability associated with being poor. Although households may accumulate some assets to help during difficult periods, it is often difficult to accumulate sufficient savings or other assets to provide security when market conditions change. It is particularly difficult where the formal banking system does not serve the poorest groups. In times of recession, assets can lose value and be exhausted rapidly while those borrowing for micro-enterprise development may also be required to meet ongoing commitments to repay loans.

Poverty and solidarity. Income generation based strategies to tackle poverty rarely support and strengthen collective activities. Residents may be organised into small groups to provide social collateral for credit programmes but these are often based on narrowly defined self-interest and do not often have a life beyond the credit programme. Often, local residents work in similar sectors to each other, selling vegetables or having small shops, sometimes dress-making or running other small house based services. In some cases, they collaborate in obtaining goods wholesale through the kind of purchase unions that are described in section two but this does not appear to occur often. In a very real sense, these activities are in competition with each other. Development interventions, including those in the area of income generation, may seek to strengthen local networks specifically to reduce vulnerability. Some have used savings groups for small-scale emergency and income generation loans to strengthen solidarity between neighbours. But, whilst some success has been achieved, it has also been recognised that programmes may be divisive. Montgomery (1996, page 290) draws from a study of two organisations which support savings groups for income generation activities in Asia to argue that there are:

"...contrasting examples of the extent to which members develop mutual trust and are prepared to support individuals facing distress. Where such trust and support fail to develop, the result can be institutionalised suspicion which enhances the perception of risk amongst solidarity group members. Certain forms of repayment discipline imposed on solidarity groups, if not tempered with additional mechanisms to protect individuals, may contradict these social objectives of generating trust and mutual support."

For the citizen as a private entrepreneur, this aspect of competition does not necessarily matter. But for the citizen as a resident of a low-income community, mutual support between neighbours may be critical to well-being, particularly for women and those with the lowest incomes. Close cooperation can do much to address the vulnerability associated with being poor and stronger collective awareness and mutual support may be one of the best ways to reduce vulnerability. One of the conclusions emerging from the study in Khulna (described in Box 1) is that:

"Neighbours were a constant source of support to most profile [a study sub-group which includes the poorest residents] households in various ways, including emotional support, helping to find jobs for women and children, occasionally donating or lending food and also sometimes in child care. One of the conclusions of the research is that emphasis should be placed on community based insurance and credit schemes to ease the financial burden and distress incurred following sickness induced loss of income." (Pryer 1993, page 45)

A further aspect of concern is that everyone within a settlement may not be able to participate in income generation strategies for development, and those most likely to be excluded are the poorest members of the community (see Johnson and Rogaly (1997) for a discussion of this issue in relation to micro-finance specifically). In low-income settlements, there are those who are unable to work and who are therefore forced to beg and undertake only irregular and poorly paid employment. Such programmes do little to address their needs.

Poverty, power and improved infrastructure and services. In general, low-income residents are neither consulted about nor included in plans to improve the city, and the areas in which they live are often ignored. Whilst many municipalities have now recognised the importance of including low-income communities in the consultation process, there are still few governments that have significantly shifted resources in favour of low-income groups.⁽³⁾ One of the ways in which low-income residents try to ensure that they are not ignored is by being organised to put pressure on the municipality and other state agencies to take them into account in the allocation of resources. Such community organisations or residents' associations make their presence felt through a wide range of different activities; they can demonstrate against governments, they can propose and develop alternatives, they can refuse to contribute to taxes and, in democratic states, they can offer or withhold votes. An Philippine example of such pressure within a local context is given in Box 4.

Box 4: Pressure from Payatas

Payatas is a low-income settlement in Metro Manila. For many years, water provision had been a considerable problem in the settlement. Some improvements were made in the late 1970s but the number of water taps and water flow were inadequate. Women feared to allow their menfolk to collect water because another group of men was controlling access and there were many fights. Then the public pumps stopped working. The community decided to pressurise the local authority into repairing the pumps.

