

**ENABLING COMMUNITIES AND MARKETS:
MEANINGS, RELATIONSHIPS AND OPTIONS IN SETTLEMENT
IMPROVEMENT**

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1. INTRODUCTION

In the current debate about post-Structural Adjustment Policies (SAP), a discussion of “enablement” and “enabling policies” is of interest. SAP has undermined the belief in a developmental state in which central authority acted as the caretaker and organizer. Yet neo-liberal thinking underlying SAP fails to recognise sufficiently that “inclusive” markets will not emerge automatically, and that market dynamics by themselves do not generate optimal effects, especially not from the perspective of the poor. Enabling policies help ensure that more attention be given to better regulation, not just to de-regulation. For a good functioning of the market, where all agents including the poor can become optimally productive, regulation and pro-poor stimulating policies are required.

Enabling policies are neither synonymous with, nor stand in opposition to, neo-liberal thinking. They occupy an in-between position: are neither caretaker nor night watchman. Enabling policies—that is the enablement of communities and markets—assume that the economy (and society) flourishes better when the position of the poor is strengthened, both vis à vis the state and in relation to other parties in the market place.

In this paper we take up such enabling policies, on the basis of work done in connection with an UNCHS/Habitat “expert Conference” in Cape Town (October 1998). We briefly sketch the background of this Conference. We also refer to some of our own previous research we had done on the effectiveness of community initiative and management, and on government enablement, in the area of settlement-improvement. This material helps to give depth and specificity to the evolution of thinking about enablement, and about community and market-enabling policies in a particular field, including possible and actual tensions and conflicts between these two. Hopefully, by proceeding in this way, we may illuminate theorizing and policy making in a particular field—settlement improvement and urban poverty reduction—yet at the same time make a contribution to the broader search for alternative development policies and strategies.

In October 1998 UNCHS/Habitat organised an “expert workshop” in Cape Town around the question whether and how its Community Development Programme (CDP), which focused on slum improvement in southern countries, should acknowledge if not in-

corporate market enabling policies¹. During its previous decade of work, the CDP had proven to be effective in achieving its mission—settlement improvement, including habitat, basic services and income & employment generation—in a context of “participatory urban governance”. Hereby, the programme had granted a central role to community organisation and management, supported—at least in principle—by an enabling role of central and local government. Now the question arose, whether this programme so far primarily based on community enablement (CE) should also integrate market enablement (ME) as a strategic component, and if so, how? What was the specific meaning of both and how should their relationship be seen, from the perspective of the urban poor? Would these two be compatible at all? Key questions were:

1. How can government enablement of communities, as currently practised in ‘participatory urban governance’ be ‘mainstreamed’ and brought into the wider debate of development policy;
2. How can UNCHS best respond to government enablement of markets, taking into account the fundamental goals of participatory urban governance to empower poor communities through settlement improvement and poverty alleviation;
3. What is the relationship between government enablement of communities and government enablement of markets?

This Working Paper is organised as follows. It begins in part I with a set of conceptual and policy issues related to community and market enablement in connection with settlement improvement of the urban poor and with local development. We start by looking at community and market enablement separately, then at the relationship between these two. In part II we proceed to discuss a set of more operational issues, located particularly

¹ The conference brought together policy makers and practitioners, researchers and administrators in the fields of slum-improvement and local development. Chris Williams from Habitat wrote a conference conceptual paper. Practitioners and academics attending the meeting submitted a number of papers, reporting cases of community and/or market enablement in African, Asian and Latin American cities, especially in the field of basic service delivery. Both of us had previously evaluated the CDP conceptually and empirically, and in that connection worked on community management and government enablement as applied in the CDP. During the conference Helmsing wrote a draft-paper addressing especially market enablement, drawing on many inputs delivered at the conference itself. The paper developed by Wils meant as a synthesis paper was written afterwards. The papers and proceedings of the conference were never published, yet in our view some of the papers’ basic ideas and the discussions at the Conference are probably of interest and relevance to a wider audience. Therefore we decided to combine our contributions into the present Working Paper. We also use the opportunity to bring in, where useful, results from our previous research on the CDP of Habitat.

in the areas of basic service delivery and income and employment generation. Here we also briefly examine possible combination of actors involved, and distinguish, in this connection, between the urban poor as consumers, workers, producers and as citizens. In the end we attempt to draw some implications of this discussion for policy and research.

PART I

2. COMMUNITY AND MARKET ENABLEMENT: SOME CONCEPTUAL AND POLICY ISSUES

2.1 Background of community and market enablement in UNCHS/Habitat's Community Development Programme (CDP): some antecedents

In the area of settlement improvement—central to the mission of UNCHS/Habitat—since the 70s and 80s a Turner line of thinking (Turner, J, 1968, 1976) began to prevail. It put emphasis, increasingly, on the dynamic initiative of slum dwellers themselves, and criticized top-down policies, which in practice consistently proved to be little effective, very costly and unsustainable, and failing to reach the urban poor and meet their massive demand for housing and services. Along these lines a call was made for government policies to enable bottom-up initiative in settlement improvement. In first instance, this meant “government policies for community enablement” (CE), implying—in the case of UNCHS which became quite active in this field—both community participation, organisation and community management. In its policy papers but also in the application thereof in a series of concrete projects on the ground, in seven southern countries, UNCHS focussed primarily on community participation (CP) and community management (CM). In a sense quite “typically”—as everybody else was doing the same, ranging from the WB, UNDP, FAO and USAID to NGOs (Wils, F. & van Rijn, H., 1996)—the community side occupied centre stage, while government enablement though conceptually recognised, at least in principle, still remained in the shadow. Hence, community participation and management, in UNCHS practice, proceeded mostly without explicit and systematic support of government enabling policies.

In our own evaluation of the Habitat/CDP, both elements were looked at: the community and the government enablement side. On the community side, both “internal” and

“external” elements were distinguished, the former focused on internal dynamics and organisation, the latter dealing with a community-based organisation’s (CBO) linkages to the outside world, including its autonomy vis à vis government and parties, and its capacity to bargain or negotiate with public and private agencies. A clear differentiation was also made between “community participation” and “community management”, the latter including as one of its most strategic element the capacity of the organised community to plan, implement, monitor and evaluate its own prioritised activities (PMES). At the empirical level, it was found that CDP—like many other agents—paid far more attention (as is fairly characteristic in a project mode) to internal than to external elements. Moreover, that for effective slum improvement (pertaining to both habitat, services and income & employment generation) community management proved to be quite significant whereas community participation by itself did not.

In connection with “government enablement”, a major distinction was made in our evaluative study between enablement of markets (EM) and enablement of communities (CE). In relation to the CE, three major levels were identified: enablement at the level of planning, administration and/or financing. In our study the question was raised whether and to what extent central and local governments did make—de jure and/or de facto—specific provisions for the role, rights or entitlements, and for the representation of CBOs of the poor, at these three levels: in the design and procedures of planning, administration and financing, as related to settlement improvement and local development (Wils, F. & Helmsing, A., 1996). At an empirical level, it was found that at least in the case of CDP’s own projects, “government enablement” had not yet become an explicit area of systematic attention of its own (Wils, F. & Helmsing, A., 1997). Besides, to the extent that it existed at all in the 23 cases analysed in the seven country studies, it extended only to planning, hardly if at all to the other two levels. In general, very rarely room was made for CBOs of the urban poor in a systematic way and on an institutional (let alone legal) basis. Restated in another, more traditional terminology: in most instances, bottom-up initiative and planning did not (yet) meet with an organic, positive and organised response from government whether local or national.

The Cape Town conference, as noted, still focused on settlement and slum-improvement, began looking more systematically at government enablement, especially

the possibilities and limitations of government enablement in the field of markets, an area recognised to be much more in vogue than the enablement of communities. The UNCHS interest in the former derived from its concern with the real and perceived drawbacks of market dynamics for the urban poor, particularly in such areas as land markets, access to basic services and so on. The underlying issue (as evident in the guiding question (ii) above) was whether such market enablement would be—or could be made—compatible with settlement improvement and the struggle against poverty, as required by Habitat's mandate? Or putting it even more precisely: can community and market enablement be combined, or are they mutually antagonistic?

Now, in tackling such issues it proved to be necessary for analysis and the search for answers, already at the conference, to first define certain points of departure. These have especially to do with what sort of objectives one seeks to achieve and whose interests, particularly in relation to the urban poor?

2.2 Points of departure

To start with, in view of what happened at the expert meeting, it is important to stress from the very outset that the term 'enablement' is *not* meant to imply that communities and markets would and could not exist and function by themselves, that is, *without* third parties—be they government, NGOs or other agents—somehow allowing or 'enabling' them to do so. Nonetheless, the rather obvious 'paternalistic' connotations of the term 'enablement' should not obscure the recognition that markets and communities do not exist in a vacuum. Both contextual and more proximate factors, agents and processes condition their degrees of freedom and directionality. Indeed, one of the purposes of the whole exercise was to trace such conditions and the effects thereof².

