

THE URBAN AGE

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U R B A N E N T R E P R E N E U R S I S S U E

Urban Entrepreneurs and the "Real Economy"

MANILA—Marilou del Rosario works an eight-hour day at the Department of Health in Manila. Each evening and on weekends she leads the regional chapter of the Association of Filipino Women's Workers, a group of women running community stores, sewing buttonholes on shirts for export, hawking food on streetcorners, and catering lunches. In addition to their regular jobs the women work an average of 25 hours per week and earn 400 pesos (US\$16.00) a month in these "second" jobs—enough to bring their income up to the poverty threshold.

Many Filipino women earn money in the same way—working two to three jobs to make ends meet. In Manila alone an alliance of 21 women and development groups has organized under the Institute for Social Studies and Action to provide support, in part, to women in income-earning activities. For most of them, their money goes for basic needs: water, sanitation, health care, and schooling for their children. According to a July 1992 survey by the Filipino Department of Labor and Employment, 51 percent of the country's workers, or 12.3 million people, were employed in this "informal" economy.

The number of informals in Manila is but one example of what has become a worldwide phenomenon. In Thailand 50 percent of people work in the informal economy, and in Morocco the figure is as high as 75 percent. In Bangladesh, where per capita income is only US\$165 per year, more than 70 percent of the urban work force is informal. In

Peru, 47 percent of construction and 95 percent of public transportation in the capital city of Lima are carried out through the informal sector. A series of economic crises has fueled the situation: underemployment, lack of government resources for basic services, and ineffective and cumbersome government regulations.

These statistics betray an alarming category of "informal workers"—those that are often employed fulltime in the formal sector yet are forced to find additional means of income to survive.

This situation has blurred the lines between "informal" and "formal." As more and more workers are employed informally, a new on-the-ground economy has arisen. This "real economy" includes workers who earn income either in both sectors, or sometimes in just the informal sector. As a consequence, as the real economy grows, the poorest of the poor are pushed out of formerly held informal activities. Essentially, the middle class are becoming poorer, and low-income groups even poorer still. In 1990, for example, 36.2 million people in the Philippines, or 59 percent of the population, lived below the poverty line (defined as 18,000 pesos per year in 1985, or US\$750 for a family of six).

THE EFFECT OF ECONOMIC POLICIES

Economists are fond of arguing the causes behind this phenomenal rise of the populist, or "real economy." Some point to slow overall economic growth, with its failure to provide adequate wages and create employment. Others argue that developing country manufacturing sectors are inefficient and unable to compete on world markets, that governments promote capital- rather than labor-intensive industries, and that financial systems are unable to provide credit to small enterprises. Economists are also recognizing the inhibiting role governments can play through issuing entangling and complex regulations.

The problem is that poor policies and governance have led to many of the above conditions, including the rise in numbers of people working in the real economy. Regulations, instead of enabling growth have stymied the formal sector, encouraging entrepreneurs to seek means of income outside of the legal system. Rather, says Mario Lamberte of the Philippine Institute of Development Studies, "Regulations should provide incentives for staying in the formal sector as well as for joining the formal sector. Some sectors need to stay formal, such as the export sector, which if regulated properly could encourage people to join it through providing the right incentives." Such incentives could include greater access to export markets for small enterprises, exemptions from or reductions in income taxes for innovative businesses, tariff duty exemptions, better access to municipal services, and exemptions from imported items (such as spare parts).

IN THIS ISSUE

- 1 Urban Entrepreneurs and the Real Economy
- 7 The Informal Economy in Central Europe: A Letter from Hungary by Robert Manchin

DEPARTMENTS

- 2 Letters to the Editor
- 3 World View The Informal Sector in Urban Latin America: The Other Face of the Global Economy by José Luis Coraggio
- 9 Communities Speak Corporate Involvement in Urban Poverty Alleviation by Jonathan F. Joshi
- 11 Q & A A New Method of Surveying the Poor Takes Root in Manila
- 12 From the City Manager's Desk
- 13 Book Reviews
- 15 The Urban Calendar

One of Manila's many informal workers, Aida Capule repairs umbrellas to supplement her family's income.



continued on page 4 ▶

Danida

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Editor Mary McNeil
Production John S. Metzger
Distribution Consuelo Powell
Editorial Offices
Room S10-108
The World Bank
1818 H Street NW,
Washington D.C. 20433
Facsimile 202-473-1391

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LETTERS TO THE EDITOR

We welcome your comments, thoughts, and criticisms on future issues of the *Urban Age*. We received over 300 letters in response to our premiere issue. These are a sampling of comments and suggestions to date.

I would like to congratulate you and all those behind *The Urban Age*. I deeply appreciate the ideas and innovations you presented in the first issue, especially your focus on urban environments in the third world.

I am writing from Nigeria, a country involved in the worldwide concern about urban environments. Conditions of cities here represent the intractable problems facing all urban centers in developing countries. Chief on the list are poor sanitary conditions, inadequate water supply, and waste disposal problems. Cities in developed countries at one time or another had to grapple with similar problems, but they do not have any real solutions for us in the developing countries. The solutions lie not only in finance but also in citizens' attitudes and mentality, and in those areas each country is different.....

Solutions to our urban problems will increasingly rely on grassroots participation, whether as individuals in street tenants associations or community-based associations. But people must be helped to organize themselves and must be given the encouragement and confidence to initiate and take action. There, I think, lies the challenge for the new *Urban Age*.

U.W. Obe, Department of Architecture,
University of Nigeria, Enugu Campus, Nigeria

The premiere issue of *The Urban Age* is very impressive, both in its presentation and contents. The authors of the guest editorial should be commended for their analysis of Southern positions on UNCED. The industrialized nations should realize that they are also part of the same planet, which is being endangered by disastrous human activities. The resources required to abate the prevailing unhealthy conditions should be contributed by all nations according to their individual use of the global environment.

UNCED shall be a first step in the right direction, if actions follow its scorecard.

Dr. N.K. Pareek, National Consulting Bureau,
Tripoli, Libya

I personally find the form and content of the *Urban Age* appropriate for a newsletter of its kind. However, I wish there could be more in the "Book Review" department to enable readers to know where to order and how much to pay for books reviewed under the said department. I therefore suggest that future book reviews include the publishers, distributors, or sales representatives and the prices of such books.

Joe Kingsley Eyiah
Asokore-Koforidua, Ghana

I received the first copy of *The Urban Age* and would like to make a few comments and suggestions:

1. The size of the previous magazine, namely *The Urban Edge*, is more convenient to hold and read.

2. The bold lettering of *The Urban Age* is good for quick reading.

3. The contents of *The Urban Age* are more attractive and interesting since it covers more areas than *The Urban Edge*.

A. Anantharaj
Madras, India

Editor's Note:

In this issue of *The Urban Age* we explore urban entrepreneurs, or the growing phenomenon of people working outside the formal economy. The informal or, as we term it, the "real" economy to which these people belong is increasingly becoming a factor in countries' economic well-being. In nations undergoing political transition or under economic stress, the situation is even more severe. In Bangladesh, for example, more than 70 percent of the urban work force is employed in the informal sector. In Morocco, the figure has been estimated at as high as 75 percent. How to address this phenomenon, both from an economic and sociological point of view, is a recurrent theme of this issue.

Because of its large and vibrant informal sector, we decided to visit the Philippines and prepare our lead story on the activities and limitations of urban entrepreneurs working in its largest city, Metro Manila. José Luis Coraggio, of the Instituto Fronesis in Quito, gives us a view of the informal sector in Latin America, and Robert Manchin, an Hungarian working for the Gallup Organization in Budapest, tells of the threat the growing black economy poses for a successful transition to a market economy in his country. In our "Communities Speak" column we visit NGOs working on microenterprise activities in Manila and Bombay and in "Q & A" we interview the head of a new survey organization in the Philippines.

I would like to thank our readers for their overwhelmingly positive response to our premiere issue. In deference to our intention to be a truly interactive publication, we have heeded a majority of requests to reduce the trim size of the journal for easier storing and readability. Please let us know how you like it.

— Mary McNeil

The Informal Sector in Urban Latin America: The Other Face of the Global Economy

by José Luis Coraggio

3

José Luis Coraggio is currently Director of the Instituto Fronesis (Ecuador) and Professor-Research Associate at the Facultad Latinoamericana de Ciencias Sociales (FLASCO-Ecuador). The views expressed in this article do not necessarily reflect those of FLASCO.

"... change must emerge from, and for, mankind's basic economic and political communities. But the problem of development can only be fully understood and addressed from a world perspective."

(Boutros Boutros-Ghali, United Nations Secretary General).

Why do millions of Latin Americans end up as part of the so-called underground or informal sector of the economy? Because they cannot find salaried employment.

Why do they resort to illegal activities? Because the legal system does not allow them a livelihood.

Why do they occupy public land and space, both to settle and trade? Because there is no urban development suited to their needs.

Why, in short, is all this happening in a region which once had high growth rates, aspired to progress, produced creative scientists and artists, as well an educated workforce, and patterned its urban, political, and industrial development after the developed world? Part of the answer lies in the new balance of world power which excludes those in the periphery from the immediate interests of the center.

This world power imposes patterns of change without proposing new alternatives to sustain the daily lives and expectations of the majority of the developing world's urban inhabitants who are left outside the mainstream.

Global powers expect Latin America to be able to compete on the world market, for which it is not yet ready. In order to be able to compete on such a "level playing field," social and political power within the countries must be rebuilt, taking advantage of these countries' most precious resource—the labor and innovative capacity of their people.

