

December 15, 2010

FINAL REPORT

**Review of the
Urban Poor Fund International
(UPFI)**

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Submitted to the

**Bill and Melinda Gates Foundation,
Swedish International Development Cooperation Agency
(SIDA), Norwegian Government**

and

**Slum Dwellers International
and their affiliated national and local federations**

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Executive Summary

1. Slum/Shack Dwellers' International (SDI) is a trans-national network of federated urban poor in Asia, Africa and Latin America. There are 33 national affiliates within the SDI network, each with a federation of urban poor and a support NGO, together called the National Alliances.
2. SDI's vision is to 'seek towards pro-poor inclusive cities' through catalyzing and strengthening associations of urban poor in low income settlements which enable them to define and implement their own development agenda. The core rituals and methodologies (i.e., savings, enumerations, learning exchanges, precedent setting, partnerships with government and other actors, etc.) contribute towards empowerment and mobilization of the urban poor; develop their financial, management, negotiation skills; build leadership; and facilitate learning.
3. UPFI (created in 2007; supported by the Bill and Melinda Gates Foundation, the Norwegian Government, Swedish International Development Cooperation Agency, Cities Alliance, Rockefeller Foundation and Sigrid Rausing Trust) is a SDI governed international financial facility that provides capital through member national urban poor funds to local savings collectives for undertaking housing and other urban improvement projects. The goal of UPFI is to enable the urban poor to have direct control of the capital for undertaking housing and related projects. It is assumed that UPFI capital allows federations to negotiate with potential implementing partners and leverage resources from the public and private sector. Through implementing these projects and negotiations with different actors, the federation will be able to strengthen partners and also influence policy.
4. This UPFI Review has two broad objectives: tracking progress and highlighting challenges. It was commissioned (a) to trace the progress made both in terms of institutional development and the value added by the UPFI in furthering the interests of the urban poor at national and international levels; and (b) to identify the challenges that may have emerged for the network which are linked to SDI / UPFI structure, operations and effectiveness in a context where the network is rapidly expanding.
5. The processes of the Review and the outcomes (including the final report) are aimed to enable reflections, generate debate and facilitate learning based on which SDI and its various stakeholders may go forward. The time frame for this Review has been four months (August to November 2010). The Review is primarily based on field visits (in the Philippines, Uganda, Malawi and Zimbabwe), secondary document analysis and interviews with various stakeholders of SDI/UPFI.
6. The core rituals and values of SDI with emphasis on savings, enumeration, women leadership, learning exchanges and partnership building are used by the network for federation strengthening.
7. Savings have successfully mobilized federation members who are overwhelmingly women. The process of saving collectively and the use of these in case of personal needs and crisis, business development and accessing lands, housing and/or infrastructure create

social capital among the urban poor. Savings serve as the primary vehicle for creating a constituency of urban poor – the critical mass, needed for changing the way urban housing and development issues are addressed. The setting up of UPF as national funds for the specific purpose of accessing land/ constructing housing, is one of the key contributing factors behind an increase in savings (and to some extent an increase in membership). It will be important to balance the incentives for savings being closely identified with access to UPFs; in the absence of access to housing funds, members may not get adequate motivation to save. This is a challenge for SDI and its national affiliates to address in the coming period.

8. Participatory enumeration, profiling and mapping are used by the federations to collect and analyze information about the urban poor settlements and to mobilize members. The outputs from these activities are used to negotiate with the local and national governments for implementation of projects and to highlight the needs and demands of the urban poor. The knowledge gained, and the negotiations with authorities based on this knowledge, create a sense of empowerment among the members. It has also helped to build partnership with governments, especially at the local level. However, it is important to maintain a balance between federation-strengthening objectives of enumeration with the demands for more comprehensive surveys from municipal and other authorities.
9. SDI rituals help develop strong women leadership. Savings and women's involvement in business and other income earning activities have made their contribution to the household visible and strengthened their position within the household and the community. Women's participation in savings collectives is significant since it is an important source of social capital that is not based on kinship ties. Activities related to savings have increased women's financial and management skills. This has created a sense of empowerment in women, which comes from acquiring such knowledge and skills. Women's participation in enumeration activities also enhances their role within the community since they participate in a process that determines the need of their community. It increases their knowledge about the needs and challenges faced by the urban poor. Construction of the houses with women's savings changes the nature of the established gender power relations. The creation of a larger pool of women leaders who can effectively participate in national and international forums is closely linked to sustainability and the participatory nature of the network. Identification of different mentoring processes (and systems) within the network and how these may be further strengthened to scale-up women's leadership is an area that can be explored further.
10. SDI/UPFI has helped the national Alliances acquiring a range of capacities. Such capacities could be broadly categorized as (a) mobilization and leadership development, (b) political negotiation, bargaining and leveraging, (c) technical project and financial management, and (d) partnership building. Each category of capacity varies across various national Alliances. SDI may consider initiating a process of regular self-capacity assessment for its affiliates using certain parameters.
11. Learning exchanges between cities (in-country) and international exchanges are the primary vehicles for learning for the Alliances. Learning exchanges could be categorized as per the core purpose – from general exposure to learning about specific rituals, technical

skills, leveraging resources, affordability, advocacy, policy dialogue and so on. Many Alliances also strengthen their learning by organizing community based training and workshops. The most important and significant learning takes place in ‘learning by doing’, where the federation members collectively embark upon a project. The construction of houses or other infrastructures and steps associated with such construction activities provide hands-on learning opportunity to the members.

12. SDI/UPFI has created opportunities to all the participating federations to up-scale their learning commensurate to the project objectives. The Alliances are in a position to take advantage of this learning opportunity. However, the Review team is of the opinion that there are further scopes for ‘systematization of learning and process documentation’ of various interventions. In this context, reference needs to be made to the support that Rockefeller Foundation is providing to SDI and several of its national affiliates to strengthen their learning and M&E processes and systems through IPA based in Ghana and PRIA based in India.
13. The predominant tools used by SDI/UPFI for M&E are focused on measuring the community-level outputs. Therefore, it seems that SDI/UPFI is under-reporting outcomes at the city and national levels and international level. This may be attributed to lack of tools, but the main reason is the lack of clear definitions of those outcomes at various levels, and the corresponding lack of performance indicators for these outcomes. There is a great variation in the quality and depth of M&E and reporting practices across various national affiliates. SDI/UPFI needs to pay attention to enforce the network wide application of such practices and the regional hub could provide support in this regard. The scale of SDI, its global presence and the resources it now commands from a wide variety of national and international sources makes it incumbent upon its leadership to support development of systems of aggregation of useful data from the community to global level, in a manner that can not only present its impacts but also demonstrate further levels of transparency and accountability to multiple stakeholders that UPFI now represents.
14. Community-led projects not only build housing (or infrastructure) but foremost people and processes in which they interact. Precedent-setting projects help inform all stakeholders about the real challenges for affordable housing projects. They also create a system of community-driven project delivery in a pro-poor regulatory and policy environment with subsidies available to support (at least) the poorest community members.
15. SDI is trying to balance between two strategies: “housing as a tool for building a movement” and “a movement as a tool for building housing.” If SDI leans towards being a ‘movement for political change’, then mobilizing many members to exercise collective pressure on governments will be the focus. However, if SDI leans towards a ‘movement for housing’ then financial self-reliance may be a focus in order to become independent from fiscal policy. However, in reality the choice may not be either-or.
16. An analysis of resource allocation from UPFI reveals that one-third of all Funds has been absorbed by South Africa (RSA) (though heavy subsidies exist there), one half by RSA and India (though TDR is available at least in Maharashtra) and nearly two-third by RSA, India and Namibia. Only a small capital share went to other countries. SDI explains that this is due to (i) size and (ii) capacity of affiliates.

17. SDI is pursuing a four-pronged approach to make housing more affordable: (i) reducing the cost of construction; (ii) reducing the cost of imposed regulations and policies; (iii) leveraging state resources; and (iv) increasing the federation members' disposable income. In this regard, SDI/UPFI support has been instrumental in enabling learning amongst all stakeholders, including the Alliances and their public and private sector counterparts.
18. In general, repayment appears to be a shared challenge across all affiliates. Low repayment rates occur due to various reasons including: (i) the combination of anti-poor regulations and policies and urban poverty may make affordable housing solutions difficult in many instances; (ii) low repayment appears to be (also) the result of SDI's redistributive agenda and should be judged accordingly. However, to replicate affordable projects, all factors need to be carefully balanced so that the resources and strategies used for pilots are available on a large scale. Gaining scale is also important in order not to lose the majority of members on the way. Nevertheless SDI is already dealing with this challenge by limiting the loan capital per household to USD 1,000. It may achieve (at least) two important objectives: (i) it spreads scarce resources more equally; (ii) it reduces the risk of being trapped as a funder of (rather) capital-intensive projects that are moreover prestigious rather than being a model for scale.
19. Precedent-setting projects extract many policy concessions and with respect to this objective, UPFI must be judged as a success. However, translating 'occasionally' extracted concessions into 'permanent' pro-poor policy and regulatory frameworks remains a challenge. In this light, it may be useful to complement 'capital-intensive' model projects with 'economical' assistance of community-guided experts.
20. Precedent-setting projects leverage many resources. However, whether SDI/UPFI and their affiliates can rely on the leveraged resources for scale up and replication is rather unclear. If SDI and its affiliates choose to rely only on subsidies, possibly beyond land and infrastructure, the scalability of its products will remain conditional on the availability of such subsidies. If the policy environment changes, then they may not be able to replicate the model projects—if the subsidies at scale are available at all under the current environment. There are very few developing countries that have been able to provide significant housing subsidies to a large share of their urbanizing populations. Therefore, a focus on reducing regulatory hurdles and introducing cost-effective technologies may be more rewarding than a focus on leveraging state-resources.
21. SDI has decided that revolving funds from recycling national investments would not be brought back into the global Fund. This is for two reasons: first, in sheer practical terms of foreign currency transfer regulations and exchange rate fluctuations, it would be wasteful to try to do that; second, the financial sustainability of national funds is a far more important strategic objective for SDI. Hence, the discussion on sustainability of Fund needs to focus upon the sustainability of select national Funds.
22. There is a need for integrated monitoring systems for national Funds. The system should track at least: loan amounts, loan purpose, loan period, repayment rates, portfolio at risk/in arrear, reasons for arrears, and defaults/write-offs. It may be desirable to build a monitoring system that strategically responds to both SDI objectives and integrates with project cycle

management. Transparency in this regard may help to clarify expectations and to set clear targets for monitoring local urban poor funds and respective government partners.

23. UPFI has created a Board of Governors (BoG) which comprises of key Ministers for Housing and political leaders of the various countries who have championed the cause of housing for the urban poor. BOG is intended to act as an overall political and strategic advisor to the leadership of SDI and the Fund in matters related to policy advocacy for the scaling up of the spaces for housing of urban poor around the world. There is a need to redefine the composition, position in relation to UPFI and SDI and mandate of BOG a bit more formally.
24. The Council of Federations is the leadership forum of SDI, and acts as the formal governing body of the Fund; it comprises of 2 members each, drawn from the 13 matured national federations. It meets regularly to approve the allocations to various demands received in respect of capital investments, technical assistance and exchanges. While the existing mechanism of the Council has served the Fund well, going forward SDI needs to review its existing composition which is limited to mature affiliates.
25. SDI has appointed six full-time Coordinators from within its leadership; these Coordinators have been appointed by the Board on the recommendations of the Council.
26. One of the issues for further consideration by SDI leadership is the extent to which the linkage between the legal framework of SDI and that of the Fund needs to be formally integrated. Such a redesign will ensure that all Funds received under UPFI from all sources, as well as other grants received by SDI, would now go through a single legal entity under the SDI framework. In light of this, the future use of UPFI may be redefined. This integration may require certain new mechanisms within the administrative systems of SDI to ensure that monies received in the UPFI are clearly earmarked and utilized for the agreed purposes in a transparent manner.
27. In the original structure of the Fund, a Technical Advisory Team/Group (TAG) was envisaged. It served an important function during the first year or so till the business/strategic plan of the Fund was finalized and its formal structure put in place. During the past year, TAG has not really functioned as a part of the institutional structure because technical support has become far more critical at the project, city and country levels.
28. The institutional design of the Fund also envisaged setting up of Regional Hubs with the primary objective of supporting the development of projects for investment by the Fund, including technical assistance and federation strengthening activities. Going forward, the SDI/Fund needs to rearticulate the key responsibilities of regional hubs; commensurate with those responsibilities, the structure and capacity of regional hubs may be augmented.
29. One of the major challenges facing SDI in the coming period would be grooming of emerging leadership at national and regional levels; given the considerable expertise of the Coordinators, it may be worthwhile to reflect upon specific ways in which leadership strengthening could be carried forward as scale and outreach of SDI/Fund increases.
30. One of the objectives of the Fund was to enhance engagements with key stakeholders at the national and global levels. Engagement with global donors has increased through

organizing of meetings of BoG and special events during international gatherings. Changing mind-sets of donors to reflect in increased flow of resources in the Fund is beginning to happen though the progress is still slow. Engagement with national and inter-governmental policy-makers is being accomplished through several strategies: engaging national ministers of housing through BoG meetings, specially crafted regional dialogues and in-country consultations. Targeting particular policy-makers in specific countries in politically opportune moments is SDI's strategic niche; given the growing size of the network, this political scanning task may be specifically mandated to regional hubs/ Coordinators for more effective attention in future. Engagements with inter-governmental and inter-agency actors have been carried forward in bits and pieces; whenever a seat at the table has been provided, it has been occupied by the Fund/SDI. Engagements with forums of municipal leaders have been attempted with limited efforts and outcomes so far. SDI has developed important partnerships with academics, technical experts and professional institutions from the very beginning. There is a need for more aggressive engagement of technical experts and academic institutions in the field of urban poverty, housing finance, architecture and city planning at the country level.

31. One of the overarching rationales for setting up of UPFI as an international Fund was to initially invite global funders to support federation-driven pro-poor urban housing programs at a large scale. It is clear from the progress made so far that the global Fund has been able to enable, through its capital and technical investments, emergence of national Funds being managed by the national/ city federations. It appears that the relationship between SDI as a democratic federation of national/city federations of urban poor is lot clearer than the emerging relationship between global Fund and national Funds. This is to be expected in this first round, but it needs to be analyzed and addressed going forward.
32. In the near term, it may be worthwhile to examine how national funds can be further formalized. It may also enable the global Fund to focus its investments in new and emerging affiliates (markets) as a few of the 'older' national funds begin to develop a base and trajectory of their own. While this review has focused primarily upon the global UPFI, it suggests the need for more systematic review of national funds with a view to design a medium term strategic plan over the next 5-10 years.
33. Major recommendations are provided in Section 6 of this report.