A key issue is the underlying focus, namely a concern for poverty reduction and improvement of poor settlements. This focus guides the analysis and helps to provide orientation and coherence to the frame of reference in which community and market enable-

² In the discussions at the meeting, as in John Abbott's paper, references were made to regional differences between Africa, Asia and Latin America in terms of the autonomy and role of local communities and their relationship with the state. Decentralisation, good governance reforms and civic reconstruction after periods of major domestic conflict (including terrorism and the struggle against apartheid) were identified as important contextual factors generating significant shifts in this relationship

ment are to be situated. The importance of this point will be noted in a moment's reflection. We will *not* be looking at 'markets' in general but at ways in which market-dynamics affect the poor and their communities. Nor will we be looking at community 'enablers' like local governments (LGOs) and non-governmental organisations (NGOs) in and by themselves,--however interesting such an analysis might be. This means that we will not be looking at LGOs, for example, from the perspective of UNCHS's own Urban Management Programme and its interest in strengthening the administrative capacity of municipalities. Instead, we will try to maintain a focus consistent with CDP's own mission, which has been defined at the level of the grassroots poor and their settlements³. It is obviously quite consistent with this mission to consider LGOs, NGOs and others like the private sector as significant agents, virtual partners and even as important target groups of action, also on the part of CDP. But they should be approached from the point of view of their relationships with the urban poor. Discussing community and market enablement and the linkages between them from the perspective of a common CDP focus will greatly facilitate the analysis of their interconnection.

2.3 Conceptualising government enablement of communities

We will now begin by looking, first, at poor communities and their enablement, taking up later the enablement of markets. Concerning communities it makes sense to take a brief look at "communities" by themselves, as a subject and object of policy. Clearly, communities cannot be taken for granted, let alone community-based organisations or CBOs. As is well known, the development and sustainability of communities is problematic and represents a whole field of study and interventions (e.g. Cleaver, 1999). Indeed, the concept of 'community' itself is a complex issue. Think, for example, of the relationship between households and community leaders; of recurrent differential rates of participation and benefits on the part of members, influenced by factors like income, ethnicity and gender; of the variable capacity of organised settlements to define a common action plans, and to participate in their execution, monitoring and evaluation. These and other 'internal' elements of community organisation and management are difficult by them-

³This focus helps CDP retain its own identity and hence its capacity to provide inputs complimentary to--and not substitutive of--the Urban Management Programme.

selves. But in addition, on the ‘external’ front, CBOs need to develop a capacity for networking with other CBOs and alliances with other actors, for bargaining with LGOs and NGOs, while developing and maintaining, preferably, some degree of autonomy in the process,--something which often proves to be quite a challenge (Wils, F. & van Rijn, H, 1996, ch. 3).

The ‘external connection’ of poor CBOs and their insertion into civic society are themselves complex questions, indeed. Not infrequently, dispersed or atomised households in poor settlements get galvanised into CBOs as a direct result of outside (not internal) interventions of NGOs or (L)GO agencies. Under such conditions, CBOs find it often hard to free themselves from external dependency and develop an autonomous and assertive posture of their own, where and when needed. In other circumstances, CBOs are combative from the start, especially when linked to social movements or based on longer existing, traditional and autonomous village or neighbourhood communities, and on second and third level associations thereof. Caste, religious and/or regional factors, too, play a role when it comes to defining the location of poor communities in a society and its connections with government⁴.

All of this implies that ‘community enablement’—when seen, minimally, as the promotion or facilitation of community organisation (CBOs) in poor settlements—already represents quite a challenge for analysis and action, both in its internal and in its external dimensions. It becomes even more challenging when ‘community enablement’ goes beyond this minimal level and begins to refer more specifically—as happened in the expert meeting at Capetown—to the way in which community initiative and action are getting embedded in government structures and procedures. It is worthwhile to briefly review some different ways in which CE was defined in that meeting.

⁴ Attitudes of civil servants to the poor, for example, are of great importance. Do they consider the poor themselves capable of playing a crucial role in solving their own problems, or that only the state has that capacity? Do they actually visit poor settlements, their assemblies and leaders, or do they stay aloof and away? Do caste and ethnic distance have something to do with these attitudes and relationships? Though there are some data on these questions still we know very little about these crucial interstices between the poor, state and society. (Wils, F. & Helmsing, A.,1997)

2.3.1. Community enablement defined

An attractive definition of Community Enablement (CE) was provided by one of the discussion groups: 'CE means *external* especially government *support* for Community Participation and Community Management'. It is attractive because it is simple and links CE directly to the strategic formula underlying CDP's work during the last 10-15 years. Indeed, it emphasises—as intended—community initiative which receives support from a responsive and facilitating rather than interventionist central or local government,—based on the recognition of the dynamic and sustained drive of poor settlers themselves. Implicit in this definition is also a community's capacity in the field of PMES: to identify and prioritise its own needs, actively participate and guide the implementation of programmed activities, and monitor and evaluate and so learn from its own actions. As our research had shown, it is this participatory Community Management rather than Community Participation in general⁵ which forms the crucial element in CDP's 'bottom up' approach.

The definition of CE as provided by Helmsing carries matters further. In keeping with previous work on the conceptualisation of enablement, he writes that 'Government enablement of community action may be defined as (local) government(s) creating appropriate legal, administrative (including financial) and planning frameworks to facilitate community organisation, management and action' (Helmsing, A., 1999). It is this *framework* which lays an institutional base for community initiative, incorporating it at various levels into public systems and procedures. While maintaining a clear linkage to previous work of CDP, Helmsing's definition of CE provides an operational precision to what in the previous definition was referred to as 'external support'. In a sense, it emphasises the role of the urban poor as *citizens*. Note further, that though banks and NGOs, too, may 'enable' community action, it is only government which can legalise and help institutionalise such action. Secondly, in this view of CE, government support for community initiative is carried well beyond the level of incidental actions on the part of say, a good-willing populist local government, however important such **ad hoc** support may be. In this sense, however, in view of the on the whole still weakly institutionalised basis for community action, the

⁵ Community Participation defined as belonging to a CBO, attending its meetings and so on.

call of Helmsing for legal and institutional appropriate frameworks of CE can be seen as demanding yet also crucial.

Nonetheless, Williams' background paper for the conference basically assumed that a certain degree of institutionalisation is already in place. He refers to CE:

as a set of public management practices and regulations local governments pursue to engage civic organisations and intermediaries in order to: (i) work with civic groups within a legally recognised framework, (ii) improve municipal services and extend these to all parts of the city, (iii) plan and manage city-wide, large scale infrastructure projects, (iv) allocate resources and direct multi-sector municipal investments to include low-income areas, (v) and establish frameworks for decentralised city governance that ensure the equal, gender-conscious and participatory management of cities (p.5).

This definition locates CE specifically within several programmatic fields of action of local government, in the context of local development, suggesting a sort of institutionalised collaborative engagement or partnership in these fields with civic organisations. As such, while identifying a quite operational agenda for CE this definition does not show a clear linkage to previous CDP work related to community initiative, action and management. Nor does it lend a privileged status specifically to poor settlements as crucial agents or counterparts of local government, in connection with poor settlement improvement and poverty reduction. In a sense, this definition of CE provides more a kind of broad participatory 'urban management' agenda of local government (LGO), than a projection of CDP's idiosyncratic approach which is centred on a poor community's own initiative and action, supported by a government's 'enabling' or 'facilitating' policy⁶.

Besides, this discussion brings us back to one of the basic issues of CE discussed at the meeting, as noted by John Abbott, namely, to the role of community initiative as compared to that of local government (Abbot, J. 1999, p.8). The term CE, as the last definition shows, does tend to emphasise public intervention of LGO with regard to communities. Indeed, most case studies presented at the workshop and during group discussions under the heading of 'Community Enablement' did likewise: most referred to initiatives taken by local governments and sometimes by national government, to promote local development

⁶ Indeed, the title of Williams' background paper is quite clear and explicit on this point. It refers to 'Government enablement of community and market: practical approaches for local government to facilitate participatory settlement improvements'. Greater activism of local governments in favour of the poor is desirable, no doubt. The crux of the matter is, however, that it should not be of the traditional 'interventionist' kind, but of a new 'enabling' or 'facilitating' nature, which is far more difficult to implement.

in general, *including* that of poor settlements. However, the loop backwards to poor settlement improvement and the community's own role therein, was rarely worked out explicitly in these studies. Even without recurring to Abbott's own elaborate framework of CE and its evolution, which unfortunately was not discussed at all at the expert meeting, it is clear that the lack of this loop bringing the discussion back to the role of the organised poor themselves, underlines the need for focus in connection with Community Enablement. As noted earlier, from a CDP perspective, the main focus with regard to the relationship between poor communities and local government, should be on the former. Even when (L)GO agencies act first in the 'enablement' of community initiative, the question remains how the latter can be catalysed, capitalised and granted the strategic place it deserves in poverty reduction and settlement improvement.⁷

2.3.2 *Community enablement or disablement?*

It would be awkward and unnecessary, however, to ascribe absolute primacy, in connection with CE, to a community's own and organised initiative in time and sequence. As the workshop's case studies and much additional evidence show, settlers may and do show great dynamism at an individual level. Yet when it comes to organised action as a collectivity, it is often NGOs, local governments, multi/bilateral agencies or even wider associations of CBOs, which stimulate local poor settlers to organise and get their act together. Really independent local initiative is there but varies very much from region to region, from country to country. Local CBOs may or they may not develop into, or remain, autonomous agents, independent from third parties, be they public or private. But whatever the origins, our research suggests that CBOs with proper training and under certain conditions—including the development of good leadership, an apex organisation, a resource base of their own and a constructive LGO response—may and do achieve a (certain) capacity to develop their own organisation and apply some kind of participatory Planning, Monitoring and Evaluation System (PMES) for organised action. This is by no means a

⁷ The same applies, of course, to NGOs, which often work closer to poor communities than GO-agencies. But in the case of NGOs, too, the question of 'enablement' is a real one: the risk of vanguardism and creation of dependencies rather than systematically promoting self reliance, is there. Many NGOs do not yet dispose of strategies and methods to progressively transform their relationships with poor communities (Wils, F. and Acharya, S.1997).

linear process, but one with ups and downs (Wils, F. & Helmsing, A., 1997; Wils, F. & Acharya, S.K, 1997).