AN ECONOMIC AND POLITICAL IMBALANCE

Structural adjustment should remedy many wrongs, i.e., to get rid of the bureaucracy of governments that held sway over society and served minority interests; to put a stop to the privileges enjoyed by corrupt entrepreneurs, trade unions, and politicians; and to respect macroeconomic balances which kept these economies in a perpetual state of instability. All this needs to be done, of course. But while at the center such adjustment takes time, action in the periphery is speeded up, without adequate compensation for social and political costs. Ultimately, those who survive will be "modern." But what about those who do not? Could half of the urban population, which, by the end of the century ECLAC forecasts will be poor or indigent, be considered "marginal" or "informal?" What kind of liberties and identities would those who are today unable to feed or educate themselves have in the year 2000? Can we leave this to the "free" market?

World market prices do not reflect only costs and productivity, but also economic and political power. They are controlled according to projects of powerful governments and economic blocks. But we are asked to see them as the interplay of natural forces. We are forced to open our borders to goods produced by the most advanced industries in

the world and, at the same time, by economies that devalue human labor to the extreme, while developed economies are protected from our few "competitive" products. We are expected to open our doors to foreign investment, reducing taxes and regulations, but the borders of the North are not reciprocally opened to our workers. It is accepted as logical that governments in the North strive to protect political stability, therefore changes are met out gradually, while our governments are being turned into the administrators of an imposed strategy lacking national consensus.

The disaster our cities are currently undergoing is equivalent to that cities of the North would experience if their borders were declared open to immigrants from the Third World countries, abolishing all red tape, visas, requirements, and accepting anyone willing to work. Who would bring order to the resultant urban chaos? Who would offer basic solutions? The market?

WHAT INTERNATIONAL ORGANIZATIONS CAN DO

Although region specific, urban problems in Latin America are a result of global processes. As such, they require global answers.

International organizations (IO) have been partially responsible for the development of our cities in the past, and still are today. Planning models, macroeconomic analysis, profiles of modern society, and even national projects themselves, were prepared by their experts and consultants. Now they are proposing the dismantling of the old and preparing the ground for the "world market" to decide the future of our cities. Concerned about the world order or prompted by moral values, IOs are at the same time multiplying socially oriented interventions with loosely specified goals, which are rarely evaluated and generally not replicable, i.e., projects that last as long as their funding. Without policymaking accountability vis-a-vis the communities for whom they do the thinking, IOs often conduct experiments and propose worldwide homogeneous policies, opening up social participation but in such limited ways that it hardly leads to real empowerment of beneficiaries. Motivated by their own survival, IOs compete among themselves, duplicate efforts, and waste scarce resources in an increasingly needy world.

For either moral or political reasons—such as those envisaged in the Brandt Report, the Brundtland Commission on the South, and the recent Stockholm Initiative on the World Security and Governability—real alternatives must emerge for the urban masses. The raw materials are there: supply networks; family businesses; self-managed health centers and schools; know-how and creativity among workers, technicians, and professionals; networks of NGOs that specialize in social services; new policy-making experiments at municipal levels; the desire for progress; and the individual and intergenerational transcendence of each and every

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The ideas expressed in "World View" are not representative of any agency or organization, but reflect the personal comments of each author. They are included to stimulate lively debate and interaction on various issues in the developed and developing worlds.

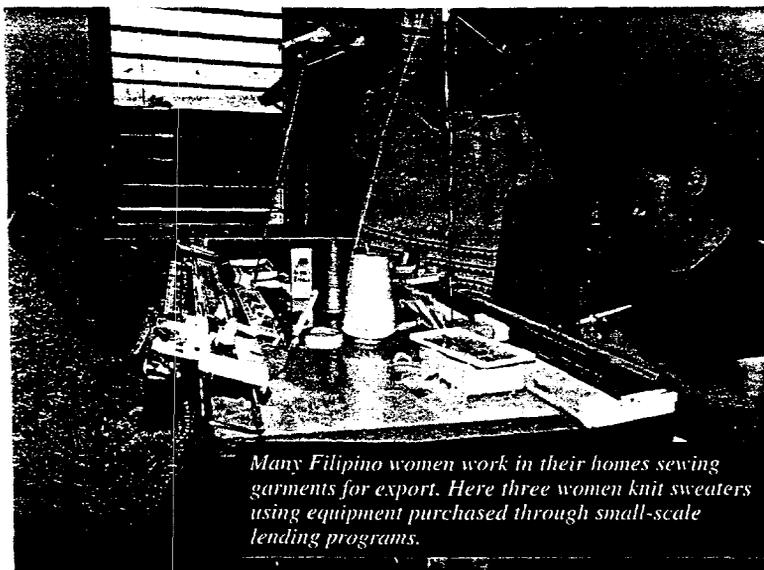
person. But it will not be possible to integrate these millions of economic and social actors through private capital accumulation, even if it were to speed up again. Since they are structurally excluded, they need their own perspective, which could be enhanced through a different global policy. This policy must be supported with sufficient funding and political backing to make it sustainable, and allow the development of the kind of social powers that represent the people's interests and makes them count in all political arenas. Without them, there can be no citizenry or democracy in our cities.

Such an alternative cannot emerge solely from the spontaneous drama of the daily struggle for survival because, as stated, "the problems of development can only be fully understood and addressed from a world perspective." The IOs should use their relative autonomy to revise their current proposal of focusing on extreme poverty. Otherwise, they only help to perpetuate poverty, proposing alternative ways of being poor, while the segments of society that had managed to attain middle class status are thrown into poverty. IOs would do better if they pooled their resources with those of the countries they assist, and with those of NGOs. They would do better to coordinate their activities responsibly among themselves, and to search for new types of links with urban grass-roots organizations. This would require a reform of IOs on a scale equivalent to that imposed by them on our governments.

But these coordinated actions must have an overarching purpose beyond the improvement of a few social indicators, namely, people's empowerment. It is possible to visualize a grass-roots economy, of high technical and human caliber, that is based locally but that extends to the national and international level. In as much as this economy has its own internal dynamics, it will be able to relate in new terms with the public economy and the entrepreneurial capitalist economy. Such an urban grass-roots economy cannot be evaluated from the perspective of a modern capitalistic enterprise, but rather by the yardstick of its own objectives, values, and institutions. Concepts such as *productivity* and *efficiency* need to be redefined from a macrosocial rather than an economist angle. The maxim on competitiveness—being able to compete on the world market in terms of price and quality—implies the ability to offer a useful product and to back it with solid support through innovation, quality and continuity of supply. But it also implies the exercise of a unified economic and political force. If Latin America's products are to compete in the world economy, these conditions must be allowed.

The quality of urban life in the periphery depends, in the short term, on a change in the exercise of global power, and, in the future, on the democratization of the components of that power. This will entail building power rooted in urban grass-rooted economic management.

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Many Filipino women work in their homes sewing garments for export. Here three women knit sweaters using equipment purchased through small-scale lending programs.

ENTREPRENEURS

continued from page 1

Yet bridging the gap between the real and formal economies implies a shift in development philosophy. Economists are recognizing the growing productive capacity of the urban poor, as well as its effect on the overall economy. Many now see that a bottom-up approach is needed to unleash the income-earning potential of this growing labor force. Innovative programs, such as the Grameen Bank that provides small amounts of credit to the poor (see box, pg. 5), better information on regulatory procedures, community mobilization, and more extensive training and education programs are crucial to tapping into this vast resource. "The urban poor are among the most entrepreneurial people in the society," says Benjamin Montemayer who heads up Tulay Sa Pag-unlad, an NGO working on

credit extension schemes in Manila "because they have to be in order to survive. Commercial banks have the misapprehension that the poor cannot make payments; that they are lazy. In fact, if you give them a way out they will try and take it."

A NEW FORM OF CREDIT

The failure of the commercial banking system to reach the real economy reflects the poor's lack of collateral, including title to property, and the banking systems' belief that they are a bad credit risk. The high transaction costs involved in making small loans available to large numbers of people also keeps commercial banks from reaching out to this group. In the Philippines, the poor cannot even open savings accounts in much of the commercial banking system.

Lack of access to capital is an obvious constraint to small entrepreneurs trying to open or expand businesses. If credit is available, it is through moneylenders or middlemen who demand extraordinary interest rates or repayment periods. The lack of credit most affects the poorest of the poor, often women trying to earn supplementary income for their families. NGOs, community groups, and workers associations are now mobilizing in poorer neighborhoods as intermediaries between government agencies, charitable organizations, and private businesses willing to make small-scale credit available. Loans are made to groups of people and involve small amounts of money. In following the Grameen model of "peer pressure" among the group, these programs emphasize activities beyond solely income-generating work. HASIK (Harnessing Self-Reliant Initiatives and Knowledge), an NGO supported by the Filipino government and bilateral donors, executes a Livelihood Revolving Fund for Poor Women to support secondary income-earning activities. Most of the women involved work fulltime jobs, often in garment factories. The fund operates nationwide but makes use of NGOs such as HASIK to reach grassroots levels where the poorest of

continued on page 5 ►

the poor live. The fund loans up to 20,000 pesos (US\$833) to groups of no less than five and no more than ten. The loans are available at interest rates subsidized by donor funding. Reloans are made after a one-year period provided all repayments have been made. According to Otis Salon, who runs the program in Quezon City, women earn up to 300 pesos (US\$12) to 600 pesos (US\$25) per month per group out of such activities.

The Livelihood Revolving Fund differs from the Grameen model in that it subsidizes interest rates. Tulay Sa Pag-unlad (TSPI) takes an approach more consistent with the Grameen. Through its Kabuhayan (Group) Lending Program TSPI organizes beneficiaries into groups of no less than five and makes loans of P1,000 (US\$40) to P3,000 (US\$120) available to them. The groups receiving the loan are required to maintain a savings account of 5 percent of their periodic amortization amount, both as a guarantee against repayment of the loan and to cover emergency expenses that may jeopardize the business. Kabuyayan beneficiaries also adopt a "code of ethics" similar to the Grameen's "Sixteen Decisions," which emphasize self-improvement and the willingness to rise above their present circumstances. Yet interest rates charged are above market rates.