Section 1—The Review

1. UPFI Review

1.1. This Review has two broad objectives: tracking progress and highlighting challenges. It was commissioned:

- to trace the progress made both in terms of institutional development (UPFI structure, operations, relationships) and the value added by the UPFI in furthering the interests of the urban poor at national and international levels;
- to identify the challenges that may have emerged for the network which are linked to SDI / UPFI structure, operations and effectiveness in a context where the network is rapidly expanding.

1.2. Given these two broad objectives, the Review focuses on four key areas:

- The value of UPFI in attaining specific goals of the SDI network such as leveraging resources from public/private sectors, community mobilization, influencing pro-poor legislation, facilitating innovative projects, scalability of projects etc;
- The nature of interactions between UPFI and national UPF;
- UPFI's influence on technical, management, financial, leadership capacity building;
- Development of UPFI structures and mechanisms for attaining its goals and objectives (see Inception Report, as Appendix 1).

1.3. The process of the Review and the outcomes (including the final report) are aimed to enable reflections, generate debate and facilitate learning based on which SDI and its various stakeholders may go forward. The timeframe for this Review has been four months (August–November 2010). The Review team is comprised of four members, each of them have expertise in a particular area that is pertinent to this Review.

2. Methods

2.1. The Review is primarily based on field visits, secondary document analysis and interviews with various stakeholders of SDI/ UPFI. The research team reviewed various key SDI/UPFI documents including UPFI proposals to Gates Foundation/ Norwegian Government and SIDA, SDI annual reports, SDI board meeting minutes, assessment studies submitted to IIED etc. (see list of documents reviewed as Appendix 2).

The objectives, work plan, and detailed areas of inquiry at the national and city level as outlined in the Inception Report, were developed at the inception workshop and in consultation with key SDI members. The four countries chosen for field visits were: Uganda, Malawi, Zimbabwe and the Philippines. All of the field visits included the following activities: group discussion with federation leadership; site visits and group discussion with UPFI funded project members; interviews with support NGO staff, private sector banks (and) housing finance corporations, relevant government officials at city and national level, other international development agency staff (e.g. UN HABITAT),

and local academia who work on urban issues. Interviews were also conducted with other stakeholders such as IIED, Misereor. One of the Review team members attended the UPFI Board of Governor's meeting in Stockholm (August 2010) and consulted stakeholders, including participants from SIDA, Gates Foundation and Norwegian government present at the meeting. The Review team also visited the SDI Secretariat in Cape Town and held extensive discussions on the vision, structure and governance of UPFI, the role of the Secretariat, and research and learning processes within SDI and UPFI.

- 2.2. The Review itself included validation processes which ensured feedback, transparency, and reflection. Each country visit had a sharing session where the zero draft of the country report was discussed with the federation members, support NGO staff and the SDI staff who were observing the Review process. After the initial feedback the report was revised and sent to the respective Alliance, SDI Secretariat and IIED. Based on their comments the report was finalized and sent to the donors. This approach generated debates and questions which were useful for the final report. The draft of the final report has been discussed with SDI for comments before it was presented in Namibia during 9-10, November 2010. Comments from SDI and the discussions at Namibia have been addressed and incorporated in the final report.

3. Countries Visited and the Reasons for their Selection

- 3.1. The Philippine Alliance was visited from September 1 to 6, 2010.
The Ugandan Alliance was visited from September 19 to 24, 2010.
The Malawian Alliance was visited from September 26 to October 2, 2010.
Secretariat of SDI at Cape Town, South Africa was visited from October 4 to 5, 2010
The Zimbabwean Alliance was visited from October 6 to 12, 2010.
- 3.2. These countries were chosen because: a) they represent a mix of both emerging (Uganda) and mature federations (the Philippines, Zimbabwe and Malawi); b) the UPFI supported projects in these countries allowed reviewers to capture the different stages of project development; c) the presence of other organizations and stakeholders working on urban issues, including Cities Alliance. The choice of countries where English is spoken which would facilitate the Review was also a key consideration for choosing these countries.
- 3.3. The generic program for country visits was as follows:

Day 1: meeting the national federation leaders and support NGO staff
Day 2&3: project visit(s) and meeting local federation leaders
Day 4: meeting government, private sector, and academia
Day 5: sharing session
- 3.4. Agenda of the SDI Secretariat visit is given in Appendix 3.
- 3.5. Other stakeholders interviewed (beyond country visits) are given in Appendix 4.

4. Limitations

- 4.1. Given the time and visa related constraints, the original plan to start off the Review process through a meeting with the Secretariat could not be held. This visit would have been useful at the start of the Review to develop insights into how the network functions at the international level. Instead the Review team started their work through country visits, and this at times created a challenge for the reviewers to link the local processes to the global processes. This was partially mitigated through the validation process which generated debates and questions. The team also had four to five days for each country visit, which included interviewing/meeting various in-country stakeholders for discussing different aspects (such as SDI rituals, UPFI projects, policy influence etc). This limited time and space for further reflections with various stakeholders.
- 4.2. SDI secretariat staff joined the Review process in each of the country visits and was present during all interviews, official meetings, and group discussion (except for one session with the federation and support NGOs where the relationship between the local affiliate and the international network was discussed). Their presence, though useful for clarifying various issues, at times, influenced the dynamics of interviews and discussions.
- 4.3. A list of recommendations for organizing the future reviews is shared in Appendix 14.

5. Report Structure

- 5.1. This report is structured in 6 sections. The first two sections provide background information on the Review and on SDI/UPFI:

Section 1: The Review (this section)
Section 2: Background on SDI and UPFI

- 5.2. The following sections provide information on three focus areas:

Section 3: Federation Strengthening, Knowledge Mobilization and M&E
Section 4: Building Precedents through Projects
Section 5: Institutional Development

- 5.3. A final section concludes:

Section 6: Emerging Conclusions and Recommendations

Section 2—SDI and UPFI Background

1. Slum/ Shack Dwellers International (SDI)

- 1.1. Slum/ Shack Dwellers' International (SDI) is a trans-national network of federated urban poor in Asia, Africa and Latin America. There are 33 national affiliates within the SDI network, each with a federation of urban poor and a support NGO, together called the National Alliances. The federations are formed from locally managed saving schemes and organized at the local level, whose members are overwhelmingly women. SDI categorizes their affiliates into three broad categories: (a) *mature federations* that have achieved national or citywide scale and have worked with governments to secure and develop land for the urban poor; (b) *emerging federations* that have developed savings networks but have not yet achieved citywide or national scale; (c) *exploring initiatives* where communities are exploring links with SDI. In addition, there are community networks not directly affiliated to SDI but exposed to SDI activities and adopting some or all of its rituals which also referred to as 'allied groups'.
- 1.2. The governance structures and mechanisms of SDI are rooted in the evolutionary processes of how the national federations of urban poor and their respective support organizations came together from diverse countries and political contexts. During the initial four years (from 1996 to 1999), SDI operated quite informally without any explicit structures, the dominant activities being to provide need based support and learning exchanges between federations.
- 1.3. A number of opportunities provided impetus to SDI in consolidating and evolving its structures and operations at the global level:
 - a. The development of various global initiatives such as Task team for MDGs and Secure Tenure Campaign launched by UN Habitat created the need for establishing formal global structures that would allow SDI to systematically engage with these international processes.
 - b. An initial support was secured from the Ford Foundation to explore the emerging structure of the federation. Initiatives were taken to expose the organizational leadership of the poor to the federation model through a number of exchange visits which resulted in refinement of the structure.
- 1.4. SDI was registered as a nonprofit organization in South Africa in 2000. The governing board is comprised of seven 'mature' national federations and two support NGOs. SDI Secretariat based in Cape Town, South Africa provides the necessary coordination and support to the network. The SDI Council of Federation is comprised of representatives from all national federations. The Council meets every six months and decisions are taken based on consensus among the members. Only the 'mature' federations have the decision-making powers while other federations have observer status. However, all the members of the Council take part in the discussions. SDI also has six Coordinators who are responsible for specific task areas and act as the bridge between the Council, Board,

national federations and external stakeholders. SDI has seven regional hubs which focus on facilitating learning exchanges and mentoring within the hub. The current institutional architecture is given in Appendix 5.

- 1.5. SDI's vision is to 'seek towards pro-poor inclusive cities' through catalyzing and strengthening associations of the communities of urban poor in low income settlements which enable them to define and implement their own development agenda. The core rituals and methodologies (i.e., savings, enumerations, learning exchanges, precedent setting, partnerships with government and other actors, etc.) contribute towards empowerment and mobilization of the urban poor; develop their financial, management, negotiation skills; build leadership; and facilitate learning. The sets of tools, exercises and practices (e.g. the model house exercise) are used to build capacity of the national federations to design, plan and implement projects, and to enter different spaces to influence policy.
- 1.6. One of the key mechanisms for mobilizing capital for setting precedents with regard to people-driven housing, up-gradation and infrastructure development is the urban poor fund (UPF). This is a pool of financial assets created by the federations and is independent of the governments; however, this may receive support from local or national governments. Generally, the funds are allocated for leveraging and accessing lands, implement housing or water and sanitation projects. In some cases, these are used for improving access to financial resources through income generation. UPFs exist in different forms among different members of SDI.

2. Urban Poor Fund International

- 2.1. UPFI is a SDI governed international financial facility that provides capital through member national urban poor funds to local savings collectives for undertaking housing and other urban improvement projects. The goal of UPFI is to enable the urban poor to have direct control of the capital for undertaking housing and related projects. It is assumed that UPFI capital allows federations to negotiate with potential implementing partners, leverage resources from the public and private sector. Through implementing these projects and negotiations with different actors, the federation will be able to strengthen partners and also influence policy.
- 2.2. Since its creation in 2007, UPFI has been funded by the Bill and Melinda Gates Foundation, the Norwegian Government and recently by Swedish International Development Cooperation Agency (SIDA). In addition, Cities Alliance, Rockefeller Foundation and Sigrid Rausing Trust have also contributed to SDI/UPFI. The UPFI has a Board of Governors (BoG) comprising of Housing and Urban Development Ministers of several Southern and Northern states and plays an advisory role. A Technical Advisory Team provided assistance in the initial years of UPFI. The UPFI project-funding decisions are made based on Call for Funds which have to be submitted using a specific format and these are scrutinized first by the Regional Hubs of SDI against set criteria and then by the Council of Federations. Council of Federations approves the budgetary allocations.

SDI is a basket with the following budgets

(This is a simplification, including only donors investing into UPFI)

Budget Allocation By Donor				Totals	Gates	Norway	Sida
SDI	UPFI	Capital	47%	\$6 370 000	\$4 500 000	\$720 000	\$1 150 000
		TA	12%	\$1 635 000	\$1 290 000		\$345 000
	Federation Strengthening	International and regional exchanges	27%	\$2 900 000	\$2 000 000	\$1 010 000	\$640 000
		Advocacy campaigns		\$550 000			
		Community participation in conferences		\$200 000			
	Secretariat***	Research	5%	\$200 000	\$1 150 000	\$270 000	\$510 000
		M&E		\$100 000			
		Documentation		\$330 000			
		Media		\$100 000			
		Administrative overhead	9%	\$1 200 000			
Totals			100%	\$13 585 000	\$8 940 000	\$2 000 000	\$2 645 000
				4 contracts	1 contract	1 contract	2 contracts

*** Two comments on secretariat funds: (i) they include capacity building of the secretariat; (ii) some of the funds (especially research, M&E, documentation and media) may be spent at the hub level as soon as hubs develop capacity.

Section 3—Federation Strengthening, Knowledge Mobilization and M&E

1. Overview

- 1.1 This section of the report focuses on the core rituals and values of SDI with emphasis on savings, enumeration, women leadership, learning exchanges and partnership building which are used by the network for federation strengthening. These methodologies collectively create solidarity among the federation members, enhance their capacities, and enable women leadership to address the developmental issues of urban poor, nationally and internationally. For UPFI to successfully function as a self-governed fund where the urban poor are in the driving seat in planning their development agenda, it is dependent on how effective these methodologies are and how they are replicated and deepened across the network.

2. Federation Strengthening

2.1 Mobilization

a. Savings as a tool for creating a movement, solidarity and down-payments

- i. Savings have successfully mobilized federation members. The process of saving collectively and the use of these in case of personal needs and crisis, business development, and lands, housing and/or infrastructure create social capital among the urban poor. Savings serve as the primary vehicle for creating a constituency of urban poor – the critical mass, needed for changing the way urban housing and development issues are addressed.
- ii. The well-entrenched nature of savings within the network is illustrated by the following two examples. In Malawi, regular contribution to different types of savings schemes is a key criterion for choosing leaders since this is seen as an indicator of commitment to the federation’s activities. In Zimbabwe, the federation members did not discontinue savings despite hyperinflation and political instability.¹ The Zimbabwean case also indicates value placed by the community on the process of savings and how mobilized they have been by the process.
- iii. One of the key savings mechanisms for mobilizing the community is the urban poor fund (UPF), which is created for implementing housing projects/ water sanitation projects, accessing land and in some cases leveraging other financial resources. UPF has been replicated successfully within the network and these have different forms and names². The progress and impact of UPF is discussed later in this section.

¹ This was influenced by many factors. The key one was the failure of the formal banking systems where all savings were wiped out, which led members to save with communities where they would have more control.

² See Mitlin, 2009

- iv. In the past few years, the numbers of federation members, saving schemes and savings (including UPF), have been increasing at the local and national level within the network. These indicators do not capture the complex process through which community mobilization takes place. However, these indicators can serve as proxy indicators, highlighting what results from communities being mobilized. The table below provides present data for the mature and emerging categories of federations on savings, UPF, membership strength, and total number of groups (source: BoG 2010 reports).

