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The Scale and Nature of International  
Donor Assistance to Housing, Basic  
Services and Other Human-Settlements  
Related Projects

David Satterthwaite

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# **The Scale and Nature of International Donor Assistance to Housing, Basic Services and Other Human-Settlements Related Projects**

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April 1997

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## ABSTRACT

This paper describes the scale and nature of development assistance to projects that sought to improve housing and living conditions for low income groups, including housing-related infrastructure and services such as water supply, sanitation and drainage during the period 1980-93. It also considers the scale of development assistance to urban infrastructure (such as ports and airports), urban services (such as hospitals and higher education institutions) and urban management during this same period. The study concludes that (i) most donor agencies give a low priority to interventions that directly seek to improve housing conditions and basic services for low income groups, (ii) funding channelled through local organizations is often more effective at reaching low income groups with better housing conditions and service provision than donor agency 'projects' and (iii) that donor agencies should provide more support to local organizations (bottom-up initiatives) that give priority to primary health care, water supply, sanitation, drainage, basic education and micro-credit.





## I INTRODUCTION

This paper describes the scale and nature of development assistance to housing (including its construction, improvement and financing), housing-related infrastructure and services (for instance water supply, sanitation and drainage) and urban infrastructure and services that are more oriented to the urban economy than to housing (for instance ports, airports and markets). It concentrates on the period 1980-93, with a special emphasis on changes in priority evident towards the end of this period. Perhaps the most relevant finding is the extent to which the more innovative and effective responses to the housing problems faced by low-income groups are not being developed by international agencies, but by local or national foundations, community federations, NGOs and municipal authorities in the South. The approaches they take can be termed 'bottom-up' approaches as they work with low-income groups and their community organizations in a great range of initiatives developed in different settlements. Most respond more effectively than conventional donor-funded (and recipient government implemented) projects to the needs and priorities of the inhabitants. They are also generally much cheaper, partly because they mobilize the resources and organizational capacities of low-income groups and their community organizations in ways that very few international agencies have managed to do. Some of these local organizations are funded by international agencies, but generally by international private voluntary organizations rather than official donor agencies.<sup>1</sup> Meanwhile, support from official donor agencies to shelter projects has been diminishing, even though they have always received a very low priority.

This paper has two main conclusions. The first is that funding channelled through such local organizations is usually more effective at improving housing and living conditions for low-income groups than donor agency 'projects'. The second is that donor agencies should considerably increase the priority they give to water supply, sanitation and drainage and to primary health care (and the national and district framework it needs to be effective) but in ways that support (or do not contradict) the 'bottom-up' approach. This in turn implies a greater priority given to developing the capacity, competence and accountability of local governments who

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<sup>1</sup> International private voluntary organizations is the term given to non-government international aid agencies such as the various Save the Children Funds, CARE, MISEREOR, etc.

themselves should be providing the supportive and coordinating framework for this bottom-up approach and also ensuring that everyone within their jurisdiction has access to safe and sufficient water and adequate provision for sanitation, health care and, where needed, drainage and garbage removal.

This paper is organized in five main sections. The first looks at funding to shelter projects and how the scale and nature of this funding has changed since 1980. The second considers funding to shelter-related infrastructure and services; short sub-sections also consider funding to social funds and the extent to which attempts to address discrimination against women have been incorporated into agency projects or into the priority they give to different projects. The third describes funding flows to urban infrastructure and services and includes a sub-section on urban health care. The fourth considers funding to improve urban management. The final section considers what constrains a greater flow of funding to initiatives that reach lower income groups with improved housing and living conditions. Before beginning the description of funding for shelter projects, short sections look at the overall context and what is considered as 'human settlements' funding.

## II CONTEXT

Analyses of housing problems in the South and of the very serious deficiencies in provision for water supply, sanitation, drainage and the management of solid wastes rarely consider the role of international development assistance. Yet development assistance agencies are partly responsible for these deficiencies as they have given a very low priority to improving housing and conditions and to funding the provision of basic services. Most have also failed to work with the two most critical actors in improving conditions. The first is the local authorities who generally have responsibility for the provision of most basic services (although they may contract others to supply services and retain a supervisory role) but who lack the funding base and the technical capacity to do so. Local authorities also generally have major responsibilities for ensuring that land and infrastructure are available to support new land and housing developments – but again lack the capacity to do this. The second actor that most development assistance agencies ignore is the low-income households themselves. It is ironic that the group with the least funding and the least

support from governments and aid agencies – low-income households – have been responsible for building a considerable proportion of all new housing units over the last 30-40 years, even if governments consider most such units as illegal or 'temporary'.

There are some signs of change. Over the last 5-10 years, an increasing number of development assistance agencies have begun to change their policies and to give greater priority to interventions that help improve housing and living conditions – although few give any priority to supporting housing projects. Some have also considerably increased their support for addressing urban environmental problems and to helping to develop the institutional capacity of local authorities. More details of these will be given later in the paper. However, the final section of the paper also describes the difficulties experienced by most development assistance agencies in expanding their commitments to human settlements projects, especially those that reach low-income groups with improved housing conditions.

### **III FUNDING FOR 'HUMAN SETTLEMENTS'**

International funding for human settlements projects comes from three principal sources. The first (and much the largest) is from multilateral agencies, especially development banks with the World Bank Group being the largest single source. The second is from the bilateral agencies of donor governments; for instance, the bilateral agencies of the US., German, Japanese, French and British governments. The third is from a large number and range of international private voluntary organizations such as MISEREOR (Germany), Bilance (Netherlands), CARE (the United States), Christian Aid (UK) – and the different Save the Children and OXFAM organizations that exist in different OECD countries. Although total funding flows from this third group are much smaller than those from the first two sources, the priority they give to basic services makes them significant in total funding for such services. Arab funded bilateral and multilateral agencies are also important in total development assistance but less so in funding for human settlements projects.

Before describing the scale and nature of these funding flows, note should be taken that in most agencies, there is no department that provides a coherent framework for funding human settlements projects although in

some, initiatives are underway to develop this. Few agencies have a special section for 'human settlements' or for 'urban.' For official projects (that need the approval of the recipient government), funding for human settlements is simply the aggregate of a great range of projects initiated by different ministries or agencies in the recipient government and different sectors or country desks or offices in the donor agencies. However, most human settlement projects fall within three broad categories:

- i) Funding for housing projects and housing finance;
- ii) Funding for the basic infrastructure and services that are central to adequate housing and living conditions and health – water supply, sanitation, drainage, health care and, where needed, solid waste collection. Although the economic importance of such investments are increasingly recognized, these are usually justified in terms of improving housing and living conditions and reducing ill health and premature death.
- iii) Funding for large urban infrastructure projects such as ports, airports, underground or light rail city transit systems, highways and city electrification or urban services such as hospitals and centres of higher education. For multilateral development banks, the justification centres on providing the basis for more prosperous city (and national) economies; the importance of urban infrastructure for economic growth has been particularly stressed by the World Bank in recent years (see for instance Cohen 1990). For the bilateral agencies that give a high priority to urban infrastructure and services, this is often tied aid with companies from the donor country having a major role within the project.

#### **IV FUNDING FOR SHELTER**

In recent years, shelter projects and housing finance combined have attracted less than 3 per cent of the commitments of most development assistance agencies. Table 1 gives figures for selected multilateral and bilateral agencies. The largest sources of donor funding for shelter have come from the World Bank Group, the Inter-American Development Bank and US AID's Housing Guaranty Programme. Some bilateral agencies fund projects that seek to reach low-income groups with improved housing

conditions but in general, these receive a very low priority. Overall, the proportion of funds allocated to shelter from multilateral and bilateral agencies declined in the early 1990s.

During the period 1980 to 1993, a few donor agencies provided considerable sums to low-income housing projects in urban areas, most of them in large cities. Perhaps more importantly, most went to projects that differed considerably from conventional public housing. For instance, support was provided for 'slum' and 'squatter' upgrading schemes that sought to improve conditions within existing low-income settlements by providing or improving water supply, provision for sanitation and drainage and, often community facilities. Some projects also provided secure tenure to the inhabitants whose house or occupation of the land (or both) had previously been considered 'illegal'. Although such upgrading schemes had been implemented before the international agencies began to support them – indeed some had been implemented many decades ago<sup>2</sup> – the international support they received helped legitimize this approach. The World Bank was clearly the largest donor for upgrading projects; the first loan for upgrading was made in 1974, with commitments made to several upgrading projects in 1975 (although usually combining upgrading with serviced sites); by 1993, some 50 upgrading projects had received support with at least another 16 'integrated community development' projects that had major components for improving infrastructure and services in existing settlements.<sup>3</sup> US AID's Housing Guaranty Programme supported 31 upgrading projects in this period – or projects that included upgrading. Although upgrading projects did improve conditions for several million urban households at a relatively low cost, there were often serious problems with maintaining the upgraded infrastructure and services within the project areas. Upgrading programmes made up for a lack of investment in infrastructure and services in the past within the upgraded settlement but rarely did they increase the capacity of the local authorities whose responsibility it was to provide and maintain such infrastructure and

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<sup>2</sup> For instance, upgrading programmes were implemented in Indonesia both prior to and during colonial rule (see Silas 1994).

<sup>3</sup> Many of the upgrading projects also had components for serviced sites or core housing. There is also some ambiguity about what is an upgrading project as distinct from support to a city to improve infrastructure and service provision within the city that will include improved provision in existing low-income settlements.

services – or, as an alternative, the capacity of citizen groups to maintain them.<sup>4</sup>

However, perhaps the most important contribution of these 'upgrading projects' was the changes in official attitudes that they helped promote. The fact that what a government labelled as a 'slum' or an 'illegal settlement' was upgraded, means recognition that this settlement and the shelters it contains have value. Conventional shelter assessments assign no value to such settlements and assume they must be replaced – and such assumptions also underlie the large-scale bulldozing of illegal or informal settlements (Hardoy and Satterthwaite 1989). The fact that upgrading programmes provide infrastructure and services to illegal or informal settlements also means a recognition of the right of their inhabitants to such infrastructure and services. This is also an important shift, as city and municipal authorities often refused to provide infrastructure and services to any settlement that was 'illegal'. Upgrading also builds on the incremental efforts of low-income groups to build and improve their own housing – unlike most other forms of housing intervention. Although upgrading was in effect a pragmatic response to the fact that a high and increasing proportion of most cities' populations (and workforces) were living in illegal settlements, these underlying changes in attitude were also important. Both the World Bank and US AID's Housing Guaranty Programme also had a major programme of support for 'serviced site' schemes or core housing schemes; the World Bank funded 47 serviced site projects or projects that included serviced sites between 1972 and 1993; US AID's Housing Guaranty Programme funded 27 serviced site or core housing schemes up to 1993 – the first being in 1970. The Inter-American Development Bank has also funded several serviced site projects but only since 1984. These projects provided cheaper units than public housing projects by providing only a house site within a residential subdivision with roads, often electricity and some provision for water supply (and sometimes for sanitation). The construction of the shelter was left to the households who received the plot. The hope was that unit costs would come down to the point where these could be afforded by relatively low-income households. Core housing schemes included a one room 'core' as well as a serviced site.

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<sup>4</sup> There were exceptions; for instance, the Kampung improvement programme in Surabaya (see Silas 1994).