TSPI also uses local NGOs as intermediaries, but Benjamin Montemayer, sees its work as being sustainable precisely because it demands that the poor pay market interest rates. Programs similar to the Grameen are being tried in Indonesia through the Bank Rakyat Indonesia and the Badan Kredit Kecamatan.

In July 1992 a group of Asian banks and NGOs met at the Asia and Pacific Development Centre in Kuala Lumpur to discuss banking strategies for the poor. The group listened to case studies from Bangladesh, India, Indonesia, Malaysia, Nepal, Pakistan, the Philippines, and Sri Lanka and issued a series of recommendations. First among these was that the poor *are good* credit risks and that they *will save* if given the opportunity. Access to credit, rather than its costs, is a limiting factor. The report notes women borrowers as the most reliable, and the key role that NGOs and self-help groups are playing in giving the poor better access to credit. In addressing recommendations to international financial institutions it calls for more efforts to promote commercially viable banking with the poor, with particular attention to encouraging commercial banks to extend credit to low-income groups.

THE RIGHT KIND OF REGULATION

In his 1989 book, *The Other Path*, Hernando de Soto cites studies proving that microenterprises and the informal sector can be among the most dynamic and healthy sectors in developing countries. Because they work in an unregulated environment, they are more competitive and are able to employ a growing portion of the urban labor market. "Encouraging entrepreneurship," writes de Soto, "means creating a more open, competitive environment for the economy as a whole."

The question then is why should entrepreneurs want to hem in the real economy by regulation and adaptation into what is often an unworkable economic system? In many developing countries, even if the macroeconomy were healthy, some argue, enterprises in the informal sector would continue to flourish.

Although this may be true, many agree that reforms that would allow informals to become formal could improve not only their situation but the overall efficiency of the economy. Many working outside the formal economy face high costs: often they must pay bribes to officials or buy capital equipment at inflated prices. They may be discriminated against by government policies that limit where, when, and how they are able to do business. Their access to markets is

The Grameen Bank

In searching for a mechanism to provide credit to the urban poor, Asian governments and NGOs have begun to look to a banking model successfully used for over a decade in rural areas of Asia. The "Grameen" or "Village Bank" was first developed in 1976 by Professor Muhammad Yunus, a Professor of Economics at the Chittagong University in Bangladesh. The model is based on the theory that the poor, if provided with credit, can generate productive self-employment without external assistance. To date, the Grameen Bank has extended credit to over 1.2 million low-income people in rural areas.

The Grameen has five basic goals: 1) to extend banking facilities to poor men and women; 2) to eliminate middlemen, or money lenders, who often exploit borrowers; 3) to create self-employment for a vast source of underutilized manpower; 4) to give low-income groups a way of joining an organizational structure through which they can gain both sociological and economic support; and 5) to provide a mechanism for low-income groups to bridge the chasm between subsistence level income generation to growth-oriented income generation.

Through the Grameen system, borrowers are not required to provide collateral to receive loans. They must, however, be willing to work within guidelines based on strictly monitored socioeconomic factors such as mutual trust, supervision, accountability, participation, and creativity. Loans are given to groups of no less than five people who must meet clearly defined standards of poverty. The group as a whole qualifies for the loan and individual members of groups are subject to "peer" pressure from other members to meet their obligations. Bank transactions are conducted openly, to increase peer pressure, and in small amounts. The system is closely supervised through village-level branch offices, yet little or no stipulations are put on borrowers as to how to use their money. Instead, the system relies on individuals' abilities to make best use of their resources, working within his or her own constraints.

small, putting them at a disadvantage when competing with large-scale companies. Plus, the security of their enterprise is often at stake. Yet the task of creating regulations that reach the right balance between encouraging productivity and adding to overall economic health is complex.

In March 1990, for example, the Filipino Department of Transportation reduced the documents required to register a jeepney to only five items (from 21) and dropped the processing time from 90 to 12 days. The purpose behind this was to expedite the "formalization" process and to make it less costly. Enforcement of the new regulations, however, was sporadic so that illegal means of entry into the trade cropped up. This helped lead to a proliferation of illegal jeepney owners and operators in the city. Most operators own one or two vehicles since they lack the economies of scale to apply for an official franchise. Often they become involved in another informal sector system, the *kabit* system, in which franchised vehicle owners illegally rent permits for public utility vehicles to private vehicle owners who have not been given licenses.

The new regulations are meant to eliminate the *kabit* system by making it easier for individual operators to get licenses. Instead, they have worked against the small formalized operator, who must compete with illegal operators working within the *kabit* system.

This illustration shows that the solution is not in regulation alone but in creating and enforcing the *right* regulations. Such regulations are complicated and must be well thought through. They take time for people to administer; are costly; often difficult to enforce; and government bureaucracies are not always amenable to such reform. "Bureaucrats," continues Mario Lamberte, "have never been known to be innovative with regard to regulations. But if they could be, I

continued on page 6 ►

see no reason why we couldn't balance equity and growth; there need not be any trade-off between the two." In fact, most incentives for going formal are targeted toward growth—as entrepreneurs' profits increase, they cannot expand beyond a certain level—for example, to have access to export markets. This is the challenge facing many governments today.

A WAY OUT

Regulation and credit alone are unlikely to enable workers in the real economy to enter into the formal system, even if they wanted to. But experience has shown ways in which the real economy can become formal—to the benefit of both entrepreneurs and to the legitimate economy.

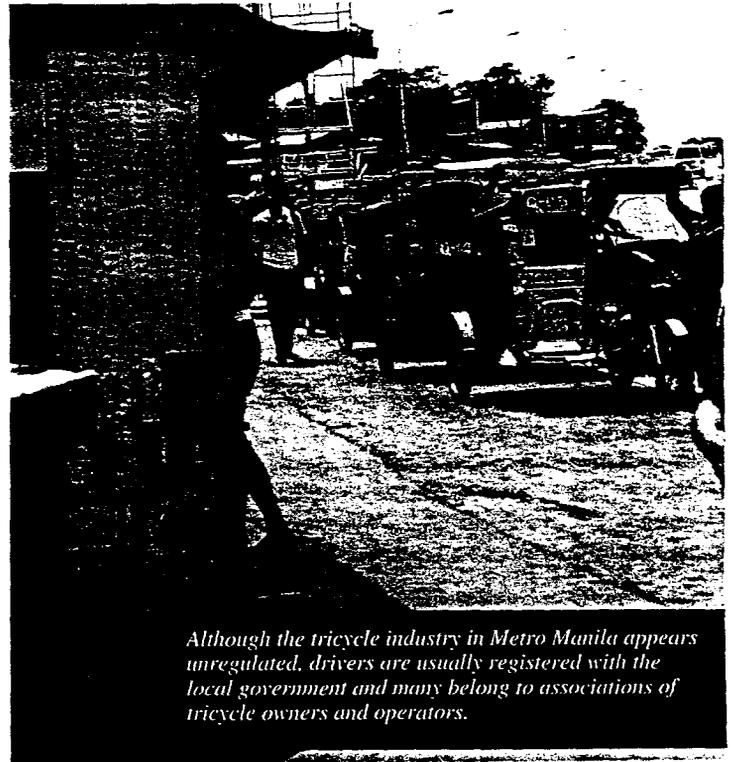
For example, it has been shown in Metro Manila that when regulations are devolved to the local level, such as for transportation and for petty trading licenses, there is a higher success rate for enticing those in the real economy to become formal. The largest group of informal entrepreneurs in Metro Manila works in petty trading—operating sari-sari (community) stores or food stalls. All of these are officially required to register with the Bureau of Domestic Trade. But a 1988 survey showed that only 22 percent were licensed. More than half, however, were registered with the local government.

Second, the urban poor pay excessive amounts of money for basic social services. A solution may lie in charging user fees in some poor communities to supplement government-subsidized services such as water supply and sanitation. Another possibility would be to involve communities in raising money for and constructing their own standpipes and sanitation systems. As advocated by the Grameen model, a percentage of profits from entrepreneurial efforts could be required—as a condition of receiving a loan—to establishing community revolving funds for health care and education.

Third, with no permanent address, it is virtually impossible for the urban poor to qualify for credit. Not only is it difficult to access credit with no permanent address, but many credit schemes in which the reputation of the borrower is more important than collateral (such as the Grameen) find it difficult to lend to people who are transient or who face forced eviction from their homes. Programs can be established to organize and enable communities to gain title to their land (see "Communities Speak" column).

Fourth, greater dissemination of information and education at both the level of the government and of the entrepreneur could lead to improvements in both the real and formal economies. Government leaders, on the one hand, need to be more aware of macroeconomic policies and their long-term consequences. At the level of the entrepreneur, information on how to use available credit systems, how to market products, and how to manage business and accounting systems could be more widespread.

And finally, a predilection for and dependence on capital-intensive manufacturing and infrastructure fails to take advantage of many developing countries' most valuable resource—labor. Many of these capital intensive industries cannot absorb enough labor in urban areas where the vast majority of people are beginning to live. This has created a two-tiered economic and social system—the very rich capital intensive business sector and the un- or underemployed urban poor. A possible solution would be for greater investment in labor intensive industries, such as (properly regulated) assembly plants or garment factories to increase employment. At the same time, human capital needs to be improved through better education and health care services.



Although the tricycle industry in Metro Manila appears unregulated, drivers are usually registered with the local government and many belong to associations of tricycle owners and operators.