Sl. No.	Country	Category	Savings group	Members	Urban poor daily savings (USD)	UPF (USD)
1.	Brazil	Mature	20	650	28,000	N/a
2.	Ghana	Mature	109	12,489	107,183	38,911
3.	India	Mature	913	28,865	N/a	N/a
4.	Kenya	Mature	533	61,000	N/a	N/a
5.	Malawi	Mature	565	9,745	67,219	N/a
6.	Namibia	Mature	528	17,902	983,173	37,911
7.	Nepal	Mature	N/a	N/a	N/a	N/a
8.	Philippines	Mature	634	6120	N/a	N/a
9.	South Africa	Mature	249	19,158	101,410	176,488
10.	Sri Lanka	Mature	8,016	52,633	N/a	30,400
11.	Tanzania	Mature	110	5300	85,000	17,000
12.	Zambia	Mature	184	N/a	12,648	12,950
13.	Zimbabwe	Mature	395	37,500 (families)	86,000	56,000
14.	Bolivia	Emerging	4	63	251.71	N/a
15.	Nigeria	Emerging	N/a	N/a	N/a	N/a
16.	Sierra Leone	Emerging	25	1312	N/a	Nil
17.	Swaziland	Emerging	14	200	N/a	N/a
18.	Uganda	Emerging	227	13,917	75,000	350

Source: BoG report presented at Stockholm and Rio in 2010 (N/a = data not available)

- v. Discussions with federation members during country visits revealed that the setting up of UPF as national funds for the specific purpose of accessing land/ constructing housing, was one of the key contributing factors behind an increase in savings (and to some extent an increase in membership). One of the federation members in Uganda explained it the following way: “It gives us a clear purpose for saving; we are doing this to get a house; to show the government that we can contribute, so that they are willing to engage with us. It also clarifies to others (non members) what we are trying to do.” In Malawi, the use of Mchenga funds to provide loans to non members for constructing Eco san toilets have also motivated non members to join the federation.
- v. UPFI and the prospect of securing funds that would allow for housing, have further motivated people to contribute to UPF and strengthened the belief that change is possible. Both, in Uganda the Suubi (UPF) and in Malawi Mchenga (UPF) funds, have rapidly grown. During the discussions the participants indicated that the UPFI has been

a contributing factor (besides free land being leveraged from the government) which made construction a real possibility.

- vi. The practice of compulsory savings for the UPF and other participatory savings schemes ensure that there is flexibility within the system and that the capital needed for urban housing project is growing³. The affiliates have different types of saving schemes which address the various needs of the urban poor in particular contexts. This flexibility ensures the poor are able to use funds for income generation and sustain their savings rate. It also ensures that during a crisis (health, death), the capital savings for housing/land etc. are not spent.
- vii. The diversity also increases solidarity among the groups. The following two examples illustrate this point. Malawi has three types of schemes: a) the daily savings; b) Mchenga (UPF), and c) health fund (serves as health insurance). These funds are operated at different levels, the daily savings is a center-based fund, health fund is based at the district level and the Mchenga is a national level fund. Federation members in Zimbabwe contribute to: a) general fund, b) UPF, c) health, and d) funerals. The general fund is accessed for business loans, school fees etc. In some cases, savings literally helped members to sustain themselves, for example in Zimbabwe, the members during the hyperinflationary period were 'saving for food.'
- viii. The challenge in terms of UPF and other types of savings is that fund raised by the members may not be sufficient for implementing housing projects or buying land in some contexts. This makes leveraging resources and ensuring subsidies crucial for the federations. The failure to do so may have adverse implications on mobilization (these issues are discussed in section 4).
- ix. The agreement and adoption of the practice of inter-community lending (between primary group funds or between area/city funds) is an indication of expanding solidarity to all urban poor as federation. The solidarity of federation members is evidenced through extending support and buying products produced by one city federation (e.g. batik textiles or herbal medicines etc.) through income generation activities by another city federation⁴.
- x. Strengthening savings as one of many building blocks for improving the affordability of low-income housing, infrastructure and services may be considered. However, it will be important to balance the incentives for saving being closely identified with access to UPFs; in the absence of access to housing funds, members may not get adequate motivation to save. This is a challenge for SDI and its national affiliates to address in the coming period.

³ For example, in Uganda federation members contribute to Suubi (UPF) and other types of savings. In Malawi, the federation members contribute to three types of funds: (i) daily savings (any amount), (ii) Mchenga funds (50 MK, monthly) and (iii) health funds (50 MK, monthly). The health fund acts as insurance.

⁴ Some of the federations have also embarked upon small income generating activities like preparation of herbal medicines and batik printing (e.g. in North West Network Harare). These activities have not only helped in mobilization and recycling of loans but some of the projects are generating marginal surplus as well.

b. Enumeration, profiling and mapping

- i. Participatory enumeration, profiling and mapping are used by the federations to collect and analyze information about the urban poor settlements. The outputs from these activities are used to negotiate with the local and national governments for implementation of projects and to highlight the needs and demands of the urban poor. The process of data collection mobilizes the members. The knowledge gained, and the negotiations with authorities based on this knowledge, create a sense of empowerment among the members.
- ii. Federations have used these processes to promote inclusiveness within a settlement also. For example, in Zimbabwe, strategic profiling of non members helped to mobilize new members and also a shift towards a city wide upgrading focus.
- iii. Federations are taking steps to incorporate the methods used for enumeration, profiling and outputs produced by these activities into the mainstream urban planning processes. For example, in Uganda, municipal staff was actively involved in enumeration activities, and five municipalities have endorsed the profiles developed by the communities. In Jinja, the town clerk is planning to mainstream federation activity into the municipal activity structure (see country report).
- iv. On many occasions members in one area trained on technical aspects (e.g. profiling, enumeration, site surveys, construction etc.) provide support and render services to other areas. This has not only created learning opportunities but also a sense of solidarity among the federation members.
- v. Local innovations in participatory enumeration and profiling have also helped in mobilizing and engaging new members in the federation as well as pursuing the city-wide upgrading strategies. Many federations have moved from 'first generation' enumeration and profiling to 'second generation' focusing on informal settlements in inclusive and strategic manner – inclusive in a sense to cover the entire informal settlements in a city (who are not even member of the federation) which is a definite departure from the settlement to city wide focus. Such exercise is strategic in a sense to partner with local government, central government departments and UN agencies which provides added impetus by way of acceptance of the reports by the concerned authorities.
- vi. In sum, enumeration, profiling and mapping has helped urban poor communities to take ownership of their reality and of respective data. It has also helped to build partnership with governments, especially at the local level. However, it is important to maintain a balance between federation-strengthening objectives of enumeration with the demands for more comprehensive surveys from municipal and other authorities.

c. Women's leadership

- i. SDI rituals help develop strong women leadership. SDI members are overwhelmingly women. The country visits and previous studies (Mitlin, 2008) show that savings and women's involvement in business and other income earning activities have made their

contribution to the household visible and strengthened their position within the household and the community. Activities related to savings, such as keeping accounts, calculating interests on loans, discussions on these issues, have increased women's financial and management skills. This has created a sense of empowerment in women, which comes from acquiring such knowledge and skills.

- ii. Women's participation in enumeration activities also enhances their role within the community since they participate in a process that determines the need of their community. It increases their knowledge about the needs and challenges faced by the urban poor.
- iii. Women's participation in savings collectives is significant since it is an important source of social capital that is not based on kinship ties. In contexts where women largely rely on family or kin groups for material and social capital, these groups provide important material and social resources, such as voluntary training for starting small business, informal networks for marketing produce (see Uganda country report). The solidarity among women is high, which is expressed in how women have collectively counseled, persuaded and pressured reluctant husbands to change their minds about women participating in saving schemes and reducing domestic tensions (see country reports).⁵
- iv. The deliberate attempt to support women leadership has resulted in women leadership being the role model within the federation at different levels and in larger society. SDI also emphasizes an inclusive approach towards gender, which stresses male participation along with women in federation activities. This enhances solidarity between the two social groups.
- v. The challenges that SDI may face in the future regarding women leadership are emerging. It takes careful mentoring and time for developing leadership skills, particularly public speaking and negotiation skills, of women who primarily have been home makers (housewives). For a federation to have a substantial number of women who are able to represent the different Alliances at the regional hubs/ SDI Council, may take a long time. (English speaking ability may also limit the pool of leaders available). The creation of a larger pool of women leaders who can effectively participate in international forums is closely linked to sustainability and the participatory nature of the network. Identification of different mentoring processes (and systems) within the network and how these may be further strengthened to scale-up women's leadership is an area that can be explored further.
- vi. Given that members of the federations are overwhelmingly women, construction of the houses with women's savings changes the nature of the established gender power relations. At present, SDI's approach promotes an inclusive approach to gender, and husbands of these women participate in the scheme as they see it as a win-win situation (as the discussion above shows). However, once the housing is complete, women's

⁵ During country visits, women reported that initially, some men were resistant to their wife's involvement with the federation and belittled federation's activities. The women pointed out that economic benefits and federation's larger goals (i.e., housing) have won the men over, since these activities benefit the household. (see country reports)

position within the household is bound to change and some men may find it difficult to accept these changes. Some affiliates have foreseen these issues and have taken steps. For example, in Malawi, the Alliance is planning to conduct gender sensitization training for men in sites where the constructions are due to start.

2.2 Learning

a. National and international exchanges

- i. Learning exchanges between cities (in-country) and international exchanges are the primary vehicles for learning for the Alliances. Learning exchanges could be categorized as per the core purpose – from general exposure to learning about specific rituals, technical skills, leveraging resources, affordability, advocacy, policy dialogue and so on.
- ii. National exchanges involving community members and public officials help to expose public officials to pro-poor strategies and construction technologies such as incremental infrastructure development and housing (in Zimbabwe) or the introduction of sky loo toilets (e.g. in Malawi) thereby enhancing the scope for ‘buy-in’ and leverage from the governments. Such exchanges have also strengthened the relationship between governments and the Alliances, thereby creating an enabling environment.
- iii. International exchanges between Alliances are useful for many purposes including the spread of SDI rituals or the import of innovative technologies such as the Malawian sky loo toilets in Zimbabwe. International exchanges and participation in international conferences have proved successful, too. For example, on the occasion of the World Urban Forum (WUF3) in Vancouver, the Zimbabwean Alliance could revive the contact with the Ministry of Local Government when the Zimbabwean government per se was ostracized by the majority of international development community. As a direct outcome of the participation in the conference, the federation was promised 5,000 plots and the Namibian housing minister came to visit Zimbabwe, assisting in formalization of the agreement. The teams from Kenya and Tanzania have helped with enumeration and profiling as well as construction techniques in Uganda and Zimbabwe; Ugandan federation members learned about enumeration during an exchange in India.

b. Learning from training and workshop

- i. Many Alliances also strengthen their learning by organizing community based training and workshops. For example, The Philippines Alliance has extensively used such workshops addressing the technical skills during the housing constructions. In Malawi, the Alliance plans to introduce gender sensitization training for men and women in areas where constructions would start soon. Gender sensitization training would be a tool for discussing the changes in gender power relations which results from women having the ownership of the houses. The training and discussion will allow for creating a wider understanding of these changes.

c. Learning through projects

- i. The most important and significant learning takes place in ‘learning by doing’ when the federation members collectively embark upon a project. The construction of houses or other infrastructures and steps associated with such construction activities provide hands-on learning opportunity to the members. Such learning does not restrict to acquiring technical skills but also helps in acquiring a range of other learning discussed in section 2.3.
- ii. The current system set up by various Alliances through which there is regular information flow between the primary groups and meetings at the city/area, region, and national levels, facilitate learning between different groups and levels. The role played by the different committees, such as the interest team (for teaching how to calculate interest), construction team (for training construction related skills), enumeration team etc. have also facilitated learning among the federation members when they undertake a particular activity.

2.3 Capacity Enhancement

- i. SDI/UPFI has helped the national Alliances acquiring a range of capacities. Such capacities could be broadly categorized as (a) mobilization and leadership development, (b) political negotiation, bargaining and leveraging, (c) technical project and financial management, and (d) partnership building. Each category of capacity varies across various national Alliances. SDI may consider initiating a process of regular self-capacity assessment for its affiliates using certain parameters used in this analysis. However, any assessment of capacity should be seen in totality as one aspect of capacity complements the other aspects.
- ii. SDI/UPFI has facilitated systematization of capacity enhancement support primarily through (a) technical assistance, (b) exchange programs, (c) exposure to international events, (d) support for documentation and multi-media, (e) support visits from the Coordinators or the Secretariat, in addition to providing seed capital and funds for federation strengthening. The emerging federations are primarily supported by mature federations and the regional hubs through exchange programs.

a. Mobilization and leadership development

- i. The practice of SDI rituals especially community savings and credit, participatory enumeration, recognizing and actively supporting women leadership is contributing to enhanced mobilization and leadership development. The pace of growth in terms of accumulated savings and number of primary groups remains a challenge in some countries as it is largely determined by the local culture and political environment as for example ‘governmental subsidy’.
- ii. The leadership capacities at all levels (primary group, city/area, regional and national levels) are increasing as evidenced through growing solidarity and trust among the members, achieving a creative balance between institutionalization of rituals and producing local variations, motivating members to participate in such rituals, striving

- to resolve conflicts within and between communities, facilitating regular collective learning and reflection, articulation and analysis, and subjecting themselves for community scrutiny, thus encouraging self-governing accountability.
- iii. Experimentations are encouraged and practiced to prepare and strengthen the community leadership. The different systems of representation established by the different affiliates are conducive for women's leadership capacity building. For example, Malawian Alliance practices a rotating leadership system (including chair's position at the meetings) for different district and national bodies, which creates opportunities for a large number of women to practice leadership skills. In Uganda, the federation has reserved a number of positions in different decision-making bodies for women, which ensures women's participation in leadership positions. The opportunity to exercise voice in the community forums and policy spaces and mentoring within the federations have led to the creation of an articulate, strong women's voice (see country reports).
 - iv. SDI's system of representation for the regional hubs, Council etc., and international exchanges also create opportunities for women leaders to learn how to exercise their agency in international forums. International exchanges also provide access to and the opportunity to have direct interactions with policy actors who have influence over outcomes which affect the urban poor.
 - v. The Alliance has a fairly articulated 'laddered' performance criteria for the leadership development which starts from the roles to mobilize group, to start negotiations with the local authority and to be able to engage in discussions with the national ministry officials and internationally.
 - vi. For most of the Alliances, the information flow between different levels as a result of regular meetings ensures effective feedback and transparency. In some cases (e.g. in Uganda), the formation of disciplinary committees to oversee federation activities and provide guidance in resolving conflicts contributes towards making the actors answerable. This is an example of innovation in internal governance of the federation. Although such accountability mechanism through committees is not widespread practice across countries, however, many communities use group processes to hold their leadership accountable.

