

**SECTORAL ACTIVITIES PROGRAMME**

Working Paper

**Participatory approaches for planning and construction-related  
assistance in settlement upgrading and expansion:  
The roles of tripartite actors and other stakeholders**

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Working papers are preliminary documents circulated  
to stimulate discussion and obtain comments

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## Foreword

This paper has been produced as part of the SECTOR project “Participatory approaches for construction-related technical assistance in settlement upgrading”, funded by the RBTC (regular budget for technical assistance) of the ILO during 2006–07.

The need to upgrade low-income settlements across the developing world is enormous, which is also expressed in the Millennium Development Goal number 7. There is growing attention to such a problem. Programmes of settlement upgrading and new development constitute a great opportunity to improve the livelihoods of the poor, including employment (in construction, maintenance and services), self-employment (in micro-enterprises and production and purchasing cooperatives), improvements in conditions of work (health and safety, social security, and child labour), financial and asset management (access to credit, land and housing assets), and human capital (education, skill development). Attention has been paid to some of these topics from the perspectives of the settlement residents and their organizations, and of the government agencies responsible for services and regulations, together with the modalities of the participation and partnership of these actors. However, almost no attention has been paid to the relationship between the communities and two potential and influential partners, namely employers’ associations, and labour unions. While participatory approaches are now *de rigueur* in programmes of settlement upgrading, the use of labour-related social dialogue to involve these other actors in such a context is still incipient and non-systematic.

There are considerable differences between the way the formal ILO social partners engage in social dialogue and the way low-income communities and informal workers engage in participatory discussions regarding labour (and other issues) in their settlements. For example, trade unions and employers organizations are usually not represented at the community level, and many times also at the municipal level. And in most localities, there is a gap between the two sets of actors (formal ILO social partners and low-income communities/informal workers). Yet, the two sets of actors may learn from each other’s processes and practices, and indeed benefit from possible linkages.

To give a very recent illustration in a specific yet important sub-theme, the need to bridge this gap in the field of ILO’s labour-intensive infrastructure programmes in the field of slum upgrading was highlighted during the recent discussion in the ILO Governing Body of the independent evaluation of the ILO’s strategy for employment-intensive investment (GB.297/PFA/2/2). This evaluation stated, for example, that:

... the usual programme partners are not the ILO traditional groups but those who see benefits in the employment-intensive approach: municipalities, community groups, small-scale contractors, sectoral ministries and ministries of finance, planning, decentralization and local government. Case studies indicated considerable project-level success in mainstreaming EHS practices across these groups, but some reversion to old practices after project completion, at least in some of the countries. But the political will and commitment is moving towards employment-intensive investment and infrastructure development in a major way. ... Many of the achievements happened without the full participation of the ILO’s tripartite partners as the nature of the programme lent itself more effectively to the participation of other partners. The traditional tripartite system does not line up with all development situations and this is one of them; but when the partners have participated, they demonstrate their potential to contribute to its greater success. Nonetheless, EHS lacks a critical mass of robust ILO constituents for the initiative and is weakened because of this.

Nevertheless, in the Office’s response to this statement and to the ensuing discussion from the ILO’s social partners, the Office nevertheless presented a number of instances where trade unions and or employers had participated actively in project advisory committees or as resource persons for project implementation and support ...

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This paper analyses the benefits of linkages between the aforementioned sets of actors, plus other actors involved in the process, with suggestions on how to explore synergies through social dialogue, in specific relation to issues of decent work in the upgrading of low-income settlements.

The paper deals with social dialogue and employment generation. It also includes conventional aspects of the process of upgrading of settlements (e.g. policies and activities related to urban planning, land development, housing provision typologies, etc.). Social dialogue and employment are indeed within ILO's agenda or mandate. In turn, the aforementioned conventional aspects of upgrading fall within the agenda and mandate of other institutions, such as UN Habitat, the World Bank, regional banks, among others. Therefore, the paper may also be of interest to such other agencies with a stake in such aspects low-income settlements upgrading. These aspects are also important for labour, firstly because upgrading generates jobs, and secondly because it also provides the necessary infrastructure for local businesses to thrive (e.g. better roads which facilitate transportation of commodities and access of/to clients, improvements in housing in which businesses are carried out). Therefore, it is hoped that this paper will contribute to improve labour conditions in low-income settlements, by providing knowledge to the ILO and other organizations which operate in this context. The contribution of the paper can be enhanced by further partnerships between the ILO, its constituents and other organizations.

Finally, it is important to note that research is also needed in the other aspects of decent work which are not at the core of the present paper (i.e. social protection and rights) in the specific context of low-income settlements.

Edmundo Werna

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## Acronyms

ADB	Asian Development Bank
BOO	build, own, operate
CBO	community-based organization
CC	community contractor/contracts
CDD	community-driven development
CG	central government
CLIFF	community-led infrastructure finance facility
FAR	floor area ratio
HA	housing association
HBE	home-based enterprise
HPFP	Homeless Peoples Federation of the Philippines
ILO	International Labour Office
LG	local government
MOA	memorandum of agreement
MSE	medium-scale enterprise
NGO	non-governmental organization
S&L	Savings and Loan Association
SEWA	Self-employed Women's Association
SDI	Slum and Shack-dwellers International
SSE	Small-scale enterprise
TU	trade union
TUA	trade union associations
UNCHS	United Nations Centre for Human Settlements (Habitat)
UNDP	United Nations Development Programme
WB	World Bank





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## 1. Abstract

ILO has undertaken substantial work over the years on employment, and more recently on the informal sector and its workers and entrepreneurs. Relatively little work, however, has been undertaken on informal settlements, except for measures to increase employment in their construction, and with UN Habitat, on the management of settlement upgrading by community associations. However, the condition of the poor and their settlements in terms of the underlying factors for their existence and structural measures to improve the situation, has received relatively little attention. And while substantial attention has been paid by UN Habitat, the World Bank and other aid agencies to the roles of local governments and community associations to upgrade these settlements, no attention has been paid to the other social partners of the ILO – the unions, cooperatives and employer associations – regarding the potential role they could play in the upgrading process and the development of new, planned settlements.

This paper aims to explore these aspects through a focus on the following topics: (i) the role of informal settlements in supporting employment, expanding opportunities for income generation, reducing risks, and providing a measure of social protection to their residents, and how these qualities can be strengthened in programmes to upgrade and expand settlements, and (ii) the potential, but as yet under-exploited roles of ILO's formal partners (trade unions, cooperatives and employer associations), to work in conjunction with informal sector associations, local governments and community-based organizations to address the above issues and, in the process, also to strengthen their own organizations.

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## 2. Introduction

ILO has undertaken extensive work over the years on employment and decent work in the formal economy. In developing countries, however, the significant rise of the informal, unorganized sector and the relative decline of formal trades unions and cooperatives, poses a challenge to fulfil ILO's mandate to help improve the lot of the poor with decent work and social protection. In response to this challenge, ILO has undertaken substantial research on the informal sector, both from a macro-economic perspective and through examination of specific sectors of the informal economy and their relationships with the formal sectors.

With regard to the role of settlements, where most of the urban informal sector workers live, ILO's EMP/INVEST and other units have also examined the potential to increase employment through labour-intensive construction, contracting methods, community-level provision of services, and use of local materials, and has collaborated with UN Habitat on analysis of the social dynamics of urban informal settlements and settlement upgrading programmes. The existing and potential roles of community-based organizations (CBOs) and local governments (LGs) in promoting these objectives and implementing upgrading programmes have also been addressed, especially in the wider literature.

Relatively little attention, however, has been paid to two aspects relating to informal settlements. One is their multiple functions in supporting and sustaining the livelihood and social protection for the poor, and how these important functions can be promoted and improved, both in existing settlements and in providing appropriate conditions for expanding the supply of settlement areas. The other aspect is the potential for other actors and organizations to contribute positively to improving settlements, in addition to CBOs and LGs. This paper aims to explore these aspects through a focus on the following topics:

- The role of informal settlements in supporting employment, expanding opportunities for income generation, reducing risks, and providing a measure of social protection to their residents, and how these qualities can be strengthened in programmes to upgrade and expand settlements, and
- The potential, but as yet unexploited roles of ILO's formal partners (trade unions, cooperatives and employer associations), to work in conjunction with informal sector associations, LGs and CBOs to address the above issues and, in the process, also to strengthen their own organizations.

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### 3. Literature review

The main documents reviewed to date are listed in the appendix. It is apparent that much work and writing has been done by ILO and others, both on the urban informal sector in general and on settlement upgrading, not only through discussion notes, but also in producing handbooks and guidelines. Key publications (refer appendix) related to this paper's topics include:

- (a) The urban informal economy and employment: 12, 14, 42, 18, 18(a), 28, 24, 23, 5, 35.
- (b) Community participation and informal settlements upgrading: 6, 26, 19, 40, 37, 41, 25, 43, 44.
- (c) Construction, labour, local materials, contracting: 36, 6, 8, 26, 19, 33, 29, 15, 22, 25, 30, 31, 35.
- (d) Roles of tripartite actors: 3, 13, 13(a).

Considerable work has been done on all items except item (d) – one of the two major topics of this paper. However, there are substantial gaps in three other areas:

- (a) The “upstream” overall prevention/facilitation aspect of upgrading has not been addressed very much in the literature – namely the overall process of informal settlements upgrading and expansion (latter dealing with new areas for settlement/housing), regarding matters such as linkages with overall urban infrastructure and planning, land availability – techniques such as land taxation and guided land development – land tenure reform, issues of displacement due to development pressures and “gentrification”, and access to housing finance). These matters are especially important as city growth and increases in the incomes of the middle and upper classes put mounting pressures on existing and emerging informal settlements with consequent squeezes on land and financing available to the poor, and associated pressures from private sector developers. These issues relate very directly to the concern of poor people and for ILO regarding social protection. Most of the poor do not have access to financial protection – nor will they in the short term. As noted at the workshop in February 2007, some aspects of social protection and employment support for the poor can be provided through the housing and settlement process, especially security of tenure, space for small enterprises and potential to expand income opportunities through renting, vehicular access, health improvements and disaster mitigation through provision of infrastructure, and for the poorest, cheap or zero cost rental accommodation.
- (b) The need to allow space for productive enterprises in existing and new low income settlements. Some work has been done on HBEs (home-based industries), but more is needed on the space, planning and regulatory requirements for small production, retail and transport enterprises which are not necessarily home-based.
- (c) Potential for the involvement of unions, cooperatives, employers and other key private sector actors (such as real estate developers) in assistance to informal settlements, and related links with local governments. This item is a very important omission. Publication 3 (Organising Workers in the Informal Sector) touches on the subject, but mainly deals with the informal sector in general, but little related to these actors' potential in the settlement process. Publication 13 addresses these institutions at the central level, but there is not much in relation to local government or relations with community organizations. Other international agencies (e.g. UNDP, UNCHS/Habitat, bilateral aid agencies and international development banks) do not

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consider unions, informal sector associations, cooperatives or employers at all (although they do rightly pay a lot of attention to central and local governments' roles in housing and informal settlements, and increasingly to CBOs). Given ILO's tripartite mandate, its important relations with the above actors, the need and potential for them to become more involved with the policy and process of the informal sector and its settlements, and the benefits they might gain from it, the paper will address this topic in some detail.

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#### 4. The urban poor – The significance of shelter in their struggle for survival

A house is a production place, market place, entertainment centre, financial institution, and also a retreat. A low-income community is the same, only more so. Both the house and the community derive their vitality from a multiplicity of uses. The imposition of artificial restrictions on both would only hinder their growth and development. (Aprodicio Laquian (1983).)

The catch-all phrase “urban poor” conceals a multitude of human conditions, in origins, work, health, age, gender, types of households, and access to assets (human, social, physical, natural and financial capital). A large proportion of the urban poor derive all or part of their income from small or informal enterprises which may be classified into four main groups: (i) retailing and wholesale, (ii) craft, manufacturing and production, (iii) services, and (iv) transport and construction. Due to their low incomes they need to be close to their employment location. In order to understand the different situations and problems faced by them it is important to identify some broad categories of settlements, as a basis for taking action. While we cannot cover all situations, table 1 illustrates some of the key features and differences among low income urban residents and their living environments, grouped according to their occupations, incomes and assets. The relative proportion of these groups depends on the wealth and development level of the country, but all are usually represented to some degree in most developing countries. While the living conditions are often deplorable, these different types of settlements serve a vital need for low income people in terms of their locations and affordability. These positive features must be recognized when policies and improvements for slum and squatter upgrading are designed. The following schema outlines the type of assistance and actions which are generally the most appropriate for the socio-economic groups involved:

- **Type A.** These unfortunates are the poorest of the poor. They often cannot afford any type of shelter or public transport, and so must be near places where they try to obtain some payment for small services.

*Assistance:* Their main needs are food, clean water and sanitation facilities, a secure place to sleep and leave their few belongings, access to social services such as health, and security from harassment by police or gangs.

- **Type B.** These folk are in a similar situation to group A, except that they undertake activities which provide more positive economic contributions, and they generally earn a more regular, albeit very inadequate income. Many rent bed-spaces or rooms, but must follow shifting opportunities for employment or hawking and usually do not wish to be burdened by paying rent or by security of land tenure. Many (construction workers, tricycle drivers) tend to be single men, but others (waste pickers) often have families.

*Assistance:* There is often a dearth of low cost, clean and secure rental space which they need, as well as joint water and sanitation service. While in certain countries some are circular migrants,<sup>1</sup> others, such as garbage collectors and waste pickers may have been based in the city for a long time, may have a family, and need a more permanent shelter with a longer term lease.

