

# THE ROLE OF COST MANAGERS IN FOSTERING COMMUNITY-DRIVEN HOUSING SCHEMES IN DEVELOPING COUNTRIES

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## ABSTRACT

Community participation in the delivery of housing is well established in many nations<sup>i</sup>. However, the production is not keeping pace with the growth in demand and International agencies, financial institutions, governments, the private sector, and NGOs acknowledge that there is a need to work together to seek the appropriate solutions for community based 'capacity-building' programme in the area of affordable housing.

One of the key requirements is that community networks need norms and trust which facilitate co-operation for mutual benefit. The community learning is through interaction, and requires the formation of teams, processes and relationships within which learning interactions take place to create a sustainable environment facilitating the on-going delivery of affordable housing.

This paper presents two International case studies where project cost managers acting or development managers have been used integrally in the process. Following by a discussion on community banking conclusions and recommendations for action are presented. Finally a recommendation for a major collaborative pilot study for a 'capacity-building' programme in affordable housing and financing solutions for local communities is proposed

## INTRODUCTION

The World Bank estimates that the world's population will grow by at least 40%, to 8.5 billion or more, and the global labour force will grow even faster, by 60 percent, increasing from 2.5 billion today to 4 billion workers by the year 2025<sup>ii</sup>. This means that nearly 2 billion new employment opportunities need to be created over the next 25 years. Affordable housing will be required on a massive scale and strategies need to be developed for immediate implementation.

The key to providing housing does not lie solely in the number of humanitarian programmes initiated by institutions such as the World Bank, non-governmental organizations or even governments. After decades it is recognised that it lies with the marginalized communities themselves. They need to be given the technical and planning

skills and techniques enabling them to implement acceptable solutions to provide affordable housing.

Governments over the last three decades have tried to address the problem of affordable housing. The United Nations Declaration of 1974 which was drafted primarily to encourage developing nations to expand low-cost housing on a “self-help basis” through the establishment of co-operatives utilising, as much as possible, local raw materials and labour. The South African Government, more recently, has planned to increase housing delivery, along these lines on a sustainable basis, to a peak level of 350,000 new units per annum for a number of years. Progress as observed by the authors in 1999 is slow and the problem of large informal settlements still exists and is growing.<sup>iii</sup>

## **CASE STUDIES**

The exploratory character of this paper is to generate discussion and examination of on the provision of “self -help affordable housing”. International case studies have been chosen as a point of reference and the following issues are formulated as questions to be investigated:

*What modes of community participation in the provision, maintenance, and sustainability of low cost housing developments are in existence?*

*What are the social, economic and environmental consequences of community participation in the provision of housing?*

*How can the availability of skills be enhanced and how can skill development programs be implemented?*

*What cost management strategies are required for project implementation?*

*What leadership structures are required in the communities?*

*Can or should future investment potential be built in to the solution?*

*What finance structures can be put into place?*

### **Australian Case Study – The Namatjira Housing and Infrastructure Project<sup>iv</sup>**

The Dareton community had been one of the more disadvantaged Aboriginal communities in NSW, Australia. A Working Party was set up in 1996 with representation from all Aboriginal organisations, local community members and invited government agencies including NSW Health . The collaboration between community members and agencies has led to a strong sense of partnership in service planning and delivery. Since its formation, the Working Party has had agreed authority to direct the projects, and it forms the peak point of contact with the Aboriginal community

In 1996, the Working Party engaged Sydney firm Burns Aldis as its project manager, and work started on planning the housing and infrastructure project. One of the first actions was to develop a Housing and Environmental Health Plan resulting in a comprehensive community study, comprising the site, demography, existing housing and infrastructure, physical infrastructure, social infrastructure and human services, and incorporating the project delivery methodology and community ‘capacity development’ proposal. The NSW

Government, Aboriginal Environmental Health Infrastructure Forum (AEHIF), provided some initial funding. Dareton was one of the three pilot communities for AEHIF.

The project comprised several elements:

Housing and infrastructure to re-house 20 families in tin huts; water supply; sewerage; road works; power and street lighting; landscaping, site restoration, fencing and service upgrading; community facilities and building a capacity for community participants to acquire skills to facilitate future employment

The community was appraised of sustainability, energy efficiency and appropriate technology and the twenty houses were designed collaboratively with the future residents to meet individual needs. This even involved placing model houses on a topographic model of the site, to ensure that socio-spatial arrangements would meet cultural imperatives. Most residents chose to site their new houses exactly where their tin huts were located, and privacy and space were key requirements of all.