b. Political negotiation, bargaining and leveraging

- i. The national federations are getting recognition from the local and national governments through their efforts in engaging the former to address the needs of the urban poor. The national funds created through accumulated savings of the community, UPFI resources and other donor resources (mobilized by the national Alliances) have been able to leverage a variety of resources from the local and national governments. These include lands with a varying degree of concessions (like free lands or reduction/omission of fees to regularize the lands). In some occasions, the local government negotiated on behalf of the federation with private land-owners in purchasing lands by the federation at lower prices. They have also successfully negotiated provisions for off-site infrastructure development by the local

- government. All such successes inevitably show the growing political negotiation and bargaining capacities of the Alliances.
- ii. On other occasions, the Alliances have actively contributed to generate public debate on the anti-poor stance of the current regulation, policy and planning regime. A variety of advocacy dialogue approaches have been used, including close door discussion with policy makers, intelligent use of workshop and conferences, creative use of media and academia, and forging partnership with other advocacy forces including international donors and UN agencies. This has resulted in varying degrees of success, so far. The most discernible changes have been brought out in the attitudes of local government officials and their policies. In many places, incremental approach to housing have been accepted and allowed with lowering the regulation standards or relaxing the enforcement of stringent regulations.
 - iii. Examples of such breakthroughs in changing the national level policy regimes, at this moment, are exceptions rather than wide-spread. However, each national Alliance is actively engaged with the national governments and other stakeholders. In some countries like in Zimbabwe, the Alliance has been able to bring significant changes in the draft national housing policy which now explicitly recognizes the incremental community- led approach to housing provision for the poor. There is enough indication that the approaches of setting precedents on the ground along with providing learning opportunities to the policy makers and continuous engagement with them, in partnership with other actors, have enormous potentials to change the policy regime in favor of the urban poor. The critical balance that SDI/UPFI needs to decide is between the extent of efforts for setting precedents and that for providing learning opportunities and engagements with the policy makers around existing projects.
 - iv. Many national Alliances and their leadership are now being invited by many important Commissions, Committees and other policy forums initiated by the governments. This must be acknowledged as formal recognition of the Alliance as legitimate voice and political representation of the urban poor as well as their experiential knowledge in producing sustainable solutions to the needs of urban poor. The success of such engagement in bringing positive changes in policies and practices (supported by institutions and finances) has to be seen in an incremental manner and with great patience. However, an internal assessment of the efficacy between ‘political representation and voice’ and ‘experiential knowledge’ in producing policy changes in this regard may not be out of context. Such assessment could be seen beyond academic interest to inform SDI’s considered strategies: (i) Which factors enable the Alliance to be invited by the policy makers, in first place? (ii) When invited, what kind of balance between representation and knowledge enables them to bring positive changes?

c. Technical and financial knowledge and skills

- i. The communities associated with a particular project have been able to acquire a variety of technical capacities (e.g. design of the house, procurement of construction

- materials, inventory management, production of bricks, actual construction, managing the finances and accounts etc.). The city and regional federations have been able to mobilize higher order technical capacities (architectural design, engineering support etc.) locally from a number of academic and technical institutions.
- ii. Formation of different community based committees (e.g. finance committee, procurement committee, logistic committee etc.) from planning to the execution of constructions has been effective in ensuring enhanced capacity for the community-led housing processes.
 - iii. The savings at the primary group level has been managed with simple book-keeping by members. This information is now manually consolidated at the city, regional and national level. The aggregated management (as part of up-scaling) at the city, regional and national level may require higher order capacity in order to achieve efficiency, transparency and accountability. A simple and manual system of construction management may be appropriate for small scale pilot projects. However, for subsequent up-scaled housing projects, this could be too cumbersome, time consuming and eventually less cost-effective. Introduction of some simple construction management software maintained at the site office may ease the record management by the community members. However, orientation and training of community members to software operations would be a prerequisite. These capacities could also be augmented with cooperation from professional volunteers from universities and colleges and other para-professionals.
 - iv. However, use of advanced technology may endanger the ethos of SDI/UPFI and the capacity for community mobilization because paper-based management systems (such as handwritten accounting of financials and inventory) have proven to be a culturally appropriate tool for community mobilization while difficult-to-understand technologies have discouraged community participation. Alternatively, many small paper-based groups supported by a technology-equipped coordination team (responsible for documentation, quality management, reporting and M&E, etc) may be a more effective approach. The two-pronged approach (local paper-based systems combined with technology for coordinators) is already being used for the scaling up of saving operations in the Philippines. Therefore, this approach may be more appropriate, at least for the near future, while technological innovation at the grass-roots level may be piloted for long-term implementation.
 - v. It is understandable that the communities which have just started new house construction or infrastructure development projects are developing their capacity to deal with technical and financial issues. SDI's understanding is well appreciated that if such capacity is to be grounded within a community process, it cannot be provided in advance when it may appear abstract and conceptual. It is more effective in supporting a people's process if it is integrated with the development of the projects. However, a critical trade-off between 'learning and innovating by doing' and learning with external assistance (from other experienced community, SDI professionals and

sensitive professionals from other institutions) may enhance the scale and range of capacities that are critical for effective delivery of projects.

d. Partnership building

- i. The strategic shift to city-wide upgrading approach has provided opportunity to mobilize urban poor city wide. Many national federations have now extended collaboration with other community federations providing unified voice to the urban poor as well as a new identity. This has also resulted in 'new' commitments to and acceptance of SDI rituals, approach and philosophy by other federations. This has opened up new potentials to enhance capacities not only to political negotiations, bargaining and leveraging governmental resources but also recognizing urban poor as political force. On many occasions, the national federation has utilized and shared UPFI resources to various such collaborative activities.
- ii. Some of the Alliances have successfully persuaded the local governments to sign formal Memorandum of Agreements (MoAs) which recognize the partnership between the two. The scope of such MoAs varies from city to city and country to country; however, it should be regarded as an important political breakthrough towards the institutionalization of community-local government partnership beyond political patronage and political regime changes. Nevertheless, such collaborations in many cities are yet to give formal seats to the federation in the city or regional planning bodies to directly influence such planning processes.
- iii. The 'second generation' enumeration and profiling has also helped in building and nurturing partnership with the national and local governments as they are informed, involved and supportive of these, mainly informally. For example in Uganda, enumeration booklets have foreword by the local officials or carry the acknowledgement of the municipality's assistance. In order to mainstream the evolving processes and ensure the use of this information, it may be desirable to formalize the cooperation and activities.
- iv. In some countries, for example in Uganda the TSUPU Program (supported by Cities Alliance and the World Bank), promotes the creation of Urban Forums, both at the national and municipal levels, in order to institutionalize multi-stakeholder dialogues with representation from the public and private sector, academia and civil society – including federations of the urban poor and NGOs. This evolving process provides the opportunity to engage with other stakeholders, including other organizations working on urban poor issues. This, in turn, may enable these movements to speak with a unified voice and to advance their goals more effectively together.
- v. Most of the Alliances have been able to forge partnership with the local and national universities and technical institutions in order to augment their capacities. Some of these partnerships are supported by formal MoAs while others are informal where individual academicians have joined the force. One such example is the Young Professional program in the Philippines which is quite innovative in mobilizing young architects and engineers to provide professional support to the community. In addition, the creation of a cadre of para-professionals from within the community by

- providing hands-on training by both the young and experienced professionals have been helpful in dealing with government regulations, ensuring quality of constructions and adding value to the community capacity.
- vi. It appears that more systematic approach to defining and realizing capacity enhancement needs at various levels of the SDI/UPFI needs to be developed, which then includes the use of a vast variety of methods, approaches and partnerships to contribute to the growing global recognition of SDI.

2.4 Knowledge Mobilization

- a. SDI/UPFI has created opportunities to all the participating federations to up-scale their learning commensurate to the project objectives. The Alliances are in a position to take advantage of this learning opportunity. However, the Review team is of the opinion that there are further scopes for 'systematization of learning and process documentation' of various interventions, the preliminary elements of which are already present in the network. The Review team observed one such example where Zimbabwean Alliance with support from the Comic Relief has identified a number of explicit 'learning areas' (see Appendix 6) in line with their strategic plan. Each learning area is further clarified by a set of questions and clear directions on how this learning will be generated and captured. Some of the reflections are based on such identified learning areas which are well documented (e.g. issue of affordability), *al beit*, a work in progress. Although many of the learning areas are 'donor support specific', however, this practice could be emulated by other national alliances not so much for the content and focus of the learning but the practice in itself. SDI could not only promote such innovative practices among national affiliates but also at the Secretariat level for harvesting trans-national learning and knowledge synthesis.
- b. At the national level most of the Alliances use monthly, six-monthly and annual reports as the primary tools to capture the quantitative and qualitative changes. For the affiliates at the national level consolidation of the reports is done mostly project wise. This leaves a gap in consolidating the institutional learning on a particular issue or topic (e.g. affordability, partnership, leverage, technical capacity enhancement etc.) learned from a variety of projects. The need for an institution wide thematic documentation and dissemination strategy should be worth considering. This could be achieved with minimum additional costs and efforts, as the Alliance is already collecting such base information through other complementary mechanisms. Such practice could as well be taken up by the Secretariat for consolidation of trans-national learning.
- c. To further foster federation-wide learning, at periodic intervals, the most important issues could be taken up for discussion (e.g. engaging professional institutions or local government or affordability) starting from the primary savings groups. The salient points discussed at grassroots level could be consolidated at the area level, regional level and national level, in order to capture affiliate wide understanding and experience on a particular issue which could then be fed back to the federation members.
- d. In this context, reference needs to be made to the support that Rockefeller Foundation is providing to SDI and several of its national affiliates to strengthen their learning and M&E

processes and systems. IPA based in Ghana and PRIA based in India are working together with SDI and eight national affiliates to reflect upon their learning and M&E needs, and then to evolve further in their own learning about the 'theory of change'. This exercise is critically relevant to several issues raised in this Review with respect to learning and M&E.

- e. In addition, a number initiatives are in pipeline to strengthen the research and documentation which the Review team reinforces:
- i. In the past, most research studies have been undertaken by external researchers based in northern academic institutions⁶. However, at present, efforts are being made both by the SDI Secretariat and the national Alliance to build partnership with southern academic institutions to undertake research. It is critical that support to national efforts in this direction is provided.
 - ii. A number of ideas are currently in discussion to strengthen the downstream communication through (1) video documentation and uploading them on you tube, (2) video story series on urbanization of poverty, (3) preparation of animation films for sensitizing the community, (4) talking newsletter – producing audio cassettes/CD ROMs etc., (5) using community radio, (6) using folk/church based federation songs to highlight issues faced by the urban poor, (7) promoting and supporting slum youth groups to find out artistic talents, and so on. The role of the secretariat is to promote such initiatives and help them build linkages with various other institutions.
 - iii. SDI is in the process of developing more formal training modules with assistance from Misereor and Sida focusing on use of GIS, accounting, project management etc.
 - iv. SDI website is increasingly becoming a source of learning which is updated in regular intervals. However, there is further scope to develop the website as one stop knowledge portal on people driven urban housing and slum upgrading.
 - v. In addition, learning and dissemination is also supported by internal memo writing, blog posting, academic writing, and articles in popular media outlets, occasional email newsletters that are distributed to stakeholders and interested parties.
 - vi. The documentation team in the Secretariat also supports the documentation strategies of local alliances. Some of the countries are now contributing to Secretariat public documentation, especially through the blog. Further contributions to local websites have also been solicited. The secretariat also aims to build off of the local initiatives coming from places like Kenya, where the federation has begun producing its own newspaper.
 - vii. One challenge is developing greater coherence and energy among local affiliates for documenting their process to a wider audience. Affiliate NGOs are small, but a

⁶ SDI has a long-standing relationship with the IIED and its journal called Environment and Urbanization, where people in the secretariat and affiliate alliances have published for many years.

culture is now developing among the affiliates for documentation as a key strategy for maximizing political impact of their work. At the more general level, the secretariat is trying to further the focus of exchanges. This requires improving the kind of communication from affiliates of their needs, as well as increased coherence from the Secretariat and affiliates about the analytical priorities of learning (e.g. incremental upgrading, strategic partnerships).

- viii. The roles of support NGOs and others may be particularly relevant in this set of emerging requirements of knowledge systematization, communication and mobilization. It may be worthwhile to systematically work on the issues related to the capacity of support NGOs to perform such functions in the Alliances at various levels.

2.5 Monitoring and Evaluation

- a. UPFI originally decided to follow an exhaustive reporting format (see Appendix 7). Subsequently, the Secretariat enforced a revised much simpler format (see Appendix 8) to capture periodic changes in some selected areas namely, (i) impact, (ii) scale, (iii) leverage, (iv) savings (v) learning exchanges, (vi) interaction with the government and (vii) sustainability. The Review team has gone through some of these reports for at least the countries visited in the scope of the Review and found a great variation in the quality and depth of such reports. SDI/UPFI needs to pay attention to enforce the application of reporting practices network wide and the regional hub could provide support in this regard.
- b. Despite the fact the SDI/UPFI works at multiple levels, from community to city, to national and international levels, the predominant tools are focused on measuring the community-level outputs. Therefore, it seems that SDI/UPFI is under-reporting outcomes at the city and national levels (to be reported by the national affiliates) and international level (to be reported by the Secretariat). This may be attributed to lack of tools, but the main reason is the lack of clear definitions of those outcomes at various levels, and the corresponding lack of performance indicators for these outcomes. The Secretariat in consultation with national federation members and other leadership should consider (i) facilitate discussion for developing 'workable' definitions of such outcomes and corresponding indicators; and (ii) promote a discussion within the national affiliates for the same at the city and national levels.
- c. It is hard to imagine that various interventions at the city level of this magnitude are undertaken without any detailed work plan; however, the Review team did not get an opportunity to come across any such plan except the project proposals or response to call for funds. The Zimbabwean Alliance was perhaps the exception which had a strategic plan in place.
- d. In light of this observation, the Review team encourages the SDI leadership and the national Alliances to consider the following:
 - i. Whether a flexible planning mechanism at the affiliate level based on shared understanding of the "theory of change" could be initiated which starts with identifying measurable results (mostly at the outcome level)?