<sup>1</sup> “Circular migrants” return to their farms or undertake paid seasonal agricultural work, then come back to the city for off-season employment, often leaving their families in the rural areas.

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- **Types C and D.** These two groups cover a wide range of occupations, and often live intermingled in large slum or squatter settlements. They are mainly distinguished by different levels of income, allowing some to afford public transport, while others may have their own cycles or scooters. Many are long term urban residents with families. Most need security of tenure, some preferring to rent, others wishing to have the opportunity to own or lease land and improve their homes, since they (and often their relatives) have some savings which they could invest. Some<sup>2</sup> operate HBEs (home-based enterprises) and require an appropriately sized and located lot and house.<sup>3</sup> Water, sanitation, access and social services are often poor or non-existent although many residents would be willing and able to contribute to their installation. Some may be interested to obtain a plot of land in a new, legal, but well-located settlement.
  - **Type F.** These residents tend to be the highest income group in informal settlements, and are often long term residents with families. They comprise a range of occupations, including self-employed owners of small enterprises (SSEs), skilled craftsmen and professionals, as well as employees with secure and relatively well-paid jobs in factories and government offices. Most can afford public transport, and some have their own vehicles. Many stay in informal settlements with insecure tenure due to the lack of affordable housing elsewhere, and, for the SSE owners, the lack of suitably located and sized plots. Most are interested and able to pay for improved services and wish to invest on improvements to their properties, and many would expand them to provide income-earning rental accommodation,<sup>4</sup> or obtain land in a new settlement

*Assistance for types C, D and F:* These are the residents most interested and willing to pay for physical upgrading to their settlements, and also demand security of tenure to justify investment in their own properties. Programmes to upgrade these settlements in place are needed, as are new suitably located new developments incorporating mixed incomes and mixed land uses.

- **Type E.** These are similar socio-economic groups to those in types C, D and F, but they live in formal, multi-storey apartments, built either by the private sector or government. In some countries they are still under rent control, especially south Asia and, until recently in the ex-Soviet countries. Most apartments are occupied by low income, long-term residents, many of whom are long-term employees in government jobs. Usually, the combination of low rents and low profits has deterred landlords from maintaining and up-dating the properties, and many are depressing and unsanitary places – in effect, formal slums. There are additional complexities where old structures and housing in central city areas are valued for their historic and aesthetic qualities as cultural heritage, yet are occupied by great numbers of poor people following the departure of the original elite.

*Assistance:* A combination of policies is often required, including relaxation of rent control, while ensuring that the rents are still affordable, but requiring the landlords to invest in improvements, with assistance of grants and loans. Other measures may include the sale of the apartments as condominiums or cooperatives to the residents.

<sup>2</sup> Strassmann (1986) found that between 10 per cent – 30 per cent of households had an informal business (HBE) within the residence or lot, depending on the type and location of the settlement.

<sup>3</sup> For example, Farbman (1981) found that in the poor neighbourhoods of San Salvador, 85 per cent of households had HBEs, which often accounted for over 50 per cent of household income.

<sup>4</sup> Renting rooms can form a significant portion of low and low-middle income household income as well as providing a significant increase in the stock of rental housing.

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In the case of historic city centres additional policies may be needed to declare the whole area as a conservation zone, to provide incentives such as tax breaks and public funds for restoration, and to establish resident cooperatives who agree to work with architects and developers to remodel the interior arrangements while retaining most of the resident families.

In summary, we have identified at least four distinct types of settlements which need different responses to assist their residents. Most informal settlements are valuable living environments, forming mixed income and mixed land use communities. They provide suitable locations in relation to employment and transport, and provide land to support home-based, micro and small enterprises and a variety of rental and self-built accommodation. In these ways they minimize costs and risks, a critical concern of the poor. However, in other ways, such as the lack of security of tenure and consequent danger of eviction, their unhealthy environment and lack of essential services, they increase risks to the poor. Actions can be designed which address these deficiencies. The characteristics of existing informal settlements can also indicate the kinds of policies and planning needed for bringing new land and services onto the market to respond to the pressure for new settlements. In the next chapter we will briefly review typical responses by government to the phenomenon of informal settlements, followed by an assessment of legal and planning aspects which affect informal settlements and proposed reforms.

Socio-economic condition and occupations	H'hold size	H'hold income <sup>1</sup> (%)	Socio-economic assets	% income on shelter	Existing settlement and shelter conditions			
					Shelter type	Location	Tenure	Services
<b>A</b> Destitute, beggars, street children/families	1–3	0–10	Zero	Zero	Pavement, open waste ground	Close to commercial areas, must walk	none	None or public taps and toilets
<b>B</b> Construction workers, day labourers, waste collectors and pickers, hawkers, tricycle drivers	1–4	5–15	Labour. Some are circular migrants/seasonal workers	0–5	Pavement, tents, rent bed-spaces or room in shack	Close to bldg sites, commercial areas, docks, on public or unused land	None. Some rent from shack owners	None or joint water & sanitation facilities
<b>C</b> Craft & semi-skilled workers, cleaners, servants, urban farmers, prostitutes	2–5	10–25	Labour, some skills	5–15	Rent room in shack, own shack	Larger squatter areas near upper income areas, + city perimeter (urban farmers)	None or rent Some shack owners pay land rent	Joint or individual water supply & sanitation, drained footways
<b>D</b> Micro-enterprise owners, home-workers, traders, factory workers, truck/bus drivers	2–6	15–35	Skills, some HBE space, some savings, cycle/m'cycle	10–20	Semi-permanent houses	Ditto	Ditto	Ditto, drained footways & roads, sometimes health & ed facilities
<b>E</b> Low & mid-level govt. employees, factory workers, students	1–4	20–40	Skills, often secure govt. jobs, savings, cycle/m'cycle	15–25	Low-cost formal apartments	Central city, inner suburbs	Rent, some secure thro rent control	Ditto, surfaced access
<b>F</b> Skilled workers, semi-professionals, SSE owners, office staff, students	2–8	35–60	House, rent out space, workshops, equipment, savings, motor vehicle	20–35	Semi-permanent & permanent houses	Flexible, often have own transport	Rent land, own house, sometimes full land tenure	Ditto, individual services, often surfaced road access

<sup>1</sup> Indicates percentile of urban incomes. Income is a commonly used and convenient category, but not very useful since it does not account for variations in costs of living and inflation. Consumption of goods and services, and the household surplus available is a better measure, but too complex to be covered here.



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## 5. Settlement policies – What helps and what hinders the poor?

The impacts of government policies and programmes on the urban poor and their settlements can be grouped into three major topics:

- (a) housing policies and programmes,
- (b) laws and regulations, and
- (c) spatial issues, city planning and transport.

This section briefly discusses these topics in order to set the stage for the appropriate roles and involvement of the tripartite partners and other actors in the settlement process.

### 5.1. Housing policy

Regrettably, most governments do not see housing in the multiple roles of shelter as outlined in Chapter 4, but still view it as a matter of providing an aggregate number of dwelling units. This leads to outcomes which are inimicable to the interests of the poor and the informal sector, and largely explains the failure of most government-provided mass housing. Essential attributes of informal settlements which need to be incorporated into housing policy and planning include (i) a mix of income groups and occupations to encourage economic and social synergy, (ii) new sites located close to informal sector employment opportunities, (iii) a variety of plot sizes to encourage development of HBEs and SSEs, (iv) most units to be open, serviced plots to allow homeowners to develop the plots themselves and to minimize costs to the developer,<sup>1</sup> (v) freedom regarding plot development (with emphasis on a few key regulations to ensure health and safety), (vi) minimum levels of infrastructure services to minimize development costs and to match the transport needs of the residents, and (vii) health, social, recreational and educational facilities need to be incorporated which are usually absent from unplanned settlements.

#### 5.1.1. Development of new settlements

Many governments have started housing programmes by acquiring land and providing completed housing units ready for sale or rent to a uniform low-income group. Most of these projects suffer from lack of the positive features of informal settlements noted above. They are also costly to the government, which has to acquire the land and build completed housing by formal sector contractors. They are often heavily subsidized to be affordable to the target income group, or if not subsidized, have to be sold to higher income groups. Government housing budgets are usually inadequate to provide much of this type of completed housing,<sup>2</sup> and so the approach only reaches a small section of the

<sup>1</sup> Where multi-storey development is inescapable due to high land values, these units should preferably leave the interior spaces open to allow the occupants to arrange the interiors according to their own requirements, and to minimize cost.

<sup>2</sup> With the exception of some communist regimes where housing, often mass-produced standardized units, was accorded high priority, and often funded and managed by the production enterprise for its workforce.

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market. The time required for land acquisition and development also means that they can not meet the growth in demand

Sites and services schemes were initiated in the 1970s to try and reduce costs of housing provision. They include some of the positive features noted above, mainly the open plots, and some provide for a range of income groups whereby the larger plots can help to cross subsidize the smaller ones for the lowest income groups. However, they were still often inappropriately located, rarely accommodate economic activities, and, being developed by government are also costly and slow. As with completed housing, they have also tended to be taken up by, or sold out to middle income groups, to favoured government employees, or used as relocation sites (see below)

More recent approaches to deal with these deficiencies in provision of new settlements are discussed later in this chapter.

### **5.1.2. Policy approaches to existing informal settlements**

Several approaches, developed in many different countries, have been devised in dealing with informal settlements. As described by Vilorio-Williams (2006) they can be broadly classified into:

*Clearance and relocation.* This approach involves the demolition of existing structures in the depressed areas, the residents being transferred to resettlement sites, usually outside the city where cheap land is available. The area is then cleared and prepared for redevelopment into high value uses such as a combination of commercial or high income residential. Frequently, the majority of the residents relocated in resettlement sites returned to squat in the city since they could not find work in the outlying areas. In many instances, governments have failed to provide resettlement sites with sufficient job opportunities for the displaced residents or adequate social services. In some cases, rather than concern for the residents' welfare, clearance has been motivated primarily by the interests of real estate developers in collusion with government officials to jointly profit from higher value redevelopment of the land.

*Clearance and redevelopment.* This approach involves the temporary relocation of existing residents followed by the clearing of the land and building new housing for them on the same site. This housing is often a high-rise development in order to release some land for commercial uses. Building new housing is sometimes justified in central city sites which are of high value and where commercial development can subsidize the cost of residential units for the original occupants. However, the commercial development often can not support the subsidies required, the original residents can not afford the high cost of the new residential units and are then forced out from the site and then replaced by higher income households. The redevelopment approach is also slow and complex and does not provide much ground level space to operate the small business enterprises which residents usually need to supplement their income. And finally, although redevelopment is sometimes proposed to increase the amount of housing in central areas, the net residential density in medium to high rise building is often not much greater than that in depressed communities in central city locations.

*Upgrading in place.* This is the alternative usually preferred by communities. It consists of improving the existing infrastructure and facilities up to a satisfactory standard, with minimum disturbance to the residents. It often includes the provision of secure tenure for the residents, either by granting titles to the structure owners, or by a general guarantee that the site will not be redeveloped for a given number of years. An important advantage of upgrading is that it minimizes disturbance to the social and economic life of the community. It also carries significant cost advantages; it has been found that clearance and

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relocation can cost up to three times as much per household as upgrading in place, and clearance and redevelopment can cost between ten and 15 times as much. An essential feature of successful upgrading programmes is the active involvement of the community as a full partner with the development agency at all stages of the project, and subsequently in operation and maintenance. In cases where the upgrading involves historic neighbourhoods or other cultural heritage, additional measures are often needed to conserve the historic fabric. As a bonus, this frequently offers an opportunity to improve skills and add additional employment.

There are typically seven general objectives of community upgrading:

- to improve the health, environmental, social and economic conditions in the community;
- to ensure that the original residents of the community benefit from the program and are not ejected or displaced after the area has been improved;
- to encourage residents to improve their own houses;
- to ensure that the program is affordable both to the government and the community;
- to stimulate small business expansion and expand employment;
- to encourage employment-intensive approaches for the project construction, operation and maintenance;
- to undertake parallel approaches to strengthen social capital including community organization, education and literacy training.

### **5.1.3. Changes needed to housing policy**

In view of the financial and management constraints experienced by governments, the needs of low-income communities as outlined above, and the failure of the policy to provide formal, completed housing for low-income groups, fundamental changes are needed to housing policy in many developing countries, viz:

- “housing” needs to be changed to “settlement and shelter” policy;
- economic development should be integral to all development schemes;
- social mixture and the interdependence should be encouraged;
- the beneficiary community should be actively involved at all stages;
- slum clearance should be avoided wherever possible, and existing communities upgraded;
- government budgets for housing should be shifted from provision of formal, completed units into community infrastructure; and
- other actors should be encouraged to participate in the upgrading and development of settlements, including local governments, community organizations and housing associations, and other elements of civil society should become involved with advice and support.

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Lack of action by governments to regularize informal settlements and encourage their upgrading is leading to much wasted investment by the poor, who are afraid to construct adequate shelter for fear of demolition, and pay high rates to suppliers of services such as water.

In general, government should move from “provider” to “enabler” of shelter. It should concentrate on doing well what it alone can do – namely to establish overall policy, laws and regulations which facilitate the access to shelter, to coordinate the inputs of key government agencies (such as off-site infrastructure and social services), to establish a conducive urban planning and transport framework for the poor, to fund essential infrastructure, and to put in place incentives and penalties for developers<sup>3</sup> of shelter projects. Some of the above reforms are currently inhibited by existing laws, regulations and development practices. The next section discusses these issues and necessary changes.