The community wrote to the mayor and contacted the local councillor. When they received no reply, five of the women leaders visited the mayor at nine o'clock every morning for one week. On Thursday morning, they received the mayor's endorsement. However, the city engineer told the community that they would have to use the city's preferred contractor even though their work was sub-standard. When they received no response to their request to use another contractor, 60 people took their children, water containers, laundry basins, pails and dirty clothes to the city hall to emphasise their need for water. Eventually, they were given the first

payment to pass to a contractor of their choice.

Source: Dizon, Ann (1997), "Supporting community level initiatives to address environmental problems in Third World Cities"

Within market based economies in the South, few low-income settlements receive adequate infrastructure and basic services without political support to secure a better allocation of the available funds. Livelihood strategies do provide an opportunity for organisation through unions and trade associations (formal and informal) and, on occasions, these groups seek political influence when they feel their livelihoods are being threatened. However, there appear to be relatively few examples of these groups moving beyond the issue of livelihood to deal with their members' other needs.⁽⁴⁾ There are many occasions on which both the market and the state fail to provide infrastructure and basic services to low-income settlements. In some high-income settlements, the private sector helps to provide basic infrastructure but such institutions either cannot or will not respond efficiently in low-income areas, in part because the lack of security means that physical infrastructure investment is a risky business. Whilst the informal private sector may provide some services such as water through wells and water carriers, the unit costs are high and the result is that the poor pay prices for basic services that are many times those paid by richer groups (UNCHS 1996, Johnson 1997). In this context, community organizations play an important role in pressurizing for the improved provision of infrastructure and services.

As soon as households are settled in an area, they seek to improve their environment. As incomes rise, the demand for basic services increases. What are the choices open to families wanting a better living environment? Households can move to an upgraded settlement but this may mean having to change jobs, purchase land and a house and lose the friends and neighbourhoods that assist with contacts, emergency help, emotional support and practical needs. Residents often prefer to stay where they are and work with their neighbours to secure improvements. Considerable effort is often required; in one settlement of about 200 households, some 150 meetings were needed for the process to be completed and water, drainage and pathways to be provided (Dizon 1997). Some services can be relatively easily provided to individual residents rather than to the whole community, such as education and health care. But even these may be limited and for many investments the agreement and collaboration of a substantive part of the community is required. For example, the provision of emergency health care may be limited because the paths in the settlement may be too narrow for emergency vehicles to pass. Programmes that work with local residents to strengthen their local capacity ensure that such investments can be made effectively. Working together, local residents can do much with the resources that they can gather.

In summary, this section has argued that there are a number of the shortcomings in poverty reduction strategies that focus solely on increasing incomes:

- Incomes increase but vulnerability to economic recession and changing market circumstances remains.
- The poorest members of a community may be left out as help is provided to those most able to take loans or respond to market opportunities. Income generation programmes, if used alone, may reduce social solidarity and, thereby, increase the vulnerability of those with the lowest incomes.
- In many instances, local residents want to secure land tenure and improve their housing, infrastructure and services but a major problem is that such goods and services often cannot easily be secured by individual households acting alone. Collective organizations are needed both to undertake activities within the settlement and to negotiate resources from external agencies.

Programmes to improve housing, basic services and infrastructure often seek to address the second and third of these shortcomings through strengthening collective activities within the neighbourhood. In addition to this, they may contribute to securing an improved livelihood and to reduced expenditure on essential items. The following sections look at how improved housing can contribute directly to increasing incomes and how both housing and service and infrastructure improvements contribute to reducing household expenditure.

IV. The value in neighbourhood improvements

a. Investing in housing

It may be self-evident why households seek to enhance their incomes but it is worth considering why households invest in housing and neighbourhood development. Housing is a priority for many of the poor. For the very poor, it is often not a first priority and the need for water and food may be more immediate demands. But, as incomes rise a little, many households seek to invest in housing and some of the reasons for this are identified below.