- ii. Whether efforts could be made to develop M&E and reporting frameworks that can track the explicit learning areas, change process, and outcome which are unique to SDI and national affiliates?
 - iii. Whether development of community-based tools for M&E capturing both 'outputs' and 'outcomes' should be considered which can be understood and used by community members?
- e. The scale of SDI, its global presence and the resource sit now commands from a wide variety of national and international sources makes it incumbent upon its leadership to support development of systems of aggregation of useful data from the community to global level, in a manner that can not only present its impacts but also demonstrate further levels of transparency and accountability to multiple stake-holders that UPFI now represents.

Section 4—Building Precedents through Projects

1. Introduction

1.1. SDI's theory of change: building precedents

- a. **Community-led projects build not only housing (or infrastructure) but foremost people and processes in which they interact.** With the help of SDI and its affiliates and partners, community members start believing that change is possible, even though they may have been on a waiting list for public sector housing for already 45 years. And community members take action for making this change possible.
- b. **Secondly, precedent-setting projects help inform all stakeholders about the real challenges for affordable housing projects.** During this process stakeholders bring many unreasonable demands to the negotiation table—including standards that southern cities pick from classical planning (or what they assume it to be). It is this process of dialogue and negotiation at design, construction and financing level that pushes both communities and cities to more sustainable and scalable housing solutions.
- c. **Finally, by doing so, precedent-setting projects create a system of community-driven project delivery in a pro-poor regulatory and policy environment with subsidies available to support (at least) the poorest community members.**

1.2. Dominant Strategies

- a. **SDI is trying to balance two strategies: “housing as a tool for building a movement” and “a movement as a tool for building housing.”** Depending on how SDI and its affiliates position themselves, this poses particular challenges for setting financial, social and political objectives, which are coherent and transparent, and used as benchmarks for accountability. Only then a constructive dialogue may take place around shared values and goals. It appears that at present expectations are not always clear—especially with respect to defining a ‘self-reliant’ revolving fund.
- b. **If SDI leans towards being a ‘movement for political change’, then mobilizing many members to exercise collective pressure on governments will be the focus.** SDI's focus will be on leveraging resources from the public sector, expected to redistribute resources to the urban poor. Thus, financial self-reliance and high rates of loan repayment are less important because governments are expected to foot the bill for the affordability gap, at least eventually. Finally, support by technical and financial professionals is less required, as the involvement of para-professional community leaders is a valuable tool for mobilization.
- c. **However, if SDI leans towards a ‘movement for housing’ then financial self-reliance may be a focus in order to become independent from fiscal policy.** The delivery of truly affordable housing may be the dominant strategy; members are able to fully repay. The support of technical and financial professionals may be more valuable.

- d. **The choice, in reality, may not be either-or.** Different actors within SDI appear to attach differing priorities. At the global level, “priority is leverage, not affordability”. While concerns vary across countries, national Alliances appear to take a more pragmatic approach, akin towards a movement for housing. In the day-to-day work of federations and support NGOs, considerable effort had been taken in order to make housing more affordable. Also ‘affordability’ was judged a top priority by all countries visited and during the Asian hub meeting in August 2010. The important point is to facilitate ongoing reflections on these choices, and to continue to clarify priorities.

1.3. Financial summary

- a. The following is a summary table of all investments made in different countries/projects.

Project, city, country (starting date) (Land, services and housing, unless indicated.)	Community Savings Contribution	UPFI disbursement					
		Loan capital		TA & FS subsidy		Totals	
Ghana, Tema, AmuiDzor (09/09)	40,696	15,000	0.6%	10,000	2.4%	25,000	0.8%
India, Total	n/a	510,000	18.8%	80,000	19.5%	590,000	18.9%
Slum Rehabilitation, Bhubaneshwar (03/10)	1,300 per family	360,000	13.3%	80,000	19.5%	440,000	14.1%
Mumbai, Sanitation		150,000	5.5%		0.0%	150,000	4.8%
Kenya, Nairobi, Mukuru Sinai (09/09)	500,000	414,732	15.3%	22,480	5.5%	437,212	14.0%
Malawi Total	7,184	108,000	4.0%	27,000	6.6%	135,000	4.3%
Housing (03/10)	7,184.21	60,000	2.2%	15,000	3.7%	75,000	2.4%
Home Improvements (03/10)	802.63	24,000	0.9%	6,000	1.5%	30,000	1.0%
Toilets (03/10)	315.78	24,000	0.9%	6,000	1.5%	30,000	1.0%
Namibia Total	40,233	305,000	11.3%	40,000	9.8%	345,000	11.1%
Gobabis (04/09)	28,983	100,000	3.7%	20,000	4.9%	120,000	3.8%
Incremental Hsg	5,000	90,000	3.3%	10,000	2.4%	100,000	3.2%
Pre Finance	6,250	115,000	4.2%	10,000	2.4%	125,000	4.0%
Philippines, Total	76,402	180,000	6.6%	20,000	4.9%	200,000	6.4%
LTHAI,	10,658	90,000	3.3%	10,000	2.4%	100,000	3.2%
Mandanue (01/09)	4,709						
SHAI,	6,744 (land)	90,000	3.3%	10,000	2.4%	100,000	3.2%
Guinobatan (12/09)	59,000 (labor)						
South Africa, Total	n/a	847,363	31.3%	169,472	41.4%	1,016,835	32.6%
Mpumalanga	8,578	448,267	16.6%	89,653	21.9%	537,920	17.3%
Eastern Cape	12,111	145,315	5.4%	29,063	7.1%	174,378	5.6%
Joe Slovo, CPT	n/a	100,000	3.7%	20,000	4.9%	120,000	3.8%
North West	20,006	50,717	1.9%	10,143	2.5%	60,860	2.0%
Gauteng	17,804	103,064	3.8%	20,613	5.0%	123,677	4.0%
Sri Lanka, Morotuwa (08/08)	11,259	85,000	3.1%	3,500	0.9%	88,500	2.8%
Tanzania, Dar, Chimazi (01/10)	85,000	100,000	3.7%	20,000	4.9%	120,000	3.8%
Zambia, Total	n/a	50,000	1.8%	10,000	2.4%	60,000	1.9%
Kitwe (10/09)	5,442	25,000	0.9%	5,000	1.2%	30,000	1.0%
Choma (02/10)	n/a	25,000	0.9%	5,000	1.2%	30,000	1.0%
Zimbabwe, water in five towns (08/08)	39,309	93,000	3.4%	7,000	1.7%	100,000	3.2%
Totals	n/a	2,708,095	100.0%	409,452	100.0%	3,117,547	100.0%

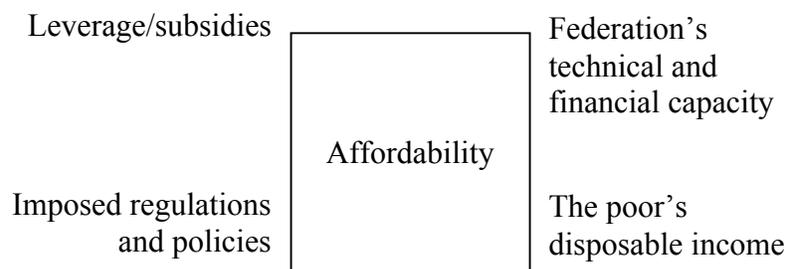
All amounts in USD. Source: BoG Meeting Pack, Stockholm

- b. One-third of all funds has been absorbed by South Africa (RSA) alone (though heavy subsidies exist there), one half by RSA and India (though TDR is available at least in Maharashtra) and nearly two-third by RSA, India and Namibia. Only a small capital share went to other countries. SDI explains that this is due to (i) size and (ii) capacity of affiliates.

2. Affordability

2.1. Meaning

- a. When judging housing affordability, several considerations are relevant: contributions by the urban poor (in cash or in kind) in relation to their income, the regulations and policies imposed upon them, leveraged resources, and the technical and financial capacities to deliver projects and design pro-poor financial products and services.
- b. **To make housing more affordable, SDI pursues a four-pronged approach:**
 - i. **To reduce the cost of construction** (e.g. through innovative technology such as sky-loo toilets in Malawi and Zimbabwe or ICEB technology in the Philippines) and of financial services (e.g. through cost-efficient community banking in all countries)
 - ii. **To reduce the cost of imposed regulations and policies** (e.g. through incremental construction; all countries)⁷
 - iii. **To leverage state resources** (e.g. through free land; all countries)
 - iv. **To increase the federation members' disposable income** (e.g. through micro-businesses (in all countries) or reduced health expenditure through better sanitation (in all countries) or through using herbal medicine (Zimbabwe)).



⁷ For example, in one housing project the administration tries to impose double-storey multi-family housing units while requiring that most of the land (roughly 25%) is kept vacant. (The administration apparently does this because it is perceived as better quality and, thus, helps the municipality to gain city status). However, if the community would be allowed to use more land for construction (e.g. 50% instead of 25%), then (i) double as many households would fit on the land, (ii) the higher number of households would reduce the per capita cost of infrastructure and services, (iii) no staircases would be required reducing construction costs (by roughly 20%), (iv) housing could be built incrementally with respect to size and quality reducing initial construction costs again. This in turn reduces the loan size and, thus, the interest due on the loan. This way, the total cost savings would be very large. Housing could become affordable to all members and the number of households benefiting from the plot (that is provided for free) by the city would double (or even more).

Improvements in any factor may make a *model* project work. But to design truly scalable solutions, it is important to create models that do not depend on resources that may not be available on a large scale; see below.

c. **SDI/UPFI support is instrumental in enabling learning amongst all stakeholders, including the Alliances and their public and private sector counterparts.**

In two out of four countries visited (Malawi and Zimbabwe), the model projects implemented/planned are affordable to a large share of members. In all countries, the community-driven projects are significantly more affordable than projects supplied by the market, and may be significantly more economical than projects constructed by government or other funding agencies: e.g. the Ugandan housing project that was largely unaffordable at the current stage of planning (which is not yet approved for implementation) costs already less than half of a ‘similar’ project promoted by UN-Habitat. Thus, while it is not yet affordable to many, it may still be judged as a success, given the environment in which it takes place. Finally, in all countries federations are learning how to make housing more sustainable: making development more incremental is the key strategy being now pursued, alongside with more economical technologies, reduced regulatory standards and leverage. This is a huge achievement.

d. **Repayment challenges remain.** Products are not (yet) affordable to many in two countries visited (the Philippines and Uganda) so that repayment rates are low there. In Zimbabwe repayments are low, too, even though housing delivered appears to be affordable to most households. In Malawi the 2005/2006 projects did not work well—while the Alliance appears to be in good shape to take on the new project.

e. **In general, repayment appears to be a shared challenge across all affiliates, not only in visited countries.** This impression is confirmed in desk review (e.g. see Diana Mitlin, ‘Urban Poor Funds: Development by the People for the People’, IIED, 2008).

f. **Low repayment rates occur due to various reasons including:**

i. **The combination of anti-poor regulations and policies and urban poverty may make affordable housing solutions impossible in many instances.** For example, in all countries visited, governments made prescriptions of expensive standards that obstructed incremental and affordable construction strategies.

ii. **Low repayment appears to be (also) the result of SDI’s redistributive agenda and should be judged accordingly.** However, given that (not only) markets may not be willing to judge SDI on this basis—or that they may simply just lack the information required to understand—SDI may think about how redistribution could be made evident and possibly even separated from the revolving fund.

2.2. Implications for scale

a. **To replicate affordable projects, all factors need to be carefully balanced so that the resources and strategies used for pilots are available on a large scale.**

For example, it may be unlikely that a developing and rapidly urbanizing country would be able to deliver affordable housing units to all citizens by relying on a heavy per-unit

subsidy—even if the subsidy would make a pilot affordable. The budget required for pursuing such a capital-intensive approach nationwide would become a constraint to up-scaling and replication—unless it is a budget and revenue-neutral subsidy such as the Trading of Development Rights (TDR) in Mumbai. Therefore, reducing regulatory hurdles and building the federation’s capacity should possibly be the focus, while leveraged subsidies may assist to bridge the affordability gap with regard to the poorest members.

- b. **Gaining scale is important in order not to lose the majority of members on the way.** In all countries visited, the majority of members remain underserved with respect to basic infrastructure and housing. For example, in Uganda and the Philippines another 30,000 and 60,000 members wait for receiving a fair share of the pie while only few households already received access to these basic goods. This appears to be equally true for other country affiliates. (We are not saying that SDI is to be blamed for the lack of these services but illustrate that there is a large need to serve more households and to pool funds strategically amongst them so that there is some assistance available for everyone.)
- c. **SDI is already dealing with this challenge.** One of the strategies pursued is to limit the loan capital per household to USD 1,000. Even USD 750 per household is being discussed. We would like to encourage SDI to deepen this strategy. It achieves (at least) two important objectives: (i) it spreads scarce resources more equally; (ii) it reduces the risk of being trapped as a funder of (rather) capital-intensive projects that are moreover prestigious rather than being a model for scale; see below. In this light, even a reduction of USD 500 to 750 may be considered for most countries (so that incremental housing is effectively the only viable strategy).

3. Policy Impacts

3.1. Precedent-setting projects extract many policy concessions. With respect to this objective, UPFI must be judged as a success.

- a. Precedent-setting projects help inform policy makers about the real challenges faced when bringing affordable projects on the ground. During this process stakeholders bring many unreasonable demands to the negotiation table—including standards that southern cities pick from classical planning (or what they assume it to be). It is this iterative process of dialogue and negotiation at design, construction and financing level that pushes both communities and cities to more sustainable and scalable solutions.
- b. Thus, precedent-setting projects help to successfully extract policy concessions: for example, the Zimbabwean Alliance has been able to receive the permission for incremental on-site infrastructure development (instead of being required to construct expensive infrastructure such as tarred roads before households move on site). In addition, the Alliance has participated in the drafting of a new (model) housing policy that, if implemented, would bring affordable housing into the reach of many poor citizens. Similar observations apply to the other countries visited. Additionally, through enumeration and precedent building projects, many affiliates have been able to create trust with government and administrative partners; this has helped to bring the urban

poor into the formal planning process. For example, in the Philippines, representatives of the Alliance actively participate in city and regional planning.

- c. In sum, with help of UPFI-funded precedent setting projects, national alliances are able to extract reduced building and development standards that significantly improve the affordability and to introduce the point of the urban poor into city planning.
- d. A detailed list of policy impacts is provided in country reports and Appendix 9.

3.2. However, translating ‘occasionally’ extracted concessions into ‘permanent’ pro-poor policy and regulatory frameworks remains a challenge.