## **5.2. Laws and regulations: Practices, issues, reforms**

In many countries, laws were instituted during the colonial period to control informal business activities, establish land rights, protect public health, define building standards, and delineate banking practices, among others. While these may have served well for the conditions at the time, with the in-migration of vast numbers of rural poor to the cities after independence, many have become anachronisms, requiring significant change to serve contemporary needs. However, many have been retained, and now often serve to protect the interests of the elite to the disadvantage of the poor. Nevertheless, some regulations are clearly necessary to protect public health and safety, working conditions and the environment, but need to be designed to help and not to hinder the interests and conditions of the poor. Some notable regulations and practices which affect the informal sector and their settlements include:

### **5.2.1. Vagrancy, mendicancy, hawker and market licensing**

These are often used to harass the destitute, street children and their families and itinerant hawkers, and remove them in “clean up” campaigns to detention centres or distant relocation sites. While some control of public spaces is necessary, in the cities of many developing countries, road space for vehicles has crowded out pedestrians; appropriate spaces are not allocated for street hawkers and market stalls or shelters and street services for the homeless. Local bylaws which control markets, food sales, parking and transport often need review to ensure that they do not discriminate unduly against informal sector traders. Micro-planning (section 5.3.3) is needed as a positive solution.

### **5.2.2. Land: Registration, tenure, valuation, expropriation and zoning**

These set of issues centering around the control and use of land have a critical influence on the lives of the poor and their potential for economic improvement.

*The registration* of land is often an opaque and murky affair. Land records are often incomplete, inaccurate and kept secret, in part due to inefficiency and lack of trained staff of the records office, but often because of political pressure to conceal the identity of

<sup>3</sup> Developers may include local governments, community associations, cooperatives, or the private sector.

owners,<sup>4</sup> and to provide an opportunity for developers to obtain advance and advantageous information. The ones which suffer most from this state of affairs are the poor, especially since many live on land which has unclear ownership. Their efforts to obtain information are often thwarted by local officials, politicians and developers. Due to this situation, improvements to the management of land records need to be complemented by solidarity and pressure from poor communities and groups concerned with civil and human rights to achieve any lasting change

*Security of tenure related to land and shelter* is a key matter for most urban residents, particularly those who have built their own shelter, often on land to which they have no, or inadequate rights. The major reason why informal settlements have such poor quality shelter and services, is usually not because the residents cannot afford them, but because without land rights, they live in perpetual fear of being evicted, and so are unwilling to invest in their property; and governments for their part, are often unwilling to provide services to illegally occupied areas, fearing that this will offer de facto approval. Since most societies in developing countries do not have formal social security programmes which can be accessed by the poor, security of tenure offers an important substitute. As Payne points out (Chapter 9, in Rakodi and Lloyd-Jones eds, 2002), security of tenure does not necessarily imply freehold ownership of individual plots. Tenure should be considered as a “bundle of rights”, which may range from customary rights, through tenancy contracts, to formal leaseholds, condominium or cooperative ownerships, to individual freehold. Much depends on the local customs and whether traditional systems offer sufficient security in changing urban environments.<sup>5</sup> Security may also depend on whether the government has acceded to some form of de facto recognition.<sup>6</sup> The following diagram indicates some of this variety:

Tenure security in law	Tenure categories
Least	Pavement dweller
	Squatter tenant
	Squatter “owner” – unregistered
	Tenant in un-authorized subdivision
	Squatter “owner” – regularized
	Owner – unauthorized subdivision
	Legal owner – unauthorized construction
	Tenant with contract
	Leaseholder
	Freeholder
Most	

Note: For simplicity, this illustration omits customary and Islamic tenure categories. De Facto rights may vary. After Payne (Ch. 9, Rakodi and Lloyd-Jones eds. 2002)

<sup>4</sup> To avoid taxes, but more often concealment by the elite. For example, under the Marcos (Philippines) and Suharto (Indonesia) regimes, the Presidents and their relatives owned vast areas of valuable urban land, but did not wish the public to know the extent of their landholdings. Land development companies are often owned by the same elite.

<sup>5</sup> For example, in many Indonesian towns, “adat” (traditional) law recognizes a wide range of rights to use land: although these are usually not recorded, they are known and recognized by the local elders. But in large cities, these are weakened due to the range of in-migrants, and the rise in land values. In these cases, clearer registration and stronger rights are needed to protect against development pressures and evictions.

<sup>6</sup> For example, many residents in settlements in Latin America and Africa feel that the receipts for payments of their utility bills and real estate taxes provide some protection.

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In order to achieve a sound basis for upgrading illegal settlements, a national urban land reform law may be needed, which gives the government the right to acquire squatted land for the purpose of transfer through sale to the resident squatters.<sup>7</sup> A variant could provide for the committee of squatter residents to negotiate purchase from the landowner directly, but with the requirement that the government acquires the land if the negotiations fail. As regards laws on rental accommodation, progressive relaxation of rent control, and possibly tax advantages for rental income may be necessary to encourage investment in maintenance and new provision, at the same time as maintaining ceilings to rent increases to ensure affordability for renters.

*Land valuation* is an important issue in the upgrading of informal settlements. Often, since government-owned squatted land does not incur cost to the government, it is passed on free or at little cost to the new lot owners, whereas if privately owned squatted land is purchased, the new lot owners are charged the price of the purchase. This raises inequities between the two types of settlements. In other cases, if privately owned land is valued at the market rates of similar land in legal subdivisions, it will be much higher value than the squatted land, whose landowner finds it difficult or impossible to evict the squatters. In these cases, the squatted land should be valued at a lower price. These various inequities require to be resolved through legal changes to land valuation methods.<sup>8</sup> This may best be resolved through clauses in an overall urban land reform law (see above).

*Expropriation* of land is a burning issue in central city areas. While expropriation (with market price compensation) for genuine public purposes is essential (such as a transport route or flood control works), the power is often used by government to clear informal settlements to the benefit of real estate developers who then make massive profits on the developed land, while the residents often receive little or no compensation. Clarifying and strengthening the law to protect residents is often needed, together with transparency in the land transfer process.

*While zoning* is part of the body of land-related law, it is most important as a legal tool of urban planning, and so will be addressed in section 5.2 below.

### **5.2.3. Financial practices**

Numerous studies point out the deficiencies of the formal banking system as it affects the informal sector: the collateral requirements which the small enterprise cannot satisfy, their lack of influence and access compared to larger firms, the paperwork requirements, and the higher administrative costs incurred by the banks. The remarkable success of micro-credit has shown that these problems can be overcome, and these lessons can be adapted for small-scale businesses, HBEs, and owners who wish to improve their homes and add rooms for rental. These individuals can join together to form credit and loan associations to consolidate assets to offer joint collateral, reduce administrative costs by packaging loan applications, and undertake collection functions.<sup>9</sup> With the growth of self-help community associations, there is a growing demand from them for finance to implement land acquisition and infrastructure projects for settlement upgrading and new

<sup>7</sup> This issue is discussed in the context of the Philippines (see Viloría, 2006. pp. 37–40). South Africa has also undertaken a number of legal measures to grant security of tenure (UN Habitat 2006).

<sup>8</sup> op. cit., Viloría-Williams, 2006.

<sup>9</sup> The UNDP Micro Capital Grants Programme is designed to assist SSEs and HBEs, including home equity loans for householders who wish to add rental rooms.

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settlement areas. Some of the best examples come from India, South Africa, and the Philippines, where CBOs have developed to provide multiple functions for settlement upgrading<sup>10</sup> (UN Habitat and Cities Alliance 2006). A key feature of these initiatives is that they build confidence and power of their members through starting savings associations which later provide them with leverage when negotiating loans from financial institutions. Legal changes are often required to accredit CBOs and S&Ls and to adjust banking regulations.

#### **5.2.4. Business registration regulations**

There are often numerous, uncoordinated and overlapping regulations emanating from different central and local government offices. While large businesses can usually handle these (with difficulty and illicit payments), small businesses cannot manage or afford to do so, and are also afraid that they will be caught in the taxman's net. They thus try to avoid detection, which severely hampers their operations, productivity and growth. Regulations and the tax regime need to be designed to encourage HBEs and SSEs to register, and to provide help and assistance (for example through "one stop shops") instead of penalties, in order to help them improve their productivity, working conditions and environmental practices. For these small enterprises, the benefits to them of registering must outweigh the costs. A related matter is the registration of CBOs, Housing associations (HAs) and community contractors (CCs). CBOs and HAs need registration to be accepted as a full legal partners with government and finance institutions for the purpose of planning and implementing upgrading and new settlement projects. CCs construct and/or operate community-level infrastructure, and need a legal personality to enter into contracts with suppliers and utility operators.

#### **5.2.5. Building and site development regulations**

Often established during colonial times for civil servants' housing areas, they favour large lots with generous building setbacks and road geometry, and often expensive building materials and services requirements. While they may still be relevant for upper income subdivisions, they are often used to justify the removal of informal settlements (whose layouts or houses have not been officially approved), or at the least, they impose unaffordable building conditions for most existing and new settlements. Miller (2005) has shown how housing standards which are too high adversely affect the poor, and what changes are needed for low-income settlements. Sethuraman (1985) has shown that investment in informal housing is likely to generate 19 per cent more jobs, and produce six times as many (lower standard) dwelling units as formal housing. Some countries, such as Indonesia, have relaxed these requirements for upgrading informal settlements, and have shown that essential health, safety and environmental matters can be satisfied with only a few requirements, adapted to local conditions. In most cases, LGs do not have the capacity to supervise the implementation of building regulations. It may be better to make a few, clear requirements which are supported by the community, and have the community (probably through the CBO) supervise and enforce these regulations.

<sup>10</sup> In India: the "Alliance" of SPARC (an NGO), the NSDF (an association of CBOs), Mahila Milan and CLIFF (finance system for the urban poor), in South Africa SAHPF (a network of CBOs or S&L collectives), in the Philippines the HPFP (Homeless Peoples Federation) and the CMP (Community Mortgage Programme).

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### **5.2.6. Contracting conditions, procedures and practices**

Most contract procedures and regulations have been developed by central and local governments and the professionals who work for them, such as engineers, architects and lawyers, and are designed mainly for large infrastructure works in the formal sector.<sup>11</sup> These standard methods are well-tried and appropriate for medium and large scale infrastructure works. In many developing countries, however, housing and associated small infrastructure works comprise from 30 per cent to over 50 per cent of the total construction sector, and are built mainly by SSE and MSE contractors, who also generally use a higher ratio of labour versus equipment compared to larger, formal sector firms. Since government is frequently involved in the upgrading of existing, and the provision of new settlements, if the standard procedures are applied to these type of works, costs are raised and many small contractors are excluded, or are unable to complete the regulatory and paperwork requirements. The types of regulations or procedures which often hamper the small contractor, and need review, include (i) minimum size of firm is set too high, (ii) capitalization requirements and performance bonds are too onerous, (iii) unnecessarily high-tech and capital-intensive specifications of materials and equipment, (iv) tendering procedures which often do not allow force account or community contracting, and (v) large size of contract packages. Similar constraints also apply to the contracting of maintenance of small and medium infrastructure works. In general, attention needs to be paid at the country level to review contract and procurement design and procedures for small contractors to incorporate the above matters while at the same time incorporating appropriate provisions on labour standards (including prohibitions on forced and child labour), minimum wages, safety and health, and injury insurance.

### **5.2.7. Building materials**

A related area to construction which is affected by regulation and specification practices is the building materials sector. The World Bank (1993) identifies systematic underproduction, lack of variety and inefficient production and distribution as common problems of the sector, resulting in chronic shortages. It points to the causes as monopolies in materials production, import restrictions, subsidies and tariff barriers, all of which all prevent competition. These factors adversely affect small and medium-scale producers in particular, who cannot obtain the necessary licenses from government to enter the industry, and also suffer from the lack of necessary infrastructure which government needs to provide.<sup>12</sup> Small-scale producers are very resilient and flexible and have the potential to expand production through the use of local materials and simple technologies<sup>13</sup> which can be locally produced and maintained. Demand for local materials can be stimulated by promoting small scale building contractors, who use a higher proportion of local materials than large, formal sector contractors. At present, however, small producers are often inefficient, wasteful of input materials, and consume high amounts of energy per unit of

<sup>11</sup> Other actors have also had an influence, such as the international development banks, who have been influenced by (i) the need for international competitive bidding to ensure transparency, and (ii) pressure from their Board members from the rich countries, who are influenced by large contractors anxious to obtain contracts through their loans. However, in recent years, these agencies have become more responsive to include local, small-scale contractors and simpler, more appropriate contracting methods, in part because large-scale foreign contractors have lost interest in small-scale infrastructure works.

<sup>12</sup> Such as gas lines for kilns to areas making bricks.

<sup>13</sup> For examples, see Tipple (1995, pp 99-107), Oakley (2001), Taijman and de Veer (1997).



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output. There is potentially a big role here for the introduction of intermediate technologies which can largely resolve these problems but are still within the capabilities of the producer, and yet continue to create large numbers of jobs.<sup>14</sup> However, to allow this to happen, governments need to address the regulatory issues noted above, provide necessary infrastructure, and promote intermediate technology and training for small and medium-scale producers of building materials, possibly offer tax breaks for local materials producers, and ensure that bank credit is available for these producers. Specifications need to include for local materials in building and infrastructure contracts. In addition, campaigns to raise public awareness and interest, including demonstration housing needs to be undertaken to overcome consumer resistance to “old fashioned” materials.<sup>15</sup>

### **5.3. Provision of services and dwellings**

The ILO has already undertaken much work on the provision of services and housing for low-income communities, particularly with regards to their potential for employment,<sup>16</sup> so this paper will not go into depth on this subject, but touch on the aspects which are relevant for planning and implementation by the actors involved.