Donor agencies faced many difficulties with serviced site schemes. Under pressure to reduce unit costs, recipient governments often developed them on cheap land sites that were in locations too distant from employment sources to suit poorer households. And governments rarely began to develop serviced site schemes within a large and continuous programme so that the price of legal land sites for housing with basic services came down for cities as a whole (Payne 1984). In addition, while particular serviced site projects could reduce the cost of each serviced site by being exempt from zoning and land use regulations – for instance having plot sizes smaller than official regulations required – few efforts were made to change these regulations as they affected all other sites (Mayo and Angel 1993). Furthermore, the fact that many serviced site projects were developed on government land so the land was free (or at below market price) and no (often long and complex) land acquisition procedure was necessary also meant that they were not easily replicable (ibid). The priority given to such projects by the few agencies that had funded them declined; for instance, most of the World Bank and US AID commitments to serviced site projects were made between 1975 and 1985.

Both upgrading projects and serviced site projects also 'projectized' city problems when more fundamental reforms were needed – for instance, improving the availability of housing finance, reforming city and municipal government, and changing building codes and land-use regulations and their application so it was cheaper, quicker and easier to develop legal housing and land sites (Cohen 1990). These projects also relied too heavily for their implementation on public authorities who usually had very limited capacities, which also diverted attention both from more fundamental reforms and from the need to catalyse and support private and community investments (ibid). Furthermore, one gets the impression that in most of these projects, there was little attempt to work with low-income groups in designing and implementing these projects, to draw on their resources in doing so, and in keeping costs down. However, no evaluation of their wider impact is possible in that an evaluation should include the extent to which they stimulated city and municipal authorities to adopt these kinds of approaches – and where the limitations in the donor-funded projects were addressed. There are examples of city authorities embarking on major upgrading and serviced site programmes in recent years; for instance in Cali, Colombia (Guerrero 1995) and of upgrading programmes that continue to develop and to address the problems that dogged the earlier projects as in Surabaya, Indonesia (Silas

1994). If these donor-funded upgrading and serviced site projects helped stimulate a large number of city and municipal authorities to develop more appropriate responses to improving housing and living conditions for lower-income households, without necessarily calling on donor funding, then this has far more importance than the achievements of the projects they funded.

One of the first responses by the agencies involved in supporting shelter projects both to the difficulty in implementing 'projects' and to the need for more fundamental changes was to channel funding to housing finance – in recognition of how many countries lacked an efficient housing finance system. The change from 'housing projects' to 'housing finance' was particularly abrupt and noticeable in the World Bank. For instance, between 1980 and 1993, the World Bank Group made commitments totalling US\$ 6.5 billion to shelter: two-fifths went to support housing finance with around 30 per cent to 'slum' and squatter upgrading, serviced sites and core housing projects; most of the rest went to what can be termed 'integrated community development' projects that contained too many components to be classified as 'shelter' or 'water and sanitation.'<sup>5</sup> Although the scale of funding commitments in each year fluctuated considerably, the largest annual commitments were generally in the late 1980s when most of the funding was for housing finance. This contrasts with the period 1972-84 when housing finance received very little support and most funding for shelter was for projects i.e. for upgrading slums or squatter settlements, serviced sites or low-cost housing. The average size of loans also increased considerably, and an increasing proportion of loans went to middle income groups (Mayo and Angel 1993).

However, there has been a third shift within the World Bank Group to 'housing policy development' that sought to address some of the city-wide structural constraints that had limited the impact of 'projects'. In this third shift, the aim of loans is to improve the performance of the housing sector as a whole (see Box 1). It appears that the Bank, in general, is giving less priority to shelter in recent years; total commitments in 1991 and 1993 were among the lowest since 1980 and no commitment to housing finance was made in 1993 – although a World Bank report published in 1993

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<sup>5</sup> For instance a project in a squatter settlement may have project components for water, sanitation, garbage disposal, primary health care, housing tenure regularization and building material production.



stated that upgrading projects will remain a critical component of Bank lending in the future (ibid).

#### BOX 1

#### CHANGES IN THE WORLD BANK'S HOUSING POLICY, 1970s TO 1990s

##### OBJECTIVES

1970s: Implement projects to achieve affordable land and housing for the poor; achieve cost recovery, create conditions for large-scale replicability of projects

1980s: Create self supporting financial intermediaries capable of making long-term mortgage loans to low- and moderate-income households; reduce and restructure housing subsidies

1990s: Create a 'well functioning' housing sector that serves the needs of consumers, producers, financiers and local and central governments; and that enhances economic development, alleviates poverty and supports a sustainable environment

##### ROLE OF GOVERNMENT

1970s: Emphasis on direct provision by government of land, housing and finance to facilitate progressive development of housing conditions by project beneficiaries

1980s: Emphasis on provision of housing finance, mainly by public institutions, and rationalization of housing subsidies (reduction, improved targeting and shift from financial to fiscal)

1990s: Adoption by government agencies with policy making coordination and regulatory responsibilities of an enabling role, to facilitate the provision of land and housing by the private sector; and improved coordination of sector and macro-economic policy

##### POLICY AND LENDING INSTRUMENTS

1970s: Sites and services demonstration projects emphasizing affordable housing and infrastructure standards, tenure security and internal cross-subsidies

1980s: Housing finance projects emphasizing interest rate reform (to enhance resource mobilization and improve mortgage instrument design); subsidy design and improved institutional financial performance of public agencies involved in direct provision of land, infrastructure and housing

1990s: Integrated array of policy and lending instruments to stimulate demand (property rights development, housing finance, and targeted subsidies); facilitate supply (infrastructure provision, regulatory reform; and building industry organization); and manage the housing sector as a whole (institutional reform and coordination with macro-economic policy).

Source: Mayo, S. K. and S. Angel. 1993.

This third shift locates support for shelter within the broader macro-economic framework and includes within it explicit goals for improving macro-economic performance as well as for improving housing conditions (Pugh 1994). It couches support for housing within a broader framework of 'enabling markets to work'.<sup>6</sup> This evolution in the World Bank's housing policies is consistent with broader changes of thinking about development within and outside the Bank (ibid). The Bank's housing policies of the 1970s were developed before the major shift in the economic orientation of most governments in the North towards a much reduced role for the public sector in housing. In addition, part of the reason may also be that the Bank's economists are more influenced by current thinking in the United States whereas economists in Europe and Japan remain more ready to accept government welfare and state development roles (ibid). But it may also relate to the Bank's proximity to a US Congress that is very market oriented and always concerned that the World Bank might not share its orientation. It also relates to the difficulties that the Bank has in funding relatively small projects – a point to which this paper returns in its final section.

Changes within US AID also reflect broader changes in thinking. US AID's Housing Guaranty Programme made many fewer loans to shelter in the years 1989-93 compared to the period 1980-88. However, this Programme has, in recent years, given increasing importance to finance for environmental infrastructure and improved municipal management as will be described below.

The Inter-American Development Bank was the first multilateral agency to have a major programme to fund shelter projects. This dates back to the 1960s and the Alliance for Progress during which a considerable number of housing projects were funded in both rural and urban areas. During the 1980s and early 1990s, the emphasis changed away from 'shelter' projects to projects to improve shelter-related infrastructure and services. During the period 1980-93, loans to shelter projects totalled some US\$ 1.1 billion, three-fifths of them for integrated community development projects and most of the rest for serviced sites or upgrading. Nearly two thirds of this was committed in the years 1986, 1987 and 1989 and annual commitments were much reduced in the early 1990s.

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<sup>6</sup> The title of the most recent World Bank policy paper on Housing was *Housing: Enabling Markets to Work*

Most other multilateral agencies gave a low priority to shelter projects (see Table 1). The Asian Development Bank has given a very low priority to shelter and made no commitments to shelter projects during 1992 and 1993.

TABLE 1  
THE PROPORTION OF AID AND NON-CONCESSIONAL LOAN COMMITMENTS TO  
SHELTER PROJECTS AND HOUSING FINANCE, 1980-93

	Total funding (US\$ billion)	Proportion of commitments to:		Proportion of total commitments to shelter projects & housing finance		
		Shelter projects	Housing finance	1980-93	1990-1	1992-3
<b>AID (CONCESSIONAL LOANS OR GRANTS)</b>						
International Development Association						
- Africa	27.9	1.2	0.0	1.2	1.4	1.1
- Asia	38.6	1.3	0.0	1.3	0.1	0.0
- Latin America and Caribbean	1.9	1.4	0.0	1.4	0.0	0.0
African Development Bank	10.2	0.4	0.0	0.4	0.0	0.0
Asian Development Fund	14.3	0.9	0.1	1.0	0.7	0.0
Inter-American Development Bank	6.5	3.4	0.0	3.4	0.0	4.4
Caribbean Development Bank	0.7	0.0	1.2	1.2	1.8	0.6
Arab Fund for Economic and Social Development (1980-91)	4.7	1.2	0.0	1.2 <sup>1</sup>	0.0	
Overseas Economic Cooperation Fund, Japan (1987-91)	36.5	0.8	0.1		0.1	
<b>NON-CONCESSIONAL LOANS</b>						
International Bank for Reconstruction and Development (IBRD)						
- Africa	29.6	2.1	1.2	3.3	0.3	11.4
- Asia	90.6	1.3	0.9	2.3	1.5	0.0
- Latin America and Caribbean	68.7	1.7	2.1	3.8	3.3	4.5
African Development Bank	17.6	0.1	0.0	0.1	0.0	0.0
Asian Development Bank	30.9	1.2	0.0	1.2	0.0	0.0
Inter-American Development Bank	41.7	2.1	0.0	2.1	0.4	0.9
Caribbean Development Bank	0.5	0.0	1.0	1.0	0.0	0.5

<sup>1</sup> - 1980-91

Notes and sources: Shelter projects include slum and squatter upgrading, serviced site schemes, core housing schemes and community development projects which include housing improvement. These funding flows only apply to commitments to countries in the South; for instance, they do not include World Bank commitments to East and Southern European nations. The figures presented in Tables 1, 2 and 4 and in the text of this report are based on analyses drawn from two computer databases. The first contains each agency's total annual commitments to each nation, with total commitments converted into US\$ at their 1990 value. The second database is an aid project database with details of all human settlement projects or projects with human settlement components. Both have been developed by IIED's human settlement programme with the information drawn almost exclusively from each agency's own official publications.

Among bilateral aid programmes, many examples can be cited of shelter projects that received support, especially where bilateral aid was channelled through international private voluntary organizations such as MISEREOR and Homeless International. However, shelter has never been a priority of any bilateral agency except the US AID Housing Guaranty Programme. An OECD estimate suggested that the total commitment to urban housing projects of all the bilateral aid programmes of OECD countries averaged less than US\$ 90 million a year between 1986 and 1990 (OECD 1992). The World Bank alone allocated more than eight times as much funding to housing and housing finance for these years.<sup>7</sup> This suggests a very low priority to shelter projects by most bilateral agencies. This is also borne out by an analysis of who co-financed projects with the World Bank and the regional development banks which found less interest among bilateral agencies in co-financing shelter projects than in co-financing urban infrastructure and services.<sup>8</sup>

Several bilateral aid programmes have supported various housing projects in recent years, even if the funding they receive represents a small percentage of total funding. For instance, the Swedish International Development Cooperation Agency (Sida) has supported a number of shelter projects in Latin America, each aimed at improving living conditions for low income groups with strong elements of community participation and each utilizing local NGOs as channels for funding and/or technical and institutional support (Sida 1992; Sevilla 1993). The UK Overseas Development Administration has supported slum and squatter improvement programmes in many Indian cities and over many years (ODA 1991 and 1992). Among other bilateral agencies, the German technical cooperation agency GTZ has a long established and varied programme of support for shelter projects, targeted at poorer groups. Swiss Development Cooperation has also supported some urban shelter projects including squatter upgrading in Douala and social housing in Bujumbura.