- a. In all three African countries visited (Uganda, Malawi, Zimbabwe) national governments are revising their housing policies and/or building and development control regulations. While the model projects inform many of the pro-poor changes (which confirms that the SDI methodology is working) the country affiliates seem to lack the capacity to fully engage in the formulation of new policies.
- b. **In this light, it may be useful to complement ‘capital-intensive’ model projects with ‘economical’ assistance of community-guided experts.** The lack of professional and analytical capacity may restrict community-led policy formulation and, thus, unnecessarily limit the positive impact of precedent setting. The following observations from country visits are examples where professionals may add value:
 - i. The Philippine Alliance faces a structural constraint to obtaining legal title for land that was allocated for low-income housing through presidential decree. If the land that often lies in valuable locations would be registered with the poor de-facto owners, then the latter would be liable to high assessment taxes, which would be unaffordable. As a consequence, urban poor households have never formalized the transaction, even though the land was allocated to them. An informal understanding with the current city government exists that land titles will be formalized in some time, but the solution to the problem remains unknown. As a consequence, the poor families do not know what will happen in the future: if the government changed, then the new government may not stick to the promise of the former government. However, the solution is technically simple: if all lands declared as ‘Socialized Housing Areas’ would automatically be (at least partially) exempted from the levy of assessment tax, then the tax would be affordable and title could be registered. (This would also be good for the government because it would earn at least some taxes, instead of nothing.) However, though technically simple, institutionalizing such an exemption is probably politically challenging. Therefore, good arguments (going beyond the above described need for the policy) may be very helpful. In this case, a professional tax lawyer or political economist may provide such arguments and also know about best-practice examples from other countries in order to supplement the community’s arguments.
 - ii. As already mentioned, many African countries work on reformulating their building and development control regulations. In order to address a capacity gap to more effectively engage in the policy dialogue, professionals may add value. For example,

when in Zimbabwe we met three capable young professors willing to engage with the national Alliance. Amongst other possible endeavors, assistance for the community-led development of a pro-poor model building code was discussed. In addition, the professionals may help with making Councilors understand that they have the power to change the model building regulations in their municipalities and to adopt more pro-poor policies. They may also serve as a trusted broker in negotiations between the community and the councilors when amending the code. Furthermore, CCODE (the Malawian support NGO) has asked for funding an urban planner to assist in the formulation of such policies.

- iii. When available in country, then professional support procured locally is probably the best strategy; however, sometimes, this support may not be available locally. For example, in Uganda we could not meet any professional outside of government and ACTogether who would be available, capable, and willing to assist the federation. In that case, assistance from outside of the country may be more helpful than relying on locals. Finally, in some cases the status associated with a professor from a top international university may be equally helpful to influence policy.
- c. **The shortage of professionals is not a unique observation of the review team.** Also most organizations interviewed for the review expressed this concern. Finally, it is also shared by (at least some) affiliates. For example, in course of this review, one affiliate specifically asked for complementing their support NGO's team with an urban planning professional with the primary purpose to assist communities in the formulation of national policies and frameworks.⁸

3.3. Another key challenge is to be strategic about moderating expectations

- a. Moderating expectation—as participants of the Namibia conference termed it—is important in order to be able to reduce development standards and to be able to migrate towards more incremental and, thus, affordable construction strategies. In this light, we are referring both to expectations by community members and by politicians and administrators.
- b. As far as community members are concerned, we often heard that community members do not want to move into e.g. a 1-room dwelling unit that is incrementally expandable. (And they do not want to do so for good reasons; we are not criticizing them for wanting more than that!) However, it may be unrealistic to move from a dwelling unit that lacks i.a. (i) secure tenure, (ii) sufficient size, (iii) decent structural quality, (iv) access to water and (v) access to sanitation, into a house that provides all of that. This may be unrealistic because (a) the poor may not have the funds in order to finance it and (b) the state may have neither, at least not on a national scale building decent housing for everyone at once.

⁸ We would like to be transparent about the fact that comments received at the Namibia conference suggest that not everyone within SDI (and especially—which is counter-intuitive—professionals from SDI secretariat and a support NGO) share the point of view that support of selected professionals may be helpful, especially when asked for by country affiliates.

- c. As far as politicians and administrators are concerned, we often heard that they would not allow lowering the standards (even) more. This argument was also frequently made in Namibia. In this light, in at least two of the three site visits during the Namibia conference, participants visited housing examples that provided all of the five characteristics (tenure, size, structure, water and sanitation) at once. However, from our point of view, it would be more strategic to expose public officials to incremental housing solutions, instead of ‘admittedly nice’ houses that constitute progress for the household living in it but exclude most of the rest (also see Sections 2.2 and 4.2).

4. Leveraging Resources

4.1. Precedent-setting projects leverage many resources. With respect to this objective, UPFI can be judged as a success.

- a. During the country visits we could observe that UPFI capital helps to leverage resources from the government. For example, all countries received land and other (e.g. technical) support for free. This is true in case of the LTHAI reconstruction project (the Philippines) and other housing projects in Jinja (Uganda), Blantyre (Malawi), and Chinhoyi (Zimbabwe).
- b. For a detailed list of leveraged resources, please refer to country reports and Appendices 10 and 11.

4.2. Whether SDI/UPFI and their affiliates can rely on the leveraged resources for scale up and replication is unclear.

- a. Two issues are important:
 - i. If SDI and its affiliates choose to rely only on subsidies, possibly beyond land and infrastructure, the scalability of its products will remain conditional on the availability of such subsidies. If the policy environment changes, then they may not be able to replicate the model projects—if the subsidies at scale are available at all under the current environment.
 - ii. To the best of our knowledge, no developing country (maybe with exception of Hong Kong and Singapore, which are not comparable) has been able to provide significant housing subsidies to a large share of their urbanizing populations.⁹
- a. **Therefore, a focus on reducing regulatory hurdles and introducing cost-effective technologies may be more rewarding than a focus on leveraging state-resources.**
 - i. Nevertheless, state resources (supporting a redistributive agenda) are very welcome as long as they do not create an obstructing precondition for scale up.

⁹ A different case is the Trading of Development Rights (TDR) in Mumbai. This is a smart market-based policy that cross-subsidizes pro-poor housing. But it is not an in-cash or in-kind (e.g. land) subsidy provided by the public sector and, thus, is not constrained by public budgets.

- ii. Precedent building model projects appear to be a working instrument for achieving this change occasionally. However, attention needs to be paid at creating permanent pro-poor policy and regulatory change.
- iii. SDI leadership may further reflect on these issues to advance its strategic goals.

5. Sustainability of the International and National Funds

- 5.1. **SDI has decided that revolving funds from recycling national investments would not be brought back into the global fund.** This is for two reasons: first, in sheer practical terms of foreign currency transfer regulations and exchange rate fluctuations, it would be wasteful to try to do that; second, the financial sustainability of national funds is a far more important strategic objective for SDI. Hence, the discussion on sustainability of fund needs to focus upon the sustainability of select national funds.
- 5.2. **On the international level, UPFI may never become financially sustainable because the fund provides capital for higher risk and emerging projects.** Doing so, UPFI is designed to incur losses. In addition, the international fund supports national federations to develop their projects by providing technical assistance grants. The assumption that financial self-reliance is possible already now appears to be doubtful—despite the fact that the UPFI strategic plan suggests that this is possible. The reason is that capacities and delivery systems as well as policy relaxations and subsidy systems that are required are evolving only through precedent-setting projects. It would be good to clarify such issues here and thus create a transparent platform with realistic expectations and monitoring systems, especially with regard to repayment expectations and subsidies and leverage required to bridge the gap.
- 5.3. **At the country level, urban poor funds may never become financially sustainable because they prioritize the needs of the lowest-income members.** SDI is committed to not sacrificing this objective solely to meet financial goals. Thus, as long as regulations and policies are not relaxed or significant subsidies are allocated, it may not be possible to recover all capital for the revolving fund. This is a legitimate approach—though it poses many vetting and monitoring challenges: for example, if any repayment rate is possible what the financial target is, how should it be set and how should it be assessed whether repayments perform; also see Subsection 6.
- 5.4. As far as possible in a sequenced project, activities have been accomplished (see UPFI Log Frame, Objective 3); however, many details require further attention. For example:
 - i. Criteria for projects have been established but it has not yet been possible to assess financial performance. It may still be too early to determine national capital recycling rates because, in most instances, the construction projects are still under way so that loan repayment has not yet started.
 - ii. While a pipeline of projects has been established and funds are being spent, the technical and financial capacity required to design, vet, and implement projects needs further strengthening.

- iii. Even where loan repayment has started financial monitoring systems that could reliably track on-time payments, arrears, defaults on an aggregated level need to be developed still; see next section.

6. The need for integrated monitoring systems for national funds

- 6.1. **It is important that the monitoring systems are developed rapidly and be put in place before, not after loans are issued!** These systems are needed even if SDI would not want to build a more integrated monitoring and project cycle management system; see following paragraphs. The system should track at least: loan amounts, loan purpose, loan period¹⁰, repayment rates, portfolio at risk/in arrear, reasons for arrears, and defaults/write-offs.
- 6.2. **SDI's two-pronged approach makes monitoring more challenging.** Since SDI blends both approaches (political movement and movement for housing) loans in the revolving fund are not revolving at sustainable rates. Repayment rates are significantly below 90%. In the “conservative language” of microfinance a repayment rate of e.g. 70% is considered a “failure”; in the progressive language of SDI this is considered a “success” because SDI does not lose its poorest members on the way to becoming financially sustainable.¹¹ With respect to local funds, it may be “both” because the reasons for low repayment may be multiple.
- 6.3. **It may be desirable to build a monitoring system that strategically responds to both SDI objectives and integrates with project cycle management.** To do so, SDI may consider cleaning up the ambiguity that originates in the fact that SDI is both a movement for housing and a political movement for claiming subsidies. Instead of blending the two approaches, SDI may consider promoting the two-pronged approach more openly and to make each objective more transparent.
- 6.4. **Transparency may help to clarify expectations and to set clear targets for monitoring local urban poor funds and respective government partners.** In Appendix 15 we provide an example in order to illustrate our preliminary thoughts.

7. Searching questions for reflection

- 7.1. **Could SDI continue to be a ‘movement for housing’ and a ‘political movement’ but separate both objectives with respect to monitoring?** A socially inclusive and integrated monitoring system would track (i) the financial health of national funds (repayment, arrears, defaults)¹² and (ii) the affordability gap in relation to government action. By setting transparent targets, it may help to engage government partners (even)

¹⁰ In a revolving fund, shorter-term loans are more effective because the capital is revolving faster.

¹¹ In addition, we understand that SDI wants to send a signal to policy makers that the latter need to make further concessions in order to bridge the affordability gap, which may be true. However, financial monitoring against the set “soft” targets is hard, if not impossible with this approach. (Ultimately, everyone may just argue that poor repayment is due to the affordability gap—but it may as well be due to e.g. poor collection practices.)

¹² It should also track other information including loan term (b/c a revolving fund with short-term loans is more powerful than a revolving fund with long-term loans); loan purpose (in relation to SDI priorities: land tenure, watsan, core housing, more basic infrastructure, housing expansion...); loan sizes (as an indicator of tracking clients; if there would not be any small loans, then SDI would probably have lost their poorest members on the way...)

more actively and to reduce the affordability gap through their action—instead of bridging the gap with poor repayment to local urban poor funds; see Appendix 15.

- 7.2. **What can you learn from financial institutions—without losing the poorest members?** Which support can the SDI network provide, given that most affiliates struggle with the same issues (e.g. poor repayment)? Which microfinance networks, respecting the SDI's social and political mission, would be suitable for cooperation (e.g. exchanges) with SDI as a network and/or with particular affiliates/regions?
- 7.3. **How can you translate 'precedent' into permanent policies and regulations?** How can the network help? Is there a role for support from professionals? (We are referring to more Sheelas and Joels... They may be hard to find but they definitely exist.)
- 7.4. **How can you create the capacity to effectively engage professionals?** Professionals are a part of our realities, whether we like it or not: even if we would not want to hire them, cities and governments or private-sector developers will hire them so that we are constantly confronted with their actions. Thus, given that they exist anyhow, how could you engage them for your objectives—especially (but not only) when you hire them? Which capacity/which help do you need in order to direct them efficiently?
- 7.5. **How can you create an environment for scale up and replication that is flexible enough to incorporate subsidies (when available) but that does not rely on them?**
- 7.6. **Would a lower per-household loan amounts help you to achieve your objectives?**
- 7.7. **Would it be desirable to introduce budget-neutral financial support mechanisms (such as TDR) into regulatory frameworks?** If so, should it be a focus/preferred strategy because they are less likely to become a bottleneck during scale up? If so, how could you promote it? How could the network help?
- 7.8. How can the network assist the affiliates to deal constructively with larger urban development constraints, often being the roots for poverty creation/prolongation? Such constraints include poor land management (all countries), lack of a framework for land ownership by housing cooperatives (possibly specific to Zimbabwe), or lack of suitable mechanism for assessment tax exemption/reduction of all presidentially declared socialized housing areas (possibly specific to the Philippines), etc. Is there a role for support from friendly and capable professionals?

Section 5—Institutional Development of UPFI

1. Overview

This section of the report covers the institutional governance, institutional development and engagement with other stakeholders at the strategic level.

1.1 Establishment of the Fund has been accomplished.

- b. Within the stipulated time frame and with a new business plan prepared in 2008, the UPFI was legally incorporated in both South Africa and the Netherlands in 2009. The structure of the Fund now has the following mechanisms.

1.2 Board of Governors (BoG)

- a. BoG comprises of key Ministers for Housing and political leaders of the various countries who have championed the cause of housing for the urban poor. It meets twice a year and rotates its meetings between south and north. During this period, the BOG has met six times. List of meetings is given in Appendix 14.
- b. BOG is intended to act as an overall political and strategic advisor to the leadership of SDI and the Fund in matters related to policy advocacy for the scaling up of the spaces for housing of urban poor around the world.
- c. However, during this period, the BOG has been a place where progress of the Fund's activities has been regularly reported, support from donors and political leaders in operationalization of Fund's projects sought and interactions between SDI leadership and key stakeholders (political leaders and resource providers) enabled in a collective forum.
- d. As a result, the BOG has served a crucial function of ensuring and demonstrating transparency and accountability of the Fund to a broader public beyond SDI, its affiliates and existing supporters.
- e. Going forward, there is a need to redefine the composition and mandate of BOG a bit more formally. In terms of composition, the criteria for membership, its tenure, periodicity of its meetings, and roles of the Chair etc. need to be spelt out more clearly. In addition, the intended political and strategic role of BOG should be the focus, and reporting on progress of the Fund can be gradually made a subsidiary function. In this sense, there is a need to identify globally strategic individuals (like former President Lula) to be invited to serve on the BOG. It is learnt that now BOG will meet once a year, which makes its political function far more strategic.
- f. The position of the BoG in relation to UPFI and SDI may be reassessed. There are three issues: (i) BoG may be better suited to be called a Consultative Group; (ii) the body may be linked to SDI, instead of to UPFI in order to forge cooperation between the real basket fund (SDI) and the other stakeholders; (iii) the body may be assisted by (a) a financial subcommittee and (b) a technical sub-committee; see below.