#### **5.3.1. Infrastructure and utilities**

Our consideration here is on-site infrastructure services in upgraded or new settlements. Off-site infrastructure to link settlements to major city services is normally carried out by LG agencies or utility companies. On-site services usually comprise roads, footpaths, drainage, water supply, sanitation, electricity and solid waste management services.

*Site planning.* There are ten key considerations which are interrelated when planning on-site services:

- (a) Availability of off-site infrastructure connections – for example, is mains water supply or piped sewerage available? Can surface water drainage connections be made?
- (b) Level of service – a high or lower level: for example, the degree to which individual plots will receive services such as immediate road access, piped water supply and sewerage, or whether a lower level of service should be provided, such as footpath access to most plots, water from community standpipes, and on-plot or grouped household sanitation instead of piped sewerage.

<sup>14</sup> For example, Tipple (1995) cites a recent survey of building materials in Bangladesh which estimated that about 180,000 people may be employed directly in the brick industry, more than the entire jute industry which is considered the mainstay of the Bangladesh economy. The ‘Humana’ project in Nairobi is an interesting example of an informal association managed and staffed by women which is producing and selling intermediate technology materials.

<sup>15</sup> The Aga Khan Foundation has done excellent work in the area of intermediate technology and improving the image and quality of traditional materials and design.

<sup>16</sup> See references: papers include ILO (2005 and 2006 a–c) , Jinchang, Rubayiza, Scot et al., Stenstrom, Tajjmanet al, Tournee et al., all papers published by ILO.

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- (c) Incremental provision: should all the infrastructure be built at once, or should it be built and/or upgraded over time, as can be afforded, or as settlement density increases?
  - (d) Construction standards – should roads be the same standard as in formal subdivisions, or should they be smaller and alignments adjusted to minimize disturbance to existing structures? Should the infrastructure be constructed to a high standard to minimize maintenance, or a lower standard so that capital costs can be reduced but incurring higher maintenance costs?

Decisions on the physical planning are affected by the following economic and social factors:

- (e) Cost and affordability: the above matters all have cost implications. Higher levels of service and higher standards imply higher capital costs. Who will pay the costs, and can they be afforded both by government and by the residents?
- (f) Employment: Can the infrastructure be designed, and materials and techniques used to maximize employment and allow maintenance by local labour, without incurring substantially higher overall costs? What measures can be used to induce employment of local labour and youth (e.g. LG policy, bonding contractors, community contracting)?
- (g) Minimum impact: infrastructure should be planned to minimize disturbance and dislocation or relocation of households.
- (h) Participation: community participation in plan options and the location and levels of service are essential for the works to be accepted by the community and properly maintained, and for the community to commit to paying for their contribution to the cost.
- (i) Population turnover: if the objective is that the original residents remain on the site, then care must be taken that infrastructure standards are not so high as to increase the value of the upgraded site to the point that the residents sell out to higher income groups and go to squat elsewhere in the city. Value is also affected by the type of title offered to the residents. Freehold title may induce more rapid turnover than a leasehold or condominium title. However, care must be taken that low-income settlements are not put at an unfair economic disadvantage compared to formal settlements.
- (j) Speed: a large and rapid upgrading programme both reaches more people and reduces the pressure for population turnover. However, this may be at the expense of adequate community participation and avoiding the time-consuming land acquisition and titling process.<sup>17</sup>

Other issues requiring attention in physical planning (especially where new settlements are being designed) are the plot sizes and shapes, which should be affordable, efficient and practical to develop, especially where they may accommodate HAs and SSEs. The opportunity to provide larger plots to be sold at a profit to higher income groups, thereby offering a cross-subsidy to the poorest plot-holders, and achieving a mix of income

<sup>17</sup> This is very apparent from the experience of the Kampung Improvement Programme in Indonesia which rapidly upgraded most of the informal settlements in all the cities over a period of about 20 years.

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groups also needs to be addressed. In some cases where settlements are on the peri-urban fringe and land values are low, accommodation for urban farming and market gardening may be desirable

Site planning needs to be undertaken by professionals (usually architects or engineers) who are sensitive to the needs of communities, can listen to their requirements, and actively involve them (usually through their CBO) in the design process. They can be employed by a LG, be part of an NGO which assists the community, or be hired directly by the CBO. They must avoid dominating the overall upgrading process, since that process should be led by community development workers who assist the establishment of CBO which is the client, and the technical professionals should fit in with the development of the CBO and the timing of the whole upgrading process.

The issue of incentives for community upgrading is also very important. Communities value the investments made and contribute to their proper planning and maintenance when financial contributions are required from the community households. While these should be affordable, they should be enough to make a difference to the quality of the project, and to induce the LG and other partners to treat the CBO as a genuine client. From the side of the LG and its partners (see section 7.4(b)), Challenge Funds are a useful approach to provide funding from the public and private sectors, allocated on the basis of community initiative to prepare suitable proposal for upgrading their neighbourhoods.

*Implementation.* There are a range of possible ways to implement on-site infrastructure:

- (a) By the LG or a public sector Housing Authority, using medium and large scale contractors. This is the traditional method of implementation. However, if LGs are overburdened with other activities, or cannot afford the staff to undertake the work, implementation will be slow, and other modalities need to be investigated. Large contractors have found it difficult to work in crowded settlements, their profit margins are small, and they are the butt of residents' complaints. These problems, together with some other issues noted in (b) below are causing some changes in this approach.
- (b) Small-scale contractors. Small scale contractors, and especially community contractors can implement the works at much lower cost, and often with greater satisfaction to the residents, since residents' CBOs have more influence over the performance of SSE or community contractors. SSEs also tend to use a much higher proportion of labour in the work than larger contractors. However, since several may have to be employed on any one project, they may raise more management problems for LGs. This may be resolved by strengthening the CBO to become the purchaser and client for the works (see (c) below).
- (c) Community contractors (CC). This is a more recent innovation, encouraged by the success of an increasing number of cases<sup>18</sup> which show promise in this approach. The essence is that the CBO is trained and strengthened to establish an entity which can act as contractor, employing and paying community members to undertake the work. The contracting authority may be the LG, an NGO, the CBO itself, or a HA (in the case of new settlements). The advantage of this approach is (i) it actively involves the community in the project, strengthening community cohesion and participation and developing a strong sense of ownership, (ii) it is labour intensive and investment and

<sup>18</sup> Notably, the Orangi Pilot Project in Pakistan, NHDA in Sri Lanka, Hanna Nassif in the United Republic of Tanzania.

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employment stay in the community, (iii) it improves planning, management and construction skills, which can then be used to undertake other projects<sup>19</sup> and maintain the works after construction, (iv) contracting procedures are simple, since there is no competitive bidding, (v) its costs are likely to be the same or lower than SSE contractors since pay rates are agreed between the community members, (vi) quality is often higher than externally contracted works, and (vii) it has been found to be an effective way to rebuild after disasters (e.g. the tsunami in Indonesia). However, it does have potential disadvantages: (i) additional time will be required beyond conventional contracts, (ii) considerable training is required to establish the CC on a sound footing, (iii) institutional arrangements must be made and written agreements and model contracts must be designed or adapted,<sup>20</sup> (iv) it will only be capable of undertaking simple works to start with, and private sector contractors may have to be brought in, adding complexity, (v) it may only be suitable for certain situations where residents are willing to give up their existing occupations, and (vi) there is a danger that it will fall apart after the works are completed., losing the accumulated experience. Most of all, CC needs a strong champion in the LG, and a supportive structure (e.g. targeted procurement)

- (d) Self-help. This consists of community residents providing free labour to implement (usually small) infrastructure. While it may be appropriate on a limited scale, and in cases where no finance is forthcoming, it has come into some disrepute, since it can be seen as exploiting the poorer members of society as a form of forced labour. It may have some virtue, however, in a funded scheme where all residents are expected to pay a contribution towards the cost of the project, and some may prefer to donate their labour. In general however, self-help is more appropriate for construction of private homes where the work and the benefit accrues directly to the household involved

*Operation and maintenance.* In the maintenance of infrastructure and payment for the services, the participation of communities may be possible through using the concept of the “ultimate level” (see Cotton and Franceys 1991) which is the place at which the service is metered and responsibility is handed over to a private individual or some other legal entity. The LG which provides the off-site incoming service (for example, water supply or waste collection) would negotiate with the CBO, or by individuals licensed by the CBO, to operate and maintain the service, and a charge would be levied for the provision of that service to the “ultimate level”. The operator would then collect charges from individual households, pay the agreed amount to the LG, and use the surplus for management and running costs, and possibly other activities agreed to benefit the community.<sup>21</sup> The operator could also extend or upgrade the service if desired by the community. The ultimate level may be the edge of the settlement or the entrance to an alley, or any place where control can conveniently be assumed. Among the advantages of this system would be a clear division of responsibility, a locally enforceable payment system and a system which is responsive to the users. It would avoid the usual problem of deteriorating maintenance due to neglect or unclear responsibilities by the LG and the community. The

<sup>19</sup> In the case of the Orangi project, the community contractors are now bidding for other work outside the community, and are even taking on larger infrastructure works.

<sup>20</sup> Sri Lanka provides an example of clear guidelines and contracts for community contractors, and the ILO has prepared a detailed manual on the whole process of (Tourney and van Esch, 1998).

<sup>21</sup> An interesting example is in the Philippines under the Zonal improvement Programme. Here, operators of community toilets and washing facilities charge a small monthly fee to subscribing families. They also obtain additional income from fees paid by washerwomen who have a section for clothes washing, and the profit over costs goes towards community purposes.

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LG or service supplier would also benefit through having fewer, larger customers and therefore less administrative costs. The system could also be applied to services which do not yield a revenue stream, such as the maintenance of roads and drainage, by the LG paying the operator a sum in lieu of a portion of the property tax which would otherwise be levied on homeowners.

The above arrangement is a form of franchise for service delivery. In some cases where the technical requirements of delivery are higher than can be managed by a community operator (such as electricity supply), or where the capital construction could be combined with its operation and maintenance, the franchise could be designated or bidded to a specialist provider through a “build, own and operate” (BOO) contract negotiated between the community, and the service provider and LG.<sup>22</sup>

### **5.3.2. Solid waste management**

Another area where design of a programme can crucially affect labour intensity is solid wastes management. It is estimated that city authorities in developing countries spend 30 per cent to 50 per cent of their budgets on solid wastes management, (Tipple 1995, p. 81) but, despite this, most do not keep up with the backlog. Influenced by promotion and discounted sales from developed countries, many developing countries continue to use large vehicles for collection, and sophisticated disposal such as incineration plants.<sup>23</sup> These are often inappropriate, since large vehicles cannot penetrate the congested low-income settlements, and a high proportion of wastes are organic, which reduce the efficiency of incinerators. Moreover, these technologies have a low labour intensity and, in order to maximise the input to the disposal plant, are often accompanied by a lack of interest in promoting re-use and recycling of wastes, an activity which is inherently labour intensive and employs large numbers of the urban poor in waste picking and small recycling enterprises.

Solid wastes management is a service which is very appropriate for community or private franchises, and have been shown to substantially increase waste collection rates.<sup>24</sup> However, it should be carefully designed to ensure that the best aspects of the existing informal system are retained, using the abilities of the SSEs currently operating, and strengthening waste separation and collection at the household level, while improving the environmental and labour conditions. Financial, management and social incentives (social pride, competitions) can be used to encourage re-use and recycle “waste” materials, develop and market new by-products, and improve cleanliness and efficiency.

### **5.3.3. Dwelling construction**

Several studies have shown that investment in community infrastructure yields substantial investment by the private sector in housing.<sup>25</sup> Moreover, housing construction is intrinsically more labour intensive than infrastructure. In view of the low incomes of

<sup>22</sup> This approach is discussed by Bangasser, 1995.

<sup>23</sup> These plants often end up as defunct “white elephant” monuments to inappropriate and corrupt development practices.

<sup>24</sup> Franchises in Dar es Salaam agreed differential charges per household with the CBO, depending on the household affordability, and waste collection rates rose from 5 to 50 per cent.

<sup>25</sup> A study by MIT ([www.mit.edu/urbanupgrading](http://www.mit.edu/urbanupgrading)) indicated that one unit of public investment yields seven units of private investment in upgraded areas.

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most households in informal settlements, and the capabilities shown by residents to improve their dwellings once security of tenure has been achieved,<sup>26</sup> it is better to allow households considerable freedom to build according to their requirements, including the speed and extent of the home improvements, incorporating HBE activities, and the addition of rooms for rental. The only limitations should relate to health and safety concerns. For example, party walls of incombustible materials should be required where houses are joined together, proper connections should be made with water and electricity services and toilets should be connected to a sewer or a ventilated septic tank, and HBE activities should not cause noise or pollution or intrude onto the sidewalk. Special requirements may be necessary in earthquake-prone areas, on steep slopes or in areas of frequent flooding. Clear and simple regulations need to be devised to cover these matters, and training to comply with them offered to residents. Since most LGs do not have the capability to monitor and supervise the extent of informal works activities, the CBO should have authority designated to it to do this.

Measures are also desirable to assist householders to negotiate with contractors and obtain building materials. Development consultants, such as local young professional architects should be employed by the LG or the CBO to advise households and to prepare information such as model contracts. Loans for home improvement and construction should be available, possibly organized or guaranteed by the CBO.