What precisely the effects are of embedding CE institutionally, through decentralisation and other special legal arrangements, is not yet well understood. Even when enjoying a certain institutional base, the continued dynamism, autonomy and even the effectiveness of CBOs may by no means be assured. CBOs may--as seems to happen to some extent in countries like Ghana, Uganda and Brazil—not just be incorporated but ‘coopted’ by decentralised local systems and/or party-based regimes. From this viewpoint, community enablement in an institutionalised sense may in effect also entail, to some extent, a disablement of communities. To restate this in slightly different terms: community enablement presumably helps, first, to create conditions for (further or subsequent) community action and management at settlement level. But it may also help create an institutionalised space for CBO-representation and participation in higher and broader platforms of decision-making and resource allocation. The latter may or may not imply not just enhanced empowerment of CBOs—especially when organised in zonal or city- wide associations. It may or may not mean that CBOs continue to be, or are rendered into, a kind of extension of the public governance and administration system at grassroot level - *without* providing the CBOs with a solid and sufficiently independent base from which to (continue to) protagonise the interests of the poor, critically or constructively as the case may be. What modalities in the relationships between CBOs and LGOs ensue, and under what conditions, is an important subject for research⁸.

2.4 Conceptualising government enablement of markets

Turning now from community to market enablement, it is important to emphasise that there are important differences between government enablement of communities (CE) and government enablement of markets (EM). The former (CE) concerns primarily government measures to facilitate communities to manage their *collective* goals. In contrast,

⁸As discussion groups noted and was also shown in the study of Wils and Helmsing on the CDP ‘on the ground’, there appear to be notable regional differences in the relationship between poor communities and LGOs: more distant if not antagonistic in Latin American countries, and closer if not pragmatic in African countries. In the latter, communities tend to be more incorporated into public governance and administrative structures. (Wils, F. & Helmsing, A., 1997).

EM concerns the creation of an environment, which facilitates entrepreneurs and enterprises to pursue their *private* goals. The latter includes the removal of barriers and the creation of institutions supporting and regulating market exchange.

EM has extended itself in the nineties to all major areas of public policy, many of these far removed from the direct concerns of 'participatory urban governance'. Since the latter works directly with communities in matters concerning settlement improvement and urban poverty, it is necessary, once more, that EM be looked at *from the perspective of communities and community empowerment*. One cannot afford to look only at government enablement of markets, as market processes are likely, more than ever before, to affect community action, participation and management, in relation to settlement improvement and poverty alleviation.

Important areas of contact and potential conflict between CE and EM relate to the restructuring of public sector delivery of basic infrastructure and services. It should be noted here that the restructuring of public sector service delivery has deeper causes that go much beyond policies to enable markets and which also historically precede the latter (Bennett, R.J., 1990; Helmsing, A. 1999). Notwithstanding, governments in many countries increasingly decentralise the creation and management of basic infrastructure and services to markets in order to achieve more efficient and more demand-driven service delivery and to stimulate private sector growth. Private sector involvement may range from full privatisation of services that previously were owned and run by the public sector, to different forms of subcontracting of inputs and to out-contracting of delivery in which case the public sector retains key responsibilities.

As governments decentralise more to markets, the domain for community management of basic infrastructure and services may actually shrink and the relationships between communities and governments may undergo important changes. For example, policies and proposals for community management of basic services put forward with the aim to replace inadequate public sector delivery, may now have to *compete* with proposals for private sector based delivery. If and when governments in particular countries have decentralised responsibilities for service delivery to the private sector and by-passed, for good or bad reasons, communities to organise delivery themselves, these communities would need to develop new strategies towards governments to ensure their access to the new private

sector based services. In such a context, communities would also need to develop new responses towards the new private sector service providers.

The relationships between markets and poor communities are, however, by no means clear and straightforward (Helmsing, A. & vd Bos, L., 1998). Several instances may be distinguished. One is a positive sum game situation, often portrayed by the World Bank, whereby the extension of markets creates more competition and this may lead to lower costs/prices, benefiting the poor. Market enablement may assist in the removal of barriers and this may contribute to enhance competitive advantages of small producers. Hence, both on cost and incomes, on the demand and on the supply side, markets and market enablement may have favourable effects for the urban poor. Goods and services become more affordable and supply is more attuned to the specific demands of the poor. There are also less favourable scenarios. Markets may be effectively attending to the profitable demand of middle and high income groups but may ignore the not so effective demand of low income groups. Market enablement will give the market greater capacity to take care of the middle and higher income demand. The positive side of this would be that this may make available resources which the state can reallocate towards facilitating the poor to take care of their own needs. A third instance is that of essentially parallel or dualistic markets. The point of departure concerning dualism here is not the alleged rationality of the informal sector but formal sector pursuit for profit. It argues that the demands of the poor are not commercially interesting or profitable. Thus, enablement of markets will not directly affect the poor. A fourth scenario stresses the negative effects, which markets and market enablement may have on the urban poor. It claims that market enablement will advance commercialisation, for example of urban land and of housing, and this will drive up prices and contribute to a worsening of the position of the poor who in all respects are the weakest market party. Depending on specific goods and on particular circumstances one or another situation may apply. More research is needed to be able to determine actual trends and variations.

From the perspective of community empowerment, there are several avenues for policy and for action in relation to markets:

1. To strengthen and re-orient 'community voice' (that is, the poor as citizens) towards issues of *regulation* of markets, in terms of strengthening the 'market position' of urban poor and communities as *consumers, as workers and as producers*.
2. To enable *community enterprises* to compete with private enterprises in the delivery of basic services, there where appropriate, so as to ensure access of community members to these services (poor as producers and as consumers)
3. To promote *small businesses* as a key component of employment and income generation programmes (poor as producers)
4. To increase *employability of urban poor* in increasingly flexible urban labour markets (poor as workers)

These avenues will be further explored in Part II, which is dedicated less to conceptual and more to operational issues.

2.5 Relationship between community and market enablement.

While discussing community and market enablement largely by themselves, we have already begun to enter into the relationship between these two, reviewing some practical rather than conceptual connections. Yet before continuing the discussion along such operational lines, we need first to analyse this relationship on a more systematic basis and at a conceptual level.

The relationship between community and market—and their enablement—can be looked at, at different levels. Firstly, at a highly abstract level, 'community' and 'market' can hardly be linked, indeed, they are even hard to compare: the one relates to a particular social unit with certain special characteristics, the other to an exchange relationship between parties. In a Weberian order of things, however, at a less abstract level, and in the context of government enablement of communities, we are dealing with *two different types of social relationships*: on the one hand, with 'vertical' relationships between communities and state or government, marked by authority (as legitimised power) and subordination. Whereas, on the other hand, in the case of markets and market enablement, we are dealing with 'horizontal' relationships between actors in the marketplace; indeed, the 'horizontality' itself (i.e. number and degree of equality of the parties involved) becomes of great importance for the constitution and the 'proper' dynamics of markets. The features of both types

of relationships can of course be duly elaborated, as Weber has done, each in their own realm.

From the perspective of the connection between these two types of social relationships, it can be argued that the exchange relationship is not situated in a vacuum. Associations of parties in the market place, as well as the state, define through a political process of rule-making a regulatory framework for markets at the local, national and even international level. In this political process, (associations of) poor communities, too, can and do intervene; this is what can be referred to as their 'indirect' market intervention, via the political channel. Indeed, one could go further and argue that even in the political realm itself (associations of) grassroots communities are not simply and completely subordinated to public authority: they can and—under conditions such as effective decentralisation, broadly based organisation and support from allies—they do help shape the structure, tasks and resources of that authority itself, and they attempt to influence its structure and policies. Hence, to construe a dualist and asymptotic concept of market and community is possible, at a very abstract level. But in reality, both are linked directly as well as indirectly.

At yet another, second, level: in a *typology of human relationships and values involved*, 'community' and 'market', too, are seen as quite different if not opposed to one another. Then, community appears as a 'warm', group-based and a 'human' space marked by values like equity, accountability and solidarity. The marketplace, by contrast, is seen as cold, inhuman, individualistic and marked by values like instrumental rationality, efficiency and individual profit. This simple typology has, of course, a certain degree of conceptual and empirical validity. As we saw, a market-driven calculus of costs and prices, especially in a privatised delivery of services, may well lead to limitations in access. That is an empirical and operational matter. At a conceptual level, however, things are more complicated. Then there is not just a dichotomy but also an area of congruence. Communities are *not* just an arena for warm solidarity and equity; in some instances they may be. But poor households, too, as well as their CBOs are interested—especially as consumers, producers and workers—in an optimal use of their scarce resources, for example, in low cost of goods and services, and in efficiency and instrumental rationality of their own communal or private enterprises.