1.3. The Council of Federations, the SDI Board and Coordinators

- a. The Council (Council of Federations) is the leadership forum of SDI, and acts as the formal governing body of the Fund; it comprises of 2 members each, drawn from the 13 matured national federations. (Appendix 15); it meets regularly (List of Council meetings are given in Appendix 16) to approve the allocations to various demands received in respect of capital investments, technical assistance and exchanges. The Council has evolved a coherent set of criteria for making these decisions:
 - city-wide scale of the national alliance
 - relationship with the government at city and national levels
 - interest in and ability for taking up concrete housing projects
- b. These are the minimum criteria; in addition, the Council takes in to consideration the specific contextual factors of that country/city and the strategic opportunities to have an impact while making these allocations.
- c. The Board comprises of 7 representatives of the national federations in the Council elected by the Council; it also has 2 NGO persons nominated by the SDI secretariat and approved by the Council. The Board meets regularly every six months. It is mandated to operationalize the decisions of the Council and guide the secretariat in implementing those decisions.
- d. The demand for allocations is prepared by the consultative mechanisms at the level of national alliance, and is supported by the regional hubs. Such an iterative process enables the national federations to improve upon their plans before they reach the Council for its decision. At this stage, the Council approves the demands with its own suggestions for further improvements, if needed.
- e. While the existing mechanism of the Council has served the Fund well, going forward SDI needs to review its existing composition which is limited to mature affiliates. The Council acts as a representative body of SDI national affiliates; its democratic accountability is to the national affiliates; hence, its composition needs to reflect the democratic aspirations of its affiliates.
- f. In order for such a review of the Council to be effective, the basis and process of classification of SDI affiliates into categories of mature, emerging and aspiring needs to be critically reviewed. This is important from two perspectives: first, the dynamic nature of evolution of national federations has been throwing up variations across regions which may not have been anticipated 3-4 years ago; second, the 'maturity' of national affiliates may vary depending upon the primacy given to size and growth of membership of national federation or the size and growth of housing projects and policy impacts at the city and national levels. The overall SDI objective of expansion and inclusion of affiliates may be somewhat different in some contexts from the overall Fund objective of demonstration and scaling-up of housing for the urban poor.

- g. This dynamic of classification of affiliates, its periodic review and linking Fund's investments to an agreed medium-term plans of affiliates may need to be further streamlined in order to ensure greater transparency and accountability between national affiliates and SDI, as it can influence the investments from the Fund.
- h. In addition, SDI has appointed six full-time Coordinators from within its leadership; these Coordinators have been appointed by the Board on the recommendations of the Council. These Coordinators are (Jockin A. based in Mumbai; Sonia Cadornigara based in Manila; Rose Molokoan based in Johannesburg; Davious Muvindi based in Harare; Joel Bolnick based in Cape Town; Celine D'Cruz based in Washington DC).

1.4 Legal Design of the Fund

- a. The current legal incorporation of the Fund is in Netherlands (UPFN) undertaken in 2009 to enable holding of monies in hard currency in the bank; its current Trustees are Sheela Patel, Joel Bolnick, Nico Keijzer and David Sogge. The monies received in this Fund are disbursed on the advice of the SDI Secretariat in Cape Town based on the decisions of the Council. This arrangement was made so that monies received do not get affected by exchange rate fluctuations and the regulatory regimes in different southern countries.
- b. The Gates grant received by UPFI was routed through IIED, which has been a long-standing partner of SDI. The Board of the Fund acts as an executive arm of the Council and implements its recommendations. Thus, the Fund's banking operations are handled from Netherlands and UK at the moment, while the secretariat of the Fund is located with the SDI Secretariat in Cape Town. Further administrative elaboration of the Fund has now taken place with the appointment of designated financial manager (Paula Assubuji). Regional fund managers have not been appointed as the regional structure is still evolving.
- c. One of the issues for further consideration by SDI leadership is the extent to which the linkage between the legal framework of SDI and that of the Fund needs to be formally integrated. We understand that recent changes in the foreign exchange regulations in South Africa are favorable to house the monies of the Fund in the SDI legal entity itself; hence, we are told that the SDI leadership has decided to bring the entire monies of the Fund within the legal framework of the South-Africa-based SDI Secretariat.
- d. Such a redesign will ensure that all funds received under UPFI from all sources, as well as other grants received by SDI, would now go through a single legal entity under the SDI framework. In light of this, the future use of UPFN may be redefined. This integration may require certain new mechanisms within the administrative systems of SDI to ensure that monies received in the UPFI are clearly earmarked and utilized for the agreed purposes in a transparent manner.

1.5. Technical Advisory Group

- a. In the original structure of the Fund, a Technical Advisory Team/Group (TAG) was envisaged. It served an important function during the first year or so till the business/strategic plan of the Fund was finalized and its formal structure put in place.

During the past year, TAG has not really functioned as a part of the institutional structure because technical support has become far more critical at the project, city and country levels. The global Fund has periodically used technical experts and professionals as consultants for specific advice.

- b. In light of the above, it may be desirable, going forward, to examine what kinds of technical advice would be needed at the global level. It would be far more critical to have such technical advice available at the regional hubs and national levels. Strategic partnerships with key institutions (like the valuable relationship with IIED) may be far more durable in securing specific types of technical advice at global level.

1.6. Regional Hubs

- a. The institutional design of the Fund also envisaged setting up of Regional Hubs with the primary objective of supporting the development of projects for investment by the Fund, including technical assistance and federation strengthening activities. To begin with, key national alliances in one country have been designated as regional hubs (in South Asia, it is India; in South-East Asia, it is the Philippines; in Southern Africa, it is South Africa, and in east Africa, it is Kenya).
- b. In this manner, the expertise of senior SDI leadership is widely available to the entire movement and support to regional hubs may also become more accessible by the presence of these Coordinators in those locations. One of the major challenges facing SDI in the coming period would be grooming of emerging leadership at national and regional levels; given the considerable expertise of the Coordinators, it may be worthwhile to reflect upon specific ways in which leadership strengthening could be carried forward as scale and outreach of SDI/Fund increases.
- c. Going forward, the SDI/Fund needs to rearticulate the key responsibilities of regional hubs; commensurate with those responsibilities, the structure and capacity of regional hubs may be augmented. Two considerations seem important in this regard; one, the emerging responsibilities of Regional Hubs may entail ongoing support to national alliances in the facilitation of learning, systematization of knowledge and policy engagement. Second, the requirements of preparation, vetting and support to local projects may grow rapidly in the coming future; regional hubs should not become bottlenecks then.
- d. In future, regional hubs may become regional 'project offices' of the Fund or regional platforms/ councils of SDI, or both. Each choice has its own rationales and implications; careful consideration is needed soon enough to evolve hybrid models with regional specificities before further expansion of roles and locations of regional hubs are mandated and financed. Another important opportunity in the light of strengthening regional hubs is to grow a second line of leaders, besides SDI Board members and Coordinators. Giving this space for learning for their future leaders may be important in order to build their capacities to be used in the growing network.
- e. There are also regional coordinators; they are usually a NGO staff from each region who help with the coordination within the hub and between the hub and the secretariat.

1.7 Stakeholder Engagements

- a. In this period, one of the express objectives of the Fund was to enhance engagements with key stakeholders at the national and global levels. Three sets of stakeholders were identified in the business plan: international donors (bi-laterals, multi-laterals and foundations); policy-makers in national governments and inter-governmental organizations; and, technical professionals and academics who specialize in issues of urban poverty and housing. During this period, considerable progress on stakeholder engagements has been made.
- b. Engagement with global donors has increased through organizing of meetings of BoG, special events during international gatherings like World Urban Forum and participation in dialogues of UN Habitat and City Alliance. Changing mind-sets of donors to reflect in increased flow of resources in the Fund is beginning to happen though the progress is still slow. Some of this resource flow is also directed at national/city/local level funds. It will be worthwhile to track how overall funding of affordable housing for the urban poor driven by the federations of urban poor themselves is moving over the next five years.
- c. Engagement with national and inter-governmental policy-makers is being accomplished through several strategies: engaging national ministers of housing through BoG meetings, specially crafted regional dialogues (like in Nairobi in April 2010) and in-country workshops/ consultations where regional/global Fund/SDI leaders are also present (like in Colombo in August 2010).
- d. A review of nature of policy changes at country level has been brought out through field visits to the four countries made in this review, as well as the report presented by the Secretariat to BoG. Targeting particular policy-makers in specific countries in politically opportune moments is SDI's strategic niche; given the growing size of the network, this political scanning task may be specifically mandated to regional hubs/ Coordinators for more effective attention in future.
- e. Historically, SDI has used its trans-country exchanges as opportunities to influence national and city level policy-makers and officials. These have served the Fund well, since readiness to make reforms for enabling urban poor- driven housing and urban infrastructure has been created in many countries. While these exchanges have historically been demand driven, and enabled on the basis of specific influencing objectives identified by a local affiliate, it may be worthwhile to explore which cities, countries and issues may be strategic from a regional/ global perspective for designing an exchange amongst peers. Considerations of size of urban poverty, cultural and political affiliations and global donor interests may be kept in mind in making such strategic choices.
- f. Engagements with inter-governmental and inter-agency actors like UN Habitat and City Alliance has been carried forward in bits and pieces; whenever a seat at the table has been provided, it has been occupied by the Fund/SDI. Its best consequence is reflected in some potentially joint initiatives in Uganda, Namibia and Kenya. Such opportunities may need to be harnessed with greater investment of capacity by the Fund/SDI to make a positive outcome from the vantage point of the urban poor. In addition, strategically

structured engagements by the Fund/SDI may be initiated with them at global levels on its own agendas and terms. Third party convening may be utilized in this regard so that partners may expand the convening capacity of SDI.

- g. Engagements with IULG, UCLG, CFLG, Citynet and other forums of municipal leaders have been attempted with limited efforts and outcomes so far. It is also perhaps premature to expect such engagements within the first three years of the establishment of the Fund. Previous engagements by SDI were in the mode of global federation of urban poor; with UPFI as its subsidiary, SDI/UPFI now may be viewed as not just 'demand-side' players but also engaged in 'supply-side' roles. Detailed regional and global mapping of such actors with a view to engage them on an ongoing basis may be evolved in the next phase of the work of the Fund. Depending on how regional hubs evolve, there may be an opportunity for further engaging these actors on this level.
- h. SDI had developed important partnerships with academics, technical experts and professional institutions from the very beginning; its relationship with IIED is the best example of this partnership. As the country level reviews have begun to show, there is a need for more aggressive engagement of technical experts and academic institutions in the field of urban poverty, housing finance, architecture and city planning. In addition, SDI can leverage its global knowledge to co-construct dialogues with influential academic and professional institutions and scholars; it may also utilize existing academic forums to insert its knowledge and perspectives.

1.8. Relations with national Funds

- a. One of the overarching rationales for setting up of UPFI as an international fund was to initially invite global funders to support federation-driven pro-poor urban housing programs at a large scale. Since the Fund began as a subsidiary of SDI, it has functioned to support, through capital and technical investments, national affiliates of SDI.
- b. It is clear from the progress made so far that the global Fund has been able to enable, through its capital and technical investments, emergence of national Funds being managed by the national/ city federations. These national funds are at least a combination of savings of federation members and UPFI moneys; they may be complemented by funds from public and private sources accessed for projects and subsidies from city/national governments. Since UPFI has treated its capital spends as investments in national funds, repayments, revolving receipts, interest payments and other capital subsidies become equity of the national funds.
- c. It appears that the relationship between SDI as a democratic federation of national/city federations of urban poor is a lot clearer than the emerging relationship between global Fund and national Funds. This is to be expected in this first round, but it needs to be analyzed and addressed going forward. Two considerations may be relevant here: first, the extent to which expansion of national funds is desirable and targeted? Second, the routing of such funding through global Fund or through donor investments directly in national funds? Each consideration has its rationales and implications, which need careful deliberations by SDI leadership.

- d. In the near term, it may be worthwhile to examine how national funds can be further formalized (almost akin to formalization and institutionalization of global fund in the past three years). In many cases, consultations within national affiliates may be facilitated by the global Fund to establish 3-5 year plans and goals for national funds. This may further enhance transparency and accountability of national funds, as well as create agreed mechanisms for cooperation between national and global funds.
- e. An approach like above may also enable the global Fund to focus its investments in new and emerging affiliates (markets) as a few of the 'older' national funds begin to develop a base and trajectory of their own. Such a strategy may require greater coordination with key donors so that global and national funds do not appear to be competing with each other. This may further be ensured through some form of inter-locking governing mechanisms which ensure 'mutual' accountability across national funds and global Fund.
- f. While this review has focused primarily upon the global UPFI, it suggests the need for more systematic review of national funds with a view to design a medium term strategic plan over the next 5-10 years. Such a review would begin to contextualize varying experiences, models, departures and innovations, within the broad agreements of SDI rituals. Scope, outreach and tactics for city-wide and nation-wide federation building may then be deliberated and articulated in different country contexts by the national federations and SDI. Finally, the plans may also outline strategies for migrating towards affordability and financial sustainability—be it through better client affordability or more leverage or both.

Section 6—Emerging Conclusions and Forward-looking Recommendations

In the preceding sections of this Report, various aspects of the establishment of the Urban Poor Fund International (UPFI) and its functioning over the past three years (2007-10) has been reviewed from various aspects. The analysis in these sections has drawn extensively on the field visits made to four selected countries (the Philippines, Malawi, Uganda and Zimbabwe), conversations with SDI leadership and key stakeholders, as well as perusal of various documents and reports.