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<sup>7</sup> This total does not include the US AID housing guaranty programme since this funding is provided as *non-concessional loans* and as in the *non-concessional loans* of the World Bank and the various regional development banks, these do not constitute 'aid' because they do not have a substantial grant element.

<sup>8</sup> The analysis in this section is based on the IIED Aid Project Database that contains details of all human settlements projects that received support from the agencies listed in Tables 1, 2 and 4 between 1980 and 1993. This database also includes details of co-funders and thus allowed an analysis of the involvement of other agencies in co-financing.

FINNIDA has provided support for the preparation of national shelter strategies in six countries, in cooperation with UNCHS (Habitat).

Several international private voluntary organizations allocate a higher priority to shelter projects or community based housing finance schemes than official agencies. Although the contribution of such organizations within total aid flows is not very large – an estimate for 1991 suggested a total aid flow of US\$ 5.2 billion compared to official development assistance of US\$ 55.8 billion (OECD 1992) – some of these organizations have financed many innovative projects and have also developed new ways of reaching low-income groups and working in partnership with local community organizations and NGOs. For instance, it is notable how many innovative, community-based housing projects or programmes have received support from the German PVO MISEREOR<sup>9</sup> and from SELAVIP International (Anzorena 1993). More recently, a new UK based organization called Homeless International has also supported a considerable range of innovative interventions. The description of the kinds of projects that Homeless International supports – 'giving people access to capital so they can secure access to shelter, encouraging self-help projects, supporting exchange programmes between communities and regions, establishing credit schemes which enable people to develop their settlements and facilitating the development of information tools which can assist people in planning their activities effectively' is hardly the conventional 'housing project' approach.<sup>10</sup>

Agencies such as the three mentioned above have considerable importance not so much for the scale of their funding but for their demonstration of new ways to support 'bottom-up' improvement of housing and living conditions for and with low-income groups. This includes a much greater degree of participation by the 'beneficiaries' than official donor agency supported projects and a willingness to try new approaches – for instance supporting communities or community-federations who are campaigning for support from local authorities or national agencies. Certain institutions within the South have also developed innovative housing and housing finance programmes. These include the Grameen Bank in Bangladesh that

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<sup>9</sup> Although relatively little general information was found about MISEREOR's support, what becomes notable is the number of innovative housing or housing finance projects implemented by NGOs in the South that received MISEREOR support. See, for instance, the case studies in Turner (1989).

<sup>10</sup> Information about Homeless International supplied by the organization itself

is well known for the credit it provides for income generation – but perhaps less well known for its housing finance programme which by November 1993 had funded the construction of nearly 250,000 houses (Anzorena 1993, 1994b). Another example is the support for self-build housing by the Carvajal Foundation initially in Cali, Colombia which supported the construction of 11,160 houses and helped in a further 27,000 – and with assistance also being provided for other self-help programmes in Cali and in other Colombian cities (Cruz 1994).

## **V FUNDING FOR INFRASTRUCTURE AND SERVICES FOR SHELTER**

### **5.1 Overview**

When analysing international donor flows to infrastructure and services for shelter, the decision was made to include not only funding to water supply, sanitation and drainage, but also to two other kinds of project that are not normally associated with housing: primary health care centres including dispensaries, health centres and initiatives to control infectious or parasitic diseases; and primary schools and other educational programmes aimed at literacy or primary education. Although health care and education investments are not under the control of housing or public works ministries or agencies – and in many countries, these are the direct responsibility of ministries of health and education – these are among the most important interventions to improve living conditions and among the most important in reducing disease, disablement and premature death within shelters and the residential areas in which they are located. Primary health care centres and literacy are central to improving health and controlling disease within villages and urban residential areas.

The infrastructure and services associated with housing and residential areas receive a higher priority from both multilateral and bilateral agencies than housing itself. In some agencies, these do receive a high priority (see Table 2). This table also shows the noticeable increase in the priority given to such infrastructure and services in the early 1990s.

The World Bank is much the largest donor for this group of projects both in terms of aid (through its concessional loans) and in terms of non-concessional loans. Around US\$ 22 billion was committed to the

infrastructure and services associated with shelter between 1980 and 1993, most of it to urban areas. Close to half went to water supply, sanitation and drainage with around a quarter to primary health care and just over a fifth to basic education and literacy. Virtually all the rest went to social funds or

TABLE 2  
THE PROPORTION OF AID AND NON-CONCESSIONAL LOAN COMMITMENTS TO  
SHELTER RELATED INFRASTRUCTURE AND BASIC SERVICES, 1980-93

	Total funding (US\$ billion)	Proportion of total project commitments				Per cent of total commitments		
		Water and sanitation	Primary health care	Basic educa- tion	Poverty redn and jobs	1980-93	1990-1	1992-3
<b>International Development Association</b>								
- Africa	27.9	3.6	2.7	4.3	1.9	12.7	20.0	15.3
- Asia	38.6	5.5	5.3	2.7	1.4	15.0	22.1	36.2
- Latin America and Caribbean	1.9	3.8	3.5	1.8	7.6	16.8	41.1	11.8
African Development Bank	10.2	7.3	2.7	4.3	1.3	15.7	15.8	15.3
Asian Development Fund	14	4.4	1.6	1.7	0.3	7.9	7.7	22.6
Inter-American Developm. Bank	6.5	18.0	1.4	3.1	1.3	29.6	28.0	37.8
Caribbean Development Bank	0.7	4.1	--	--	0.5	4.9	3.1	2.2
UNICEF	6.8	13.7	33.5	7.9	--	55.1	57.4	47.9
Overseas Economic Cooperation Fund, Japan (1987-91)	37	3.8	--	0.4	--	4.5 <sup>1</sup>	3.7	
<b>International Bank for Reconstruction and Development (IBRD)</b>								
- Africa	29.6	8.0	1.2	0.9	0.1	10.4	12.3	12.9
- Asia	90.6	3.3	0.9	0.9	0.04	5.1	7.9	6.6
- Latin America and Caribbean	68.7	5.1	1.6	2.1	0.0	8.9	12.2	11.1
African Development Bank	17.6	9.0	0.4	1.6	0.4	11.5	13.5	14.5
Asian Development Bank	30.9	4.5	1.0	--	--	5.6	1.3	0.7
Inter-American Developm. Bank	41.7	6.3	0.3	0.3	0.6	7.5	13.0	17.3
Caribbean Development Bank	0.5	6.7	0.0	0.0	0.0	6.7	8.5	0.0

<sup>1</sup> - 1987-91

Note: Water and sanitation are part of primary health care so the column similarly identified includes all its components other than water and sanitation. Basic education is taken to include primary education, literacy programmes and basic education programmes. UNICEF figures are for disbursements, not commitments so they are not directly comparable; they are included here to give an idea of the scale and relative importance of UNICEF funding in this project category. The disbursements for basic health care include support for child health and nutrition and for child and family basic health services. The funding totals noted above include funding for both rural and urban projects. For the totals reported here for water supply, sanitation and drainage, these only included projects whose main focus was delivering or improving these for residential areas. City-wide investments in improved drainage and investments in water supplies whose main focus was not improving supplies to residential areas are included in Table 4. These funding flows do not include commitments to East and Southern European nations.

social employment schemes that are described in a *later* section. Although there have been fewer commitments to social funds in Asia, the overall increase in priority to shelter related basic infrastructure and services is particularly noticeable in this region; over a third of all the World Bank's concessional loan commitments to Asia for 1992-93 were for shelter related basic infrastructure and services. For the non-concessional loans, three-fifths of commitments during these fourteen years were for water and sanitation with close to a fifth for primary health care and for primary or basic education. Thus, while the scale of the World Bank's commitments specifically to shelter have declined, the scale of the commitments to interventions that are central to improving housing and living conditions and providing services that every village or urban settlement needs (primary health care and schools) has increased considerably.

Among the other multilateral agencies, the Inter-American Development Bank with loan commitments of US\$ 4.4 billion in these 14 years is the largest donor; Table 2 also shows the high priority that this Bank gave to shelter-related infrastructure and services in recent years. The Asian Development Bank generally gives a low priority to these kinds of projects although as Table 2 shows, these received an unusually high proportion of total commitments for soft loans for 1992 and 1993. Just over half were for water supply and sanitation. The African Development Bank Group has, historically, given a relatively high priority to water supply and sanitation and it continues to do so. This bank allocated close to US\$ 4 billion to shelter-related infrastructure and services with most going to water and sanitation. However, in recent years, primary health care, primary or basic education and social funds have received more support and the proportion to water and sanitation has declined. The priority given to basic education has also increased in recent years.

UNICEF disbursements to shelter-related infrastructure and services totalled over US\$ 4.5 billion during these fourteen years, three-fifths of the support going to primary/basic health care services (including support for child health and nutrition and for community or family basic health services). This makes it the second largest multilateral aid programme to projects in this category. This is despite the fact that UNICEF's total annual funding commitments appear small relative to most multilateral and bilateral agencies; it is this combination of UNICEF's high priority to basic health care and (although to a lesser extent) water, sanitation and basic education and the low priority given by other agencies which makes



UNICEF's contribution to this project category so significant. UNICEF is also unusual among the multilateral agencies in giving a high priority to rural areas. Precise figures are not available for the distribution of shelter-related infrastructure and services between rural and urban areas but certainly, a high proportion have been in rural areas. However, UNICEF is giving a lower priority to water and sanitation; for the fourteen years covered, only in the years 1991 to 1993 did this sector receive less than 10 per cent of UNICEF funding. This can be compared to the years 1982-84 when it received around 20 per cent of all funding. Part of the reason for the low priority during 1991-93 was the very high demand placed on UNICEF for emergency relief, which took more than 20 per cent of UNICEF funding in 1993 compared to less than 8 per cent for 1986-90.

When viewing trends in the support given to these kinds of projects by the different agencies listed in Table 2, in general, they received a higher priority when comparing the years 1990-91 and 1992-93 to the average for 1980-93. This is the case for the World Bank for all three regions (Africa, Asia, Latin America and the Caribbean) and for the Inter-American and African Development Banks.

There were also some notable changes in priority among the different kinds of project within this category. Within the World Bank, the most noticeable change is the higher priority given to primary health care and to primary or basic education. In the first half of the 1980s, primary health care (including provision of family planning services that are usually integrated into primary health care and initiatives to control particular diseases) rarely received priority; water and sanitation received most project commitments. For the years 1980-88, annual commitments never exceeded US\$ 300 million and for three years were under US\$ 50 million. From 1989 to 1993, annual commitments always exceeded US\$ 400 million and exceeded US\$ 800 million in 1990, 1991 and 1993. The World Bank had become the single most important source of funding for primary health care worldwide. The increased funding to primary health care was particularly noticeable in Asia. The change in priority to primary and basic education is comparable with total commitments being especially high for the years 1988-93; for each year from 1991 to 1993, annual commitments exceeded US\$ 650 million. The increased priority to primary and basic education was particularly noticeable in Latin America.