The project was delivered using local labour. Twenty-five apprentices were recruited from within local Aboriginal community and an on-site training structure was negotiated with Sunraysia Institute of TAFE (NSW Technical and Further Education) and Mildura and District Educational Council (MADEC), a local not-for-profit community education provider who have been engaged to co-ordinate site activities. TAFE trainers work on-site full-time with apprentices. The apprentices completed their training at the end of 2000, and have become skilled in various construction trades with an emphasis on multi-skilling.

The collaborative, co-ordinated approach has led to a growth in community confidence and developed a community spirit. The Working Party approach piloted at Dareton has been so successful it has become the model for housing and infrastructure project delivery throughout the region and has been more recently adopted as the structure for the new Aboriginal Communities Development Program (ACDP), a Department of Aboriginal Affairs – funded programme to address environmental health issues in Aboriginal communities. Allocation of current and future ACDP funding to Dareton helps the Namatjira Working Party to take their community development programme next step, moving from welfare to sustainable economic and social independence.

### **Community-based low-cost housing in Indonesia<sup>v</sup>**

The Government of Indonesia has adopted a community-based housing strategy to allow low-income households who do not have access to institutional housing finance to acquire affordable housing. In line with UN recommendations the aim of providing an alternative to the formal housing delivery system that does not provide viable housing for poor communities. The strategy includes all aspects of the previous Australian study such as the promotion of informal and community-based housing delivery, the active participation of communities in the mobilization of resources to lower housing costs and the involvement of project managers. The strategy also includes the development of innovative credit

policies, taking into account the limited loan absorption capacity of low-income households.

Development Consultants are used as management partners and catalysts for community-based housing projects. The Development Consultants manage the community and the project build teams and develop skills in the community. They provide financial and cost management as well as planning services to the community. Development consultants from several cities have organized themselves into a network, Association for Cooperative Housing (ASPEK), which serves as a partner in the development of community-based housing in Indonesia.

The State Savings Bank (BTN) introduced a new loan package: the Kredit Triguna or Triple Function Loan. The loans in this package can be used for land purchases, housing construction and income-generating activities. The Kredit Triguna is designed for households which do not have a fixed income and no alternative means of credit and loans are only awarded to the Community on behalf of individual households. The community provides security to the special purpose fund (Dana Mitra) in the form of cash savings or property.

Each member of the community has to pay an additional amount, the solidarity fund (Dana Solidaritas) besides the monthly loan repayment. The Dana Solidaritas is a compulsory saving scheme as part of the collective responsibilities of the borrowers to shoulder the cost of defaulters, if any. If there are no defaulters, the Dana Solidaritas remains with the community as part of their capital funds.

A typical project is the Ulu community-based urban renewal scheme covering 16 hectares of slum area on the banks of the Musi River in the Sumatran city of Palembang involving 4,456 inhabitants on very low incomes. The project which is on-going addressed serious physical infrastructural problems associated with slum clearance and also non-physical problems such as a low economic capacity, lack of environmental awareness and access to financial resources. Project implementation involves community participation (community self-surveys and participatory planning), income-generating activities (commercial activities integral in the development) and the creation of community based management organisation. Progress had been modest because Indonesia is still suffering the affects of the South East Asian Financial crisis which commenced in 1997.

Since the programme commenced 1989, the following low-cost housing schemes have been developed about 500 units have been constructed using community resources. Nearly forty community-based organizations have been formed in more than twelve cities and villages An extensive network of development consultants has been established to work with community groups. It is felt that progress has been severely affected by the regional financial crisis but, a decade of experience can provide a foundation for the provision of affordable and sustainable housing in Indonesia.

## Community Banking

Mainstream financial institutions are withdrawing from providing financial services to people who suffer from irregular employment and who do not have a history of good credits, which make them non 'bankable'. The withdrawal of mainstream financial institutions has forced many low-income households to rely on moneylenders or non-regulated agencies charging at extortionate interest rates. Some mutual self-help organisations, for example Credit Unions are offering their help, particularly in socially and economically excluded communities. However, these organisations are very small in size and the support they provide is very limited. A report titled "*Investing in People and Places*" by Karl Dayson, Bob Paterson and James Powell<sup>vi</sup> concludes that credit unions, while doing a good job, are at present too small, too few in number and alone, will never solve the problem of economic deprivation. Furthermore, the promotion of credit unions as the only major anti-poverty tool by various agencies far outweighs their likely effectiveness.