THE URBAN ENTREPRENEUR

When Bernadette Toleno in Quezon City takes out a loan of 25,000 pesos (US\$1,041) to start a business producing hand-made paper flowers from her home; expands to employ eight workers; and begins to export her flowers to the European market, she is contributing to a process that, when multiplied across the thousands of similar small enterprise initiatives cropping up in developing country cities, offers hope for the future. According to Mahamed Saladhine in *The Silent Revolution*, "The informal sector is an important refuge from all types of administrative impediments, and it is an indication of the good health of an economy. Thus it should be viewed as a positive factor and reasons for its growth examined." Entrepreneurship and the innovations spawned by the real economy show that individuals are gaining legitimacy over hierarchical bureaucracies. Through working with local communities in small-scale enterprises, individuals have the potential to build a national economy able to compete on the world market—given that correct macroeconomic conditions are in place. Rather than viewing the rise in the numbers of small enterprises and self-employed as indicators of poverty and economic failure, they should instead be recognized as contributing to a country's economic future.

In the end, the solution may lie in governments and entrepreneurs working together to encourage the creation and enforcement of appropriate regulations, innovative credit mechanisms, sound macroeconomic policies, and grass-roots community development. Without a combination of these, the developing world's real economy will fail to benefit either the formal sector or the poorest of the poor.

— Mary McNeil

The Informal Economy in Central Europe: A Letter from Hungary

by Robert Manchin

Robert Manchin is an Hungarian sociologist currently serving as Vice-President of the Gallup Organization in Central and Eastern Europe.

7

There are two common misperceptions about the illegal economy in Eastern Europe. One has to do with the definition of the black, or illegal economy, as something outside the normal functioning of the economic system. The countries of Eastern Europe, which shared an ideologically defined statistical measurement system, never did consider a whole range of activities as "productive." Further, any economic activity not done with bureaucratically defined categories was seen as potentially dangerous to the regime. Thus, the illegal economy was defined in an ideological and political sense—much as income tax avoidance is seen in Western societies.

The second misconception concerns the myth of so-called full employment, a peculiarity of State-socialist societies. In these societies, full employment was tantamount to employing all able-bodied persons without taking into account whether or not they produced revenue to cover the costs of their employment. Full employment became an ideological tenet of the system. It had the noneconomic function of not letting anybody escape dependency on the party, which controlled all organizations. It provided jobs and wages to people who otherwise would have been unable to be absorbed into a modern economy.

With privatization of both the agricultural and industrial sectors, the existence of this labor force had to be economically rationalized. Freed from the political pressures of the state to provide a social welfare function at the firm level, privatized businesses began to get rid of labor previously employed for nonmarket reasons. As a result, in regions where the transformation of state enterprises are most advanced, either because of privatization or the impossibility of further operating under the principles of the state, unemployment rates have reached 40 to 50 percent. Unemployment is worse in rural areas, which were the last to be industrialized. In these areas, unemployment is particularly hurting those industries employing female and unskilled labor.

The regionally uneven unemployment rate can be illustrated by many examples. For instance, in one village in Southwestern Hungary, the number of employed persons in 1989 was 650 (out of 950 inhabitants); now only 50 people are employed. There are whole microregions in the Northeastern parts of Hungary, near the Ukrainian and Romanian borders, where unemployment rates are as high as 70 percent. In addition to the phenomenon of those who would have never been employed in a market economy now becoming jobless, the unemployment rate (less than 1 percent in 1989 and more than 12 percent at the end of 1992) has soared.

THE GROWTH OF THE INFORMAL SECTOR

What happens to the informal sector of the economy when this occurs? What happens to people and households who have suddenly, because of political change, found themselves in a labor market?

For some observers it is a simple conceptual or theoretical problem. But we are finding that the outcome is increasingly determining the political and social stability of the whole region. A natural path of business development has arisen, beginning with traditional petty cross country trade to large-scale mafia type international smuggling. Such trade has come to control whole regions and international distribution channels. As in any known case of rapid accumulation of capital, the most phenomenal business successes can be found at the paralegal

spheres of transborder trade.

It is no accident that international peddlers have appeared all over the cities and villages of Eastern Europe, making profits on the differences between state subsidies and consumer prices in the former state socialist economies. For example, we have found that about half of the population did not buy any clothing during the last year through "regular" legal store outlets, but used only the services of these new international street peddlers from Poland, Romania, and the Ukraine. No matter how strongly the new Hungarian private ventures complain that local authorities should stop "illegal" trading by foreigners who do not pay any taxes, it is still the only way substantial parts of the population can afford any new clothing.

The relative successes of various technical assistance missions, advocating "shock-therapy" solutions, can be measured by the profits of this new strata of unemployed, or third-world type street peddler. The desperate attempts of third (and post-second) world migrants to somehow reach the "promised land" of Western Europe through the back doors of Hungary or Czechoslovakia, have helped ease the credit and loan problems of the underdeveloped banking infrastructure of the region, but the problem still exists.

continued on page 8 ►



Rising unemployment rates in Hungary have caused the opening of informal markets where clothing, food, and household items are sold by street vendors.

THE CLOSING OF MARKETS

B As theoretical debates on how to finance the transition to a market economy and on how to use various models of privatization to create a new middle class continue, a bleak scenario is rising that is fueling the illegal economy. This scenario may push the grey economy to a black—and a very black—economy.

This scenario is the rigid closing of Western markets to products of the new private sector. The hope was that this new small-scale, largely self-employed sector could become the nucleus for rebuilding a market society and economy in Eastern Europe. That hope is fading. Without access to a world market, these entrepreneurial activities cannot grow into viable businesses. Instead, various households are using survival strategies, combining unemployment benefits with start-up credits from dubious sources to provide subsistence level economic survival for their households.

The closing of markets by Western economies and their attempts to protect every sphere in which Central or Eastern European economies could potentially have comparative advantage, further dwarfs the potential market transformation of the emerging private-sector economic activities. By structurally prohibiting the small-scale entrepreneurs from integrating into the larger markets and specializing or modernizing to become competitive with their Western counterparts,

they are doomed to either turn toward a subsistence economy or to move outside of the controlled legal sphere of economic activities.

The French peasants are worried about the potential agricultural competition from the new aspiring business partners from the East. But similarly, the low-labor-cost countries of the European Community are not very eager to speed up the process of integrating these marginal and struggling economies. Yet without large-scale capital investments into modernizing the now totally outdated structures of these economies, the development of new private entrepreneurs in sectors where cheap labor allows goods to be competitive in the Western markets will disappear.

Economic historians have plenty of stories about the disastrous social consequences of paralegal economic practices of societies. The politically short-sighted isolationism of the Western markets can derail the outburst of entrepreneurial revolution of these Central European economies. While the bulk of the population is economically pessimistic (or to be more precise, realistic) regarding their future, in each of the countries we find a new economic elite that sees an historical opportunity for themselves. It would be a great irony if the newly found economic freedom of Central and Eastern Europe—because of structural or externally imposed political barriers—led only to the development of a peripheral economy similar to the third world's informal sector.

DA

World Habitat Awards

Entries are now being sought for the 1993 World Habitat Awards. This is the ninth year of the annual competition, which was designed to attract outstanding designs for human settlement projects. Designs are sought, from both developed and developing countries, that offer sustainable solutions to current housing problems.

Two award winners each year receive £10,000 plus an individually designed and crafted silver trophy. Awards are presented each year on World Habitat Day.

Preliminary submissions should reach Mr. Peter Elderfield, Director of the Building and Social Housing Foundation, Memorial Square, Coalville, Leicestershire LE67 3TU, U.K., by July 31 for inclusion in this year's competition.



The Walter Segal Self-Build Projects, London. Winner 1986.

Corporate Involvement in Urban Poverty Alleviation

by Jonathan F. Josen

Jonathan F. Josen runs the Manila Branch of the Community Management Program, an initiative of the Philippine Business for Social Progress, an NGO supported by private business and the donor community. The Community Mortgage Program is involved in helping low-income communities buy land.

9

Twenty-two years ago, in 1970, the Philippine Business for Social Progress or PBSP was organized by a core group of business leaders and industrialists. Its mission was to improve the quality of life of the Filipino poor. As a unique foundation, PBSP tapped the discipline and the management technology of the business community to help solve poverty.

Its focus has always been in rural development, building partnerships with peoples, organizations, and local nongovernmental organizations (NGOs) in implementing productivity improvement and enterprise development projects. It conducts programs and projects in rural areas with seed funds from corporate contributions and with co-financing from bilateral sources and government.

PBSP's continuing bias in rural development is built on the premise that healthy agri-based economies contribute to decent family incomes and retard urban in-migration. Yet Metro Manila's population has ballooned to 8 million people. Of the total population, 1.6 million people or 274,270 families reside in 415 identified squatter colonies. Ninety-five percent of these families subsist on incomes below the 5,400 peso (US\$ 216) a month poverty threshold of the city.

Given these baseline figures, PBSP decided to become involved in a Community Mortgage Program (CMP) in 1990. The CMP is an innovative government financing scheme designed to enable landless urban poor to acquire undivided tracts of residential land through community ownership. The program consists of a financing package for NGOs to pay the cost of organizing urban poor communities around land negotiations and mortgage processing. DESWOS, a German NGO involved in social housing was tapped by PBSP as a funding partner for community organizing. Assistance from DESWOS is primarily a bridge financing scheme for NGOs in hiring community workers, of which they are paid P500 (US\$20) per family in the event of a land takeout. This takeout fee will then be paid back to PBSP, which will form part of a fund pool, as agreed with DESWOS, for future CMP projects. USAID has also provided financial assistance through its decentralized shelter for urban development (DSUD). Its aim is to further develop capabilities of 50 NGOs in implementing the Community Mortgage Program with 200 community associations. Save the Children-United States also provided funds for a consortium project that will be a prototype in a Metro Manila municipality for the urban poor.