Assets. Housing is an asset and assets can make a critical difference in reducing the vulnerability of the poor. For example, members of the women's bank in Sri Lanka believe that housing investments are important because they build up a family's capital resource and wealth base (Albee and Gamage 1995). Whilst it is often argued that housing investments are critically related to legal land tenure. Even where tenure is missing, many households invest considerable amounts in housing. In one settlement in Manila in which 40,000 households lack legal tenure, a two-room house sells for about P 80,000. (COPE, an NGO with long experience of working in the area estimated that houses in the same settlement with legal tenure (and a 15-year lease) are estimated to be worth more than twice this amount).

Land and housing are particularly useful as an asset to be used by younger members of the family. Many households extend their houses when their children need to set up home. Unable to find or afford accommodation, children may be forced to live in the same space as their parents, and constructing another room or an additional floor may offer the cheapest possible way of securing at least some privacy.

Employment. Many home based enterprises can benefit from house extensions as additional space available for small working areas, storage areas or shops. The women's bank in Sri Lanka originally only gave loans for micro-enterprise activities. They extended their lending into housing because they believe that the facilities in the home can help in the growth of the home based business. They listed the following benefits: food producers could have increased food space, improved ventilation, and an enlarged counter space; garment producers could have space for private fittings, storage and production design; and traders and shop owners could have enlarged windows for trading, and slightly wider footpaths (Albee and Gamage 1995). The women believe that an upgraded house helps make a successful business through attracting more customers. They have noted that in areas which have benefited from housing and neighbourhood improvements, businesses such as small shops and tailors grow in number even in areas where they seemed previously to have barely existed.

Rental income. In many urban settlements in the South, a proportion of the population rent accommodation. In some cases, they are long-term tenants, for example, some of those in Thika, Kenya who rent for all their adult lives (Andreasen 1989). In other cities, residents rent for just a short period of time. In some settlements, the landlords live outside the settlement but, in other cases, they live on site or even in the same house. Rent can often provide an important source of income for the landlords. Datta's (1995) study of rental housing in Gabarone concluded that income was one of the factors encouraging women to rent out rooms. In one housing programme in South Africa (Homeless People's Federation), a young woman

with two children was expecting to repay her housing loan on a one-bedroom house through renting the shack in which she had previously been living, which was on the same plot of land. She expected the rent to equal 80 per cent of the loan repayment.

b. Securing cost reductions in housing, basic services and infrastructure

In addition to the benefits already noted, housing and infrastructure improvements "stretch" incomes by reducing costs and making a little go further. This critical aspect to neighbourhood improvements is rarely quantified and often unnoticed. The examples below seek to show how important this can be to low-income households.

Housing. As already noted, a lack of credit and other difficulties mean that considerable amounts are wasted in securing housing. The pavement dwellers in Mumbai spend an estimated Rps. 2,400 each year replacing the plastic that protects their small huts from the monsoon rains. Most have to replace the plastic annually as it is damaged by the strong sun. This sum is equivalent to about 10 per cent of the cost of materials necessary to construct a brick terraced house with a living space of 225 square feet, some six to ten times the space available in a pavement dwelling. Elsewhere in Mumbai, members of the Jan Kalayan Housing Cooperative were living in shacks alongside the railway line until they secured land and loan finance to construct their own housing, repaying the cost over 20 years. In a brick house, it is much easier to keep family members healthy and safe, saving on the costs of medical assistance and preventing the loss of work days through ill-health. The annual cost of repaying the house loan for these families is less than the cost of repairing the pavement dwelling.

Water. Johnson (1997) concludes that the poor may spend up to 30 per cent of their income on water and often pay significantly more than richer groups connected to the public network. In Nairobi, the cost of water varies between 2-5 KSh for a 20 litre jerry can. If 100 households were to get together and invest in a water meter for access to the public supply, the estimated time to pay back their investment is three months (in terms of simple direct costs, not time taken to negotiate licences, etc.). Some communities take such initiatives up for themselves. For example, an ACORD credit programme in the Sudan faced a request from one of its borrower groups for a loan to enable the community to illegally tap a water line thereby dramatically reducing the amount households were having to pay for water.