It is much more difficult to provide a comprehensive overview of the commitment of bilateral agencies to human settlements projects. Unlike the multilateral agencies, few publish lists of all the projects they fund with enough detail to allow an analysis comparable to that provided above for the agencies listed in Table 2.<sup>11</sup> The most up-to-date figures available for the bilateral agencies' priorities in this area are shown in Table 3. They are reported under a category termed 'social and administrative infrastructure' under which health and population, education, planning and public administration and water supply and 'other' fall. This is the category used by the OECD Development Assistance Committee to report on funding flows from the bilateral aid programmes of OECD countries and no more detailed statistics are available that allow comparisons between these bilateral agencies. These statistics show a low priority to water and sanitation, and to health and population. In 11 of the 19 bilateral programmes listed, health and population received less than 3 per cent of official development assistance; Belgium, Denmark and Sweden were the countries whose bilateral programmes gave the highest priority to this category. Water supply did not receive much more; the average for water supply and 'other' was 4.9 per cent with 10 of the 19 bilateral programmes giving less than 5 per cent. Denmark gave much the highest priority to water supply with Finland, Italy and the Netherlands also allocating more than 8 per cent of their funds to this. Education receives a higher priority but in most bilateral programmes, this does not reflect a priority to basic education since most bilateral assistance to education goes to support scholarships for students from the South to study in the higher education

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<sup>11</sup> The difficulties of producing accurate, detailed statistics on the sectoral priorities of different development assistance agencies has long been recognized. There are two problems that have to be overcome. The first is that most agencies developed their own classification systems for sectoral priorities; with no common base used in the definition of sectors or sub-sectors, figures for sectoral priorities cannot be compared between agencies. The second is that the sectoral classification systems that do exist - that can form the common base for all agencies - do not have a classification system that is appropriate for monitoring development assistance to human settlements. It is still possible to compare the priorities in human settlements assistance between agencies, where each agency publishes details of each project or programme commitment that it makes since each of these can be classified according to a common human settlements classification system; this is how the statistics in Tables 1, 2 and 4 were developed. However, most bilateral agencies do not publish a complete listing of all the projects or programmes they support with sufficient detail given about each to permit its classification within such a common system.

institutions of the donor country. As such, most of donor assistance to education remains in the donor country.

TABLE 3  
THE PRIORITY GIVEN BY BILATERAL AID PROGRAMMES TO DIFFERENT  
PROJECT CATEGORIES WITHIN 'SOCIAL AND ADMINISTRATIVE  
INFRASTRUCTURE' IN 1991

Countries	The percentage of official development assistance to				
	Education	Health and population	Planning and public administration	Water supply and other	Total for social and administrative infrastructure
Australia	30.1	1.1	4.8	7.9	43.9
Austria	22.3	0.6	0.2	5.4	28.5
Belgium	14.9	12.6	3.8	1.6	32.9
Canada	7.1	1.8	0.5	4.9	14.3
Denmark	9.4	11.9	0.4	17.9	39.6
Finland	4.9	1.2	2.7	11.1	19.9
France	22.5	3.2	2.4	3.8	31.9
Germany	12.9	1.6	2.4	7.8	24.7
Ireland	21.3	6.2	5.1	3.7	36.3
Italy	6.6	4.4	0.7	8.4	20.1
Japan	6.3	1.6	0.4	3.9	12.2
Netherlands	12.3	2.0	2.8	8.3	25.4
New Zealand	41.3	2.5	5.3	2.3	51.4
Norway	5.0	2.2	1.1	3.3	11.6
Spain	5.0	1.5	1.1	4.4	12.0
Sweden	9.1	8.8	2.8	5.4	26.1
Switzerland	6.4	3.6	0.2	4.5	14.7
UK	12.6	2.7	3.3	5.4	24.0
USA	2.8	4.4	4.4	3.6	15.2
Total DAC	8.7	3.2	2.4	4.9	19.2

Source: OECD. 1994. Table 26, pages 190-1.

Statistics are also available for 1989 and 1990 for the bilateral agencies' priority to 'social and administrative infrastructure'. Comparing these with those in Table 2 show a consistent decline over the years 1989 to 1991 in the priority given to health and population, water supply and 'other' as well as education. It may be that certain new kinds of projects that are of importance for shelter, health and education are not being included within

'social and administrative infrastructure'; for instance, many bilateral agencies have contributed significant amounts of funding to social funds or social employment programmes and it is not clear whether these are included by OECD within the 'social and administrative infrastructure' category.

Among the official bilateral agencies and international Private Voluntary Organizations that give water supply, sanitation, primary health care and primary education a high priority, most funding for these goes to rural areas. This is especially so if most of their total funding is allocated to predominantly rural countries that is often the case.<sup>12</sup> Multilateral development banks tend to give a higher priority to urban areas and to provide funding for these kinds of project to a broader range of recipient countries. This usually includes a much higher priority to middle and upper-middle income countries. For instance, among all the largest multilateral banks (the World Bank, the African, Asian and Inter-American Development Bank), non-concessional loans represent a larger source of funding for shelter related infrastructure and services and most of these loan commitments are with countries with relatively high per capita incomes and most such support goes to urban projects.

In recent years, several bilateral and multilateral agencies have shown a greater interest in addressing urban poverty, even if this had not yet become apparent in the statistics that show their sectoral priorities. For instance, the Dutch Government's bilateral aid programme set up a special unit in 1990, the Spearhead Program to Combat Urban Poverty – and this will promote greater attention to employment and income generation programmes for poorer groups in urban areas, empowerment strategies for community based organizations and programmes directing support to poorer sections of the urban population, including those to help improve housing and living conditions (Kolstee, Bijlmer and van Oosterhout 1994). The United Nations Development Programme also launched a new funding initiative in 1992 to support local initiatives to improve the urban environment – the LIFE Programme (UNDP 1992).

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<sup>12</sup> If a bilateral agency is allocating most of its funds to the poorest countries in Asia and Africa, these are also generally the most rural. It is not surprising that the agency gives a relatively low priority to urban investments if 80 percent or more of the population in their 'concentration countries' live in rural areas.

Overall, the scale of funding that has gone to water, sanitation and health care has been well below what is needed to achieve the ambitious goals set by the International Drinking Water Supply and Sanitation Decade and the World Health Organization's 'Health for All'. For the Decade, the primary goal was to ensure full access to water supply and sanitation to all inhabitants of the South by 1990 (Water Supply and Sanitation Collaborative Council 1992), but very large shortfalls remained in the early 1990s. For instance, in 1990, close to half the urban population in the South and more than 90 per cent of its rural population still lacked a water supply piped into their home.<sup>13</sup> While rather more had access to water through public standpipes, boreholes with handpumps and protected dug wells, the difficulties in getting access to it (in urban areas there may be 500 or more persons per standpipe) and the distance that the water has to be carried often limit water use so the full health benefits are not enjoyed (Cairncross 1990). Official statistics for 1991 suggest that at least a third of the South's urban population and more than half its rural population have no hygienic means of disposing of excreta (Water Supply and Sanitation Collaborative Council 1993) and such official statistics also considerably under-estimate the proportion of people adequately served.<sup>14</sup> Close to two billion people still lacked provision for sanitation in 1991. Of those that had provision for sanitation, a high proportion had a simple latrine.

Important lessons were learned by donor agencies during the 1980s about how difficult it is to improve water supply and sanitation where local authorities remain weak and where the institutional structure to maintain new investments is simply not there. One review of the Decade's performance suggested too much attention to the 'hardware' i.e. the capital equipment and too little to the 'software' – the institutional structure that must operate to ensure efficient operation and maintenance – whether by a public authority, a private company or a community organization (Warner

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<sup>13</sup> Most of the statistics on global and regional coverage for water supply and sanitation are drawn from Water Supply and Sanitation Collaborative Council 1993.

<sup>14</sup> The UN water and sanitation statistics are known to considerably overstate the proportion of people adequately served. This is for two reasons. The first is because the criteria used to determine who is adequately served are unrealistic (for instance including as adequately served those who have to share standpipes and latrines with dozens of other households). The second is because governments supply the United Nations with statistics that exaggerate their achievements and United Nations staff are not allowed to question the veracity of official government statistics (see Satterthwaite 1995).

and Laugeri 1991). This is also borne out in many other reports; for instance, our analysis of water supply and sanitation projects funded during the 1970s and 1980s found many in the late 1980s that were rehabilitating or repairing those that had been funded by international agencies a few years earlier.<sup>15</sup> But here, perhaps the most important reason is the low priority given by governments in the South to water supply and sanitation. An analysis of who funded capital investments in water supply and sanitation based on a sample of countries found that the total contributions from international funding agencies were comparable to those of governments both for new systems and for rehabilitating existing ones and both in water supply and sanitation.<sup>16</sup> Donor agencies' priorities to water supply and sanitation would certainly have been higher, if recipient governments had given these higher priority in their negotiations for development assistance.

Most international private voluntary organizations give higher priority to water supply, sanitation, health care and basic education than official development assistance agencies do. Most have been oriented towards rural settlements although in recent years, an increasing number of these organizations have increased the scale and scope of their work in low-income urban settlements, especially illegal and informal settlements. But as in housing, there are also some important innovations in improved water supply and sanitation that have been developed by local foundations or NGOs in the South, often with some international donor assistance. One of the best known is the Orangi Pilot Project in Pakistan which demonstrated that low-income households can afford to pay the full cost of installing basic drainage and sewage, if all households within a street or 'lane' worked collectively, generally collecting small contributions from each household and sub-contracting out the work (Hasan 1989 and 1990; Khan 1991). It also showed how to 'go to scale' as its technical and organizational support reached some 70,000 households with improved sanitation and drainage. The municipal authorities in Karachi are now

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<sup>15</sup> The basis for this analysis was IIED's Aid Project Database that allowed a comparison of water supply and sanitation projects by country between projects that received support during the 1970s and the first half of the 1980s and projects that received support during the second half of the 1980s and the early 1990s.

<sup>16</sup> See Water Supply and Sanitation Collaborative Council 1993, *op. cit.* This also reports on how many countries reported on the relative balance of investments into water supply and sanitation coming from governments, international agencies and communities for rehabilitation and new systems

helping to fund this approach and Orangi Pilot Project is now working with local NGOs and community organizations in other settlements in Karachi and in other urban centres in Pakistan (ibid). Another example but of a very different approach is provided by the Indian NGO, Sulabh International, which by 1993 had built and was maintaining more than 2500 sanitation and shower complexes where users paid a small fee for the use of a latrine or a shower (Pickford 1995).