#### **5.3.4. Orientation of attitudes and application of skills**

Since government has a key role in these topics, their attitude towards promoting greater labour-intensity and the small contractor is critical. As put by UNCHS (1989) “A positive attitude from the authorities is required to realize the employment potential ... so much depends on the local situation and in particular the political support given to the programmes”. As mentioned elsewhere, a change in attitude towards enabling the informal sector rather than supplanting or over-controlling it is needed. Awareness-raising and training of government officials is essential if the full potential of upgrading programmes is to be realized. With a reduction in the number of matters to control, and assigning control to groups closer to the population, such as CBOs, government can concentrate on being more effective at fewer but more essential tasks. From the side of small building contractors and materials suppliers, which are typically very fragmented, the notion needs to take root that organizing into associations could help them all by offering a forum to exchange knowledge and information, a means to lobby government, and to form a basis to establish coops for purchase of inputs, use of equipment, and marketing

With greater reliance on CBOs, CCs and HAs on upgrading and new settlement building, training is also essential for these entities, and a means also found for them to apply and extend their skills to other communities and in the private sector, by becoming development consultants and new building SSE owners and operators.

#### **5.4. Spatial issues, city planning, land use and transport**

The aim of urban planning should be to provide a context in which people can access services and shelter, which promotes economic development and environmental protection, and which improves the quality of life, particularly for poor people. T. Lloyd-Jones.

<sup>26</sup> In almost every case of settlement upgrading, households have vastly improved their structures – examples for Latin America, Indonesia and the Philippines are notable.

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### **5.4.1. Spatial justice**

The above statement (in Chapter 12, Rakodi and Lloyd-Jones, 2002) neatly captures the essence of urban planning. Regrettably, the reality is that in many countries the policies and practice of planning do not support these objectives. For many of the urban poor, their experience is of spatial exclusion. In contrast to rural areas, where the access to natural capital is key, it is access to the concentration of people and their assets and services that is important to the urban poor,<sup>27</sup> and the affordability of transport and the time taken to travel are critical factors. Within informal settlements there is usually a vibrant mini-economy, and the residents have built up social capital of personal contacts on which they can rely for support and information. But high land prices in the central city together with collusion between developers and politicians for redevelopment conspire to promote massive slum demolition projects, where the residents are often relocated to huge low-income housing estates in the perimeter areas, destroying their informal sector business networks and social capital.

Conventional approaches to urban spatial planning and land use regulations have contributed to the isolation of the poor by providing good roads and services to formal housing, commercial, market and industrial areas having clear tenure, while failing to provide space for the informal sector around these areas. The desire of the rich to protect their investment in property has been reinforced by the operation of planning policies and land use controls, leading to spatial segregation of the poor from the rest of urban society. In recent years, the colonization of urban space by large international companies as a by-product of globalization, and the combined effect of land consumption by higher income groups and formal sector economic uses has forced poor households to seek affordable land at the perimeter of the city, greatly increasing their travel costs and time to employment in the city core. The traditional approaches to land use control and regulation, including Master Planning, single-use zoning and decentralization have often exacerbated urban sprawl and disadvantaged the urban poor. A number of planning approaches have emerged to correct the deficiencies of master planning, and to attempt induce the planning of urban development to be more responsive to local social and economic circumstances.

### **5.4.2. Strategic planning**

The failure of traditional “end-state” Masterplans to create a useful framework for fast-growing cities has led to experiments with a Strategic Planning, which is more flexible, action-oriented and participatory (Rakodi and Lloyd-Jones, 1995). In this approach, the strategic plan establishes social, economic and environmental principles, defines the main spatial directions of growth and incorporates the integration of infrastructure and services, while local action plans, closely involving local residents and other interest groups develop solutions for their needs, which can include the control and administration of their areas.

As cities grow larger and more decentralized, due to the expansion of road networks favouring automobile transport, distances from the economic core become much greater, and the costs and time of travel rise significantly, for all economic groups, but particularly for the poor from both the formal and informal sectors. Measures to encourage the growth of a polycentric city through decentralization of commercial and government activities to specific nodes at the perimeter, interlinked by good access and public transport can provide

<sup>27</sup> A study in Bangkok found that most of the self-employed poor operate their businesses within 5 kilometres of their place of residence. And in Zimbabwe, petty traders sublet space from licensed stallholders at a mark-up of about 100 times the municipal license fee (Rakodi and Lloyd-Jones, 1995).

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a more even distribution of opportunities. Such an approach needs to be supported by stricter controls on urban sprawl.

While these approaches shows promise, in practice the specific needs of the poor and the informal sector are still insufficiently incorporated, and strategic planning needs to be accompanied by a range of other policies and techniques.

### **5.4.3. Innovative land use strategies**

Some of the deficiencies related to the needs of the poor and the informal sector is being addressed through the following concepts.

*Mixed use and micro-planning.* Mixed use neighbourhoods are a deliberate planning measure to strengthen existing, and incorporate in new development a mixture of income groups and also mixed land and economic uses in order to strengthen the micro-level economic and social linkages. Special attention to production clusters, with forward and backward linkages is needed in this planning.<sup>28</sup> Micro-planning, a form of urban design, refers to the careful analysis of the spatial needs of various activities, particularly in dense, mixed use areas such as markets, transport terminals etc., in order to plan for enough suitable and well-located space for these activities and the linkages between them. As far as the informal sector is concerned, this implies the provision, or adaptation of existing spaces, to respond to their economic needs and proximity to these markets, while avoiding congestion and conflicts with other activities.

*Incentives for developers.* The allocation of land and space in formal housing developments can be used to benefit lower income groups. In Thailand and Indonesia, housing developers are required to build a certain proportion of low-income housing into any development project, or alternatively, to pay the government an equivalent amount of money for housing to be built elsewhere. Another technique is relevant to high density areas where there are planning limitations imposed on site area coverage through Floor Area Ratios (FAR). Developers of commercial or residential projects are allowed to build on part or all of their site to a higher FAR provided they accommodate housing and/or social services and facilities for lower income households. Another measure also addresses high density areas, in this case where there is an informal settlement which is to be regularized under an upgrading programme, but there are pressures to re-develop the land. If the residents opt for their land titles to be vested in a cooperative which holds the title to the whole site, and they wish to benefit from a complete redevelopment of the site, negotiations can be made with an interested developer for them to have completed housing built by the developer at a higher density, releasing part of the site to the developer for a high-value development.

*Guided land development.* A major reason for the proliferation of un-planned settlements is the weakness in current planning and land development systems to accommodate the rapid increase in demand for low-cost land and services which low-income people can afford. Both formal built housing and sites and services schemes have proved too expensive or slow to accommodate demand, mainly because of the process of land acquisition by government. One technique being tested in some countries<sup>29</sup> is guided land development. Based on a simplification of the land readjustment systems used by Japan and the Republic of Korea, it involves a cooperative effort among the owners of rural and partially developed land parcels at selected locations at the perimeter of the city,

<sup>28</sup> For example, the SSE clusters in Bangalore, India.

<sup>29</sup> Indonesia and Thailand are two countries which are testing this approach.



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to pool part or all of their land holdings to allow the layout of rights of way for infrastructure (which can be provided immediately, or later, as required). This both improves the value of the owners' land and releases rationally developed land at reasonable prices onto the market by the private sector, at locations which support the overall urban plan.

#### **5.4.4. Transport**

Government decisions on planning, financing and managing transport have significant impacts on the livelihoods and employment of the poor. In many developing country cities, 40 per cent of all journeys are made on foot, yet virtually no attention is paid to pedestrians – indeed, sidewalks are cluttered with obstacles and reduced in favour of vehicles, and access across major roads is often impossible. In some countries bicycles would be a viable form of transport,<sup>30</sup> but no attention has been paid to its potential. The informal transport sector (rickshaw, mini-bus etc.) is a major source of employment and provides affordable transport for low-income people and their belongings, yet they are often a cause of traffic congestion, because their requirements regarding speeds, stopping etc. have not been planned in transport design. But they often provide better service than the public bus system, which is usually subject to extensive regulation, yet provides unreliable and poor quality service.<sup>31</sup> A major underlying problem is the almost exclusive priority governments give to private automobiles, and the enormous budgetary support given to major roads designed to accommodate the automobile, compared to a finer-grained network which is needed to improve access between and within settlements, or infrastructure for higher volume public transport. Yet, in many developing country cities, automobile owners, who are the main beneficiaries of this investment in major roads comprise less than 20 per cent of the households. Larger roads attract more vehicles, which in turn leads both to increased investment in roads and to more urban sprawl, which further penalizes the poor, as noted earlier. A more balanced approach to transport is needed, based on analysis of the access and employment requirements of the various sectors of society, and is integrated into better strategic and land use planning (see above). Where transport services are inadequate, especially for low-income settlements located far from employment, there may be a good case for subsidising public and para-transport services.

#### **5.4.5. A balance of power**

City governments face the classic dilemma of growth versus equity. They wish to use resources to promote economic growth, which should help all residents, including the poor. The alternative of ignoring formal sector commerce, industry, investors and tourists risks economic stagnation and decline. Thus, in order to encourage investment, the city government diverts its limited resources from the immediate needs of the poor, to provide facilities to serve commerce and industry. As Devas points out “City governance faces economic and political choices which are not simply pro- or anti-poor, and the choices about what does or does not support urban livelihoods are not clear-cut” (in Chapter 13, Rakodi and Lloyd-Jones, 1995). Nevertheless, decisions on urban policy are not purely

<sup>30</sup> As they were in China until urban transport policy moved to heavy dependency on motor vehicles.

<sup>31</sup> An interesting innovation in transport management is in Faisalabad, Pakistan, where an NGO Faisalabad Urban Transport Society – FUTS) was established to improve urban transport, traffic management, road safety and the environment. Directed by a Board comprising mainly private transport operators, but also local government and the police, it has been successful in greatly improving the quality and efficiency of public transport in the city (Ch. 12, Rakodi and Lloyd-Jones, 1995).

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technical – they are heavily influenced by special interests and access to political power. In view of the economic importance of the informal sector, the evidence indicates that this is not given due weight, and that priority is given to powerful, moneyed interests in the formal sector. For any fundamental change to occur, the voice of the poor needs to be organized and integrated into decision-making on urban policy, including the laws and regulations which affect them, into urban planning, and into the key sectors of housing and transport. The next chapter discusses the actors who need to become involved with government in decision-making related to shelter and urban development.

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## **6. The actors in shelter – Broadening partnerships through social dialogue**

### **6.1. Existing actors**

These include central government, local government, community-based organizations (CBOs), housing associations (HAs), NGOs, landowners, and building contractors. The following briefly outlines their functions and changing roles:

#### **6.1.1. Central government (CG)**

Central government's function in most countries is to establish overall policy on housing, including settlement upgrading, and any legislation which requires national-level approval (for example, land tenure rights and expropriation, bank and mortgage regulation). It also has a role where central budgetary funds are allocated to housing, such as grants passed to local governments. In the past, national housing authorities or corporations were established in some countries to undertake slum and squatter upgrading programmes, but these authorities are gradually relinquishing their role as provider, towards one of guidance and assistance to other implementers, usually local governments. This trend has emerged due to the need to increase the number of implementers to expand the scale of upgrading, and to bring the planning and implementation closer to local levels. National line agencies often play a crucial supportive role in the implementation of an upgrading and new settlement programmes, for example, where national-level roads or flood control works are involved.

#### **6.1.2. Local government (LG)**

Local governments have increasingly taken on the role as the agencies to plan and implement upgrading programmes within their jurisdictions. This has involved: (i) developing more detailed policies within the national framework, (ii) identifying and evaluating sites and preparing an overall upgrading programme, (iii) assisting the individual communities to organize themselves through CBOs and possibly arranging links with NGOs to assist them, (iv) preparing socio-economic studies of the individual communities and enumerating beneficiary households, (v) researching land ownerships and negotiating with landowners for purchase/transfer of the sites to LGs, (vi) arranging mechanisms for coordination between central and local government line agencies to provide facilities such as schools and health centres, and off-site infrastructure, (vii) establishing agreements with individual CBOs on the division of responsibilities between the local government, the CBO and community members for planning, implementing, financing and maintaining the upgrading works, (viii) parallel activities to the physical upgrading, such as health education, assistance to HBEs, introducing micro-credit and establishing small production cooperatives, (ix) preparing physical surveys, outline designs and costs, and discussing and agreeing development options with the CBO, (x) preparing detailed engineering designs, (xi) contracting and supervising the works, (xii) advising households on house development and extensions and providing home materials loans, (xiii) collecting contributions and loan repayments, and (xiv) maintaining the upgraded works. These are a substantial range of tasks, and often require the LG to establish a special unit to undertake and coordinate them, since it has been found that integration is essential, and allocating them to different LG departments results in confusion and inaction. Nevertheless, in gradual recognition of the importance of active participation by the community in the upgrading process, an increasing number of tasks are being allocated to the communities themselves (see below).

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As regards the development of new settlements, the LGs are often active in (i) establishing requirements for developers to provide low-income housing, (ii) the search for land, (iii) making arrangements with financing organizations for development loans and mortgage facilities, (iv) selection of beneficiaries for housing developed by LGs, and (v) the planning and contracting functions noted above.

### **6.1.3. Community-based organizations (CBOs)**

The community is the whole purpose of the upgrading programme. Some early upgrading efforts only consulted the community<sup>1</sup> but did not actively involve them in decision-making. But realizing that the success of upgrading depends on the community's commitment, LGs and international agencies have increasingly made them the focal point, sometimes under the active pressure of associations of CBOs and NGOs.<sup>2</sup> CBOs have shown themselves to be capable of taking on many of the functions currently undertaken by LGs, including preparing socio-economic studies, researching land ownerships and negotiating with landowners, collecting contributions and loan repayments, and maintaining the upgraded works. With suitable training and authorization, CBOs have been able to undertake on-site infrastructure through community contracts (Oakley, 2001 and Tournee and van Esch, 2001), often at much lower cost than government-negotiated contracts.<sup>3</sup> This increased participation in local projects has been termed community-driven development (CDD). Key advantages of taking the CDD approach are outlined in box 1.