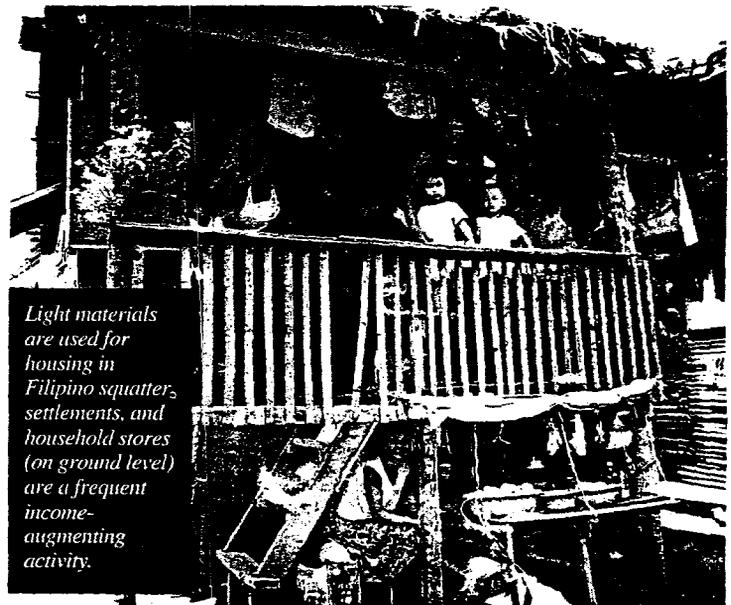
Although PBSP's scope is nationwide, in Metro Manila alone around 57 community associations are in various levels of land acquisition. This process will eventually benefit 61,300 individuals or 10,300 families (this is 3 percent of the total squatter population in Metro Manila) who currently inhabit 62 hectares of land.

Permanency improves the psyche of landless urban families. As soon as they have land ownership their perspectives change. They begin planning for bigger things such as site development and house rebuilding. Incremental improvements in their houses are also evident. Their long-time savings are used for buying cement blocks for semi-concreting their walls and floorings.

Land ownership is an important first base intervention but does not completely solve poverty. Early this year, the board of trustees of PBSP approved the inclusion of Metro Manila as a priority area in the

implementation of the Area Resource Management Program or ARM. The Metro Manila ARM program seeks to assist urban poor communities which had previously been assisted in land acquisition. Its components include:

1. **Site Development**—Provision of financial and technical support in engineering, designing, and construction of pathways, drainage systems, and housing reblocking.
2. **Livelihood and Gainful Employment**—Assistance in job-matching, skills training, market tie-ups, and provision of working capital for microenterprises for women.
3. **Basic Social Service**—Provision of health services and facilities, potable water systems, and legal electrical connections.
4. **Urban Environment Management**—Technologies in waste disposal and recycling



Light materials are used for housing in Filipino squatter settlements, and household stores (on ground level) are a frequent income-augmenting activity.

Companies seeking to participate can provide funding support to the components mentioned. They can also lend a hand in technical support in engineering and site planning. Other companies interested in building business partnerships can enter into sub-contracting and job-matching arrangements with interested urban poor communities. Companies may wish to adopt communities solely or can enter a consortium with other companies in the vicinity for resource pooling arrangements.

A partnership is worked out where corporations provide crucial support, hand in hand with government, NGOs, and urban community

continued on page 10 ►

associations. The traditional role of companies as mere providers of employment to host communities thus widens to being corporate citizens in the urban setting. From a previous nonactive role as solely funds provider, PBSP's corporate members are now open to possible business partnerships with urban poor communities, providing work contracts previously open only to small and medium-scale entrepreneurs. An example is a consumer products firm that is opening its product packaging requirements to a women's group, providing additional income of P80 to P100 a day for 30-40 women. Another case is a large private bank bridge-financing the cost of water

systems and pathways concreting for a community. Another multinational petroleum company will be providing scholarships to qualified dependents of urban poor families with employment match-ups after technical skills training. The story continued with the initial 10 to 15 corporations that have pledged their support to partnerships with urban communities in a unique session conducted for 18 member companies last August 18, 1992. On December 10, when PBSP sponsored the annual gathering of its 151 membership companies, the urban program was launched as a major undertaking with active participation of the business sector.

The Battle for the Pavements

by Sheela Patel

Sheela Patel was one of the founding members of the Society for the Promotion of Area Resource Centres (SPARC) and has worked with the organization for eight years.

The city of Bombay has many problems that defy solution along "routine lines." One of these is the approximately 1.5 to 2 million people who inhabit the sidewalks, living in tentlike or makeshift structures. Studies show that most pavement dwellers are migrants to the city; former landless agricultural workers and rural artisans whose inability to earn a living in their villages has forced them into the city. In the city they are able to find a wage to feed themselves. They live near their work and pay to use public toilets, buying water from nearby tenements. Most dwellers live in continuous fear that their makeshift homes and communities will be broken up by the municipal authorities.

It is ironic that pavement dwellers and sidewalk vendors, who should be the focus of development projects, are denied assistance due to their battle for the pavements. Vendors on the street in both business and residential districts of the city are entrepreneurs who provide consumers with cheap doorstep service, such as in food, clothing, equipment, stationery, and other items. For the poor person, such activities are the first step toward self-employment using a small amount of capital. The sustainability of their enterprises, despite repeated confiscations by authorities, attests to consumers' support.

Demolitions continue. Homes are demolished and stalls or carts with goods are confiscated and destroyed—only to be rebuilt again and broken again. Within this vicious circle, people find the strength to rebuild houses, to restart their vending and other jobs, and life goes on. Pavement dwellers, however, through this process never get a chance to build on their "assets" as the city keeps demolishing their homes.

SPARC (Society for Promotion of Area Resource Centres) began its work with the pavement dwellers in 1984, and over the last seven years has designed and executed many training programs that help pavement dwellers form cooperatives to design houses and settlements which they are able to afford.

SPARC has two partners—Mahila Milan and the The National Slum Dwellers Federation (NSDF) that work in 10 to 12 Indian cities and are linked up with organizations in other Asian countries.

Urban Management Programme Launches Regional Centers in Asia/Pacific and Latin America

The UNDP-UNCHS (Habitat)-World Bank Urban Management Programme held its first regional launch workshop from October 5-9 in Kuala Lumpur, Malaysia. The workshop, hosted by the Asia and Pacific Development Centre, was attended by 36 regional experts from 10 Asian-Pacific countries who discussed the five substantive subject areas of the UMP (Land, Infrastructure, Urban Environment, Municipal Finance and Administration, and Poverty Alleviation). Participants discussed how best to meet the UMP's goal of capacity building at the country level in each subject area, and discussed the creation of regional panels of expertise to provide technical assistance within the region.

Nathaniel (Dinky) von Einseidel has been named the UMP Regional Coordinator for the Asia-Pacific Region. He can be reached c/o Asia and Pacific Development Centre, Pesiaran Duta, P.O. Box 12224, 50770 Kuala Lumpur, Malaysia (fax: 60-3-2550316).

A preliminary regional launch workshop was held in Quito, Ecuador November 28-29 to initiate the UMP in Latin America. The workshop was attended by 21 professionals from nine Latin American countries, representing a broad range of expertise on urban development issues in the region. The meeting was chaired by Pablo Trivelli, the UMP Coordinator for Latin America. He can be reached c/o UNDP, P.O. Box 1703-4731, Mariscal Foch 265, Edificio Naciones Unidas, Quito, Ecuador (fax: 593-2-549447).

An update on UMP activities will be included in the next issue of *The Urban Age*.

Mahila Milan was formed in 1987 to organize women who live on pavements and, with SPARC, to help them lobby for their rights (among which is access to shelter). The organization works to ensure that women are supported by the entire community and are encouraged to work both within their communities and with women from other communities on innovative income-earning activities. The NSDF has created an information base for mobilizing pavement dwellers, which it uses in conjunction with its work with SPARC. NSDF has member federations in Bombay and other cities in India.

SPARC began its work with women from families living in hovels on the pavements of Bombay. By starting with what it saw as the most vulnerable group, it hoped to develop a methodology that, although it seems to show little in terms of concrete gains, has set in motion a process that over the long-term will improve the position of the city's most marginalized groups.

A New Method of Surveying the Poor Takes Root in Manila

The editor of the *Urban Age* interviewed Dr. Mahar Mangahas, head of the Social Weather Stations in his offices in Quezon City in October, 1992. Dr. Mangahas has written extensively on the need to provide the general public with independent, timely, and accurate data on economic and social conditions in the Philippines.

For the first time in its presidential history, pollsters accurately predicted the election of President Fidel Ramos in the Filipino election on May 11, 1992. The forecast was the work of a new kind of survey organization in the Philippines, the Social Weather Stations (SWS), organized in 1985 by Dr. Mahar Mangahas at the Philippine Social Science Center of the University of the Philippines. The SWS conducts attitude surveys on a wide range of topics, from party affiliation to consumer preferences. A non-profit association of social scientists, its work has included 13 national surveys and an equal number of citywide studies commissioned on a variety of subjects.

SWS' methodology is based on the premise that social indicators are at least (if not more) important than economic indicators in assessing a wide range of social and political issues. Throughout its history, it has used this approach to monitor poverty levels within the Philippines. According to the SWS methodology, focusing on data related to household's "self-perception" of poverty provides a more accurate look at both the extent and range of poverty in certain areas. For example, those surveyed are asked to rate themselves on a scale of poverty from "poor" to "not poor." This data is used in creating a "poverty line," which fluctuates according to the data gathered. Mangahas sees this as creating a "bottom up" approach to identifying poverty levels—a process not based on artificially set poverty lines predetermined from above.

Surveys include questions on politics, households' ability to make improvements in their homes, how much residents fear violence in their neighborhoods, and what they think of the current administration. They are conducted frequently, and in the case of those used to garner poverty data since 1985. Surveys consist of professional interviewers canvassing a very small sample size—approximately 100 households—asking residents a series of questions over a 30 to 45 minute period. Because of the variety of questions asked, several different issues can be monitored simultaneously and data-processing time is minimal.