## **5.2 Social funds**

A new kind of project or programme became increasingly important over the last decade at the World Bank and in certain other multilateral and bilateral agencies: social action programmes targeted at poorer groups. Most of them aimed at protecting poorer groups who would otherwise be adversely affected by structural adjustment programmes. These include donor support for social funds (sometimes called 'social and economic funds') and employment programmes targeted at poorer groups. These usually seek to combine support for a wide range of social projects (for instance health care centres, schools) with employment generation. The World Bank is the single largest contributor to these funds; these only began to receive support in the second half of the 1980s but by 1990 they had become a regular and significant part of its annual commitments; total commitments exceeded US\$ 200 million in 1991 and 1992 and exceeding US\$ 570 million in 1993.<sup>17</sup> Most loans have been to African countries although in 1993, three Latin American countries also received loans for this (Guatemala, Nicaragua and Bolivia). The World Bank's 1992 Annual Report stated that these programmes are at various stages of design or implementation in twenty different countries and that support for this kind of programme will expand over time (World Bank 1992). In most instances, a special new agency is set up to manage the funding. Up to 1993, commitments from the Inter-American Development Bank to social funds totalled over US\$ 300 million; most were non-concessional loans made in recent years.

## **5.3 Women in development**

Another important innovation in many bilateral and some multilateral programmes is a greater attention to the needs and priorities of women. A greater understanding of women's needs may be one reason for the

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<sup>17</sup> Although this was largely the result of a single commitment of US\$ 500 million for a social safety net programme in India.

increased priority given by several agencies to primary health care since in societies where most or all the responsibility for child-rearing and caring for the sick falls to women, effective, easily accessible health care is one of women's most immediate practical needs.

Certain agencies also seek to better meet women's strategic needs i.e. to lessen the discrimination that women face in access to employment, credit and land ownership.<sup>18</sup> One example is employment and credit programmes targeted at women to increase their income earning opportunities. In some social fund and emergency employment programmes, attempts are made to ensure that women's practical and strategic needs are met. However, the strength of donor agencies' commitment to women in development cannot be measured by the proportion of funding allocated to women's programmes. A more fundamental re-alignment is to ensure that all projects consider whether they make sufficient provision for women's needs – as is now done in the Netherlands' aid programme. The Swedish International Development Cooperation Agency (Sida) has sought to ensure that women's practical and strategic needs are met in all its aid projects, with both its staff and the staff of agencies who work with them undergoing training in gender awareness and with gender programme officers now working in Sida's development cooperation offices (Sida 1990).

NORAD and the UK Overseas Development Administration are also among the bilateral agencies which seek to give due attention to women's practical and strategic needs in their aid programmes and both have supported training in gender awareness for their staff. In 1991, an estimated 12 per cent of Norway's total bilateral development assistance went to measures 'where women were defined as a target group and where women participated actively in the planning of projects' (NORAD 1992).

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<sup>18</sup> Women's practical gender needs are 'those needs which arise from the concrete conditions of women's positioning, by virtue of their gender, within the sexual division of labour. Within these positions, needs are formulated by women themselves, in response to the living conditions which they face daily. Therefore in many contexts need such as adequate housing, clean water supply or community crèche facilities are identified as the practical gender needs of low income women, both by planners as well as by women themselves..... Strategic gender needs are those needs identified from the analysis of women's subordination, and, deriving out of this, the formulation of an alternative more satisfactory organization of society to those which exist at present, in terms of the structure and nature of relationships between men and women' (Moser 1987:29).



However, a paper which discussed how to integrate the gender variable into urban development noted the need not only for more gender awareness from professionals but also for more consultation with women at all levels in the formulation and implementation of development interventions and for more attention within capacity building to ensuring that women and men have equal representation on the staff of institutions and equal access to the services, resources and technical assistance that they provide (Beall 1992).

## **VI FUNDING FOR URBAN INFRASTRUCTURE AND SERVICES**

### **6.1 Overview**

Many of the agencies listed in Table 4 have increased the priority they give to urban infrastructure and services other than that directly related to shelter; for instance to ports, roads or city electrification. Table 4 also includes commitments made to urban management and to integrated urban development projects which combine investments in different kinds of urban infrastructure and services, often in more than one city. These often include components to train local government staff and to strengthen local institutions. Many integrated urban development projects are in cities that have been badly hit by a natural disaster and the project is to help rebuild or repair the damage.

Among the multilateral agencies listed, the World Bank remains much the largest source of development assistance to urban infrastructure and services with commitments totalling close to US\$ 27 billion between 1980 and 1993. Urban services such as secondary and higher education and hospitals received around two-fifths of the funding with a third to urban infrastructure, 18 per cent to integrated urban development and 7.5 per cent to improving urban management. The trend over these fourteen years has been a shift away from large infrastructure projects to support for secondary and higher education, strengthening the capacity and competence of city or municipal authorities in urban management and integrated urban development.

The World Bank has also given a greater priority to pollution control in urban areas in recent years. Although loan commitments were made before 1990 – indeed, a loan commitment to Sao Paulo to help control river

pollution is recorded in the Bank's 1971 Annual Report – it is only since 1990 that one or two projects received funding each year. In 1993, three projects received support with commitments totalling more than US\$ 700 million: to Mexico to help the government programme to reduce air pollution in Mexico City Metropolitan Area; to Brazil to help control water pollution in and around Sao Paulo and Curitiba; and to China to help control water pollution in Southern Jiangsu, one of China's most industrialized areas (World Bank 1993a and 1993b).

The Inter-American Development Bank made commitments totalling US\$ 4.2 billion during these fourteen years. Commitments were almost evenly divided between urban infrastructure (especially urban electrification), urban services (especially secondary and higher education and hospitals) and integrated urban development projects. The priority given to health and to secondary and tertiary education has grown in recent years, while that given to integrated urban development has diminished.

The Asian Development Bank made commitments totalling US\$ 6.4 billion between 1980 and 1993. Just over two-fifths went to urban infrastructure (mainly ports and urban electrification) with just under two-fifths to urban services (mainly secondary and higher education) and 20 per cent to integrated urban development. The Bank also made its first loan for a comprehensive urban environmental improvement project in 1992 to Qingdao in China. The African Development Bank Group committed about US\$ 2.9 billion during these fourteen years. Most went to secondary and higher education, hospitals and city electrification.

US AID's Office of Housing and Urban Programs made large commitments to urban infrastructure, during the period 1990-93. For instance, during 1992-93, over US\$ 400 million was authorized for various initiatives to support private sector or municipal investments in water, sanitation and other forms of urban environmental infrastructure. In 1994, this Office became a unit within a new Environment Centre that US AID has set up to provide technical and programmatic leadership and support to itself (including its field missions) and its 'domestic and international development partners on global and sustainable development environmental problems' (US Agency for International Development 1994a). The 1993 Annual Report of the Office of Housing and Urban Programs stated that as a result, it expected to be known as the 'Office of Environment and Urban Programs' (US Agency for International

Development 1994b) which implies that its original role as a Housing Guaranty Fund is no longer considered important.

TABLE 4  
THE PROPORTION OF AID AND NON-CONCESSIONAL LOAN COMMITMENTS TO  
URBAN INFRASTRUCTURE, URBAN SERVICES AND URBAN MANAGEMENT,  
1980-93

	Total funding (US\$ billion)	Proportion of total project commitments				Per cent of total commitments		
		I	II	III	IV	1980-93	1990-1	1992-3
<b>International Development Association</b>								
- Africa	27.9	1.8	4.4	0.0	2.6	8.8	10.0	11.3
- Asia	38.6	1.1	5.3	0.3	3.6	10.3	16.1	12.4
- Latin America and Caribbean	1.9	4.0	0.0	0.0	2.7	6.5	0.0	0.0
<b>African Development Bank</b>								
Asian Development Fund	14	2.7	6.2	0.0	2.8	11.8	12.9	17.7
Inter-American Development Bank	6.5	2.9	8.0	0.0	6.0	16.9	8.3	7.1
Caribbean Development Bank	0.7	4.4	2.6	0.0	6.3	14.3	8.2	15.4
Arab Fund for Economic and Social Development	4.7	9.1	2.3	0.0	0.5	11.8	7.6	
Overseas Economic Cooperation Fund, Japan (1987-91)	37	6.6	1.4	2.4	2.2	n.a.	20.1	
<b>International Bank for Reconstruction and Development (IBRD)</b>								
- Africa	29.6	4.0	3.8	0.1	3.4	11.3	15.4	15.3
- Asia	90.6	3.9	3.2	0.2	3.0	10.3	16.6	14.9
- Latin America and Caribbean	68.7	4.0	1.4	1.5	3.9	10.8	5.8	16.8
<b>African Development Bank</b>								
Asian Development Bank	17.6	4.4	3.6	0.1	0.1	8.2	3.4	9.1
Inter-American Development Bank	30.9	6.9	4.4	0.0	3.4	14.8	18.4	16.1
Caribbean Development Bank	41.7	2.5	1.7	0.0	3.1	7.4	4.2	3.3
Caribbean Development Bank	0.5	13.0	0.2	0.0	5.0	18.6	20.4	3.8

Columns:

- I Urban infrastructure
- II Colleges and hospitals
- III Public transportation
- IV Urban management, etc.

Notes to Table 4 above: Urban infrastructure includes ports, airports, urban electricity and water supply projects that are not included in Table 2. Urban electricity includes all projects with major electrification components in urban areas and/or electricity generating facilities directly linked to improving the service in a city or group of cities; it does not include general investments in power or in national or regional grids. Funding for colleges and hospitals do not include support for primary education, literacy programmes and primary health care which were included in Table 2. Public transport includes buses, intra-city and commuter line railways and subways. Funding for urban

management includes projects or programmes whose main focus was urban cadastral surveys, institution building, training or research at city/municipal level, urban government finance, urban planning and urban traffic management. Integrated urban development is also included under this heading: when a multi-sectoral or multipurpose project has components which come under four or more of the other categories listed in this table or Table 2, it is categorized as 'an integrated urban development project'. The category on urban management and integrated urban development also includes funding for urban markets and industrial estates, city-wide investments in solid waste collection and management and in pollution control and in urban gas supplies. Aid and non concessional loan commitments to each of these can be disaggregated separately, but space does not permit this in this report. The database on which this table is based also records commitments to intra-urban roads and bridges and to building material industries although these too are not reported here.

The data available on other bilateral agencies was too incomplete to permit a detailed analysis of funding to urban infrastructure and services. The only bilateral agency for which detailed information was available was the Japanese Overseas Economic Cooperation Fund, with the information covering only funding commitments made for the years 1987-91. This agency's support to urban infrastructure and services may be the largest among all the bilateral agencies; its support to urban infrastructure and services averaged close to US\$ 1 billion a year for 1987-91. Ports and public transport (especially subways) were the most favoured projects. Support for city-bypasses, and intra-city roads and bridges, a category not reported in Table 4, also received substantial support – over US\$ 700 million in these five years. China received over one-fifth of the aid to urban infrastructure and services in these five years with Indonesia, the republic of Korea and Thailand also figuring among the most favoured recipients. This is not so much aid for poor countries but aid for the most successful East Asian economies that are major trading partners with Japan and often major centres for Japanese investment.

One source of information about bilateral aid to urban development comes from the Development Assistance Committee of the OECD which drew from their own database to come up with figures on the scale of support from bilateral agencies to urban development. Their calculations are based on a more aggregated set of project categories over a more limited time period and their findings are presented in Table 5. These figures suggest that multilateral donors are a far more significant source of funding for urban infrastructure and services than bilateral donors.