Hence, the degree of convergence or opposition between CE and ME depends, to a large extent, on the role which a CBO or association performs. When defending collective interests of the poor as citizens, in getting incorporated into governmental structures and procedures, associations of the poor act primarily as political, not as economic agents; then community values may be quite predominant. Also when acting as a social movement of consumers in the market place, claiming subsidies for housing, the organised poor—motivated by values like solidarity and equity—explicitly *oppose* the unfettered dynamics of market forces. In this case, the political force of poor communities clearly helps to limit and condition the working of supply and demand. Nonetheless, when bargaining with suppliers as a collective group of consumers for lower costs and for a levelling of the playing field, economic and market-oriented motives also play a role, for example, a calculus of what would be sustainable housing and food costs for a sector of poor households. Next, when CBOs as representatives of member-households bargain with LGO or private companies over the price and quality of services (say, drinking water) or the provision of credit; when they set up and operate their own communal firms; or when they organise a tender for the construction of community facilities; then they apply, presumably, the same instrumental rationality as other market agents.

At a third level—that of *underlying assumptions*—market and community enablement though in part marked by different assumptions, also share quite a few; this can be derived from the background paper for the expert meeting (Williams, ps 5-7). Indeed, in the field of settlement-improvement (SI) and poverty reduction (PR), both CE and ME assume (i) that the poor settler's own initiative acts as 'the' driving force; (ii) that such 'private initiative' offers the best guarantee that public supply effectively answers grassroots demand; (iii) that provided the poor themselves participate actively, it is more likely that beneficiaries contribute their own inputs, and are more willing to pay a user's fee; and hence, (iv) that in such conditions costs will probably be lower, operations and maintenance notably facilitated, and sustainability improved. Besides, (v) both CBOs and the private sector are assumed to be more efficient than government agencies in the delivery of services.

Finally, when looked at in a *logical but also temporal perspective*, in terms of sequence in time, CE can be considered as a *precondition* for the intervention of the organ-

ised poor in the market place, whether directly as an organised group of consumers, producers or workers who are active in the market, relying on their aggregate demand or supply capacity, or indirectly, as a political force trying to influence policies and market-regulatory frameworks. From this perspective, CE and ME are, in a sense, complimentary rather than antagonistic.

Summing up, at a conceptual level the relationship between community and market enablement is not straightforward. In some ways it is: for poor communities to be active in the market as an organised collectivity, community organisation is a requisite, so in a logical and temporal sense CE comes usually first. Also from another point of view—referring to the assumptions underlying CE and ME—they share quite a few especially those revolving around the role of private initiative; presumably, these also extend to the poor and their participatory action.

This brings us to the strategic issue of the actors involved in community and market enablement especially in the context of settlement improvement and reduction of poverty.

2.6 Actors

An important issue of debate concerns the actors. The range of actors has increased, including governments, communities and their organisations, non-governmental organisations and now also private enterprises and their business associations. The debate on enablement has made clear that governments continue to play a role, albeit a different one, alongside communities. Communities and their community-based organizations (CBO's) continue to be principal actors but are themselves undergoing changes.

As regards community organisations, it is important to make a distinction between grassroots territorial CBO's and 'self selected' grassroots groups. The former type is all encompassing and broadly representative of (often) multi-purpose organisations. Often, territorial CBO's are framed by local tradition and custom and increasingly also by local or national government legislation. They do not necessarily have a democratic leadership. Examples are Baranguay in the Philippines, Residents Committees in Zambia, Unit Committees and the Community Improvement Committees in Ghana, the Territorial Base Organisations in Bolivia, the Community Development Councils in Sri Lanka. A women's savings club is an example of a 'self selected' grassroots group. Such groups are mostly

single purpose oriented, more homogeneous and are less hierarchical. Every member participates by virtue of its accepted membership. Whereas territorial CBO's have been the main focus of community development efforts in view of their public character, in the context of the markets, self selected community groups become more important.

A second important issue in strengthening the market position of community groups concerns the formation of second and third level community organisations: i.e. associations of grassroots groups and federations of associations. The establishment of associations and federations has several important advantages. Firstly, numbers raise voice. Apex organisations can yield a more than proportional influence. Secondly, associations can facilitate sharing of information and experiences. Thirdly, thanks to their larger size and scale of operation, associations can undertake functions, which are not feasible at CBO level. Second and third tier organization can strengthen the autonomy of CBO's vis a vis the state as well as the market.

Second and third level organisations may develop in two different directions, within a particular sector, or territorially, representing communities at greater or higher spatial scales. It is important to note here that sector associations can contribute to strengthen the market position of particular functional groups as well as lobby local governments for particular group interests.

The importance of second tier organisation was clearly expressed by the South African Homeless Peoples Federation (SAHPF):

If saving is the key ingredient for uniting women in a single settlement so that they can stand a better chance of playing a central role in decision making and development, then a federation of these autonomous groups creates unity amongst the poor. It provides a platform from which an organised and self-reliant movement of the poor can engage formal institutions such as banks, developers, governments, universities and other professional institutions...Without a federation of community organizations, development is likely to be reduced to either isolated local level projects that cannot be replicated on a scale, or to private sector intervention underpinned by public sector guarantees, or social engineering by governments, international aid agencies or by university trained experts (SAHPF, 1998:12).

As regards governments, the community development focus has directed itself increasingly towards *local governments*. They are more and more recognised as a key player in enhancing the enablement of communities. It should be noted however that in relation to market enablement central governments play a crucial role. Central governments regulate

markets and are responsible for defining processes of decentralisation in the delivery of basic services, to local governments, to markets and to communities.

The SAHPF, for example, considers it necessary for the same reasons that it has to influence government policies at national, sector and provincial level in order for local groups to achieve results in their local actions. A good case is the people settlement projects, which involves local groups, landowners, local governments, the National Housing Department and the South African Land Bank.

The development of *market institutions* is primarily nation-wide or on even larger spatial scale and often takes place in the context of considerable economic disparities between regions, localities and neighbourhoods. It is a key challenge to achieve a *local* coordination of the actions of such higher level players to ensure a better local access to markets. Here local governments and local economic development agencies can play a useful role. The mentioned spatial imbalances will greatly affect the degree to which such local coordination can take place, given differences in local institutions and level of economic development.

Private enterprise is a relatively new actor on the community development scene. Private enterprise may exercise several roles. Firstly, it can act as a provider of basic infrastructure and services. Communities relate to these firms as consumers and may engage in several forms of consumer action. Secondly, large and small private enterprises may be competitors of community based enterprises in the same service sectors. Thirdly, (large) private firms, located in an area, may become investors in that area and may contribute to community development as a (company) social goal in itself, or in exchange for access to particular locally or community based resources. The latter was for example the case in Nejapa (cf Rodriguez, 1998). Fourthly, large companies may constitute an important economic base of a community (especially in ‘company towns’) and by this virtue play a role in local governance processes.

As is well known, development oriented *NGOs* may perform different roles and functions. They constitute an important actor as intermediary support organisations. As communities get organised and establish their own organisations, and gather basic organisational strengths, the roles of NGOs change, become less grassroots oriented and become more specialised providing particular skills or performing specialised functions.

One of the well-established lessons of the Community Development Programme of UNCHS is that community empowerment requires community organisation at the neighbourhood level yet needs to be facilitated at local *and* at national levels. For that purpose the CDP engages in city-wide processes and has established partnerships with national government agencies. Increasingly it is recognised that also communities, community organisation, participation and management need to move beyond the neighbourhood and become established in larger arenas at the local municipal level if not at a larger spatial scale.

Part II

3. COMMUNITY AND MARKET ENABLEMENT: OPERATIONAL ISSUES

Having reviewed a series of conceptual and policy issues in relation to community and market enablement, let us now turn to a more operational level where problems of policy and concrete interventions—which already began to emerge in the previous discussion—will occupy the centre stage.

In this part two areas will come up for closer analysis: the delivery of basic services and the generation of income and employment, both of great importance in processes of settlement improvement and poverty reduction. When analysing the role of community and market enablement in these areas, we will continue to utilise the distinction between the poor as consumers, workers, producers and citizens which was introduced before and which already proved to be useful in organising the analysis and search for policies. In addition, we will differentiate between “direct” and “indirect” interventions, the former referring to delivery of services and inputs for income and employment, the latter to the

policy and regulatory environment.⁹

In a special matrix annexed to this Working Paper we provide an overview of enabling and pro-active interventions, (to be) undertaken by different types of actors—policy makers, (L)GOs, CBOs, NGOs, Donors and Researchers—in relation to the (primarily urban) poor, in their roles as consumers, producers, workers and as citizens. This overview helps link the previous discussion of community and market enablement at an abstract level, to the discussion of both at a more operational level below. The matrix offers a more detailed overview of interventions, however, than can be discussed in detail in this Working Paper. Nonetheless, we trust that most will be self-evident, are not unfamiliar and hardly need much explanation. Besides, while some interventions have already been referred to previously, others will be discussed below. Where possible, we have also tried to indicate possible and actual combinations of actors intervening jointly as enablers, at the level of projects, districts or even at that of national policy making. Indeed, in a special column in the matrix, dealing with “local (economic) development”, such a multi-actor approach involving complimentary contributions on the part of each, is suggested as a strategic intervention by itself; it is more fully discussed in section (3.3) below.