Critics of the SWS approach say that it lacks validity on the poverty issue because it does not concentrate on household income levels or expenditures per se, but on more nonspecific criteria. If a respondent rates himself as "poor," for example, the next question asked is "How much would your family need for home expenses per month in order to consider itself not poor?" Other questions could include "Do you feel you are better off this year than last year," or "How many people do you feel are better or worse off than they were last year." Such questioning leads to a wide array of self-rated data that is usually not considered in strict economic analysis.

The key, according to Mangahas, is for consistent data gathering that can project realistic and timely survey results. "Poverty is highly volatile," says Mangahas, "and we have found that it needs to be monitored frequently." More detailed analysis of data often takes up to two to three years to complete; SWS surveys can be completed quickly and at minimal cost since they are labor intensive. "We also discovered that peoples' income is not everything; that many people whose incomes are reported as low do not consider themselves poor." According to Mangahas, the rate of inflation is a much more determining



Viewpoints on a variety of topics are openly discussed in Manila neighborhoods.

factor to the rate of poverty than is growth in real per capita income. Mangahas also believes that the trend in poverty is strongly affected by changes in the state of "national anxiety" in relation to political developments.

The best part of the approach is that a host of issues can be analyzed based on the same survey results. "The measurements we use are homegrown," says Mangahas, "and thus sustainable so that they can be put together with economic indicators, such as levels of GNP. With this added information, we are hoping that economists will not focus all their attention on growth without seeing that it often has little effect on poverty levels."

SWS has been able to sustain itself financially through charging subscribers' fees for survey data. The more critical the social situation, for example the attempted coup in December 1989, the greater the public's need for reliable social survey data seems to be. The increasing number of data users has helped to defray costs. For example, the group measured the social impact of the Upper Pampanga River Integrated Irrigation Project, financed in part by the World Bank and is conducting a series of survey modules for the Catholic Church's National Secretariat for Social Action on correlations between religious indicators and indicators of social consciousness. It remains independent of any one sponsor. In the case of highly sensitive topics, sponsors can obtain a strict period of embargo on the data and research findings it commissions the SWS to undertake. After projects are completed, all SWS survey data are made available to the public, although SWS reserves the right to charge a fee.

Public awareness, says Mangahas, is key to the operation. "Getting reliable data and just showing it to the people means so much," he says. "People were skeptical at first, but little by little we are gaining more credibility. We believe that politics and economics are related, and that politics makes good democracy in a real social science sense. It is therefore important to give people as much information as we can."

We actively seek our developing country readers' input for this section. Our intention is to broaden our network among developing country city managers and their urban representatives.

12

RWANDA CREDIT AND SAVINGS PROGRAM ASSISTS WOMEN

Contact: *Duterimbere, Blvd. de R'OUA, B. P. 738, Kigali, Rwanda., Tel.: 011-250-73598*

DUTERIMBERE, a non-profit financial institution established in Rwanda in 1987, helps low-income women build businesses through credit, savings, training, and technical assistance. DUTERIMBERE guarantees a maximum of 60 percent of each of the loans it extends through an agreement with Union des Banques Populaires. It launched a direct lending program in April 1991. The program evaluates enterprise projects, helps clients prepare loan proposals, and monitors client operations and repayments. DUTERIMBERE has been an affiliate of Women's World Banking (WWB) since 1988.

DUTERIMBERE has developed and published a manual, "Training Guidelines for the Development of Small Enterprises." It conducts research and identifies new appropriate technologies for target clientele, including food processing and handicraft production, arranging sales exhibits, and hosting informal meetings of entrepreneurs.

CASH POOR NO MORE—A NETWORK OF ASIAN CREDIT ORGANIZATIONS

Contact: *Dr. Ismael P. Getubig, Jr. CASHPOR, c/o Asian and Pacific Development Centre, Pesiaran Duta P.O. Box 12224, 50770 Kuala Lumpur, Malaysia*

The Network for Credit and Savings for the Hardcore Poor in Asia-Pacific (CASHPOR) is an independent, non-governmental, non-profit, regional organization. It represents eight member programs working in five countries, all of which provide credit and savings to the poor. Some of the credit organizations also provide technical assistance and counseling to clients. All members adhere to the Grameen Bank's model of cooperative credit, bottom-up management, and group responsibility.

CASHPOR aims to reduce hard-core poverty throughout the region by assisting with the scaling up of existing credit and savings programs for the poor and promoting the establishment of new programs where they are needed. The organization's founding members have been directly or indirectly involved in credit and savings programs patterned after the Grameen Bank's approach. Most of CASHPOR's 1992 and 1993 funding has come from a US\$52,500 grant from Canadian International Development Association, under their ASEAN-Canada Fund. Program activities include workshops and exchange visits, research projects, and the exchange of information through the organization's newsletter, FAXNET. In addition, the Grameen Bank Replication Programme, Phase III, implemented by the Asia-Pacific Development Center with funding from UNDP, and follow-up assistance from CASHPOR, will be selecting potential replicators in India, Indonesia, Viet Nam, and Nepal.

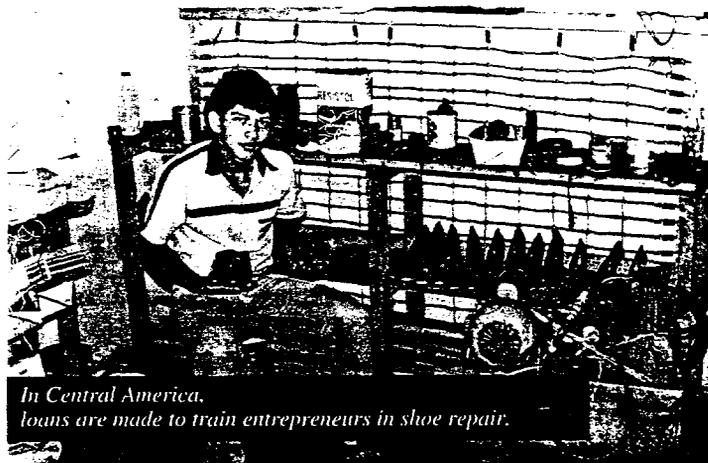
ZIMBABWE WOMEN'S FINANCE TRUST, LIMITED

Contact: *Womens Finance Trust of Zimbabwe, 10 Masocha Dlovu Way, Parktown Prospect, Hatfield, P. O. Box 8023 Causeway, Harare, Zimbabwe, Tel.: 263-4-50127.*

Serving urban and rural women entrepreneurs and traders, Zimbabwe Women's Finance Trust (ZWFT) acts as a loan broker with

Barclays Bank and ZIMBANK. Under the credit program ZWFT evaluates potential client business and helps prepare loan proposals. In early 1992 ZWFT started up a revolving loan fund using a low interest loan from the Ecumenical Development Cooperative Society. ZWFT became a WWB Affiliate in 1985.

ZWFT runs a business management training program, with courses in marketing, costing and pricing, buying and selling, production management, stock control, and developing a business plan. Clients are charged a small fee and participation is a prerequisite for credit eligibility. Short training workshops are also held on leadership and personal development topics.



In Central America, loans are made to train entrepreneurs in shoe repair.

NICARAGUAN MICRO-ENTERPRISE FOUNDATION

Contact: *FAMA, Victor Telleria or Leanna Vidaurre, De la Maison Teodolinda, 3C. Al sur y 1/2 Abajo, Managua, Nicaragua. Tel.: 505-2-668690, Fax: 505-2-668689.*

The Micro-Enterprise Support Foundation, or FAMA, started early in 1992 in Nicaragua making small loans at market rates to owners of tiny businesses. The foundation's start up support came from ACCION International and the Austrian government.

In its first five months, FAMA made loans to more than 1,700 owners of small family businesses. Loans, which average just \$150, go to mechanics, vendors, seamstresses, carpenters, and others who would otherwise have no access to bank credit. As in the well-known Grameen Bank approach, single loans are provided to groups and then each member is responsible for the payback of the entire loan.

ACCION International is a non-profit organization that supports credit and business training for micro businesses. It works in 15 countries, lending in amounts as low as \$25 and up to \$2,000. ACCION has so far been available throughout Latin America and South America, providing loans and business classes to those in need. The group is expanding its activities to include regional training for its Latin American affiliates and has started supporting microenterprise credit operations in the United States.



The Silent Revolution: The Informal Sector in Five Asian and Near Eastern Countries

by A. Lawrence Chickering and Mohamed Salahdine. San Francisco, Ca., International Center for Economic Growth, 1991. ISBN 1-55-815-163-X.

A. Lawrence Chickering and Mohamed Salahdine in their introduction to *The Silent Revolution* take the view that those working in the informal sector represent a resource rich in physical and human capital. They argue that reforms should be considered that enable informal workers to enter the formal system, reforms that would work both to the betterment of the workers and to the overall efficiency of the economy. By taking this stance they ask the question, "Is it the dysfunctions and pathology of the informal sector or the institutions of the larger society that limit informal entrepreneurs' opportunities to work for their own economic and social progress?"

Case studies from Morocco, the Philippines, Sri Lanka, Thailand, and Bangladesh begin with a definition of what "informal" means in each country. Each gives a "human" picture of informal workers—who they are, how they got where they are, their capacities, and their potential. They estimate the size of the sector and attempt to draw conclusions as to why people choose to be outside of the formal economy. Other issues addressed include the effect of regulation on the society, the causes of informality, the costs of remaining informal, and the political and

institutional issues underlying the growth of the sector. Finally, each author proposes solutions to the scenario, both in terms of possible "negative" reforms (which would eliminate barriers to formality) and "positive" reforms (which would create new institutions or policies to provide informals with services they are not now receiving).