**Box 1**  
**Advantages of CDD**

- Solutions are more responsive to local needs
- Costs are lowered
- Improved design and implementation due to ground-level knowledge
- A sense of ownership leads to better use of facilities and O&M
- Better cost recovery from the community
- Empowerment of the poor
- Strengthening of governance
- Sensitization and capacity-building of LG and community institutions
- Democratization through participation

Source: Vilorio-Williams, 2006, p. 18.

CBOs are increasingly exerting more influence. A key approach for their success and effectiveness is to start as savings organizations. This provides the discipline, establishes trust among members, and offers a basis to lend or grant funds to individual members for a wide range of economic and social activities.<sup>4</sup> Since they have developed a financial base,

<sup>1</sup> Such as the early version of the Kampung Improvement Programme (KIP) in Indonesia.

<sup>2</sup> For example, the "Alliance" of Slum Dweller CBOs and NGOs in India (see section 5.2 above).

<sup>3</sup> Such as the Zonal Improvement Program in the Philippines, and the Orangi Pilot Project in Pakistan (Vilorio 2006).

<sup>4</sup> Savings funds for housing by CBOs have been started in ten different countries over recent years (UN Habitat 2006).

such organizations are influential when it comes to dealing with banks, and in persuading LGs to support upgrading of their settlements (see box 2). Indeed, the influence and capabilities of well-organized CBOs in some countries, such as India,<sup>5</sup> the Philippines and some Latin American countries is such that CBOs are beginning to take the lead in formulating upgrading programs, with the LGs acting more as establishing an enabling framework and as coordinators of the various inputs required from line agencies.<sup>6</sup> One common characteristic of these CBOs is that most are led by women, who often have the greatest concern for family welfare and are the most tenacious and committed organizers. The other is that the main concern of CBOs is with land and security of tenure. At present, it appears that most are mainly concerned with upgrading their existing settlements. However, organizations could be established whose members are interested to obtain new land for settlement, especially if they are homeless, or are long-term renters wishing to own. Such communities need not be related to geographic areas, but could be occupational groups, such as associations of tricycle or jitney drivers, sanitation workers, or indeed, low-income workers in factories and other formal enterprises (see below).

This evolution suggests a possible way forward to the perennial problem of the lack of political will. In countries where governments change frequently, CBO associations are often more permanent institutions. They are repositories of knowledge of the community and can educate new cohorts of politicians and civil servants. When individual CBOs join together to form city-wide or country-wide federations they can wield considerable influence through the political process, to get governments to start upgrading programmes, to bolster them to prevent backsliding, and to get programmes continued through changes of government.<sup>7</sup> CBOs have now reached the international level with the establishment of SDI (Slum and Shack-dwellers International) in 1996, and are now attracting attention and funding from international organizations (UN Habitat 2006). These initiatives offer an attractive entrée for assistance to the informal shelter sector by other potential partners (see section 6.2).

**Box 2**  
**An overview of the alliance process**

**1. Creating the financial base**

Mahila Milan sets up savings groups which provide short term loans. Over time, the groups begin housing savings. Savings are eventually pooled and leveraged, providing the basis for housing loans

**2. Creating the information and knowledge base**

Communities carry out surveys, mapping, enumeration and housing design activities to plan internally, and negotiate with the state government, sharing this knowledge with state officials and other federations through exchanges and housing exhibitions. Donors help with grants.

**3. Setting precedents**

Alliance creates demonstration projects that challenge the operating frameworks of the state, showing how resources can be used more effectively. The state and financial institutions are invited to become partners. Donor partners assist with financing

**4. Changing policies and regulatory frameworks**

Policymakers are invited to own the precedents; the alliance helps them formulate new policy that enables scaling up of the demonstrations that have worked. Bilateral and multilateral donors are also asked to join the partnership. If it works, everyone wins.

Source: After McLeod, 2000.

<sup>5</sup> The Slum Dwellers Federation in India numbered 750,000 members in 2004 (op. cit., 2006).

<sup>6</sup> See the description of the General Santos City Action Plan where the Homeless Peoples Federation of the Philippines (HPFP) and the LG have signed a MOA to this effect (op. cit., 2006).

<sup>7</sup> In the General Santos Project, this was a specific clause in the MOA, since governments change frequently in the Philippines.

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#### **6.1.4. Housing associations (HAs)**

Housing associations have a long history in Europe, and contributed to form the foundation of savings and loans institutions. They are a relatively recent actor, however, in developing countries. This is partly due to the poverty of informal sector workers, who usually rent space in existing informal settlements, or build their own housing incrementally, the hitherto small size of the formal sector workforce, and the undeveloped character of housing mortgage institutions. However, with the expansion of low-paid factory and office jobs, and the increasing self-organization of informal sector groups (such as associations of tricycle/minibus drivers, traders etc.), the potential for these groups to form HAs is increasing. The interests of HAs revolve around four main concerns:

- (a) To identify, and purchase land for new settlement and obtain legal title. This requires contacts and negotiations with landowners, and contacts with the land registration authority.
- (b) To obtain connections from their sites to city-wide infrastructure, to minimize the cost of on-site infrastructure, and to obtain essential health and educational facilities. This requires influence and pressure on LGs.
- (c) To finance the purchase of land and services and loans for housing construction. This may involve setting up their own savings and credit arrangements, and lobbying formal financial institutions.
- (d) To contract arrangements with project developers and construction companies for planning and constructing the project.

#### **6.1.5. Non-governmental organizations (NGOs)**

NGOs are defined here as interest-related organizations. They are not CBOs, which are the members of specific area communities. However, those NGOs interested in the problems of low-income groups and their settlements often provide assistance to CBOs to help them organize,<sup>8</sup> or offer a specialist technical service. NGOs are often composed of professionals from the middle or elite classes. As such, they can communicate easily with LG officials and international development agencies. They can be very useful, both to provide advice to CBOs and to form links between CBOs and other organizations. However, they must avoid slipping into the role as spokespeople for CBOs, which can sideline CBOs and undermine their status and confidence. There is also a danger that they supplant local government officials, weakening the already tenuous trust between government and civil society. NGOs, especially those with connections to international agencies, are often better paid and have better facilities than their counterparts in LGs, further alienating LGs. Nevertheless, there are many instances where NGOs work well with government, and they are also important to test innovative approaches which LGs may be reluctant to start. There are also cases where NGOs should be entrusted with government functions, such as in some conflict and emergency situations where government has become incapable or deliberately destructive.

An important potential role for NGOs is to influence government to adopt pro-poor urban policy, and to advise government on operational matters such as strategic planning, mixed land use development, and urban transport. As yet this voice is rare, and support

<sup>8</sup> Such as SPARC, a NGO member of the Alliance in India. It provides specialist assistance to NSDF, the association of CBOs.

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from international organizations and the academic institutes of developed countries would be valuable.

### **6.1.6. Landowners and developers**

Landowners can be private persons or government agencies. Both groups may turn out to be cooperative or obstructive to settlement upgrading projects. The Philippines reports mixed experiences and reactions to upgrading programs (Viloria-Williams 2006, p14) In some cases, landowners had not been able to clear the occupants from their land or collect rent from them. As a result, some of these landowners were glad to sell their land to the development agency. In other cases, especially in central city areas, the rents paid by the occupants to landowners were substantial. These landowners objected to the upgrading schemes and brought litigation suits in the courts which created delays and forced the government to negotiate higher prices with them.

Real estate developers often emerge as a major enemy where informal settlements are located on high value land which they wish to clear in order to build high profit developments. However, where stringent regulations are in place to protect the rights of settlers, landowners have found ways to collaborate with them (see later discussion). Landowners in conjunction with developers can play a potentially positive role on initiatives such as guided land development and central city redevelopment.

## **6.2. Potential actors and their concerns**

There are four interest groups which could offer valuable contributions to the shelter needs of the informal sector, both in upgrading existing settlements and developing new ones. Yet these groups have hardly been tapped or brought into the shelter process, although three are core partners of ILO, and the fourth is one of ILO's main concerns.

ILO's tripartite structure includes government, unions (including cooperatives) and employers. We have already discussed the role of government at length, and will not repeat it again. In this section we will discuss (i) the unions, (ii) the cooperatives movement, (iii) the employers and their associations, and (iv) the group which is not formally part of ILO, but is of great concern, namely informal sector organizations. There are reasons why these groups are not yet active in relation to informal settlements, but, the author believes, have potentially positive roles to play which will benefit both those in informal settlements and the organizations themselves. In this section we will outline the orientation of these potential actors, identify the reasons why they are slow to respond to the informal sector, and where new approaches are being tried. This will form the basis for the next chapter which will discuss how and where their involvement in the settlement process could be of benefit both to these actors and the residents and their organizations.

### **6.2.1. Trade unions**

The union movement originated in the exploitative conditions of the formal sector factories of the nineteenth and twentieth centuries, whose owners employed enormous numbers of workers in the newly developing industrial cities of Europe and the United States. The main focus of the movement's leaders was to organize workers into sectoral (mainly trade) unions; and by negotiations with employers, sometimes using the power of strikes, to obtain better working conditions, rates of pay, and other benefits, and also political rights. As the western economies diversified, and gradually moved to become service economies, and more recently as factories were moved to lower cost countries, the power of unions has declined. In developing countries, by contrast, the formal sector has never achieved the dominance in terms of workforce as it had in the industrialized

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countries,<sup>9</sup> and in most countries trade union membership is estimated to comprise only around 1 per cent to 5 per cent of the workforce.<sup>10</sup> Nevertheless, most developing countries have a core union movement which has organizing capabilities, especially those which have old-established industrial sectors such as India, Bangladesh, Egypt, Kenya, South Africa..

Unions recognize the plight of informal workers and want to help them. At the same time, they express the following concerns (Birchall 2001):

- a belief that the sector is transitory rather than a permanent growing element;
- they face their own problems and cannot commit scarce resources to the sector;
- they have difficulties in locating the informal sector and in organizing it;
- self-employed workers are seen as entrepreneurs, not potential union members;
- informal sector associations are not based on an industry, but are a more loose collection of trades, not relating to a particular employer, so are difficult to integrate into the established trade union movement;
- informal sector associations have an ambivalent view of trade unions, needing to be convinced they are on their side;
- trade unionists see the associations as competing for potential members;
- employers may use the informal sector as an excuse to deregulate;
- the image of the sector itself is seen as a symptom of “underdevelopment”.

There are positive examples. The success of SEWA (Self-employed Women’s Association) in India (140,000 members) and similar associations now springing up in several other countries show that the aforementioned concerns can be overcome. Most of these associations are led by women. They combine struggle for rights and remuneration, with savings and loans functions, social security funds and cooperative ventures. They have gone out and organized in areas where it was not thought possible. In fact, the focus is no longer exclusively on the workplace, but on a variety of locations, such as the family, women in general and the neighbourhood (Birchall 2001, p. 26).

Some international union federations are now actively pursuing strategies to help the informal sector.<sup>11</sup> They are lobbying international trade and financial organizations for rights for the informal sector and are encouraging their national chapters to be more proactive. Key strategies emerging at the national levels are to (i) carry out research on the informal sector, (ii) set up representative workers’ structures in the form of cooperatives or

<sup>9</sup> Except in those socialist countries where the governments took over the means of production.

<sup>10</sup> With big differences of course between the formal and informal sectors. For example, Birchall (2001 p.13) cites a study in Lima in 1983 which found that trade union membership was 39 per cent in the formal sector, but only 1.3 per cent in the informal sector.

<sup>11</sup> Including the International Confederation of Free Trade Unions (ICFTU), the World Confederation of Labour (WCL), the International Federation of Building and Wood Workers (IFBWW) and the International Union of Food, Agricultural, Hotel, Restaurant, Catering, Tobacco and Allied Workers Associations (IUF).



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associations which have associated status with the related union, (iii) through campaigns to broaden membership to include part timers, contract labourers, women, youth, self-employed and flexible workers and raise awareness among them, and (iv) lobby government for reforms in health, safety and social security measures for the informal sector, and make employers conform to ILO standards. It is clear that the union movement will need to move beyond the traditional enterprise structure and become actively involved in organizing the informal sector if it is to be relevant to the poor in developing countries. In return, unions could see a marked upsurge of support from the informal sector which could help them strengthen their bargaining position with employers and government. One feature of informal sector enterprises are their dependency on a production chain, and the consequent need to protect that chain from disruption. Some unions have amended their rule books to try and arrive at a single organization representing informal workers in a production chain and defending different interests along that chain.<sup>12</sup> We shall see later how this approach has potential to assist residents in informal settlements and offer them opportunities for new settlements.

### **6.2.2. The cooperative movement**

Although unions and cooperatives share a common origin in nineteenth century England, unions emerged to represent workers in capitalist enterprises, whereas cooperatives developed as associations of small producers to achieve economies of scale and better control over their inputs and products.<sup>13</sup> The cooperative approach soon expanded into consumer and credit cooperatives. However, strains emerged between the union and the cooperative movements, the unions concerned that cooperatives, as quasi-capitalists, might pay too low wages, undercut prices in conventional firms, undermine collective bargaining, and become a diversion from the class struggle. While production coops might pose these dangers, unions both in developed and developing countries have been active in establishing credit, consumer and housing coops for their members. Formal cooperatives in developing countries have been mainly oriented to farmers for production, purchasing and marketing, often supported or created by governments. However the effects of structural adjustment, and cases of corruption and theft in the rural coops have undermined their influence and reduced their activities. The more recent expansion of informal sector occupations in urban areas has given rise to numerous “pre-coops” of informal, un-registered associations which need better organization. NGOs and aid agencies have recently become active in helping such associations, but these could benefit from association with unions and well-run, established cooperatives, which could offer a more sustainable operating basis, which NGOs and aid agencies often cannot do. They could also help HAs to set up and manage their organizations. At the international level, both union and cooperative federations have expressed interest in assisting the informal sector, but much of the initiative seems to come from the top, and action is slow on the ground.