Electricity. Anecdotal evidence suggests that those living in low-income settlements find it difficult to obtain legal electricity supplies and may pay high charges for electricity as a result. In Mumbai, one group of pavement dwellers working with the National Slum Dwellers Federation each paid Rps.300 a month for an illegal electricity supply of two or three sockets. For a cost of about Rps.900 per household, they obtained a legal connection and a meter. As a result, their monthly costs fell to about Rps.100. The crude payback period for this investment (financed by their own savings) is less than five months. With daily wages of between Rps.25-90, the amounts saved because of lower electricity costs add appreciably to their monthly expenditure.

Sanitation. The Orangi Pilot Project developed a low-cost technology for improved sanitation which enabled households to pay for lane sanitation and a private household connection for a cost of PRs 1,000. Elsewhere in the city, another settlement is preparing to improve their sanitation and drainage using this technology. At present residents estimate that one family member per year is admitted to hospital with average costs between PRs 1,500-4,000. In addition to this, monthly expenditure on health care, to deal with regular ailments and health problems, averages PRs 125 and further costs are incurred when wages are lost because of ill-health (Hasan 1997). It is hoped that the sanitation investments will result in improved health and the savings on medical expenses may make a considerable contribution towards the costs

of investing in infrastructure.

A similar experience has been found in Senegal. ENDA-Dakar are working with local residents in Rufisque to provide both lane sanitation and a small scale waste treatment plant. The households finance the investment through loans which cover some 70 per cent of the cost. The loan repayments are 6000 CFA for 25 months (£6), 150,000 CFA (£150) in total. Residents estimate that they save a considerable amount on health costs, and calculate that prior to the installation of the sanitation and drainage system health expenditure was about 11,000 CFA each month.

More generally, some of the most effective programmes are those that have sought to integrate housing, neighbourhood improvements and income generation. Box 5 demonstrates how such multiple strategies have been realised in one Indian programme.

Box 5: SPARC, the National Slum Dwellers Federation and *Mahila Milan*

SPARC, the National Slum Dwellers Federation and *Mahila Milan* are three groups working together in an alliance to address the needs of some of the poorest urban citizens in India. Their work begins with savings and credit at a neighbourhood level, with a crisis credit fund established from the small change that is available to most households. The crisis loans and savings scheme was initiated in the first days of *Mahila Milan* when women living on the pavement felt that they would be better off if they saved a little together. By saving small amounts such as 1-2 Rupees (equivalent to 3-6 US cents) on a regular basis, a fund would develop and, when anyone had a problem, the individual could have access to the money they needed, repaying the fund at a later date.

As the demand for loans for economic activities grew, the alliance sought credit lines available to NGOs. Capital finance provided by the Indian government to SPARC enables members to borrow for income generation. The alliance is charged 8 per cent interest while the *Mahila Milan* members taking loans pay 24 per cent. Of this 24 per cent, 12 per cent per annum is interest charged and 12 per cent is compulsory savings. These savings are kept locally to provide loan finance for larger consumption loans as these are not allowed by the government scheme. Some groups also use this as a collective insurance against non-repayment due to death or a sudden crisis.

Saving for housing was the original motivation for collecting savings and setting up accounts. The housing savings strategy works on the principal that all households need to put aside a small sum of money each month in preparation for housing loans. These monies can be used as a loan deposit or may contribute towards repayment of the loans they have taken out. Some settlements have been able to obtain land and housing loans from a state housing agency. The National Slum Dwellers Federation and *Mahila Milan* have worked together on housing and settlement design.

Infrastructure and service improvements take place at many levels. Small investments, such as electricity meters, can be made using local loan funds. Strong local organisations have been able to interact with government agencies and secure improvements in tenure and services. Experimental communal toilet blocks have been built and maintained by local communities, financed by the state.

Source: SPARC (1997), Case Study on SPARC, the National Slum Dwellers Federation and *Mahila Milan*, study of NGO CBO relationships, draft report, IIED.