In conclusion, Chickering and Salahdine fault neither the institutions of the formal society nor the dysfunctions of the informal economy. They make clear that they see the solution not in purely economic or sociological terms, but as a combination of both disciplines. Policies that enable individual entrepreneurs to prosper need to be developed with grass-roots support; regulations must be created with cultural as well as economic considerations in mind; and governments need to reorient their capital expenditures to accommodate the growing labor force in many of the world's cities. The authors acknowledge that whatever the solution, the question is not whether governments will expand opportunities for the poor but when. With informal workers exceeding 50 percent of the labor force examined in the five case studies and producing between 40 to 60 percent of GDP, this "silent revolution is changing societies everywhere. It is confronting them with extraordinary challenges to expand opportunities by establishing institutions and policies that will permit full

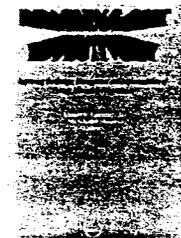
Reaching Out Effectively: Improving the Design, Management and Implementation of Poverty Alleviation Programs

by Ismail P Getubig, Jr. and M. Khalid Shams (eds.), Kuala Lumpur, Malaysia, Asian and Pacific Development Centre, 1991. ISBN 967-9928-26-8.

This volume looks at poverty alleviation programs in the Asia region, and highlights critical elements for success by presenting case studies from several countries.

Looking across the region, the editors stress that continued poverty in parts of Asia proves that the poorest of the poor are still not being reached effectively (despite concerted poverty relief efforts in the late 1970s and throughout the 1980s). Some key shortcomings include: the absence of clear criteria for identifying the poor; the failure to treat the mobilization and empowerment of the poor as a political process; the failure to devolve responsibility and control to the local level; and the continued emphasis on free hand-outs or heavy subsidies for services, with the poor as passive beneficiaries rather than active participants.

Several of the 10 case studies demonstrate successful approaches. The first three—the Self-Employed Women's Association (SEWA) Bank of Ahmedabad in India, Grameen Bank in Bangladesh, and the Production



Credit for Rural Women in Nepal—provide low income people with credit that is used for self-employment, such as trading and small enterprise activities. Under these schemes the poor organize themselves into groups and obtain credit without collateral.

Other case studies include a rural village development scheme in Pakistan supported by the Aga Khan Rural Support Programme, the private- and donor-supported Philippine Business for Social Progress effort that mobilizes and channels resources for social development at the provincial level, a network of Philippine farming and credit cooperatives, and a small farmers' development project in Thailand.

Several pilot projects supported by the Asian and Pacific Development Centre (the UNDP-ESCAP-sponsored research institution that compiled the book) have also been underway in Malaysia, Indonesia, and the Philippines since 1986 to test the replicability of the Grameen Bank's approach. The efforts appear to be succeeding.

CITIES in the 1990s
THE CHALLENGE FOR DEVELOPING COUNTRIES
EDITED BY NIGEL HARRIS



Cities in the 1990s: The Challenge for Developing Countries

by Nigel Harris (ed.). London: Development Planning Unit, University College Press, 1992.

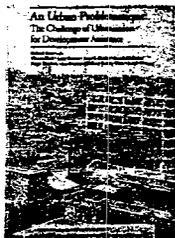
In November 1991 the British Overseas Development Administration together with the Development Planning Unit of University College London sponsored a workshop to discuss new thinking and approaches to urban development. This volume is a record of the proceedings of the workshop, which was attended by senior representatives of donor agencies as well as by experts from cities and governments in the developing world.

The proceedings are broken out into two parts. The first focuses on a discussion of the new policy agendas of the major multilateral agencies, country experiences, urban development strategies and issues of urban management. Part two discusses policy experiences, including a review of country experience, and a discussion of productivity and poverty in developing country cities.

In his introduction, Nigel Harris points to the growing

continued on page 14 ►

urbanization of the developing world and the acceptance that cities are becoming countries' most dynamic sources of economic development and national savings. He quotes World Bank figures showing that 60 percent of the value of output of developing countries comes from urban areas. "Urban productivity," writes Harris, "was thus crucial to national development—including the development of rural areas—and to improving the conditions of the poor." In his concluding chapter, he addresses policies affecting the "underlying" urban economy which determine both productivity and poverty among city dwellers. He admonishes international funding agencies for not placing more emphasis on this real economy, which city managers are too often preoccupied to address. He urges the international community to aid city managers in understanding the role of the real economy and in identifying city-specific agendas and mechanisms for monitoring it.



An Urban Problematique: The Challenge of Urbanization for Development Assistance

by Richard Stren et. al. Toronto: Centre for Urban and Community Studies, 1992. ISBN 0-7727-1359-6

This book takes the view that urbanization in the developing world is a dynamic force that needs to be better understood in relation to development assistance. The volume examines the

major issues involved in the development process, relating them to Canada's particular experience and to important questions on the international development agenda. Chapters include discussions on the background and context of the urbanization process and city growth; macroeconomic issues in urban development; the impact of urban policies on women, children and the disabled; urban systems and the environment; empowerment; variations with and between the developing world regions; the development and role of Canadian institutions, goods and services; and the implications of the Canadian experience for developing countries.

The volume concludes that addressing urban development issues comprehensively, in the context of a wider assistance process, provides a crucial link in efforts to achieve sustainable development. "In the end," writes editor Richard Stren, "to deal or not to deal with the urbanization of the developing world is not a choice. The real choice is how to deal equitably and coherently with the facts of urbanization, in a manner that reflects the complexity of the development process itself."

Stren calls for a holistic approach in solving the urbanization phenomenon, one that takes into account spatial systems; land-use changes; cities biogeochemical cycles; the importance of environmental factors such as water, wastes, energy, and transport; and the informal sector. Governance and decentralization; the advocacy of self-help groups; improved public services and shelter; and the role of NGOs, community groups, and international donor agencies are also examined.

Books and Resources

Access to Basic Infrastructure by the Urban Poor, by Aurelio Menendez. EDI Policy Seminar. Report No. 28. Washington, D.C.: The World Bank, 1991.

A Decent Place to Live: Urban Poor in Asia, by Denis Murphy. Bangkok: Asian Coalition for Housing Rights, 1990.

"An Institutional Approach to Urban Informal Sector Policies in Developing Countries: Lessons from the Past, Directions for the Future," (draft) Programme Development and Support Division, United Nations Development Program, May 1992.

"Banking With the Poor: Report and Recommendations" (draft), the Foundation for Development Cooperation. Kuala Lumpur: Asian and Pacific Development Centre, 1992.

Combating Poverty: Innovative Social Reforms in Chile during the 1980s, by Tarsicio Castaneda. San Francisco: International Center for Economic Growth, 1992.

Human Settlements in the U. S.: Sustaining Uneven Development, by Willem van Vliet, Research Paper 183, Toronto: Centre for Urban and Community Studies, 1991.

Investing in the Urban Poor: The Metro Manila Livelihood Program. Occasional Paper No. 3. Manila: Philippine Business for Social Progress, 1987.

Markets in Developing Countries: Parallel, Fragmented and Black, by Michael Roemer and Christine Jones (eds). San Francisco: International Center for Economic Growth, 1992.

Popular Participation and Development: A Bibliography on Africa and Latin America, Hugh Dow and Jonathan Barker, Bibliographic series 16. Toronto: Centre for Urban and Community Studies, and the Centre for Research on Latin America and the Caribbean, York University, 1992.

Poverty, Growth and the Fiscal Crisis, by Emmanuel S. De Dios et. al. Manila: Philippine Institute for Development Studies, 1992.

Reducing Poverty: An Institutional Perspective, by Lawrence F. Salmen. Poverty and Social Policy Series, Paper No. 1. Washington, D.C.: The World Bank, 1992.

The Informational City: A New Framework for Urban Change, The City in the 1990s Series (Lecture 3), Manuel Castells, Res. Paper 184 Toronto: Centre for Urban and Community Studies, University of Toronto.

The Other Path: The Invisible Revolution in the Third World, by Hernando de Soto. New York: Harper & Row Publishers, 1989.

Towards Full Employment Strategy for Accelerated Economic Growth, by Ismael Getubig Jr., and Harry T. Oshima (eds.), Asian and Pacific Development Centre, 1991.

TRIOPS 1992—Tropical Scientific Books—A catalog of publications covering 100 different topics from 55 different international organizations. Toeche-Mittler Distribution, Hindenburgstr. 33, D-1600 Darnstadt, Germany, Fax: 06151-314041. 1992

Urban Research in the Developing World: Towards an Agenda for the 1990s, Richard Stren and Patricia McCarney, Major Report Series 26. Toronto: Centre for Urban and Community Studies. 1992.

Women and the Urban Street Food Trade: Some Implications for Policy, by Monique Cohen. DPU Gender and Planning Working Paper No. 12. London: Development Planning Unit, University College of London. 1992.

Working Together for Small Enterprise Development, by Roger Teszler and Theo Kolstee. The Hague: Ministry of Foreign Affairs, Development Cooperation Information Department. 1991.

Below is a list of urban events and training courses culled from *The Urban Age's* current files. We regret that more events from developing countries are not listed. If you would like your event to be included, please send announcements to the Editor, *The Urban Age*, Rm. S10-108, The World Bank, 1818 H Street NW, Washington D.C. 20433

Conferences

Kuala Lumpur, Malaysia—February 8-10, 1993. **International Symposium on Resource Management: The Key to Sustainable Development.** For more details contact: Institution of Surveyors, Malaysia, 3rd floor, Banguan, Jurukur, 64-66, Jalan 52/4, 46200 Petaling Jaya, Selangor, Malaysia.

Tunis, Tunisia—February 15-19, 1993. **Conference on the Development and Planning of Urban Transport (CODATU) VI.** For more details contact: Societe Nationale des Transports, 1, avenue Habib-Bourguiba-1001 Tunis, Tel.: 216-1-348-507, Fax: 216-1-342-727.