The challenge today is to fill the missing link between the mainstream financial institutions and the low-income communities, together with the long-term commitment of the government to allow accessibility of credits at a reasonable interest rates with products compatible to people's needs and at the same time seeking a balance between shareholder value and social responsibility. A way forward is to positively promote development of new relationships between mainstream financial institutions, the government and the local community.

The failure of the conventional top-down approach to development has prompted Nigeria to adopt a system of community based banking which acknowledges the need for financial institutions to assist the government to ensure poor communities have access to affordable housing and are not unreasonably denied access to necessary credit services.

Community Banking can take one of the following forms as shown in table 1:

The trend towards community banking will continue and national and regional financial institutions are emerging to facilitate access to micro-credit or other micro-financing schemes and other economic opportunities for the poor and in support of small-scale and family endeavours to enter into affordable housing,

## Progress towards Sustainable Development and Housing<sup>vii</sup>

At its Millennium Session in 2001, the United Nations General Assembly agreed to undertake a ten-year review of progress in the implementation of the outcomes of the 1992 United Nations Conference on Environment and Development (UNCED). This review will take place at the World Summit on Sustainable Development in South Africa in 2002 – the Johannesburg Summit. The East Asia and the Pacific Eminent Persons Regional Roundtable was held in Kuala Lumpur, Malaysia from 9 to 11 July 2001.

The East Asia and the Pacific Roundtable was organised by the Secretariat of the World Summit on Sustainable Development in collaboration with the Government of Malaysia. The obstacles and challenges, with respect to providing affordable housing, faced by the region, major constraints on sustainable development as well as proposals for action to address the specific issues are identified below.

Dynamic economic developments in the region in the last two decades have led to rapid urbanization due to high rates of rural/urban migration, with East Asia having several of the world's mega-cities, with populations exceeding 10 million. Housing has become one of the single most important issues in these large sprawling cities and solutions thus far are not keeping pace with the growth in the need for housing.

The importance of education, training and public awareness for capacity-building<sup>viii</sup>, with particular emphasis on the needs and roles of young people, as the successor generation of sustainable development, was stressed. Related to this is the need to have a well-informed media and public communications network that promotes public awareness, informs and educates the public about key sustainable development issues. Further dialogue, research and focus on science and knowledge for sustainable development is particularly important. This is all particularly true in the production of affordable housing.

International and national funding schemes should be reformed to better finance interdisciplinary research on science for sustainable development. In this regard, it was suggested to establish partnerships between the private sector and academic institutions, where the private sector would finance scholarships and workshops, while the scientific sector would provide training in science for sustainable development to the private sector.

While population is growing in all parts of the world, it is a particular issue in East Asia and the Pacific region. For several countries, both internal migration, rural to urban, and migration between countries within the region present a range of social and economic problems such as substandard housing, unemployment and related social conflicts including health problems.