3.1 Communities and markets: basic services

With regard to basic services, the urban poor and their communities figure as consumers, first, but may also intervene as producers, find income and employment, and even

⁹ Many different types of agencies (especially development oriented NGO's, CBOs themselves as well as concerned (local) governments) are involved in supporting and undertaking initiatives that seek to strengthen the position of poor people in their market exchanges. The Community Development Programme of UNCHS has played a catalyst role in as far as it relates to human settlement improvement. Historically its focus was on the land market and on markets pertaining to the housing improvement process (especially building materials). The focus widened in the 80s, as it was realised that sustainable settlement improvement can only be achieved if poverty is directly addressed via both consumption, employment and income generation. This led to programmes and actions to improve the consumption of settlement-level basic services (water, sanitation, primary health and education, recreation), and to employment and income generation activities (training, micro-enterprise credit, marketing etc). More recently, the latter were extended into wider issues of enterprise development and location of enterprises in/near poor settlements, so as to generate new employment opportunities. Thus, there are a number of avenues to strengthen the position of the poor in the various markets. In the land market, the position of the poor may be strengthened by organising settler associations vis à vis land owners and government, with the aim to reduce insecurity of tenure. Community mortgage type schemes can enable poor communities to acquire land tenure themselves. Experiences with such government-community-private sector schemes are referred to below.

intervene as citizens interested in regulatory policies and procedures. These various roles come out in the discussion below.

As indicated earlier, the restructuring of the delivery of basic services is perhaps one of the most important processes that has been set in motion in the 90s and that is likely to be extended well into the next century. Public sector delivery is on the decline, even though sometimes for the wrong reasons (pricing of services) and/or because of reasons that lie outside the parameters of the economics of basic service delivery (e.g. crumbling public sector wages). There is a great diversity of institutional delivery options. Apart from pure privatisation, these include different types of public-private partnerships, non-profit delivery (by NGOs) and public community partnerships.

As governments cease to be directly responsible for service delivery, regulation of other service providers by government becomes more important. The most important regulatory issues are: tendering and procurement procedures and institutions, tariffs and standards of quality and access, monitoring and evaluation, compliance and sanctions, public-private and public community partnerships as well as private-community partnerships. Other aspects are regulatory mechanisms for private developers and for emerging private contractors. There is a very limited record of research on matters of regulation. The same applies to evaluation of the effectiveness of particular forms of regulation.

It is not unlikely that the potential domain for community management of basic services may shrink in the long run. There are several reasons in support of this trend. Firstly, as public sector monopolies and barriers to private sector entry into the basic service markets are eliminated, new forms of service delivery will be generated by the private sector. Secondly, this will stimulate techno-organisational changes in service delivery, which tend to be oriented towards private enterprise (e.g. recent developments in collection of utility service charges, new IT devices to regulate access and to reduce cost of utility metering).

At the same time there are reasons to believe that the private sector will only service the most profitable segments of the markets, leaving large parts of the city unattended, including those that previously were serviced, albeit inefficiently, by public agencies. The latter could do so thanks to cross-subsidies by more profitable areas serviced by them. This is illustrated by the example of water delivery in Dar es Salaam, Tanzania. Privatisation

there was reported to have led to a drop in coverage, to 40% of the households, the balance being serviced by informal water kiosks.

3.1.1 Issues

Concretely the following issues would require further elaboration:

a) How to advance community interests in the face of privatisation?

This would apply in particular to situations where former public monopolies get replaced by new private (near-) monopolies and concerns a range of issues such as: tariff setting of basic services in a manner that is sustainable and takes into account the basic needs thresholds; negotiating private sector cross-subsidisation (e.g. ensuring service coverage of unprofitable areas up to a certain percentages of turnover). A key question here is the effectiveness of different forms of community organisation and of different strategies to achieve such goals.

The initiatives of Cape Town municipality to reorganise its service delivery and to develop a more equitable delivery of service is of interest here as it explicitly includes goals in terms of tariff setting and access to services. The Cape Town Municipality consults with communities (through public hearings) but as yet there is no community organisation that can act as a stakeholder. The planning of the entire operation is as yet wholly government based without any direct community participation. Also in the case of Centurion Local Council in the Greater Pretoria Metropolitan Area, considerable advances were made in privatisation (e.g. in utility monitoring and of building regulations). Standards were set; transparent tender processes were defined, providing equal opportunity for firms and strengthening accountability, but the focus has been primarily on local government and the private sector.

b) Community enterprises

The meeting at the conference was not convinced of the scope for community enterprise competition with private sector enterprises in the delivery of basic services. One of the reasons mentioned was the alleged bad reputation of service cooperatives, especially in Africa. Another reason may be that community development programmes have not paid

sufficiently attention to the economic aspects of community action, and hence it would be difficult to give balanced assessments of the viability of this type of response.

In South Africa there is still a lack of tradition with cooperatives, mutual self help societies and with small enterprise contractors in housing. As a result, large companies dominated government efforts in the area of housing (including in relation to the housing subsidy) and private developers not always built houses that matched the preferences of the intended beneficiaries.

c) Unbundling of basic services

A pragmatic approach would be needed that takes into account the ‘unbundling of service delivery’ within specific sectors. Historically, vertically integrated delivery structures have emerged, that were often exclusive agencies servicing large geographical areas. “Unbundling” refers to opening up such vertically integrated structures (vertical unbundling) and to reconsider monopoly in service areas (horizontal unbundling). This can help determine which components in the service delivery process can be privatised (either commercially or on a non-profit basis), which can be brought into the realm of community enterprise and which continue to require public sector direct responsibility. A similar analysis is warranted for particular service areas. For some areas competition for markets may be a desirable options while for others non-profit, community based or public delivery would be most desirable or feasible.

What matters here is also what kind of service is being privatised. Easiest are those services characterised by the private (rather than public) nature of the benefits and by low exclusion cost (e.g. telephone, utilities); more complex situations are those that involve considerable externalities and high costs of exclusion (health).

Experimentation and research in some sectors have shown that often a mix is still required (e.g. primary health care, solid waste). The privatisation of water and solid waste management in India is a case in point. In that country solid waste management has become a three staged process, each with different levels of partnerships, degrees of privatisation and public sector involvement and influence. At the primary waste collection level, local governments can facilitate out-contracting to small and medium businesses. Also the transport of waste from area collection points to a disposal site can be subcontracted to pri-

vate companies. Large and often international companies handle the disposal of the waste. Local governments are in all three stages responsible for regulation (concerning facilitation, contracting, procurement and tendering, and monitoring). These developments are relatively recent and there is limited experience among the local authorities in defining standards, in monitoring, and in enforcing compliance.

In the water sector, governments have pursued full privatisation, leading to a change from a public to a full private monopoly. This creates the need for regulatory agencies to monitor compliance of these new monopolies to agreed standards. Communities need not only participate in the definition of the new regulatory frameworks to be defined by local governments, but these frameworks must incorporate ways and means by which communities can express their consumer rights in policy setting and monitoring application. This may not be easy in countries which do not have a culture of consumer activism.

In Quito, Ecuador the municipal solid waste removal company has engaged in 1995 a number of micro-enterprises to collect waste, especially in those areas which cannot be reached by its own vehicles, due to terrain conditions. Three contracts involving 33 micro enterprises are now collecting weekly some 32 tons of waste from an estimated 80 thousand persons. Another example is day care centres in the same city, which are run by women of the neighbourhood who received training and are paid by the community, local government and Ministry of Social Welfare (Ordoñez, 1998).

d) Efficiency of community based delivery alternatives

Community delivery of basic services needs to be efficient and effective. Solidarity alone is not a sufficient condition to organise community action. Community work has an opportunity cost for household members, as it involves time and effort that could be devoted to other activities and this needs to be recognised in formulating programmes of community action.

e) Basic service delivery as a source of employment and income generation

In this context it is also important to observe that delivery of basic services has become an area of employment and income generation for poor people through the establishment of small private enterprises. However, experiments with employment and income

generation in basic services have not always produced efficient and cheap services, if account is taken of all external and hidden subsidies.

f) Associative schemes

Finally, CBOs and NGOs have developed interesting interventions in basic services on the basis of associative schemes. Poor households usually enter the market as *consumers* on an individual basis. But they may and do get organised also as an (often informal) *association* or collectivity (as an instance of community enablement), utilising their aggregate demand as a vehicle to bargain with suppliers; reduce the role of middlemen; and/or set up their own service or commercial units. Communal shops and pharmacies, 'buying together' schemes, communal kitchens, communal drinking water provision, banks of construction materials and so on, represent some examples whereby basic needs are met at an often significantly lower price through organised collective action,--with or without the support of NGOs and LGOs. Community schools and primary health care centers run by CBOs, too, can be thought of as effective ways to 'create income', reducing the costs of living of poor households. Besides, as experience shows, such associative schemes help bring demand and supply closer together, as the organised poor manage to bring the physical location and time schedule for deliveries more in agreement with their needs and opportunities. In all these cases CBOs may or may not play a leading role, but often they do because basic needs and their satisfaction have a territorial base. Obviously, zonal or even city-wide chains of CBO-based service or commercial units help achieve economies of scale and reduce prices and costs further.