### **6.2.3. Employers and employer associations**

Employers from the formal sector may have variable impacts on low-income communities. Employers can be roughly classified into the following groups:

<sup>12</sup> For example, the affiliates of the International Federation of Chemical, Energy, Mine and General Workers Unions (ICEM) in India and South Africa (Birchall 2001, p. 26).

<sup>13</sup> In 1910 the International Cooperative Congress declared cooperatives’ distinct purpose is “to protect the interests of labour by increasing the income from labour and strengthening the power of the workers”.

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- Business enterprises (especially production factories) which are located in or near to low-income settlements. They often employ a substantial proportion of low-income workers from these settlements, and their production processes often cause high levels of pollution to these settlements
  - Large scale factories, often foreign-owned which employ a great number of workers on similar tasks (such as clothing and electronic factories employing single women), and bring much of their workforce in from rural areas, who need rental accommodation. They may also put out work to nearby HBEs.
  - Commercial and government offices which employ large numbers of clerical and support staff. This staff have secure employment, but are often low or lower-middle income, and may be interested in house or apartment purchase or lease.
  - Large retail enterprises, market and transport operators which attract numerous informal sector traders
  - Construction companies: employ many workers on short contracts or daily hire
  - Land and real estate developers (including landowners) who wish to develop land (often in central city areas) occupied by informal settlements, but may also wish to expand their consumer base for housing by attracting lower income clients.
  - Employer associations which have altruistic concerns towards low-income communities.

#### **6.2.4. The informal sector and its associations**

The informal sector is not really a clear-cut “sector”, but a shifting mixture of low-income occupations, which are highly vulnerable to market forces, exploitation, physical and environmental risks. However, we can define three groups, which broadly share common characteristics (after Birchall 2001):

*Owners or employers of micro-enterprises.* These people employ a few workers or apprentices, and so are in a modest way employers, many running micro-enterprises or SSEs. As such, they cannot be a target group for trade unions, although cooperatives of micro-enterprises might help them expand.

*Own-account workers.* These are people who work alone or with unpaid employees such as apprentices or family members. They are the largest segment of the informal sector and are mainly self-employed. They lack credit, technical skills, access to raw materials, facilities such as shelters, water and electricity and access to markets. They are exploited by money-lenders and often work in places that are temporary with poor infrastructure. Cooperatives have been seen as one way of meeting their needs.

*Dependent workers.* These are people who work for others, but without a proper contract of employment. They include casual and regular workers without a contract, home workers and paid domestic workers. Many are women, working as domestics or making goods for sale to markets or “put out” work from contractors.

There is high mobility between these sectors and between the formal and informal sectors, all undertaking what ILO calls “multiple subsistence and survival strategies” (ILO 1999). Mutual help, between family members, neighbourhoods, friends, and people within the same trade is common, and sometimes it leads to self-organization based either on trade or neighbourhood associations. Hawkers associations, shoe shiners’, taxi drivers associations are examples. Many of these informal sector activities are highly inter-

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dependent, forming a chain of relationships. But there is a “representational gap” in the informal sector. Many have no association, and many associations are weak. Some are not democratically managed, have no appropriate legal status or source of income, and hence cannot obtain legitimacy. While the informal sector should not be burdened by adverse regulation, there needs to be a “progressive regularization” of the informal sector so that it can take advantage of stronger relationships with the formal economy, including areas such as contracts, credit etc. In order to induce informal sector organizations to take advantage of more formal structures, incentives need to be designed. These can include (i) eliminating disincentives, such as onerous regulations, and redesigning the tax code to see how the smallest SSEs can be exempted, and a graduated tax designed for progressively larger firms, (ii) information to help SSEs and their clients, such as a municipal Yellow Pages on SSEs activities and locations, and (iii) joint economic and physical planning between the LG and the private sector, including SSEs.

A comparison of the above classification of types of informal workers with table 1 Chapter 4 indicates in which type of settlement these workers tend to live. Slum dwellers associations, CBOs and housing associations are examples both of “pre-cooperatives”, and of formal, registered cooperatives, related to shelter needs.

#### **6.2.5. Functional relationships between unions, coops, employers, and the informal sector**

Both unions and coops share a common interest to meeting the needs of low-income groups but are currently ambivalent in cooperating with each other and with the informal sector. Employers have an interest in the success and smooth running of their businesses. A joint strategy has to identify areas of common interest and relative advantage in relation to the informal sector and its nascent associations. There is great potential synergy if the strengths of the three can be brought together:

Cooperatives have these strengths: <sup>14</sup>

- entrepreneurial and managerial skills;
- access to capital;
- access to markets;
- an existing membership base;
- access to governments and NGOs;
- a track record of concern to alleviate poverty.

Trade unions have these strengths: <sup>15</sup>

- organizing and negotiating skills;
- access to labour and employers;
- access to governments (skills on laws, regulation);

<sup>14</sup> After Birchall, 2001.

<sup>15</sup> op. cit.

- 
- an existing membership base;
  - a system for member fees;
  - a track record of concern for workers rights, health and safety.

Employers and their associations have these strengths:

- purchasing power for products made by HBEs, SSEs;
- knowledge of markets, management and technology;
- stable workforce (relative to informal sector);
- source of capital;
- land development expertise (from real estate and construction sectors);
- influence with LGs.

We should also mention the important roles played by professionals such as planners, architects, social scientists, lawyers, academics etc. in the upgrading of informal settlements. These professionals, however, are spread among the various actors, so we will not treat them independently, but as part of the function of these actors.

The characteristics of informal sector workers (see above), together with their types of living environments (Chapter 4) tell us about the kind of strategy that unions, cooperatives and employers' associations should employ. The nearer these workers are to paid employees, the more a trade union strategy is appropriate: full-time domestic workers, homeworkers who deal with one identifiable middleman, etc. The nearer they are to self-employed workers, the more a cooperative strategy is appropriate: street vendors, market traders, homeworkers who work together and sell independently of a middleman, artisans who share a workshop and sales outlets. The nearer they are to the model of an individual entrepreneur who wishes to expand and formalize the business, the more likely they are to benefit from help by employers' associations.

Both shelter and economic needs should be catered for in settlement planning and implementation. As with the economic linkages of the informal sector referred to above, the settlement process also forms a chain of activities from policy, legal context through land issues, planning, to implementation. As we have seen in Chapter 5, these activities are closely interlinked and should be addressed as a whole if new actors, such as unions, cooperatives and employers are to have a useful impact. The next chapter sketches out the potential roles which these actors can play to assist existing informal settlements and low-income groups interested in new settlement areas.

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## **7. Improving the enabling environment – A tripartite strategy to assist informal sector communities and their settlement needs**

The range of existing and potential actors involved in settlement upgrading is large. The main ones are listed in table 2, although some, such as the banking sector have been omitted. They are divided in the existing ones (central and local governments, NGOs and CBOs, and potential ones, including unions, cooperatives, various types of private sector employees, and the main types of informal sector actors. The chain of settlement topics are listed in the left hand column. The table indicates the existing and potential roles which the actors play as regards decisions, implementation, the degree of existing or potential influence on the process, and the linkages needed among the actors on specific topics. Although the roles of central and local government are vital, and are indicated in the table, the main concern of this paper is to investigate the contributions which potential, but as yet, uninvolved actors could play, namely trade unions, cooperatives and employers, and their associations, and informal sector interest groups and their associations, to assist the settlement process. The following discussion outlines their potential contributions:

### **7.1. Trade unions (TU)**

In some countries, trade unions have started to help the informal sector by research into working and environmental conditions, and identifying the measures needed to improve social security for SSE and HBE workers which would be affordable and implementable. This work can be used (i) by SSE associations to advise and train their members, and (ii) to influence government to adjust current, and propose suitable new legislation for progressive introduction of standards related to SSEs and HBEs. Our concern here is to focus on the city level and the informal sector related to the settlement process. Settlement issues cut cross trades in much the same way as do social security or workers rights, so much of them need to be addressed through trade union associations (TUAs). Most issues emerge at the city level, but some (such as housing policy) may be partly national matters:

#### **7.1.1. Settlement and planning policy**

TUAs can make a strong stand on forced relocation and slum clearance, pressing government for legislation to ban clearance except where settlements must be moved for purposes of essential public infrastructure, and all other options have been investigated. They can also have a voice in the policy of siting of new low-income settlements and relocation sites, requiring the land use and transport strategy to demonstrate proximity or ease of communication between employment and residential locations for the poor. They can lobby for policies which support the introduction of mixed land and income uses, guided land development, and an overall urban spatial strategy which responds to the needs of the poor. As regards transport operations, they could review transport policy to ensure that the operations are flexible, reach low-income communities, and provide an efficient and low cost service. They will need to take a careful look at government budgetary allocations related to transport and social services, and the policies of privatization, to make sure that the needs of the poor and working classes are being met.

TUAs need a good information base to be able to pursue lobbying on behalf of the poor. They could work in conjunction with NGOs and CBOs to offer direct assistance to displaced squatters, SSEs, HBEs and others affected by slum clearance by (i) encouraging

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affected residents to register their names and house locations, (ii) publicizing relocation issues and possible solutions, (iii) preparing an information base on informal settlements (locations, residents' occupations, land tenure status, relationship to public infrastructure etc.) which can be used to lobby politicians and government regarding informal settlement issues, (iv) helping to set up coops for interested SSEs, HBEs and women's groups, and (v) encourage those residents or organizations who are being helped, to register with the relevant unions as associates, or become members.

### **7.1.2. Legal reforms**

Unions are well placed to address legal issues which affect both their members and the informal sector. For the very poorest, they can work with NGOs to change laws which are often misused to criminalize poverty, such as those on mendicancy, vagrancy, and hawking. Key matters which are fundamental to residents in informal settlements are matters related to land. TUAs can lobby LGs for (i) transparent registration of land ownerships which are accessible to the public, (ii) reforms to land tenure laws which allow residents to claim and pay for landownership after living a certain number of years on the land; a comprehensive urban land reform legislation is desirable whereby government can acquire land by eminent domain for distribution to long term illegal residents,<sup>1</sup> (iii) modification to laws on expropriation of informal settlements (see 7.1.1 above). They should carry out these efforts in conjunction with CBOs, which have identical interests.

TUAs can press LGs for changes to building and site planning regulations which hinder low-cost improvements to infrastructure and house construction, and advise LGs on developing more appropriate contracting conditions to assist SSE and CC building contractors. As regards promotion of local building materials and intermediate technologies for materials production, they can press central government for laws and practices to break monopolies in materials production, and eliminate legislation favouring imports on building materials and technologies. Again, these initiatives need to be undertaken in conjunction with the relevant SSE associations, thereby gaining credibility with these associations and their workers.

### **7.1.3. Organizing associations of sector organizations**

One important weakness of the informal sector is that, even when they have organized individual CBOs and HAs, their voice is often too weak to make much impression on the political and administrative machinery of government. TUAs can help strengthen them by advising on establishing city-wide CBO associations and lobbying government on their behalf. The CBOs can take advantage of the resulting solidarity to obtain recognition and assistance from government, and wield greater power to counteract moves by the real estate development lobby to redevelop informal settlements.

TUs which are influential in formal industries or sectors where there is a large low-paid workforce which wishes to obtain housing, can be helpful in organizing the workers into HAs, and representing the interests of the HA to the company management. Where HA members are too poor to pay for developers' housing at market rates, TUAs can lobby government for measures to (i) improve the demand side, by government assigning housing credits to the lowest income group of HA members, thus help pay for part of the cost, (ii) address the supply side, by lobbying for expanding housing finance and linking institutional finance to HA's savings system; and (iii) press government to require developers to build a proportion of low-cost housing in each of their projects, and for LGs

<sup>1</sup> See, for example, the Philippines urban land reform law.

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to allow developers to achieve increases in building density through adjustments in floor area ratios (FAR), providing that low-cost housing or accommodation of existing residents are incorporated in their schemes.

## **7.2. Cooperatives**

Cooperatives are well placed to help informal sector workers structure themselves into organizations associations for production and business purposes. In the case of informal settlements they could advise and support the following groups:

### **7.2.1. CBOs, HAs, franchised CCs, and S&Ls**

These are not production organizations, but nevertheless can benefit from the expertise of coops in management, organization, and formation into associations. Coops also have expertise in strengthening organizations through helping them to set up savings and loans functions, and providing linkages with banks and other organizations offering institutional credit. Coops and unions need to join forces to assist the informal sector in establishing and organizing their associations, and pressing LGs for their formal recognition and accreditation.

### **7.2.2. SSEs, HBEs and women's coops**

These are the more classic types of production enterprises which the cooperative movement can help. Coops can help, not only to advise on the organization of individual enterprises, but also to improve their position in the marketplace by organizing coops among similar enterprises (for example, small builders, building materials producers, or homeworkers) to set up joint purchasing of inputs, credit arrangements, joint ownership of equipment, and perhaps joint marketing of products, or a joint centre for research, advice and training.

Another form of enterprise which has been successful in many upgrading projects,<sup>2</sup> is the organization of women in the community for making crafts, housewares, food products etc. These are similar to HBEs, but organized as cooperatives, and often use a building in the community where the women can come to work as well as bring their children for child care. The coop movement can help through undertaking research on likely products and outlets which would be profitable, as well as assisting to set up the functions noted above.