**TABLE 5**  
**BILATERAL AGENCIES' OFFICIAL DEVELOPMENT FINANCE COMMITMENTS**  
**FOR URBAN DEVELOPMENT BY PURPOSE, 1986-90**

	1986	1987	1988	1989	1990	All
	(in millions of US dollars, constant - 1990 value)					
Urban development	93.9	33.3	66.6	31.7	26.0	251.5
Housing	52.7	74.4	73.0	168.6	62.0	430.7
Water and waste management	617.2	741.5	1,195.4	998.5	917.0	4,469.5
Transport	72.1	138.8	120.3	457.9	540.0	1,329.0
Gas distribution	38.9	0.0	576.7	68.5	1.0	685.1
Electricity distribution	175.2	570.5	522.0	984.2	397.0	2,648.9
Pollution control	0.0	0.0	0.0	0.0	5.0	5.0
Harbours/docks/airports	478.6	652.7	629.4	716.4	334.0	2,811.1
Health	95.0	108.8	165.4	191.1	100.0	660.3
Cultural activities	35.5	93.2	68.7	35.8	21.0	254.2
<b>TOTAL</b>	<b>1,659.1</b>	<b>2,413.1</b>	<b>3,417.5</b>	<b>3,652.6</b>	<b>2,403.0</b>	<b>13,545.3</b>

Source: OECD, 1992.

Note: The figures in this table differ from the original for two reasons. First, all totals have been converted to US dollars at their 1990 value. Secondly, support for telecommunications has been excluded.<sup>19</sup>

## 6.2 Urban health care

The health care needs of low-income urban populations have generally been ignored by official multilateral and bilateral agencies; most support for primary health care has been in rural areas. Urban areas (especially large cities) received investments in large hospitals, but these were often not accessible to most of the urban population. There appears to be change as there has been a noticeable increase in support for urban health care in recent years from several development assistance agencies. Here, some

<sup>19</sup> Certain kinds of projects, especially projects for electricity supply, electrification and telecommunications, present special difficulties for classifying whether or not these are 'urban' projects. The OECD DAC statistics chose to classify telecommunications projects as urban. The database on which Tables 1, 2 and 4 are drawn only includes telecommunication projects which are directly linked to urban services; for instance, to installing or improving telephone equipment in a specific city. Similarly, when Table 4 reports on 'urban electricity', this only includes electrification projects which had a major urban component and electricity generating or other equipment which was specifically to improve coverage or quality of service within urban areas.

details will be given of the increased interest from the World Bank Group, the German Government's technical assistance agency GTZ and the World Health Organization, with comments also on the involvement of several other agencies in urban health care.

TABLE 6  
LOAN COMMITMENTS BY THE WORLD BANK GROUP TO HEALTH CARE, 1980-93

	Urban		National	Regional	Rural	Total
	Urban	& rural				
(in millions of US dollars, constant – 1990 value)						
Primary health care						
Health care facilities	155.7	45.8	565.8	931.2	648.1	2346.6
Nutrition	28.2		5.8	95.8	50.5	180.3
Family planning			60.2			60.2
Health care and family planning	148.2		826.1	255.1	13.7	1243.0
Control of specific disease		86.2	464.3	128.4		678.8
Other	24.0	220.7	364.7	107.1	19.4	735.9
Hospitals and other						
Hospitals, hospital equipment and other health related	168.3		440.4			608.7
All	524.4	352.7	2727.1	1517.5	731.7	5853.5

Source: IIED Aid Project Database.

In terms of total funding, the actions of the World Bank Group are the most significant. Although the Bank has long supported health care projects in urban areas or with urban components – for instance, a loan commitment as far back as 1974 to Iran was to support preventive and curative services and family planning in small towns and rural areas – only recently has health care (and within this urban health care) come to receive much funding. For instance, for the years 1990 to 1993, the World Bank made commitments totalling some US\$ 360 million to urban health projects, more than twice the commitments made during the previous ten years. This also understates the scale of the commitments since this does not include health care projects with urban and rural components or national or regional health care projects that have urban components. Table 6 gives details of loan commitments by the World Bank to health care provision between 1980 and 1993, divided into those that are urban, urban and rural, national, regional and rural. Of this total of nearly US\$ 6 billion

dollars committed for health care, more than three-fifths were made in the years 1990-93.

Most of the World Bank's support for urban health care falls into two broad categories: support for improved basic health care services for poorer groups in urban areas; and projects to improve the efficiency of urban-based hospitals (Hecht 1995).

The Inter-American Development Bank has also provided support to both these kinds of projects in the past, although during 1992 and 1993 most of its support was to reform national health care systems (Inter-American Development Bank 1993). Given the predominantly rural nature of Africa's population, not surprisingly, most of the support for health care provided by the African Development Bank has been for rural projects. However, it also provides support for reforming national systems – as in the loan to Chad in 1993 to strengthen the primary health care system (African Development Bank 1993).

Although UNICEF's funding for health care services tends to concentrate in rural areas, as does its support for water supply, it has also funded many innovative health care projects in urban areas. With relatively little funding available to UNICEF for these kinds of projects, it usually uses its funding to leverage larger amounts from governments and other donor agencies. Since 1980, the Health, Population and Nutrition Division of the German Agency for Technical Assistance (GTZ) has found itself increasingly involved in urban health projects, even though only around 10 per cent of its projects concentrate on urban health (Merkle and Knobloch 1995). This Division's work in urban health in 1993 included support for an initiative to improve the maintenance of hospital equipment in the Philippines and support to AIDS control programmes in 15 African countries, Jamaica and Thailand (GTZ 1994).

The World Health Organization has also been giving increasing attention to urban health problems (Goldstein, Rossi-Espagnet and Tabibzadeh 1995). Perhaps the best known initiative is the Healthy Cities Movement that seeks to get all the key actors within a city (government, business, community organizations, professional groups, NGOs) to agree on what they can do jointly to improve the health and quality of the living environment in their city (WHO 1992). Municipal health plans are also being prepared to promote collaboration between sectors, generate

awareness of health and environmental problems and mobilize resources to deal with the problems.

Initially, most of the 'healthy city' initiatives took place in Europe, North America, Australasia and Japan. The movement started in Europe to create action oriented approaches to health in cities; this has been supported by the Healthy Cities Project of the World Health Organization's European Office since 1986. In recent years, all WHO regional offices have been helping comparable developments within their region.<sup>20</sup>

## VII URBAN MANAGEMENT

Interest among development assistance agencies in urban management has been growing in recent years. There was considerable interest in the late 1950s and early 1960s in the strengthening of local government, but at this time there were many fewer development assistance agencies and this was not an interest that was sustained throughout the 1960s and 1970s. In most African and many Asian nations, newly independent governments were too intent on consolidating the position of national institutions. In virtually all nations, national economic planning to maximize economic growth also implied neglect of local governments' development role (McAuslan 1990). The development functions of local government (including urban government) was not seen as a priority.

The 1970s brought a new interest among some governments and many aid agencies in agriculture and rural development and many development assistance agencies avoided urban investments. Although virtually all nations in the South urbanized rapidly during the last four decades, in most, very little attention was given either by governments or by development assistance agencies to ensuring that city and municipal authorities had the power, skills and resources to manage this rapid growth and to provide rapidly expanding populations and economic activities with the infrastructure and services they needed. The exception was the Inter-American Development Bank that made many investments in urban shelter, water and sanitation in Latin America during the 1960s although at

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<sup>20</sup> The information about the Healthy Cities Programme from the sources quoted was also supplemented by information provided by Greg Goldstein of WHO in a personal communication



this time, little attention was given to urban management. One result of this lack of interest among governments and international agencies was that the institutions that were meant to manage urban development remained (in the words of a survey in the early 1980s) 'fragmented, confused about their functions and all too often either invisible or largely ceremonial' (Cochrane 1983:5).

The emergence of a new interest in urban development during the 1970s among certain development assistance agencies was described in earlier sections. It also became clear that the funds available for urban development from donor agencies prepared to support urban development were small in relation to need. For instance, despite the fact that the World Bank's loan commitments to urban shelter, infrastructure and service projects in Latin America represent much the largest commitments from any agency to the region, it was estimated that total capital investments by sub-national governments in the region were more than 45 times the volume of Bank loans (Guarda 1990) – and despite this, urban investments in the region still failed to keep up with urban growth. The fact that the funds made available by development assistance agencies for urban development are so limited in relation to needs encouraged some of the largest agencies to move away from support for urban projects to support for developing governments' institutional capacity to invest in and to manage urban development. One example of this has been described already in the move by the World Bank and the US AID Housing Guaranty Program from support to shelter projects to support to national housing finance institutions. Instead of supporting a single shelter project, the aim was to develop financial institutions within the nation which can support a large multiplication of projects or individual house loans. Similarly, there was also a move within the World Bank away from funding integrated urban development projects to funding national institutions that themselves funded municipal projects.

This move away from projects to building institutional capacity can also be seen in the greater emphasis given by some agencies to urban management – i.e. on building the institutional capacity of governments to address their own needs with regard to urban development and to enhancing urban government's capacity to install and maintain infrastructure and services. One reason for this move may stem from a recognition of the unsustainability of many of their previous project interventions; many projects in the 1980s were to rehabilitate urban infrastructure or services

built in development-assistance funded projects, only a few years previously or had components within larger projects to do so. Another reason is certainly that this will increase the capacity of recipient governments to manage and invest in infrastructure and services. This new interest in urban management has been most evident in the project commitments of the World Bank Group (although many agencies have recognized the importance of this subject) and, in technical assistance, in the joint UNDP-World Bank-UNCHS (Habitat) Urban Management Programme.

Thus, it has become common for 'institution building' or 'strengthening institutional capacity' to be included as a component in many projects so that the implementation of a water supply project or an upgrading project often includes funds and technical assistance to strengthen the national or local agencies involved. Many 'integrated urban development' projects included components for training or strengthening institutional capacity. This interest in including capacity-strengthening components in projects developed into support specifically for strengthening institutional capacity.

The World Bank was the first to provide significant amounts of funding to this with various funding commitments to improve urban management in the first half of the 1980s. Over 40 project commitments were made between 1980 and 1993 with a total value of US\$ 2 billion to build the institutional and financial capacity of urban governments or to fund institutions which support urban development. Well over half of this commitment was made in the years 1989-93.

Most of the World Bank loans are to strengthen institutional capacity for urban investments, urban development planning and urban management. These include loans for strengthening specific city governments (for instance Amman in Jordan, Pusan in South Korea and Santo Domingo in The Dominican Republic) and loans which provide assistance to national level institutions to support local governments (as in loans to Mexico, Sri Lanka and Guinea). Several loans were specifically to strengthen the capacity of municipal governments (as in loans to Nepal and Brazil). Many of these loans included a training component. Several loans were for national institutions responsible for providing funding to local governments – as in loans to support the work of the Cities and Villages Development Bank in Jordan, the Autonomous Municipal Bank in Honduras and the Fonds d'Equipeement Communal in Morocco and in a

loan to the Philippines to help establish a revolving municipal development fund. Other loans to Zimbabwe and Brazil have provided credit direct to certain urban authorities. Up to 1993, the World Bank was the only institution which had a major programme in this area, although other agencies had supported some initiatives.