In relation to product markets, there are few successful experiences with *consumer activism* (e.g. by educating consumers on their rights) and/or with actions to improve community access to these markets. Associations of settlers can strengthen the bargaining position vis à vis developers and building material suppliers (e.g. as was indicated in the case of the SAHPF). There are also some cases whereby NGOs in India have begun to operate in a market-like fashion by selling appropriate building materials in poor settlements as part of settlement improvement programmes. Associations of shop owners in poor settlements can strengthen their bargaining position vis à vis urban wholesalers and trading houses (an example was reported from Ecuador).

The *land issue* occupies, of course, a special place and is even more complex than the struggle of tenants over rent or access to basic services including housing. Here, more than in anything else, empowerment and collective action is often needed to get access to secure plots and sites, to prevent displacement without alternatives, and to create a firm basis for a gradual development of habitat and of the settlement community as a whole. *Land markets* in most countries and cities lack transparency and are monopolistic. Government policies on improving land registration, regulation (land tenure and subdivision of plots) and transactions can ‘level the playing field’ for small players. Furthermore, taxes on land holding and on land transactions can reduce (the benefits of) speculation. Government can financially support community mortgage schemes and provide direct assistance to those settlers who are unable to participate in such schemes and who are threatened with exclusion from improving their tenure security.

But such organised collective actions in the marketplace have their limitations. Quite a few of these associative schemes in the market require: a more or less stable income to help members pay their regular contributions; training of members and technified cadres to monitor and control activities; simple and transparent bookkeeping methods; intra-CBO mechanisms to subsidise the poorest households (e.g. differential prices); and a capacity to sustain the recurrent cost of personnel working in these schemes which usually weigh rather heavily. Indeed, often consumption-oriented schemes are unsustainable without complimentary income & employment generating activities which help generate the incremental income needed to pay the costs of these schemes. Lastly, the linkage between these ‘alternative’ systems and formal or mainstream systems (e.g. in schools & health) is often hard to establish. In the case of land and rent considerable political power and astuteness are required including a capacity to build alliances with influential allies

3.1.2 *Regional and sub-regional differences*

There are important continental-regional and sub-regional differences in the degree to which in the various countries restructuring of basic services has and/or can actually take place.

- 1) The size of demand and levels of market development varies strongly between countries. This implies that what may be possible in some countries in terms of private sector

involvement in basic services, would in other countries yield new private sector monopolies and large proportions of populations would remain not serviced;

- 2) The range of potential service providers varies significantly. In Sub Saharan Africa NGOs and large private companies enter the market selectively and local governments are themselves not significant players; in contrast there is greater variation of players and also a greater involvement of local governments in Latin America;
- 3) There is also a range of types of CBO's and there are differences in the kind of roles they perform. For example, in Sub Saharan Africa the most prevalent type of CBO's is the territorial one, which is part of the emerging systems of local government. There are few independent CBO's and few second and third level associations of CBO's. In contrast, in Latin America CBO's tend to be less inserted in the local government system, and also their level of organisation is restricted, though there are important exceptions (e.g. Quito, Ecuador). In India, on the other hand, CBO's are not only more independent but also better organised in second and third level associations of CBO's;
- 4) There are also considerable differences in the degree to which governments continue to see themselves as responsible for basic infrastructure and services. In a number of Sub Saharan African countries governments have de facto shed many responsibilities. In Latin America governments still have major responsibilities and recently ended internal conflicts have created new spaces for dialogue on restructuring (especially in Central America). In South Africa the national government is seeking to shed responsibilities but in the context of an extensive restructuring of the state itself.
- 5) Experience in the Philippines has shown that land-market operations—such as the mortgage scheme for housing—can be successful and improve the situation for poor communities. Yet at the same time they tend to sharpen the differentiation among the urban poor and exclude the poorest (Berner, E., 1998 and 1999).
- 6) Governments can play a role in promoting consumer rights. For example by simplifying legal frameworks and relevant commercial laws and by making institutions to enforce consumer rights more accessible to poor consumers (e.g. small claim and dispute settlement courts and an 'ombudsman').

While there may be a number of, as yet little explored, avenues to strengthen the position of poor in markets, this should not divert attention completely from non-market

means to improve settlements and reduce poverty, based on community solidarity and government direct social interventions. For example, the tradition of ‘mingas’ (communal work parties) continues to play a role in successful settlement improvement experiences in Quito, Ecuador (Ordoñez, J., 1998)

3.2 Communities and markets: employment and income generation

The second important area of relationships between community development and markets concerns employment and income generation. Here, too, the urban poor and their communities figure as producers and workers but also as consumers, and—when it comes to defining and monitoring policies and programs—as citizens. Restated in other words, communities interact with markets in different capacities: as individual consumers, workers and micro entrepreneurs and as organised (functional) groups that have a community of interests (consumer cooperatives, associations of users of particular basic services, workers unions and syndicates, and producer associations or associations of entrepreneurs).

In spite of the current enthusiasm in (inter)national circles, for markets and private sector development, it should be noted that poor people are very weak market parties. Their very limited and insecure resource base (e.g. because of a poor capital asset base or because of low productive or technical/professional skills) cause low productivity. This, often in combination with intense competition (because of large numbers of poor people in similar positions), yields very low incomes and makes poor people vulnerable to unequal market exchange. Existing high economic concentration among *other* market parties further increases the likelihood of inequitable and exploitative market exchange relationships.

Furthermore, markets are often ruled by practices and procedures that are suitable for other (formal and often incorporated) market parties and these practices and procedures put poor people (and small exchanges) at an exchange (or transaction) disadvantage. Policies that aim to increase the reliance on markets to allocate resources and to provide goods and services therefore may put poor people at more and greater risks. Market regulatory policies should also ‘level the playing field’ for the poor and their enterprises, i.e. reduce barriers arising from informality.

This brings us to the role of government referred to earlier, namely, of regulating markets and influencing these market based practices and procedures. Thus, on the one

hand, the market position of poor people, as consumers, workers and entrepreneurs, may be strengthened in a direct manner. On the other hand, regulatory and promotional government policies influence the relations between communities and markets in an indirect manner

The discussion below takes up, first, the role of urban poor and their communities as producers, then as workers and occasionally as consumers, looking at direct policies and interventions to strengthen their position. Subsequently indirect ways as meant above will also come in. While reviewing these policies and kinds of interventions, the role of different actors will be touched upon, too. The discussion does draw upon material from the conference, but because discussions there generated notably less in relation to income and employment generation than in the area of basic service delivery, also more general experience has been brought in.

3.2.1 Urban poor as producers

To directly strengthen the market position of the urban poor as producers, their access to credit, training and technical assistance, and to marketing facilities, are important.

(a) Credit

The Community Development Programme of UNCHS itself has developed an interesting experience with different types of micro enterprise credit schemes, to improve access to finance (e.g. the 'Centros Locales de Recursos' in Costa Rica, and the scheme of community and women-based saving and credit groups in Sri Lanka, Ghana and in Ecuador). Many other successful community, group or individually-based savings and credit schemes have emerged in southern countries, often pioneered and managed by NGOs. They have learned a great deal on how to reach and support micro and small enterprises of the poor; on the whole the NGOs, including those, which are initiated and supported by the business community, seem to be the most experienced actor in this field. Their way of enabling the poor to obtain credit has many well-known characteristics, often derived from the Grameen Bank's experience. These include: a connection between savings and credit; the reliance on small solidarity groups of individual borrowers for assessment of the loan-scheme, the collection of savings and the repayment of the loan; regular (weekly) meetings

of these groups related to savings and repayment; transparent bookkeeping methods; free use of the credit; and rates of interest close to or even above the commercial rate.

Sometimes, credit schemes distinguish between shorter loan cycles, especially in trade and services, with higher rates of interest and related to working capital, from longer loan cycles with lower rates of interest for investment capital, especially applied in manufacturing. The former are group-based, the latter individual; the former often serve a ‘survival’ strategy, the latter a ‘growth strategy’. These ‘alternative’ systems get increasingly linked to the formal banking system with the help of guarantee funds; here, government agencies can and do play a useful role. Another trend is networking between alternative NGO systems and their gradual evolution—often in a difficult struggle with government agencies—into a more mainstream bank. A third trend consists of savings and credit committees and groups of poor households federating into a city or even nation-wide network, for example, the Women’s Bank in Sri Lanka supported by the UNCHS/CDP.

Developing and managing such enabling credit schemes for micro and small enterprises is demanding and increasingly professionalised. Government agencies unless granted a good deal of autonomy and flexibility are often less adequate for such purposes. Traditional commercial banks are often at first not interested in MSEs due to high transaction costs, lack of collateral and perceived high risk. Yet once MSEs (especially women) have demonstrated their high repayment rate, and an NGO, producer association or even credit committee of a CBO, helps lower the transaction costs of a bank, in practice the latter have shown a growing interest in accepting MSEs as new borrowers. Here, partnerships show a promising path forward.