**Table 1. Comparison of Community Development Financial Institutions Types**

<i>Type</i>	<i>Community Development Bank</i>	<i>Community Development Credit Union</i>	<i>Community Development Loan Fund</i>	<i>Community Development Venture Capital Fund</i>	<i>Microenterprise Development Loan Fund</i>
<i>Purpose</i>	Provides capital to rebuild economically distressed communities through targeted lending and investment	Promotes ownership of assets and savings and provide affordable credit and retail financial services to low-income people with special outreach to minority communities	Aggregates capital from individual and institutional social investors at below-market rates and lend this money primarily to non-profit housing and business developers in economically distressed urban and rural communities	Provides equity and debt with equity features for community real estate and medium-sized business projects	<i>Fosters social and business development through loans and technical assistance to low-income people that involved in very small business or self-employed and unable to access conventional credit</i>
<i>Start-Up</i>	-Large capital requirement -Compliance with regulatory agencies	-Need to organise communities -Compliance with regulatory agencies	Flexible start-up requirements	Large capital requirement	Flexible start-up requirement
<i>Financial Products &amp; Services Offered</i>	Mortgage financing, home improvement, commercial business, non-profit, and student loans.	Consumer banking services, e.g. savings accounts, check cashing, personal loans, and home rehabilitation loans	Housing construction, and pre-development, business start-up and expansion, and facilities loans	Real estate and commercial equity investments, loans, and grants	Micro-business start-up and expansion loans
<i>Capital Sources</i>	Deposits	Member deposit and limited non-member deposits government	Foundations, banks, organisations, corporations, government, and individuals	Foundations, corporations, individuals, government	Foundations, government
<i>Governance &amp; Ownership</i>	For profit corporation, stock ownership; community representation on board	Non-profit financial cooperative owned and operated by lower-income people (Members)	Non-profit, democratic; community investors, borrowers, and technical experts serve on board and loan committees	For profit or non-profit; varied community representation	Non-profit democratic; in peer lending model, borrower groups made decisions
<i>Regulation</i>	Federally regulated & insured by the Federal Depository Insurance Corp., the Federal Reserve, Office of the Comptroller of the Currency & state banking agencies	Federally & state regulated & insured by the National Credit Union Administration	Self-regulated; except for non-profit 501(c)(3) restrictions and state securities law where applicable	Variable. Depends on funding sources.	None

Source: National Community Capital Association, 2000- 2001<sup>ix</sup>

## CONCLUSIONS

While there has been progress in the provision of affordable housing, only modest deliverables have been achieved. Urgent measures need to be formulated to assist countries to better cope and strengthen commitment to the provision of affordable housing. In the case studies sited Project/ Cost/Development Managers have been integral in the process.

Sustainable affordable housing policy development needs to be based on a sound philosophy underpinned by community, cultural and environmental values. In this regard, education training and capacity building are seen as particularly important. It is necessary to strengthen a sense of collective community ownership and responsibility for the implementation of sustainable affordable housing strategies and programmes. .

It is recognised that poverty is an impediment and community economic development is critical to success, It is equally essential to guarantee the rights of individuals, families and indigenous communities to economic self-sufficiency with respect to providing their respective families and their community with housing. The disadvantaged groups are becoming even more marginalized even though, national economic development is well underway in many countries. Often rapid economic growth has failed to take into account the needs of the people in informal employment and often their needs and priorities have been left behind in the race towards economic development. Hence, it is essential to integrate economic, social and environmental concerns in policies in all community sectors.

### **Proposals for Action:**

1. Governments should develop affirmative action policies to provide better access of informal settlement residents to land titles and tenure, finance, education and training, and skill development
2. Systems for improved social equity need to be developed as a priority as the gap between rich and poor widens in these developing nations.
3. National and regional financial institutions should be encouraged to facilitate access to micro-credit or other micro-financing schemes and other economic opportunities for informal settlement residents and provide support of small-scale local skill development and capacity building programmes in skill based training in local communities.
4. As part of a capacity building programme governments, with the support and active participation of NGOs and other civil society groups should implement on the job training for disadvantaged groups as an important means to promote economic self-sufficiency.
5. As part of a capacity building programme policies should include measures to improve empowerment of women, including measures that promote education, job security, entrepreneurial development and creating employment opportunities for women.
6. As part of a capacity building programme information and knowledge centres need to be provided within the informal settlements.

7. Micro-credit and suitable finance schemes should be more widely replicated as a means to give access of informal settlement residents to affordable finance.

### **Proposed Outline Of The Future Field Study**

The field study will be based on detailed evaluations of an existing urban housing scheme that have the objective of converting informal housing such as a ‘shanty-style’ settlement into a sustainable urban development. The Greater Cape Town area has been selected as the site for evaluation as schemes have been in place for a number of years and the city is considered to have social, economic and environmental features typical of urban cities throughout Africa. The researchers intend to work directly with community groups involved in the housing delivery schemes.

The aim is to develop a model for the implementation of sustainable and affordable housing schemes capable of being applied throughout Africa. The model will necessarily include the provision and management of urban infrastructural services for a given investment of resources and be subject to social and environmental constraints. The model is expected to provide a sound basis for policy to:

- identify factors influencing provision of sustainable and affordable housing in urban areas including the provision of local municipal services;
- explore the range of engineering standards and technology options for low cost housing and infrastructural development with respect to their viability, environmental impact, and to the on-going “value chain”.
- explore through detailed case studies the impact of low cost housing developments on the sustainability of urban environment;
- formulate strategies for the organisation and development of skills including training, supervision, and the aggregation and trade of labour in respect of distinctive cultural, social and economic neighbourhood groups;
- provide, as a pilot project, experimental evidence to gauge the possible success of the implementation of the model throughout Africa.
- develop a package of appropriate training programmes to assist the performance of small-scale, labour intensive works, including basic trades in house construction and the provision and maintenance of water supply, road, sanitation and surface drainage systems.