For instance, the Inter-American Development Bank has given several loans totalling US\$ 244 million between 1990 and 1993 to improve urban management; most combine the provision of a pool of funding that municipal governments can draw on to make investments in infrastructure and services, with support for institutional reforms. In recent years, the US AID's Housing Guaranty Program has also authorized loans to strengthen the institutional capacity within nations to invest in urban infrastructure and services.<sup>21</sup>

There are also a variety of new initiatives to support city and municipal authorities in the South or the expansion of older initiatives – as in the increase in 'twinning' arrangements that link urban authorities in the North to those in the South. New international networks have appeared that support local authorities in the South or help them to share their experiences or voice their concerns in international discussions.<sup>22</sup> More development assistance agencies are working with urban authorities – and it is much more common for city mayors or other urban officials from the South to be included in international conferences. Indeed, after city authorities had been ignored for decades by most development agencies, now it has become almost obligatory to have a few mayors in international conferences. Municipal authorities also had a much greater role within Habitat II, the second United Nations Conference on Human Settlements in June 1996 than they had at Habitat I, the first UN Conference on this subject held in 1976.

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<sup>21</sup> For instance the municipal finance programme authorized in 1988 for Indonesia and the loan to Jamaica authorized in 1988 to support their national shelter strategy by providing capital and technical assistance to public and private utilities which provide water and electricity.

<sup>22</sup> For instance *Towns and Development*, a European consortium of local authorities and NGOs that seek to encourage and support local initiatives, the International Coalition for Local Environmental Initiatives, the Municipal Development Programme, the African Research Network for Urban Management (ARNUM), CITYNET in Asia and United Towns Organization.

## VIII CONSTRAINTS ON INCREASED DEVELOPMENT ASSISTANCE TO HUMAN SETTLEMENTS

Various factors constrain a greater priority to human settlements from donor agencies. One reason is simply that recipient governments and/or development assistance agencies do not view human settlements projects as a priority or they equate 'human settlements' with 'urban' and choose to give a low priority to urban investments. There was certainly an 'anti-urban' bias among many development assistance agencies during the late 1970s and for much of the 1980s. Some changes can be detected in the attitude of agencies. One reason may be a better understanding of the economic role of cities (and urban systems) and the difficulty for any nation in achieving a successful economic performance without a well-functioning urban system which includes adequate provision for the infrastructure that enterprises need. Another may be an acknowledgement within agencies that 'human settlements' is not a sector but the physical environment in which virtually all people live and a critical determinant of people's health, well-being and quality of life.<sup>23</sup>

Perhaps the most pressing difficulty for development assistance agencies is that the thinking about how to be an effective development assistance agency, in terms of improving housing and living conditions and basic services, has moved far more rapidly than the possibility of changing these agencies' institutional structures. During the period when most current aid programmes were being set up, from the late 1940s to the end of the 1960s, the conception of development assistance centred on funding for large 'productive' capital-intensive projects and the economic infrastructure they needed – allied with technical assistance. This was meant to stimulate and support economic growth (and hopefully self-sustaining growth) in low-income countries. There was little questioning of the state taking a central role in this both as donor and as recipient since the whole aid structure was erected at a time when Keynesianism seemed to work (Riddell 1987).

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<sup>23</sup> The term 'human settlements' is usually considered to imply more than one building for human habitation so nomads, hunter-gatherers and those living in isolated farms might be considered not to live in a human settlement. It can be argued that both nomads and hunter-gatherers do live within a human settlement, which moves with them and certainly, part of a government's responsibility for providing basic services must include consideration as to how and in what form basic services can be provided to such groups. In addition, most of the people who live in isolated homesteads still make use of the goods and services available in nearby settlements.

There was also the example of the Marshall Plan where 'aid' had helped rebuild the productive base and the infrastructure of economies devastated by war, and this was taken to mean that the approach worked, despite the enormous differences between countries in the South in the 1960s and the countries where the Marshall Plan had been implemented. Thus, most of the current development assistance agencies were set up to provide capital for relatively large 'productive' projects, or for the infrastructure they needed (ports, roads, power-stations... ) and associated technical assistance.

The understanding of how to be an effective development assistance institution has improved greatly from the 1960s, but meanwhile most development institutions' structures have changed much less. In effect, they struggle to take on new roles and responsibilities, but with structures ill-suited to these and well-suited to the 1960s conception of development assistance. For instance;

- i) Many good projects need small amounts of money, but most development assistance agencies lack the staff within recipient countries and the institutional structure to be able to support a great multiplicity of small projects.
- ii) It is often staff intensive for development assistance agencies to work with low income groups and their community organizations in participatory ways, and respond with funding only as local priorities are developed. But the 'efficiency' of development assistance agencies is still judged on how small a proportion of their funding is spent on their own staff by the government body that oversees them, or (as in most development banks) by their internal norms and regulations.
- iii) Many innovative projects and initiatives have shown that funding can go much further and low-income people's support for projects much enhanced, if funded by credits and with local organizations also contributing counterpart contributions (through labour or savings). But most development agencies are not able to provide loans to community organizations and work with them in ensuring loans are repaid.
- iv) Many housing finance programmes run by local NGOs or foundations have shown that low-income groups can meet housing loan repayment schedules (Mitlin 1997). But very few

development assistance agencies are able to set up the kind of housing finance institution that matches the needs and priorities of low income households who are building incrementally (and are often best served by a series of small, short term loans) and who lack collateral and, very often, official title to the land on which they are building (ibid).

- v) Improving housing and living conditions in illegal or informal settlements needs a continuous process through which the inhabitants can obtain funding and technical and legal advice so over time, they can address the multiple deficiencies in their housing and living environment – perhaps first starting with an improved water supply, then drainage and sanitation, then legal advice on how to negotiate tenure for their plots, then paving roads, then loans for improving housing, then support for crèches or nursery schools..... But most development assistance agencies find it difficult to support processes, even though local organizations can become increasingly effective, as they succeed in tackling one problem and want to move to another. Many development assistance agencies even find it difficult to use staff from local NGOs or Foundations as consultants or advisors.
- vi) Systems for developing, appraising and evaluating projects within donor agencies often remain largely based on economic or financial criteria, and however sophisticated the new systems for 'quantifying' social and health benefits, this still biases them against many aspects of community and social development.
- vii) Funding for recurrent costs is often required for community-based initiatives since staff are needed to run and manage local processes. It may even be that the capital equipment or materials needed can be obtained locally through negotiation with local authorities or private businesses. The capital costs of building a school, community centre or health clinic within a low income area is relatively modest but the recurrent costs are often much more difficult to fund. This inability or reluctance among donor agencies to fund recurrent costs is often part of an institutional legacy as the institutions concerned were set up to fund capital projects – but it is also linked to any donor agency's reluctance to fund the staff of public service agencies.

Interviews conducted between 1988 and 1991 with a range of staff from different development assistance agencies confirmed that these were all serious constraints – especially for shelter, water supply and sanitation, primary schools and primary health care and community development<sup>24</sup> – although their extent and their relative importance varied from agency to agency. Many agencies' institutional structures do not allow them to expand their funding to a multiplicity of small-scale projects; this is especially the case in development banks whose funding structure is set up essentially to provide funding for large projects. Here, as in conventional banks, one of the most important measures of their 'efficiency' is the scale of their lending relative to their staff costs. But this need to keep down staff costs relative to any project's costs was found to be a constraint not only in development banks but also among bilateral agencies and private voluntary agencies, where high staff costs were regarded as politically unacceptable. An agency that spends 'too high' a proportion of its funding on staff salaries is often held up publicly as an inefficient agency. This works against projects that have high staff costs 'up front' as agency staff work with low income groups and their community organizations to define priorities and agree on the best ways in which these can be met. Although such projects often do not have high staff costs overall, because a more trouble-free implementation lessens the need for staff during project implementation, the staff time needed to develop the project is often unpopular with development agencies or with those to whom they are accountable. Such projects may also spend remarkably little money relative to final achievements, as the resources and management skills of the inhabitants and their community organizations are mobilized and as negotiations with local authorities also increase local public contributions. But this too can be seen as a disadvantage in funding agencies that have to spend their funds.

Another reason for the low priority given by agencies to human settlements is that human settlements specialists within the agencies find it difficult to convince others in the agency that a higher priority should be given to such projects.

It could be argued that many agencies can never change their institutional structure to support the bottom-up approach and that instead of trying to do

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<sup>24</sup> These included semi-structured interviews with a wide range of staff from the World Bank, Sida and UNICEF and with smaller samples from various other agencies.

so, they concentrate on what their structure is suited for. There is still an important role for long-term finance in major infrastructure projects, for large scale housing finance, or for municipal finance systems. There is also the possibility of large donor agencies channelling funding through local funds, where the agency acts in effect as a wholesaler, and the local fund as the retailer, as it is able to rapidly disburse relatively small amounts of funding to a great range and diversity of initiatives.

**BOX 2**  
**MOST IMPORTANT AID PROJECT CHARACTERISTICS**  
**FROM TWO DIFFERENT VIEWPOINTS**

Characteristics of many successful basic needs projects	Project characteristics which make implementation easy for outside funding agency
Small scale and multi-sectoral – addressing multiple needs of poorer groups	Large scale and single sector
Implementation over many years – less of a project and more of a longer term continuous process to improve housing and living conditions	Rapid implementation (internal evaluations of staff performance in funding agencies often based on volume of funding supervised)
Substantial involvement of local people (and usually their own community organizations) in project design and implementation	Project designed by agency staff (usually in offices in Europe or North America) or by consultants from funding agency's own nation
Project implemented collaboratively with beneficiaries, their local government and certain national agencies	Project implemented by one construction company or government agency
High ratio of staff costs to total project cost	Low ratio of staff costs to total project cost
Difficult to evaluate using conventional cost-benefit analysis	Easy to evaluate
Little or no direct import of goods or services from abroad	High degree of import of goods or services from funding agency's own nation

Source: J. E. Hardoy and D. Satterthwaite. 1988.

Box 2 summarizes some characteristics of successful shelter and basic services projects that reached poorer households and contrasts them with project characteristics that the institutional structure of development assistance agencies tends to favour. It helps explain why agencies tend to favour large, easily supervised projects. In addition, the fact that most



development assistance agencies have a relatively small proportion of their staff based in recipient nations and that these staff have relatively small decision making powers make it difficult to design projects which mesh with the local context and local processes.

Development assistance agencies would find it easier to increase the scale of their human settlements commitments if there were effective counterpart institutions within recipient nations who could take on most of the responsibility for project formulation, implementation and evaluation, and do so working closely with the project-households and their community organizations. But as noted earlier, many local authorities that in theory have responsibility for basic service provision are weak, ineffective and unrepresentative. Most national governments are also reluctant to allow donor agencies to work direct with local authorities. Or if a major project is to be implemented in a particular city, a special agency is set up to implement the donor funded project, independent of the municipal authorities, but this in the long term does nothing to address the structural weakness of the municipal authorities. This is one reason why a greater priority has been given by various donor agencies to building the capacity and competence of local authorities. The development of stronger, more competent and more representative local governments within recipient nations would remove a major constraint on increasing development assistance flows to human settlements and would certainly increase the quality of donor assisted urban projects. However, many donor agencies find it difficult to strengthen 'institutional capacity' since again their main expertise and experience is in project funding. In addition, although strengthening 'institutional capacity' may be seen as a technical issue, in reality, any shift in power and resource allocations to local authorities is also intensely political. The acquisition by city and municipal authorities of the capacity and power to invest in, maintain or oversee the provision of water supply, sanitation, drainage, garbage collection, health care and other essential elements of good quality housing will involve major political change in most nations in the South – and powerful and well-organized vested interests will oppose such changes.