Governments can contribute to ‘democratise’ access to credit by making available housing loan funds, setting up credit guarantee schemes and by promoting and replicating successful community and micro enterprise savings and credit schemes.

(b) Marketing

The purchase of inputs and sale of output is often an even more problematic challenge for MSEs of the urban poor than credit. Many actors both public and private are still in a process of learning how to enable poor, small producers and CBO-based enterprises to strengthen their position in the market place. The public sector—for example, engineering

and public works departments of central and local agencies and decentralised social programmes—can utilise its own demands for services and goods, to enable MSEs and communal enterprises. Government purchases may constitute a potential market for small enterprises. By simplifying tender regulations and by creating transparency in tender procedures, local small enterprises may be able to compete successfully. As indicated above, public-private partnerships in the delivery of basic services is another potentially promising market for small enterprises. As discussed in the previous section, this however requires a careful unbundling of service delivery so as to avoid inefficiencies.

As noted, a growing number of municipalities organise tenders in which MSEs and community-based enterprises do compete with the private sector for the delivery of goods and the provision of services (e.g. the construction and maintenance of roads, sanitation and drinking water systems, and even social programmes in health and education). The UNCHS's and later ILO's Community Contract System help capitalise public demand to generate markets for the urban poor as producers. In countries like Brazil and Chile governments also promote(d) exchanges for subcontracting relationships, bringing the corporate sector and MSEs together; in Indonesia's aviation industry something similar happened. In these cases governments subscribe part of the cost of improving the MSEs' capacity to produce inputs meeting the quality requirements of private enterprises. In Bolivia urban NGOs help create markets by setting up data bases on demand and supply of goods and services.

In metropolitan cities most MSEs work for private consumers (final demand), some—for example, via subcontracting relationships—for local public agencies and/or the private formal corporate sector. In intermediate cities (now growing quite fast) MSEs also have backward and forward linkages with the 'hinterland' including primary sectors like agriculture, husbandry, forestry and fishing; such linkages form important entry points from a marketing and regional-developmental perspective, benefiting both rural and urban small producers.

Whereas communal enterprises and MSEs play key roles on the supply side, producer associations often carry out strategic functions with regard to both demand and supply. For marketing purposes such associations gather important information on location, volume and kinds of demand, but they also help individual MSEs to get access to new

segments of the market by aggregating output, upgrading and maintaining quality control. NGOs but also people from the private sector lend important technical assistance in the field of marketing; usually government agencies are too inflexible due to bureaucracy to effectively intervene.

(c) Training and technical assistance

NGOs, central and local specialised agencies and centres (often co-sponsored by the business community) have proven to be effective in providing training and technical assistance for MSEs of poor households and CBOs. Audiovisual and highly applied forms of training, often linked to a project, product or loan, accompany MSEs and are not provided ‘once and for all’. Product-homogenous groups rather than individual producers often perform better as subjects of training, indeed, group-based marketing and/or production projects may and do emerge from training groups. National skill training programmes especially when combined with training in ‘entrepreneurial’ fields (accounting, marketing etc), a package of tools for the graduates and a first credit to purchase raw material, have proven to be quite effective. Technical assistance, too, is useful provided it is demand and not—as often happens—supply driven (by the technical hobbies of the advisors). Training and technical assistance are increasingly de-linked from credit and stand on their own.

3.2.1. Urban poor as workers

In the labour market, some measures of success have been achieved in the form of by-products of other programmes. For example, skill training in construction related trades, undertaken as part of programmes to build community facilities and infrastructure, have subsequently improved the position of beneficiaries in the labour market. In a more general sense community empowerment type projects and programmes often incorporate provisions for financial support of skill training. Examples of both cases were given in the conference from Ecuador, Costa Rica, Ghana and El Salvador. In Ecuador local government in association with community associations and external agencies is setting up a ‘community university’ to concentrate all localised human resource development efforts.

In general, quite a few policies and strategies exist to generate employment for the urban poor, even on a massive basis, especially in periods of disasters or drastic changes in

economic policies. Most of these programmes are temporary, including nation-wide programmes of 'food for work'. The latter are carried out usually via LGOs, targeted mainly at heads of households and pay a daily minimal wage or coupon for a food package for a full day's work, mostly in public works. Nationally designed and funded, these temporary employment programmes are broad in scope, self-targeting due to low payment and low skills, and quite often effective in reaching also the poorest in both rural and urban areas. In contrast, the Social Funds established in the wake of Structural Adjustment Policies (SAP), are often externally designed and financed; administered through a central institution; based on projects submitted by LGOs, NGOs or other agents with some project-formulation capacity; and hence those funds tend to favour the more articulate and somewhat better-off (usually urban) sectors of the poor, including the 'new poor' consisting of those displaced by SAP (Stewart, F and vd Geest, W, 1995).

In addition, the public sector utilises its own demand for services, as a basis for generating employment for the urban poor: in programmes designed and/or supervised by government agencies, or delegated to NGOs or the private sector. Sometimes, as happened in the case of the massive employment (relief) programmes of Chile, those employed organised themselves and succeeded in redefining their role by concluding group-based contracts with LGOs for building and/or maintaining local infrastructure.

CBOs, in turn, generate employment in connection with their own collective schemes, viz. communal kitchen, communal pharmacy or community shop, a CBO health committee or a drinking water enterprise. A few people especially selected and trained get a full or part time job providing a service to the community; often such schemes and the personnel involved get linked to an apex organisation which facilitates learning and occasionally the mainstreaming of their skills (for example, in primary health care), as related to formal institutions.

3.3 Local economic development

The discussion so far has focused on enabling poor households and their communities to act and intervene dynamically in the market place, carving out a space for themselves and improving the conditions of exchange. Most of this enablement is located at the micro level. But it is clear that such enablement, in order to be sustainable, needs support

from policies and strategies at a broader local, even national level; this basic point by now is well known, for example, when it comes to the promotion of micro and small enterprise. Conducive policies in the fields of recognising informal enterprises, access to foreign currencies, licensing and credit play an important role in the growth of those enterprises. (Stewart, F. and Ranis, G., 1990, ps 3-43). Yet the point has a broader validity and also applies to the area of services; if these are to be sustainable, they must form part, ideally, of a broader policy and process of local development.

Local (economic) development through the concerted effort of different actors—like local and/or regional government, private business sector, producer associations, university and technical training colleges, banks and so on—represents a crucial platform where enabling interventions can be designed and coordinated. Transcending ad hoc solutions, local development should have, first and foremost, a solid economic base, identifying a region's strong and weak points, together with an adequate set of responses and initiatives to promote and attract investments, generating new productive employment and so on. Each of the different actors performs a role in the area they know best, complimenting one another.

The effectiveness of government and/or NGO-enabled grassroots initiatives in the areas of basic service delivery and employment & income generating schemes could be enhanced considerably when they form part of a broader local development programme. Such an integrated programme ideally fosters the co-ordination of various public and private actors. Up-front efforts and costs of community organisation, participation and management generate greater returns when linked up with supportive and enabling actions of other actors, combined with learning and so capable of producing more durable results. Furthermore, project development costs are reduced.

In recent years two more reasons have emerged that call for a local development approach. Firstly, as poor settlements are often located in environmentally hazardous areas (in terms of natural physical conditions and threats and because of pollution), settlement improvement often requires a set of locally integrated measures to achieve sustainable improvements.

Furthermore, it is recently realised that opportunities for employment and income generation can be increased by business development actions at the level of the settlements

and locality as a whole, and by organising groups or clusters of micro-enterprises. The latter may be more flexible and feasible than cooperative based initiatives.

The case study of the Nejapa Development Council, San Salvador, presented at the conference, illustrated the point that local public-private negotiation in which also the community plays a prominent role, can yield important developmental benefits, not only in terms of more environmental sustainability, but also in terms of employment creation and local resource mobilisation (Rodriguez, M.,1998).

However, though it is thus relevant to adopt such an overall local development approach—in a context of participatory urban governance—it is also important to maintain a community perspective of local development. That is to say, participatory urban governance should continue to facilitate the empowerment of communities and the improvement of poor settlements, not in isolation, but taking into account the insertion and interaction of these communities and settlements with the city of which they form a part. In other words, once more, one should not loose focus, and become neither an advocate of local urban development *per se*, considering the city as a whole as its proper domain, nor a private sector development agency. The adoption of such foci would inevitably lead to a marginalisation of poor communities and of settlement improvement.

Indeed, most of the case studies prepared for the expert meeting at Cape Town presented instances of dynamic local development (for example, in Quito, Mexico City, San José and Johannesburg). And it was in this broader local context that the poor communities came up for discussion, in terms of their access to basic services, credit and employment. As a matter of fact, the cases there presented located the poor settlements in certain zones of the cities, not in the city as a whole. However, as noted above, it were not the poor settlements themselves which occupied centre stage but the development plans of a zone of the city. This implies that the exact relationship between such broader zonal plans, on the one hand, and the improvement of poor settlements and poverty reduction, on the other, still needed to be worked out, not so much conceptually but at an operational level.