The field study will consist a number of stages as outlined below.

- (a) Conduct and record discussions with local communities generally that are in the process of converting basic shelters into more sustainable forms of housing with the object of determining the parameters for the major study of the existing and planned developments;
- (b) Consultation and recording of meetings with senior representatives of community groups to establish the common ground for community participation in the provision labour and management in low cost housing delivery schemes;

- (c) Construct, test and formulate experimental models of various types to evaluate performance, price, level of service, cost recovery, financial implications and general feasibility of alternative community focussed approaches;
- (d) Research, evaluate and develop appropriate solutions suitable for small-scale, labour-intensive applications;
- (e) Select an African test site suitable for testing the model. Apply test site funding and commence the operation. Run teaching/training programmes for small-scale contract works for community participants; including appropriate construction techniques, sustainable material selection and production, supervision, management and administration of the works;
- (f) Formulate a generic model for the provision of low cost housing and management of the water supply, sanitation, solid-waste disposal, roads and surface water drainage systems.

The outputs are expected to be a model for the provision of low cost housing which can be exported throughout Africa and Asia. The model will include strategies based on tested performance for capacity building<sup>x</sup> in local communities in construction trade and manufacturing skill training; Innovative low cost housing solutions; Innovative community banking solutions and the provision of sustainable economic communities

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## Endnotes

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<sup>i</sup> <http://www.unchs.org/>

Information extracted from UNCHS (Habitat case studies) that promote socially and environmentally sustainable human settlements development and the achievement of adequate shelter for all. UNCHS (Habitat), established in October 1978, is the lead agency within the United Nations system for the implementation of the Habitat Agenda – the global plan of action adopted by the international community at the Habitat II Conference in Istanbul, Turkey in June 1996.

<sup>ii</sup> <http://www.johannesburgsummit.org/default.htm>

The UN General Assembly called for the 10-year review of progress achieved in the implementation on the level of global commitment to sustainable development. A Summit is to be held in Johannesburg in 2002. Comprehensive assessment of progress achieved in the implementation of Agenda 21 and the other outcomes of the UNCED to be carried out at the local, national, regional and international levels by Governments and the United Nations system so as to ensure high-quality inputs to the review process.

<sup>iii</sup> *ibid* note 1

<sup>iv</sup> <http://www.communitybuilders.nsw.gov.au/stories/>

Extracted from a series of stories posted on the website. These stories share ideas for action. They tell what people are doing and what's working, what communities have learned from their experience and how it made a difference. They provide inspiration and show what's possible.

<sup>v</sup> *Ibid* note 1, Submission to the Best Practices Initiative of the Habitat II Conference  
Contact address: The State Ministry of Housing Kebonsirih 31Jakarta, Indonesia.

<sup>vi</sup> University of Salford publication produced in 1999. Research commissioned the Countryside Agency as part of a grants programme for experimental Projects.

<sup>vii</sup> *Ibid* note 1. Regional forum held in Kuala Lumpur, Malaysia 9 - 11 July 2001

<sup>viii</sup> [http://www.capacity.org/index\\_en.html](http://www.capacity.org/index_en.html)

A web-site dedicated to advancing the policy and practice of capacity building in international development cooperation

<sup>ix</sup> <http://www.communitycapital.org/>

Extracted from US information concerning Community Development Financial Institutions or CDFIs which are financial institutions that have community development as their primary mission and that develop a range of strategies to address that mission

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<sup>x</sup> <http://nrm.massey.ac.nz/changelinks/capacity.html>

The contemporary view of capacity-building goes beyond the conventional perception of training. The central concerns of environmental management - to manage change, to resolve conflict, to manage institutional pluralism, to enhance coordination, to foster communication, and to ensure that data and information are shared - require a broad and holistic view of capacity development. This definition covers both institutional and community-based capacity-building.