Another constraint is the poor match between the 'project orientation' of most development assistance agencies and the funding needs of local institutions. Inadequate provision for infrastructure and services within most urban centres in the South can be attributed largely to a lack of resources and trained personnel at the level of the city and municipal

authorities. An aid project can remedy such deficiencies within a project site – but in effect, it makes up for a failure of local bodies to raise funding and to make such investments in previous years. The project may improve conditions considerably at first, but rarely does it increase the capacity of local bodies to maintain the new infrastructure and services and to make similar investments in other areas of the city. Urban authorities need a continuous capacity to invest in and maintain infrastructure and services – or to oversee other bodies (private enterprises, community organizations, cooperatives etc.) which provide some services. Funds available on an irregular basis for specific projects are not an effective substitute. This suggests not only a need for increased priority among development assistance agencies for shelter (including the basic infrastructure and services which are part of shelter), but also that such development assistance should be provided within a long-term strategy to develop the capacity of national and local governments to plan, invest in and manage infrastructure and service provision and to involve other key local actors in this process (including private sector institutions, NGOs and community organizations).<sup>25</sup>

One final aspect that deserves more consideration is channelling more development assistance through local foundations or non-governmental institutions. There are an ever increasing number of NGOs or local or national foundations that are demonstrating how to implement the bottom-up approach and to ensure that this is done in a participatory way.<sup>26</sup> Some have been mentioned already; for instance, the support of the Carvajal Foundation in Colombia for self-build housing (Cruz 1994) and the work of Orangi Pilot Project in Karachi and in other urban centres in Pakistan (Hasan 1989. Others for which there is also documentation include the development programme in Barrio San Jorge in Buenos Aires and the work of the support team in IIED-América Latina (Hardoy, Hardoy and

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<sup>25</sup> For a discussion of the role and relevance of these new actors in urban management, see Lee-Smith and Stren (1991) and UNCHS (1987).

<sup>26</sup> The richest source of information about these is the *Selavip Newsletter* (the Journal of Low-Income Housing in Asia and the World) put together by E. J. Anzorena which is available from the Pagtambayayong Foundation, 102 P. Del Rosario Ext., Cebu City, Philippines. See also Anzorena (1993), *op. cit.* We also try to ensure that each issue of the journal we publish, *Environment and Urbanization*, also includes case studies of innovative projects of profiles of Southern institutions that are involved in implementing them. Vol. 5, No. 1, April 1993 on 'Funding Community Initiatives' had various case studies. Mitlin (1995) also reviews NGO experience with housing finance for low income households.

Schusterman 1991), the work of the People's Dialogue and the South African Homeless People's Federation in South Africa (Bolnick 1993) and a group of three organizations in India: SPARC (an Indian NGO), the National Slum Dwellers Federation and *Mahila Milan*, a federation of women's collectives.<sup>27</sup> What is also interesting is the extent to which these innovative initiatives are finding informal channels for sharing their experience; for instance, there is a long established exchange programme between the South African and the Indian organizations noted above (ACHR/HIC 1994).

With US\$ 100,000 provided to 150 community organizations with an average of 500 households (3,000 people) the total cost was US\$ 15 million and the whole programme reached 150 X 3,000 people i.e. 450,000 people. Since an average of 50 new housing plots were produced in each reblocking, not only did 450,000 people benefit from improved housing, infrastructure and services but 7,500 new plots with services were developed and new health centres constructed in each site. Many households might also expand their house structures to allow one or more rooms to be rented out – and this also increases the availability of housing. The possibility of cost recovery was much better than for the other options since organizations within each neighbourhood had agreed on what improvements should be made and their cost implications for each household. They also took on responsibility for collecting payments and organized the payments so that households could pay a single monthly charge which not only covered operation and maintenance but also over a ten year period paid for the capital cost. Since this whole initiative spent US\$ 15 million, US\$ 5 million was left from the original US\$ 20 million which could be used to improve some city-wide service.

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<sup>27</sup> There is a profile of SPARC in *Environment and Urbanization* Vol. 2, No. 1. The emergency loan programme of *Mahila Milan* is described in D'Cruz and Patel (1993). SPARC also has a considerable range of publications describing its work, available from SPARC, P. O. Box 9389, Bombay 400 026, India.

### BOX 3

#### FOUR DIFFERENT OPTIONS FOR A GOVERNMENT SPENDING US\$ 20 MILLION TO IMPROVE HOUSING AND LIVING CONDITIONS IN A CITY WITH ONE MILLION INHABITANTS

1. **PUBLIC HOUSING:** US\$ 20 million spent on the construction of two bedroom 'low cost' housing units 'for low income groups'. The cost of each unit is some US\$ 10,000, once the land has been purchased, the site prepared, the contractor paid for building the units and the infrastructure and the units allocated. Thus, 2,000 households or 12,000 people receive a good quality house – if we assume that on average, there are six persons per household. Cost recovery would be difficult if these were from among the poorer households.
2. **SERVICED SITES:** US\$ 20 million is spent on a serviced site project, so that more households can be reached than in public housing projects. Knowing that poorer households need to live close to the main centres of employment, a relatively central site was purchased for US\$ 12 million with the other US\$ 8 million spent on site preparation and installing infrastructure and services. At a cost of US\$ 2,000 per plot, 10,000 households (or 60,000 people) could benefit. It would be easier to recover some costs than in the public housing project but for the poorer households, US\$ 2,000 for a site on top of the cost of having to construct their own house would be too much.
3. **UPGRADING:** US\$ 20 million is spent on a slum upgrading programme with paved roads and drains installed in illegal settlements together with public standpipes for water, health centres and provision for the collection of solid wastes. At a cost of US\$ 50 per person, 400,000 people benefit from this. However, no costs can be recovered since costs can only be kept down by having rapid implementation by public works agencies or private contractors with none of the institutional problems of collecting repayments from individual households. In addition, the improvements do not last long as no provision was made for maintenance or for equipping the municipal authorities with the skills and resources to permit this.
4. **FUNDING COMMUNITY INITIATIVES:** Local government makes available to any residents' organization formed by the majority of the inhabitants of an area the sum of US\$ 100,000 for site improvements. These residents' organizations are allowed considerable flexibility as to what they can choose to spend these funds on and to whom they turn to for technical advice. For instance, they can use local NGOs for technical advice, as long as certain basic standards are met. Although what can be achieved with such a sum will vary greatly depending on site characteristics, local costs and the extent to which residents contribute their skills and labour free, within an area with 500 households in an informal settlement, it should be possible to 'reblock' the site to allow better access roads, to pave them, and also to greatly improve site drainage, water supply and sanitation. Support could be given to local artisans to fabricate the materials, fixtures and fittings needed for improving housing which are most cheaply and effectively made on site – for instance, a carpenter's cooperative to make doors and windows or cheap building block fabrication. Of the US\$ 100,000, an average of US\$ 150 is spent per household on improved infrastructure and services with US\$ 10,000 spent on technical advice and US\$ 15,000 on support for local businesses. The 'reblocking' of the site also frees up sufficient land to allow 50 more housing plots to be developed within the existing site or on adjacent land as yet undeveloped, the cost of providing these with infrastructure and services, and of building a community health centre paid for by selling them.

There are also important examples of support from governments in the South to their own bottom-up initiatives; for instance, the work of the Urban Community Development Office in Thailand that within three years of its formation had provided loans totalling some US\$ 13.6 million benefiting some 140 communities with around 11,500 families.<sup>28</sup> Other examples include the *Mutirao* programme in Fortaleza (ibid) and the Build Together national housing programme in Namibia (ibid; Ministry of Regional and Local Government and Housing 1994). There are also examples of governments and donor agencies supporting some of these bottom-up initiatives; for instance, the basic services programme in Guatemala City supported by UNICEF and the government of Guatemala (Espinosa and López Rivera 1994), the National Fund for Low-Income Housing (FONHAPO) in Mexico (ACHR/HIC 1994) and various projects in Latin America supported by the Inter-American Foundation (Hirschmann 1984).

What would greatly extend the range of such initiatives is if there were local funds or foundations within each city or district to which donor agencies channelled funds – and it was the responsibility of these local funds to support a great range of initiatives within their locality. Such local funds would draw on the knowledge and experience of local NGOs and community organizations. They could begin to give bottom-up initiatives the priority they deserve within development assistance. They could respond much more rapidly to funding requests than international agencies – and also help less organized groups develop their own initiatives. They could also help mobilize local resources in ways that very few donor agencies can achieve, for instance, through credit schemes or demanding counterpart contributions from local authorities. Such local funds would respond to an increasingly widespread dissatisfaction among donor agencies about their limited ability to reach lower-income groups and they should achieve far more coherence and success than all agencies trying to implement their own 'local funds' or 'small grants programme' or 'decentralized cooperation'. They should also pioneer a much greater degree of transparency and accountability than donor agencies generally have within the South through publishing details of who applies for funding, who receives it and why. Such local funds must avoid 'replacing' local government but if care is taken to avoid this, they are also likely to

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<sup>28</sup> ACHR/HIC (1994); Somsook Boonyabancha, personal communication (1995).

strengthen citizen and community pressure within localities in the South for the needed reforms at local government level.

As an illustration of how much such an approach could achieve with limited funding, Box 3 considers four different ways in which US\$ 20 million could be spent on improving housing and living conditions in a city with one million inhabitants. This comparison of options was first developed in a briefing document prepared by Jorge E. Hardoy and David Satterthwaite for the World Commission on Environment and Development (the Brundtland Commission) in 1986. This is an elaboration on the original. Option 1, the favoured solution by most government housing programmes in the 1970s, involves building 'low-cost' housing for low income households. Even if these were allocated to low income households (which rarely was the case; see Hardoy and Satterthwaite 1989), this would do nothing to improve conditions in existing settlements – and if the city's population was growing at 5 per cent a year, it would not even provide sufficient housing to accommodate the growth in population in one year. In option 2, the government greatly cuts the costs of each unit by providing only the 'sites and services' with the households to whom they are allocated having responsibility for building the shelter – but this also does nothing about improving conditions in existing settlements and it would only provide enough units to house around one year's growth in the city's population. Option 3, upgrading existing settlements, brings improvements to 40 per cent of the city's population but does not increase the number of housing units – and with no cost recovery and no programme to ensure the new infrastructure and services are maintained, much of the improvement is only temporary. Option 4 which funds community initiatives reaches more households than Option 3 and ensures new units are also developed. Unlike the other options, it also has considerable potential for cost recovery and much better prospects for maintenance than Option 3. It also costs US\$ 5 million less than the other options and this can be invested in some city-wide service such as increasing the city's piped water supply capacity.

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