IV. Conclusions

This paper has argued that urban poverty cannot be effectively and lastingly addressed simply through income generation strategies. What is needed is integrated programmes which include opportunities for households to invest in income generation. Income generation components are often successful in increasing incomes but households remain vulnerable to economic recession and changing market circumstances. The lowest-income members of a community may be left out of such a poverty reduction strategies as emphasis is placed on those who are able to respond to the opportunities that are offered. Encouraging the trend towards an individualist, market based form of development may reduce social solidarity and thereby make the situation of the lowest-income groups even more difficult. Moreover, such an approach often does little to strengthen the community organisations that play a critical role in ensuring that the political interests of low-income residents are represented, and in providing improved infrastructure and services.

For household survival and development, the neighbourhood offers important resources. Through collective organisation to improve the local environment, the informal contacts that are a part of everyday life can offer local residents a strategy for improving livelihoods, reducing expenditure and consolidating their well-being. Many informal neighbourhood associations exist prior to the intervention of any development agencies but those agencies which seek to strengthen these organisations (and collective activities are a good strategy for such strengthening) can help to improve the resources provided through such informal networks. Improved housing can increase the income earned by the household in a number of ways. Improved infrastructure and services can reduce the cost of meeting basic needs through reducing expenditure on commercial services and/or reducing the costs of health care needed to alliviate injury or illness resulting from inadequate provision.

Increasingly, programmes are adopting integrated approaches. Box 5 illustrates the multiple components of the work of SPARC and the National Federation of Slum Dwellers. The Urban Community Development Office in Thailand has separate credit lines for income generation and for housing. If a community is threatened with eviction, they are offered a housing loan first; otherwise, they are encouraged to use income generation loans to increase their income prior to taking on housing and land development finance. Both SEWA and the Grameen Bank have extended from income generation lending into housing loans. Outside of Asia, the People's Dialogue initiative in South Africa has encouraged groups to save for both housing and micro-enterprise development. In one of the best practices for Habitat II, an NGO in Fortaleza offering housing loans had also experimented with the development of workshops within the settlement to improve provision for local entrepreneurs. However, there are still insufficient programmes that recognise the importance of integrated development.

NOTES

1. This paper discusses particularly strategies to address urban poverty at a household and neighbourhood level and therefore excludes the large-scale infrastructure improvement programmes that are funded through bilateral and multilateral interventions. The improvements being discussed here are taking place within settlements that may or may not be linked to larger-scale city-level programmes.
2. This quote was made by a referee for a research proposal submitted to a European development assistance agency.
3. There have been some successes, for example participative budgeting in some Latin

American municipalities and the creation of the UCDO office in Thailand.

4. Although there are some notable exceptions to this rule, such as Sewa.

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

Amis, Philip (1996), "Long-run trends in Nairobi's informal housing market", *Third World Planning Review*, 18: 3, pp. 271-286.

Andreasen, Jorgen (1989), "The poor don't squat: the case of Thika, Kenya", *Environment and Urbanization*, 1:2, October, pp. 16-26

Anzorena, E.J. (1993), *Housing the Poor: the Asian Experience*, Cebu City: Asian Coalition for Housing Rights.

Arrossi, Silvina, Felix Bombarolo, Jorge E. Hardoy, Diana Mitlin, Luis Perez Coscio and David Satterthwaite (1994), *Funding Community Initiatives*, London: Earthscan Publications Ltd.

Audefroy, Joel (1994), "Eviction trends worldwide - and the role of local authorities in implementing the right to housing", *Environment and Urbanization*, 6:1, pp. 8-24.

Bolnick, Joel (1996), "uTshani Buyakhuluma (The grass speaks); People's Dialogue and the South African Homeless People's Federation, 1993-1996", *Environment and Urbanization*, 8:2, October, pp. 153-170

Bourguignon, Francois and Christian Morrisson (1992), *Adjustment and Equity in Developing Countries*, Paris: Organization for Economic Cooperation and Development.

Cairncross, Sandy Jorge E. Hardoy and David Satterthwaite (1990) "The urban context" in Jorge E. Hardoy, Sandy Cairncross and David Satterthwaite (Editors), *The Poor Die Young: Housing and Health in Third World Cities*, London: Earthscan Publications Ltd., pp. 1-24.