4. CONCLUDING OBSERVATIONS

Clearly, in concluding one should maintain that the UNCHS in the context of settlement improvement should not just continue to promote community initiative itself, but also and on a systematic basis seek the enablement of such community initiative and community management by local and central government, even at institutional levels. That is, community enablement is needed at both the planning, administrative and financial levels, not just 'de jure' but also 'de facto'. Moreover, the question whether UNCHS/Habitat should consider "government enablement of markets" also as part of its policy brief, taking into account the fundamental goal of 'participatory urban governance' and the empowerment of poor communities through settlement improvement and poverty reduction, can be answered in a affirmative manner. Given the fundamental changes that are taking place, in particular in relation to the restructuring of basic services, one cannot afford to ignore the increasing role of markets. At the same time, UNCHS should be wary not to loose focus. That is to say, the increasing role of markets should be seen, systematically, from the perspective of poor communities and settlement improvement. Market enablement per se is a very large policy area of which the greater part is either not at all related, or only at a distance, to communities and settlement improvement. Much of market enablement should accordingly be left to other relevant agencies.

Furthermore, the direct relationships between community and market are varied and complex, and while they should be studied and acted upon, this should not divert attention away from community development based on solidarity and the public interest.

Traditionally a programme like the CDP of UNCHS has been concerned with 'raising the community's voice'. This was primarily oriented towards empowering communities to organise themselves and get governments engaged. The important challenge for the future is to also 'raise the community's market power' which requires fundamentally different strategies. The issues will often be more complex than before inasmuch as one is likely to confront a great(er) variety of mixed situations of public-private partnerships.

Raising the community's voice requires one to go beyond the individual settlement and support second and third level community organisations, especially at city-wide level, so as to engage other public and private actors in processes of local negotiation. Efforts

may also be redirected towards new areas (e.g. consumer activism, market regulation and access to basic services under new forms of service delivery).

Raising community power in markets will often demand a second and maybe third level organisation of single purpose or “functional” groups (of consumers, workers and producers-entrepreneurs), and achieve this empowerment at a nation wide level, inasmuch as markets are regulated by national level legislation.

The restructuring of basic services towards greater market-based delivery is a fundamental change. It is likely to have far reaching implications for settlement improvement, and for this reason it should represent a basic concern in ‘participatory urban governance’. On the one hand, greater market-based delivery may represent a serious threat to poor communities. On the other hand, it may be a source of opportunities for better services and employment and income generation, in as far as small and micro enterprises can compete successfully.

In this context, attention needs to be paid to:

- a. Community participation in the regulation of the new basic service modalities (incl. representation on monitoring agencies and in service delivery consumer surveys);
- b. Better documentation and economic analysis of micro- and small enterprise in the delivery of services;
- c. Systematic examination of different service-delivery modalities, including systems of (unbundled) service-delivery modalities, with regard to their efficiency and effectiveness, so as to generate operational criteria and guidelines for best practices;
- d. Ongoing innovation in other kinds of service delivery options, such as non-commercial, community-based and public sector delivery, as important in a number of basic service situations with a strong public good character, as well as in countries that have a low level of development of markets and market institutions.

A new area of concern is that of market-regulatory policies and their impact on the poor and on poor settlements. Many countries are strengthening the role of markets in service delivery and are giving more room for the expansion of the market-based economy without having carefully examined the impact of their new regulations, both in expanding and in contracting market situations. The 1998 Asian Crisis has shown that the fate of the poor can be affected quickly and massively by downturns of the Economy.

The relations between community and market are also crucial for employment and income generation. In this context, it is important to stress that by the very essence of their condition, poor people represent weak and vulnerable market parties. UNCHS/Habitat should continue to support employment and income generation as an integral part of overall settlement improvement processes, so as to reduce poverty. In that context, it may have to consider developing new instruments to support, directly and indirectly, the claims and rights of the poor as workers, producers and as consumers. Such a cause cannot be achieved and sustained, however, without the active involvement and empowerment of the urban poor as citizens in policy-making and the implementation and evaluation thereof.

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ANNEX: Actors and their interventions for the poor in their different roles

	Poor as Citizens	Poor as Consumers	Poor as Producers	Poor as Workers	Local Economic Development
Policy-makers	<ul style="list-style-type: none"> - elaboration + promotion of CE legislation/procedures at different levels - defining entitlements of the poor to services - promoting capacity building of GO/CBO and NGO in CE 	<ul style="list-style-type: none"> - elaboration of regulatory systems for the delivery of services (evaluating price-setting, costs, tendering + monitoring schemes) - promoting recognition (conditions) of 'alternative' Basic Needs-schemes + access to co-financing 	<ul style="list-style-type: none"> - formulation + implem'n of policies conducive to Micro & Small Enterprises (MSEs) - promote 'supporting institutions' in areas like training, credit and marketing - promote idea of (L)GO-demand to stimulate MSEs 	<ul style="list-style-type: none"> - policies promoting employment-generation - skill-training and education policies + programs, with private sector - promote use GO demand for labour inputs 	
(L)GO	<ul style="list-style-type: none"> - apply CE framework and policies in local government and planning - capacity building for officials, CBO leaders - promote CP + CM in poor settlements - promote resources for entitlements of poor in an UPA city-wide plan 	<ul style="list-style-type: none"> - promote CE policy + framework in service delivery including partnership LGO, CBO, NGO and private - monitoring delivery of basic services (quantity, prices & quality) by public + private suppliers - co-finance under conditions of 'alternative' CBO or NGO systems - make tendering transparent and monitor implementation thereof 	<ul style="list-style-type: none"> - skill-training programs including an entrepreneurial component, tools + loans (together with private sector + donors) - promote credit for MSEs via guarantee funds - use purchasing schemes to promote MSEs (for example via a CCS) - remove obstacles for MSEs in local regulatory framework 	<ul style="list-style-type: none"> - skill-training program - promote labour exchanges to bring supply and demand together - utilize LGO's own demand for labour inputs (e.g. operations and maintenance of infrastructure) 	
CBOs + (assoc's of) poor HH	<ul style="list-style-type: none"> - help define CE schemes and monitor their implementation - promote zonal and city-wide associations as spokesperson - promote capacity of CBOs in PMES 	<ul style="list-style-type: none"> - organise consumer associations and priority-demands - organise monitoring committees for the delivery of services - formulate special policies + programs in the field of land tenure - promote community funds 	<ul style="list-style-type: none"> - promote producer-associations as 'functional' groups - promote CBO's own purchasing-program from MSEs - promoting apex association of saving & credit groups 	<ul style="list-style-type: none"> - generate employment in own CBO-based service-schemes - facilitate access to temporary employment schemes and social funds - help get skill-training programs organised 	
NGOs	<ul style="list-style-type: none"> - promote CBO-organisation, zonal + citywide - train CBO leadership and cadres in CE and entitlements - help develop priority plans of CBOs and associations as claims - help develop "alternative policy proposals" at meso and macro level 	<ul style="list-style-type: none"> - help poor HHs to get organised as consumers in particular markets + capacity building - help create networks and formulate proposals for regulatory improvements - help link alternative service systems to formal systems and help them qualify for co-financing 	<ul style="list-style-type: none"> - develop and expand special credit systems for MSEs, linking such schemes to formal banks - provide assistance in marketing and entrepreneurial training, with private sector, where viable - help define proposals for alternative policies at macro level 	<ul style="list-style-type: none"> - help provide skill-training programs with an entrepreneurial component - help get "labour-exchanges" started and working - promote employment of the poor by LGOs 	
Donors	<ul style="list-style-type: none"> - support CE policies and programs - fund capacity building of GO-employees, CBO leaders and NGOs - support experimental projects/programs in which CE is being applied 	<ul style="list-style-type: none"> - support cost-reducing service delivery schemes - support training of LGO officials, CBO leaders and NGO staff - help funds to purchase land for poor HHs, and make loans for housing 	<ul style="list-style-type: none"> - help fund NGO credit schemes for MSEs, & related guarantee funds for commercial banks - support linking NGO schemes to the formal sector - support marketing programs for MSEs - help get better policies in place 	<ul style="list-style-type: none"> - support national and local skill-training programs and related components - use employment-creation capacity as a criterion for finding projects - support employment-creating programs and social funds 	
Research	<ul style="list-style-type: none"> - identify obstacles and possibilities for CE-related proposals - identify 'enabling' and possibly 'disabling' effects of enablement - analyse the evolution of CBOs from the perspective of autonomy 	<ul style="list-style-type: none"> - compare different modalities of service delivery in various situations & countries - study effectiveness of organised actions of poor HH in the market in terms of cost reduction - analyse the access of the poorest HH to CBO-based cost-reduction schemes 	<ul style="list-style-type: none"> - help develop marketing studies for MSEs and simple methodologies therefor - study the conditions under which MSEs shift from a survival to growth strategy - analyse the dynamics of subcontracting and how it can be promoted by GO, NGO and private sector 	<ul style="list-style-type: none"> - analyse the effectiveness of skill-training programs with/without additional components like entrepreneurial training, tools and credit - study development strategies which under globalisation still generate more productive employment 	

Terms: CE= Community Enablement; CM=Community Management; CBO=Community Based Organisation; CCS=Community Contract System; HH=Household; LGO=Local Government; CO=Central Government; MSEs=Micro and Small Enterprises; PMES=Planning, Monitoring and Evaluation System; UPA=Urban Poverty Alleviation.

(*) Local Economic development involves all actors; together they decide on the need for, and viability of, actions for/with the poor in their different roles