The Hague, Netherlands—March 25-27, 1993. **International IFHP Conference: Improving the Environment—New Tasks for Urban and Regional Planning.** For more details contact: IFHP-Congress Secretariat, Wassenaarseweg 43, The Hague, Netherlands, Tel.: 31-70-328-1504/324-4557, Fax: 31-70-3282085.

Orlando, Florida—May 2-8, 1993. **Motor Vehicles and the Environment.** For more details contact: International Road Federation, 525 School St. SW, Washington, D.C., 20024, Fax: 202-479-0828.

Toronto, Canada—June 12-17, 1993. **International Union of Local Authorities 31st World Congress.** For more details contact: IULA Congress Secretariat, Chief Administrative Officer's Department, Station 1060, 6th floor, Metro Hall, 55 John Street, Toronto, Ontario, Canada M5V 3C6, Tel.: 416-392-8673, Fax: 416-392-3751.

Arlington, Virginia—June 20-23, 1993. **Health and the Environment: Meeting the Challenge for Human Development.** For more details contact: National Council for International Health, 1701 K Street NW, Suite 600, Washington, D.C., 20006.

Gainesville, Florida—August 11-13, 1993. **Affordable Housing: Present and Future.** For more details contact: Dr. R. Stroh, Director, Shimberg Center for Affordable Housing, FAC-101, University of Florida, Gainesville, Florida, 32611.

Nottingham, England—September 6-10, 1993. **The Civilised City-Responses to New Transport Priorities.** For more details contact: Sue Jaques, Asst. Exec. Director, Velo-City Nottingham, Nottingham County Council, Trent Bridge House, Fox Road, West Bridgeford, Nottingham, NG2 6BJ England, Tel.: 0602-823823 ext. 4223, Fax: 0602 774631.

Accra, Ghana—September 6-10, 1993. **19th WEDC Conference.** For more details contact: Kathy Haywood, WEDC, Loughborough University of Technology, Leicestershire, LE11 3TU, England, Tel.: 44-509-222885, Fax: 44-509-211079.

New Delhi, India—September 24-28, 1993. **Global Forum on Environmental and Development Education: Rio de Janeiro to New Delhi.** For more details contact: Indian Environmental Society, U-112, 3rd floor, Vidhata hse., Vikas Marg, Shakapur, Delhi-110092, India. Tel.: 91-11-222-3311, Fax: 91-11-331-7301.

Education Programs and Courses

University of Birmingham—Research—Higher degrees by research only, Masters in Developmental Administration—12 months, Masters of Philosophy—24 months, Doctoral Programme—3 years.

Masters—12 months. Oct.-Sept. Courses plus dissertation, Masters in Development Administration, Masters in Public Economic Management. Diplomas—9 month courses. Oct-June. Development Administration, Development Management, Information Management for Development, Local Government Management.

Short Courses and Programs:

Management of Urban Development—12 weeks: Sept-Dec 93/94; Excellence in the Public Sector—6 weeks: Oct-Dec 1993; Improving Local Authority Financial Performance in the 1990s—12 weeks: Feb-May 1993/94; Improving Performance in the Public Sector Services—6 weeks: Oct-Nov 1993; Information Management for Senior Managers—Jan-March 1993; Managing Sustainable Rural Development—10 weeks: May-June 1993/94; Social and Economic Assessment—Jan-March 1993; Environmental Management—6 weeks: May-July 1993.

London School of Hygiene and Tropical Medicine—The Urban Health Programme Department of Public Health Policy announces a short-course on *Urban Health in Developing Countries*. For additional information contact: Sarah Atkinson, Short Course on Urban Health in Developing Countries, The Short Course Office, London School of Hygiene and Tropical Medicine, Keppel Street, London WC1E 7HT, UK, Tel.: (071) 927 2074, Fax: (071) 323 0638, Telex: 8953474 LSHTML G.

Harvard University Graduate School of Design—The Unit for Housing and Urbanization at the Harvard University Graduate School of Design will hold the XII International Training Program from July 7-30, 1993. The topics for this session include *Project Evaluation Techniques; Finance and Management of Public Investments; Public Private Partnerships and Enterprise Zones; Privatization, Affordability, and the Management of Multifamily Housing; and Financing Affordable Housing*. For more details contact Jane Vera, Administrative Officer for International Programs, Unit for Housing and Urbanization, Harvard University Graduate School of Design, 48 Quincy Street, Cambridge, MA 02138, USA.

Development Planning Unit, University College London—PhD and MPhil. by Research.

Master's Degree Courses:

Urban Development Planning and Policy Analysis and Management Process; The Economics of Urbanisation and the City in Developing Countries; Housing in Development

Postgraduate Diploma:

Urban Management and Planning Practice for Developing Countries

Certificate Courses:

Urban Land Policy and Management; Housing: The Design and Implementation of Enabling Strategies; Gender Planning and Policy; Environmental Planning and Management; Urban Development Planning Practice; Management for Metropolitan and Municipal Development.

Short Courses:

Computers in Development Planning; Environment and Development; Pollution Abatement; Management of Water Resources; Energy Resource Management.

continued on page 16 ►

Urban Calendar

Continued from page 15

For more information and application forms apply to: Lucie Dubinik (Certificate and Short Course Administrator) Helen Parboo (MSc. and Diploma Course Administrator) Development Planning Unit, University College London, 9 Endsleigh Gardens, London WC1H 0ED, UK, Tel: 44 71 388 7581, Fax: 44 71 387 4541, Telex: 896559

Building Advisory Service and Information Network (BASIN)
—UNIDO, UNCHS—*International Course on Economic Construction and Local Building Materials*. June 7-July 16, 1993, Grenoble, France. For more details contact The International Center for Earth Construction (CRA Terre), CRA Terre-EAG, Center Simone Signoret, BP 53, F-38090 Villefontaine, France. Tel.: 74 96 60 56, Fax: 74 96 04 63.

Galilee College—*3rd International Urban Management and Planning Program*. July 15-September 10, 1993. For more details contact: Coordinator, International Program, Department of Urban Studies, Galilee College, Tivon, Israel, 36000, Fax: 972-4-830227.

Fels Center of Government-University of Pennsylvania—*Housing Finance Training Program*-April 28-May 18, 1993. For more details contact: Marja C. Hoek-Smit, Program Director, Fels Center of Government, University of Pennsylvania, 3814 Walnut Street, Philadelphia, Pennsylvania, 18104-6197, Tel.: 215-898-3313, Fax: 215-898-0864.

Lincoln Institute of Land Policy—*Land Use and the Constitution*, February 12-13, 1993. Santa Monica, California, and *Applying Statistical Methods and the New Computer Technology to the Appraisal Process*, February 11-13, 1993. For more details contact: Ann Long, Registrar, Lincoln Institute of Land Policy, 113 Brattle St., Cambridge, Massachusetts, 02138-3400, Tel.: 617-661-3016, Fax: 617-661-7235.

Centre for Environmental Management and Planning—Postgraduate Courses: Master of Science—*Rural and Regional Resources Planning* with a specialization in *Environmental Assessment* and *Environmental Remote Sensing*; Diploma Courses—*Rural and Regional Resources Planning* with a specialization in *Environmental Assessment* and *Environmental Remote Sensing*. For more details contact Brian D. Clark, CEMP, AURIS Environmental Division, 23 St. Machar Dr. Aberdeen, AB2 1RY, Scotland, United Kingdom, Tel.: 0224-272483/272479, Fax: 0224-487658.

Centre for Environmental Management and Planning—*8th International Training Course on Environmental Assessment and Management*, June 27-July 10, 1993. *9th International Training Course on Environmental Assessment and Management*, June 27-July 10, 1993. For more details contact: University of Aberdeen, CEMP, AURIS Environmental Division, 23 St. Machar Dr. Aberdeen, AB2 1RY, Scotland, United Kingdom, Tel.: 0224-272483/272479, Fax: 0224-487658.

Newsletters

A selected list of newsletters and journals carrying information on urban development issues.

ASIAN COALITION NEWS-LETTER

C/O Mr. N. Munjee
Project Consultant
HDFC
Ramon House
169, Backbay Reclamation
Bombay, India
400 020

ASIAN and PACIFIC POPULATION FORUM

East West Center
1777 East-West Road
Honolulu, Hawaii
96848
USA

CHF NEWSBRIEFS

Cooperative Housing Foundation
P O Box 91280
Washington, D.C.
20090-1280
301-587-4700
301-587-2626

CITIES INTERNATIONAL

International City Management Association
International Municipal Development Project
777 N. Capitol St. N.E.
Washington, D.C.
20002-4201
Tel.: 202-289-4262

DEVELOPMENT FORUM

Circulations Department
P O Box 5850
Grand Central Station
New York, New York

10163-5850
USA
Fax: 212-963-1381

ENVIRONMENTAL HEALTH

Division of Environmental Health
WHO
1211 Geneva 27
Switzerland

EPA REUSABLE NEWS

Comm. Services Branch
(OS-305)
Office of Solid Waste
U.S. EPA
401 M Street SW
Washington, D.C.
20460

GATE

Deutsche Gesellschaft
für Technische Zusammenarbeit
(GTZ), GmbH
German Agency for Technical Cooperation
P O Box 5180
Dag-Hammarskjöld-Weg 1
D-6236 Eschborn
FDR
Tel.: 06196/79-0
Telex: 41523-0 (gtz-d)

GLOBAL COMMUNITIES

Institute for Policy Studies
1601 Connecticut Av. N.W.
Washington, D.C.
20009
Tel.: 202-234-9382
Fax: 202-387-79157

HABITAT NEWS

P.O. Box 30030
Nairobi, Kenya
Tel.: 254-2-333930/520600
Fax: 254-2-520724

HOUSING FINANCE INTERNATIONAL

Subscriptions
Housing Development Finance Corporation Ltd.
Ramon House
169, Backbay
Reclamation
Bombay 400 020, India

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