The country level Reports have now been made available after revisions based on feedbacks from the country teams and SDI Secretariat. Each country Report includes a detailed analysis of the specific experience in that city/country context, and contains a set of specific suggestions and recommendations for the consideration of national alliances and their stakeholders. It is hoped that SDI leadership would facilitate country-wide reflections on these recommendations with a view to identify concrete follow-up in the city/country contexts.

In this final section of the review Report, overarching global conclusions and related recommendations have been summarized. It is hoped that these would become the basis for further reflections and related follow-up actions by the global SDI/UPFI leadership and its stakeholders.

1. Precedent-setting projects

- 1.1 Since the establishment of the UPFI three years ago, 22 precedent setting projects have been supported in 10 countries. The agreements with key donors of the Fund (Gates, Norway, SIDA) allowed for 50% of the grants to be invested in precedent-setting projects. Out of the share of 50% on investments in city level projects, 10% was earmarked to be spent on Technical Assistance (TA) in relation to the preparation and implementation of these projects.
- 1.2 In all these precedent setting projects, a blending of financial instruments has been attempted in relation to the specific contexts at the city and national levels. Such projects have contributed to focused mobilization of the membership of national/city federations as well as pace of savings among the households. While it is early stage in establishing actual outcomes of these 'capital spends' in projects, it is becoming clear that such projects serve multiple important functions for national federations and their membership, as well as for global SDI/UPFI and its stakeholders.
- 1.3 Going forward, the larger vision of SDI for inclusion of all urban poor households in the housing and infrastructure projects needs to be contextualized. Scalability for city-wide inclusion in each of the existing cities of capital spends is a big challenge for national affiliates and SDI/UPFI. Specifically, the questions related to affordable housing for all the urban poor may require innovative solutions within each city/national context. Questions related to affordability of housing for the urban poor are relevant for the membership of

the national/city federations since it poses choices related to size of loans to each household and the establishment of repayment rates. Answers to these issues of inclusion, scale and affordability are keys to the sustainability of the approach being experimented by UPFI.

- 1.4 It is suggested that SDI/UPFI engages its national affiliates in further substantive discussions among the membership to reach clarity on affordability, size of the loan and repayment rates/schedules project by project, city by city. These can then become the basis for tracking changes that inevitably occur in the very process of implementation, thereby generating new insights for further elaboration of SDI/UPFI policies and practices at global and national levels.

2. Policy Reforms

- 2.1 SDI has been at the forefront of influencing policies and regulatory frameworks of city and national governments, as well as those of international donors and agencies. The operation of UPFI has further reinforced this approach by specifically investing in technical assistance and federation-strengthening processes at city/national and global levels.
- 2.2 In particular, policy influencing has been key to move towards affordability of housing and inclusion of all the urban poor. Deliberate attempts focused on specific policies and regulations have resulted in some important successes at city/national levels. The reforms so affected have resulted in revisions of building and construction standards in such a way that costs of construction of dwellings have reduced considerably. Reforms of regulations have also enabled collectives of urban poor themselves to directly contribute to the designing of housing and related infrastructure, preparing materials (like bricks) for construction, and providing labour during construction. Such reforms have reinforced direct participation, and hence ownership, of the urban poor themselves in the production of affordable housing for their families and collectives.
- 2.3 Another focus of attempted reforms has been on gaining subsidies from national governments for affordable housing of the poor. In many countries, such subsidies for the urban poor have lacked behind the policies of subsidies available for the rural poor. Accessing public subsidies for the housing of the urban poor also furthers affordability and scalability at the city/national levels. Precedent-setting projects have been used to make a case for such policy and regulatory reforms.
- 2.4 A major issue in housing for the urban poor is security of tenure and availability of land. Land for housing of the urban poor is the most critical constraint. Private purchase of land in cities to house the urban poor immediately raises the costs considerably thereby negatively affecting affordability. Hence, SDI has been increasingly demanding access to public lands (or public provision of lands) for housing the urban poor. The resistance to such demands is to be expected, given the nature of existing land markets, policies that cities and national ministries adopt towards housing in general and the preponderance of market-driven perspectives across the world. The use of precedent setting projects for making a stronger case for public provisioning of land for housing the urban poor needs to be planned in the next phase much more systematically and assertively.

2.5 The Review also suggests the need for such systematization to utilize the emerging lessons from the precedent-setting projects for city-wide and nation-wide policy reforms in a durable and sustainable manner. National alliances may need to access additional technical and professional capacities for ensuring such scaling up of policy reforms. It is suggested that the Fund may be utilized towards this end in a strategic manner in the next phase.

3. Strengthening Capacities

- 3.1 The arrangement with key donors of UPFI has earmarked 50% of the funds towards strengthening of federation (out of which 15% have now been utilized towards the financing of the administrative and governance structures of SDI/UPFI). This support towards enhancing the capacities of the federations is an exceptionally unique and critical feature of the funding arrangements made over the past three years.
- 3.2 This support for federation strengthening activities has been most important input in ongoing and targeted enhancement of capacities of city/national federations and their leadership. Learning exchanges have been the preferred mode of supporting federation strengthening. These exchanges have focused on learning about mobilization of membership and savings, and other rituals of SDI like participatory enumerations. Exchanges have contributed to enhancing the capacities of leadership, especially among women. Capacities for influencing city/national governments and political negotiations for policy reforms have also been focused upon in these learning exchanges.
- 3.3 Another form of support for capacity enhancement has been to undertake habitation-wide and/or city-wide enumerations for profiling the urban poor as a basis for negotiations with city governments. Not only those capacities for participatory enumerations have thus been enhanced, but these enumerations have also provided important basis for negotiating access to affordable housing for the membership of the federations in some specific contexts.
- 3.4 It is suggested that such support may be made an ongoing part of the future work of the federation strengthening processes through the UPFI. In addition, the access to other capacity enhancement grants (Rockefeller Foundation, Misereor, etc) to SDI may be utilized to create a strategic thrust towards capacity enhancement for city/national federations, their support NGOs and other supportive stakeholders. SDI/UPFI leadership may consider more systematic and strategic attention towards evolving such strategic investments in the next phase.
- 3.5 In this context, it is imperative that focus of such capacity strengthening be at the city/national level. Their technical/professional capacities need further augmenting, going forward. In this sense, the emerging partnerships with academic and professional institutions at the city and national levels need to be enabled further. This may entail trans-national facilitation of nurturance of existing and new partnerships.

4. Building National Funds

- 4.1 One of the key objectives of UPFI is to be able to access global resources to strengthen local/national funds for the urban poor. Urban poor funds are further emerging at national levels in relation to the investments in precedent-setting projects. The key building blocks of such city and/or national level urban poor funds are the savings generated from the membership. In the course of designing and implementing precedent-setting projects, national affiliates have also been accessing other resources from the public and private donors in different contexts.
- 4.2 Since a lot of attention in the past three years had been focused on establishing and running UPFI as a global fund, it is now imperative to strategize for the building of national urban poor funds in the next phase of UPFI. Several issues may need to be addressed by the federations and alliances at city/national levels if urban poor funds at that level have to become robust and sustainable. First and foremost is the continuous attention to mobilization of savings by the membership. It may be useful to define broad trajectories for savings for those national funds which are in operation for a while.
- 4.3 In addition, the recycling of capital invested in precedent-setting projects may become another major source of revenue for these national funds. SDI/UPFI have made a policy that capital investments would not be recycled back to global level, and that all such recycling should be in the national funds. This policy can be effectively utilized by each affiliate to establish, in consultation with its membership, realistic and yet agreed repayment rates and schedules for capital spends made towards housing.
- 4.4 Going forward, SDI/UPFI may create a process by which membership of city/national federations engages in systematic deliberations to evolve medium-term (3-5 years) plans for their national funds which may include savings, capital recycling, accessing subsidies from governments and leveraging resources from private sources. UPFI investments may directly contribute to these plans, and SDI/UPFI may suggest to other donors to invest directly in these national funds, depending on the specific contexts.
- 4.5 However, developing such strategies would necessitate further institutionalization of such national funds, almost in a similar manner that institutional development of the global fund (UPFI) was undertaken during the past three years.

5. Systematization of Knowledge

- 5.1 The support of UPFI funding arrangements, as well as grants from other donors, has enabled SDI to utilize emerging experiences from city level projects for global policy advocacy. Its partnership with IIED (and others) has also contributed to ongoing systematization of knowledge generated through concrete practices on the ground.
- 5.2 The practice of SDI rituals, and their adaptations in different contexts, has resulted in numerous innovations in relation to savings, participatory enumerations and membership mobilization. These are needed to be further systematized to be made available at a pace and scale that is accessible to other stakeholders.

- 5.3 Likewise, emerging lessons from precedent-setting projects for regulations and standards, use of construction materials, design of housing, incremental approach, access to secure tenure and land, etc are important for sustained advocacy at national, regional and global levels.
- 5.4 It is suggested that SDI/UPFI reflect on mechanisms for undertaking such systematization at global levels on an ongoing basis; in light of its past experience with IIED, it may devise an exploration of new such partnerships with academic/professional institutions at trans-national levels. This may be particularly relevant to consider in light of linguistic (Spanish/Portuguese in Latin America, French in Africa) and contextual (south and south-east Asia) variations across its affiliates and their policy environments.
- 5.5 An excellent example of such a mapping of relevant actors is the draft document prepared by Peter Herle at the request of SDI; its analysis may be used by SDI/UPFI to more concertedly target actors in different arenas that have an impact on scaling-up affordable housing and improved urban infrastructure for the urban poor.
- 5.6 The purpose of such sustained systematization is both to facilitate further reflections within the movement and to disseminate it more proactively to others.

6. M&E at National Level

- 6.1 The process of implementation of learning exchanges and precedent-setting projects at the city/national levels supported by UPFI has begun to create preliminary processes of gathering and analyzing information about progress made by federation and alliances at city/national levels. The culture of discussions and reflections has emerged in most city/national level federations. The existing instruments of gathering data regarding progress achieved in implementation of projects, or savings and its recycling at the habitation/city levels is operating to varying degrees of efficiency in different locations. The support from other processes outside the UPFI (like the Rockefeller Foundation's grant to IPA and PRIA) is also contributing to further strengthening of learning and M&E mechanisms at national levels.
- 6.2 Going forward, it may be important to further strengthen the capacity of national affiliates (including support NGOs) to undertake more systematically outcome mapping, aggregating and tracking progress at a scale that makes sense to the planned activities of the affiliates. SDI may facilitate further reflections with affiliates to prioritize what information is critical for enhancing their impacts, and then support a process of capacity enhancement at city/national levels to improve their capacities for institutionalizing and undertaking M&E. In addition, support to city/national federations may be needed in learning to utilize such aggregated data for reflections and internal learning, as well as for external negotiations with governments and policy-makers.

7. Further Institutionalization

- 7.1 The institutionalization of UPFI has been achieved during the previous phase as per the requirements set down. Additional capacity in the Secretariat has been created for a variety of functions, like fund management, research/M&E, and enabling governance

functions (BOG, Council, Board, etc). Additionally, experienced and senior leaders of SDI have been appointed as Coordinators with some clear responsibilities.

- 7.2 Going forward, the new, and more integrated, arrangement for formal hosting of UPFI within SDI may necessitate some institutional adjustments. Likewise, routing of all donor funds directly to SDI (instead of the previous arrangement of through IIED) may further entail strengthening of certain capacities and systems, and lines of reporting/ accountability.
- 7.3 Another area for further restructuring is with respect to the mandates, roles and composition of BOG, especially in light of its recent decision to meet annually. It is also suggested that the system of classification of mature affiliates be reviewed in light of the experiences so far, and the emerging requirements and challenges of SDI-wide actions following from this Review. In addition, the roles and capacities of Regional Hubs may require further clarity and investments going forward, if these hubs have to become far more effective vehicles for scaling up the impacts.
- 7.4 As before, the restructuring and further institutionalization of SDI/UPFI should continue to focus on its strategic goals in the coming period.

8. Fast Track Leadership Strengthening

- 8.1 One of the central reasons for the success of SDI and UPFI has been the enormous leadership capacities at various levels of the federations. Sustained investment in leadership development has been made by the SDI/UPFI in the past.
- 8.2 However, the very success of SDI is attracting greater supply of resources and new opportunities at city/national and global/regional levels. As supply side scales up, demand side scaling up becomes critical. This is where fast-tracking leadership strengthening is needed to make use of such opportunities.
- 8.3 Going forward, the enormous personal trust among the founder leaders of SDI has created a social and mobilizational capital that grew over time. Next generation of federation leaders at city level and beyond may need to acquire that 'bonding' and connectivity on the run. While learning leadership takes its own course, it may be worthwhile to reflect on ways that the process can be provided with some catalytic interventions.
- 8.4 Likewise, leadership of support NGOs may require some attention too; if support NGOs perform some critical functions, then they have to keep pace with the development of federation leadership. Some thought may also be given to sensitize the leadership of professionals and politicians in order to create more supportive environments.

9. Growth Strategy

- 9.1 Finally, the growth of SDI in various countries and regions has been quite impressive. In most situations, federation building within a single national umbrella has been carried out. There are several implications for this growth, as the Review has highlighted. SDI needs

to come to terms with its global presence and growth; in so doing, it needs to reflect upon how to stabilize, institutionalize and sustain this growth in the next period.

- 9.2 In recent years, in some countries, national affiliates have invited other collectives of the urban poor (who are not a part of the federation itself) and some select NGOs to participate in learning exchanges, discussions on affordable housing, etc. This is indeed a welcome trend.
- 9.3 The issue that SDI may want to reflect upon is essentially that of its future growth strategy. If demand from the urban poor for affordable housing is increasing across the world, then scaling up federations and alliances with support NGOs may be critical. How would SDI like to move forward on this account? Would it encourage other initiatives that build collectives of the urban poor in cities and countries? Would it support sensitization and capacity enhancement of support NGOs to scale-up? Would it further promote national and regional coalitions of collectives of urban poor, support NGOs, professionals and policy-makers to develop the critical mass needed for substantial scaling up of housing for the urban poor?
- 9.4 There are no easy or clear-cut answers to these issues across the world; but, some reflections on these may enable forward-looking thinking in the SDI leadership globally.
- 9.5 The Review team focused on UPFI (as per its mandate); in so doing, it began to gain some insights into the governance, strategies, leadership and challenges of SDI; therefore, the above reflections are pointers towards the need for more in-depth exploration and redefinitions for SDI in light of its own long-term visions and directions.