Cruz, Luis Fernando, 1994, Fundación Carvajal; the Carvajal Foundation, *Environment and Urbanization*, 6:2, October, pp. 175-182.

Datta, Kavita (1995) "Strategies for Urban Survival? Women Landlords in Gaborone, Botswana" *Habitat International*, 19: 1, pp.1-12.

Dizon, Ann (1997) "Supporting community level initiatives to address environmental problems in Third World cities: Metro-Manila case studies", Quezon City: Urban Poor Associates.

ESCAP (1991), *Guidelines on Community Based Housing Finance and Innovative Credit Systems for Low-income Households*, United Nations, ST/ESCAP/1003.

Hall, Nick with case studies by Lui Mutharia and Shahida Azami (1996), "Urban development work in Kenya and Bangladesh", *The Urban Opportunity*, London: Intermediate Technology Publications.

Hasan, Arif (1997), "Supporting community level initiatives to address environmental problems in Third World cities: Karachi case studies", Karachi: Orangi Pilot Project.

Hasan, Arif (1994), "Local Initiatives Facility for the Urban Environment, ODA consultancy, Pakistan case studies", mimeo

HIC/ACHR (1994), *Finance and Resource Mobilization for Low-Income Housing and Neighbourhood Development*, Cebu City: Pagtambayayong Foundation.

Hurley, Donnacadh (1990), *Income Generation Schemes for the Urban Poor*, Development Guidelines No. 4, Oxford: Oxfam.

Johnson, Nick (1997), "Economic inequality and the urban environment: the case of water and sanitation", Discussion paper 97-03, Environmental Economics Programme, London: IIED.

Johnson, Susan and Ben Rogaly (1997), *Micro-finance and Poverty Reduction*, Oxford: Oxfam.

Kanji, Nazeen, 1995, "Gender, poverty and structural adjustment in Harare, Zimbabwe", *Environment and Urbanization*, 7:1, April, pp. 37-55

Latapφ, Augustφn Escobar and Mercedes Gonzblez de la Rocha (1995) "Crisis, restructuring and urban poverty in Mexico", *Environment and Urbanization*, 7:1, April, pp. 57-75.

Minujin, Alberto (1995), "Squeezed: the middle-class in Latin America", *Environment and Urbanization*, 7:2, October, pp. 153-166.

Mitlin, Diana and John Thompson (1995), "Participatory approaches in urban areas: strengthening civil society or reinforcing the status quo?", *Environment and Urbanization*, 7:1, April, pp. 231-250

Mitlin, Diana (1997), "Building with credit: housing finance for low-income households", *Third World Planning Review*, 19:1, February, pp. 21-50

Mitullah, Winnie (1991), "Hawking as a survival strategy for the urban poor in Nairobi: the case of women", *Environment and Urbanization*, 3:2, October, pp. 13-22.

Montgomery, R. (1996), "Disciplining or protecting the poor? Avoiding the social costs of peer pressure in micro-credit schemes", *Journal of International Development*, special issue 8:2, Manchester, pp. 289-305

Orangi Pilot Project (1995), *Environment and Urbanization*, 7:2, October, pp. 227-236

People's Dialogue (1996) "The South African Homeless People's Federation, People's Dialogue, uTshani Fund and the uTshani Trust", Cape Town

Pryer, Jane, (1993), "The impact of adult ill-health on household income and nutrition in Khulna, Bangladesh", *Environment and Urbanization*, 5:2, October, pp. 35-49

South African Homeless People's Federation, (1997), internal report, Cape Town: People Dialogue on Land and Shelter.

SPARC (1997), Case Study on SPARC, the National Slum Dwellers Federation and *Mahila Milan*, study of NGO CBO relationships, draft report, London: IIED.

UNCHS 1996, *Global Report on Human Settlements*, Oxford: Oxford University Press for the United Nations Centre for Human Settlements.

Wratten, Ellen (1995) "Conceptualizing urban poverty", *Environment and Urbanization* 7:1, April, pp. 11-36.

World Bank, (1990), *World Development Report - Poverty*, Oxford: Oxford University Press for the World Bank.