## **7.3. Employers and employer associations**

Employers comprise diverse groups with different interests, affecting informal settlements in very different ways. The following are examples of activities which different employers could undertake

### **7.3.1. Retail enterprises, market and transport employers**

This group attracts large numbers of the public who provide income for a vast number of informal sector traders gathered around these functions. These traders frequently have

<sup>2</sup> For example, the Zonal Improvement Program in the Philippines.

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no space to ply their trade and end up clogging the public space. The employers could join with trader associations and the LG to plan spaces and services (micro-planning) to accommodate the traders. These large enterprises also attract many homeless people, street children and beggars. One very useful social service would be, in conjunction with NGO charities, to construct shelters, soup kitchens and basic sanitation facilities (the latter being in any event, always in short supply for the public).

### **7.3.2. Factory and tertiary (office) sector employers**

Factories located in or adjacent to informal settlements may emit pollutants, and the owners are frequently under pressure or feel obliged to clean up their wastes, and perhaps to help the community in other ways, such as providing additional social and environmental services.<sup>3</sup> There are some instances of employers “adopting” informal settlements and assisting their CBOs with a range of tasks.

Other employers with a large number of employees may be glad to cooperate with unions and cooperatives to find housing for rent or purchase, and may also be willing to provide financial guarantees for their employees. They may also be interested to help establish HAs with their employees. This applies to offices run either by private sector or government employers.

### **7.3.3. Construction companies**

These are another group which can help the informal sector, particularly CBOs who need advice to establish CCs to undertake community contracts, and SSE building and materials industry contractors. Construction companies could help in providing information on workplace practices and standards, technical methods and skill training, advice on regulatory practices, and marketing. Care should be taken, however, that the approaches and technologies are appropriate for these informal sector enterprises.

### **7.3.4 Land and real estate developers**

This group is often a cause of destruction of informal settlements in the name of redevelopment into “higher value” uses. However, CBO associations, together with unions can lobby to strengthen the law on expropriation and persuade LGs to require developers to compensate residents or accommodate all or part of the residents on site (see also section 5.1.2, and 7.1.3). If legislation is toughened, this group may find it in their interests to take a positive stance towards informal settlements by cooperating with NGOs to accommodate residents, and managing guided land development schemes in conjunction with HAs. They may well find that this offers a new market which, although yielding lower profits, could provide a steady business base, since the potential demand for the development of low-cost settlements is enormous.

<sup>3</sup> Japan is an excellent example of well-organized CBOs putting pressure on employers to improve conditions and provide additional social services. LGs and CBOs often require prospective businesses to provide these services as a condition for them to establish or expand their business.



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### **7.3.5. Employers' associations**

Employers' associations as well as specific companies may be responsive to requests from unions and CBOs to assist informal sector enterprises.<sup>4</sup> These activities can include (i) lobbying for SSEs and micro enterprises rights and obligations, (ii) providing business support (business plans, project formulation, access to credit, management skills, accounting and entrepreneurship training) (iii) linking micro enterprises into the formal economy, providing information on laws, regulations, and market opportunities. In the case of informal settlements, employers' associations could "adopt" settlements to help them with specific services, or with an overall upgrading programme. A good example of public-spirited association of employers is the Philippines Business for Social Progress (PBSP), which has undertaken outreach to many informal sector groups, and also helped to alleviate the conditions of the very poor.

Assistance provided by one type of organization can sometimes be helped by another to expand into new areas, strengthening the links both with the informal sector and between the formal organizations.<sup>5</sup>

## **7.4. Benefits to unions, cooperatives and employer associations**

From the preceding discussion it is clear that the informal sector and informal settlements can gain much from cooperation with unions, the cooperative movement and employers' associations. But it is also worth highlighting the potential benefits to these organizations – why should they expend time and effort to assist the informal sector?

### **7.4.1. Unions and the cooperative movement**

We noted earlier that unions in developing countries have a small membership compared to the great numbers in the informal sector, and their influence is declining. Moreover, unions are often seen as protectionist organizations for well-paid workers with little concern for the poor as a whole. If unions are to survive, it is vital that they improve both the image and the substance of their activities. Without a broader support in society, unions become increasingly vulnerable to anti-union legislation by governments, and deregulation moves against them by employers.

Informal sector workers are increasingly forming their own associations, but usually without the involvement of unions. There is a danger that they will see unions as irrelevant to their needs. But as we have seen, informal sector workers and their settlements could benefit greatly from union involvement, and come to see advantages of association with or membership of unions. Active involvement with the informal sector and its settlements could strengthen both informal sector workers and settlers, and the unions who assist them.

<sup>4</sup> The Ghana Employers Association, for example, have assisted the establishment of associations of small businesses, and helped broker agreements between them and LGs on issues such as tax levels.

<sup>5</sup> An example is LEAD-CO, a cooperative initiated by the Trade Union Congress of the Philippines (TUCP) for families living in a depressed coastal community. It started as a loan assistance programme, then converted into a multi-purpose cooperative providing savings deposit, loans, training enrolment in the social security programme, a home financing agency and a TUCP insurance programme, marketing of members' products and bulk buying of prime commodities for its mainly self-employed members.

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Unions could establish associate membership of the informal groups which they help to organize, and offer full membership when considered desirable by both parties. The informal sector associations helped by the unions may be willing to pay a fee to the union which helps them.

There is also a specific advantage to a trades union association (TUA) helping informal settlements, their CBOs, HAs and related groups such as construction and building materials producer SSEs. Such assistance would show that unions are willing to help low-income settlers as a whole, including all types of occupations, and promoting a better living environment for all. This would show society that unions are moving beyond a narrow concern for their trade membership and becoming relevant to the urgent needs of the poor as a community.

Finally, involvement with LGs in the structural issues of informal settlements, such as regulation reform, strategic planning and transport would both give unions a new role at the table with LGs, CBO and housing associations as well as raising the priority for the interests of the workers and the poor.

As regards the cooperative movement, informal settlements and their inhabitants are a fertile field for coop activity. Helping the informal sector is intrinsically within the mandate and philosophy of the coop movement. Greater involvement with the informal urban sector would help coops expand from their isolation as rural producer coops and organizations frequently established by government, to become more involved with the vibrant and diverse needs of urban-related activities. The coop movement can be strengthened through helping CBOs, HAs, CCs and S&Ls in their management and organization, and the SSEs, HBES and women's organizations with joint purchasing, marketing and savings functions, and providing links with unions who could also help them. These activities will increase the credibility of coops in the eyes of LGs and also the banking sector, often a stumbling block for low-income groups to obtain credit.

#### **7.4.2. Employers and their associations**

The motivation for employers to become involved with informal settlements can originate from five concerns, (i) to avoid criticism, opprobrium and possible legal action for anti-social actions by companies, (ii) a sense of social responsibility,<sup>6</sup> (iii) public relations, (iv) potential business contacts, and (v) a seat at the table with LG when city strategies and new developments are discussed. More specific motivations can be discerned among different segments of employers:

Retail enterprises, market and transport employers. This group are hampered and irritated by the numerous informal traders which adversely affect the image of the formal retail environment, clog public spaces and hamper transport facilities. These concerns would motivate them to join with LG and informal trader associations to plan appropriate space and facilities for the informal sector.

Factory and tertiary (office) sector employers. As noted in section 7.3.2 above, the criticism which factory owners encounter when their pollutants affect adjacent settlements is a powerful incentive to help improve these settlements to avoid reaction from the residents, many of whom may be their own workforce. Businesses employing large

<sup>6</sup> Employers, in fact, first developed social services, credit unions and even promoted unions out of a sense of social responsibility. Robert Owen is perhaps the earliest example (from the early 19<sup>th</sup> century), followed later by the Quaker-owned companies of Rowntree and Cadbury, who also developed "model" settlements for their workforce.

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numbers of people should find it in their interests to support HAs and cooperatives for their employees.

Construction companies. The assistance which larger construction companies can extend to SSEs and CCs involved in construction and materials supplies can yield benefits to the larger companies in terms of contacts with potential sub-contractors and labour, and good relations with LGs who wish to promote the small and medium size construction contracting sector

Land and real estate developers. This group is normally antagonistic towards informal settlements, seeing them as impediments to develop valuable land. However, when government moves to support the legalization of settlements, this group may find it in their interests to cooperate with NGOs and CBOs to accommodate residents. With more active government support for new low-income settlements they are likely to see a benefit in cooperating with HAs work with them on schemes such as guided land development. They may well find that this offers a new market which, although yielding lower profits, could provide a steady business base, since the potential demand for the development of low-cost settlements is enormous.

## 7.5. Institutional structures and actions

For the effective involvement of these potential actors, coherence in policy and programme direction, and coordination with the dominant actors such as LG and CBOs is essential. The following are some suggestions for institutional structures to provide advice, assistance, and possibly to evolve into joint decision-making with government:

At the national level, the umbrella associations of trade unions, cooperatives, and employers should discuss the value and benefits of involving themselves with urban informal settlements, identify the key topics for collaboration, and set out policy positions.

Debate should not be prolonged at the central level, but should move quickly to the city/regional level where the action should be focused. Close working arrangements between these actors should be backed by joint organizational structures. The following is proposed:<sup>7</sup>

- (a) A trade union/cooperative/employers centre is set up to address informal settlement issues for: (i) policy, planning and regulatory reform, with the LG and CBO associations (ii) coordination with LG and CBOs and NGOs in their action programmes, (iii) informal sector workers, to provides a range of services on demand: information and advice; training; cooperative development; health and safety at work; connection to government services such as social security; SSE development services; connections to business and market opportunities.<sup>8</sup>
- (b) A development agency, staffed by trade union, cooperative, and business experts, aimed at promotion and support of associations of people (i) involved in establishing organizations to address settlement issues, such as CBOs, HAs, CCs, and to help the development of associations of these organizations, (ii) in particular employment types (such as self-employed, HBEs, SSE contractors), or trades (such as tailors,

<sup>7</sup> Some of these measures are adapted from Birchall (2001).

<sup>8</sup> In Ghana, economic development committees have been set up jointly by the government and the private sector.

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street vendors). Existing associations would be supported, or if necessary new ones promoted. These associations would have the features of both trade unions and cooperatives, depending on the needs and priorities of the members: for example, the trade union input might be helpful in negotiating with the LG over market sites and facilities, the cooperative input could address the supply of tools and equipment and credit to buy these. The agency would undertake research on topics such as employment impact analysis<sup>9</sup> for the informal settlements and potential upgrading projects, and could also contribute to a Challenge Fund which might be set up by the LG(s) to offer an incentive for CBOs to design upgrading projects for their communities.

- (c) Branches of the development agency would be set up in particular localities where there are concentrations of informal settlements. Its functions would be focus on the urgent needs of the residents. these might include campaigning for land rights and infrastructure; cooperative action might include organization of homeworkers, a mutual childcare association, an association of street cleaners. Action related to SSE business and private sector interests might include a “one stop” centre for advice on business registration, building regulations, home construction design and techniques.
- (d) Women’s development centre to assist women form associations or trade unions, supported by cooperative experts who engage with the needs of women in particular groups, to provide access to credit, skills, training, raw materials and contacts with markets, in order to raise their incomes. Initially, such a function might form part of the development agency branches.

<sup>9</sup> See paper by S. Miller (unpublished).

Topics	Actors													
	CG	LG	NGO	Unions	Coops	Employers					Informal sector associations			
						Factory	Office	Retail, transport	Construction	Real estate developers	CBOs	HAs	HBEs	Comm contr. mats supplrs
<b>Settlement policy</b>	D		+	++										
<b>Settlement upgrading</b>														
<i>Laws, regulations, practices</i>														
Vagrancy, hawker license		I	++	++										
Land reg, tenure, valu, expr		D I	++	++					+	I +	+	+		
Financial practices	D I		+			+	+			+	+	++	++	
Business registration		I			+						+		++	+
Bldg, site develop. regulatn.				++				+	++	++	+	+		
Contracting cond, practices		D I.		++					++	+	+			I +
Building materials	D	D I			++				++		+			I ++
<i>Provision services, dwellings</i>														
Infrastructure & utilities		DI+			++	+			I +		I ++			I ++
Solid waste management		DI+	++		++	++			I +		+			I ++
Dwellings & HBEs					++	+					+	++	++	+
<b>Settlement redevelopment</b>		D			+					I +	I +		++	
<b>New settlements</b>		D I			++		++				I ++		I ++	++
<b>City planning</b>														
Strategic planning	D	D I	+	+						++	+			
Land use		D	+	+					++		+	+		
Transport	D	D	+	++	+				I ++					
<b>Institutional development</b>														
Formation of CBOs CCs		++	++	++	++			+				D I ++		I
Formation of IS assns			++	++	++			+				D I ++	D I ++	+
<b>Knowledge, networking</b>		+	+	++	+			+			++	++	+	++
<b>Training</b>		+	++	++	++			++	+		+	+		+
<b>Institutional structures</b>	+	++	+	++	++					+	++	+		+

Notes: CG = central government. LG = local government. D = decision. I = implementation. ++ = potential strong influence. + = potential influence.

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## **8. Action plan**

Two sets of actions are proposed:

### **8.1. Pilot project in one or two countries**

Identification. ILO would select countries which have active trade union and cooperative movements, and where governments are operating or are about to start informal settlement upgrading programmes. Activities would be coordinated with any initiatives underway in settlement upgrading by other international organizations. Discussions would be held with relevant central government authorities, national trade union association and cooperative association. LGs would be approached and selected based on their interest to cooperate in the project, and the issues involved in the locality.

Preparation. Following the initial mission, detailed work would be initiated with these organizations to identify issues, modalities and organizational structures required, together with any funding requirements, and likely source of funds. The resulting approach would be described, and discussed, modified, and hopefully agreed by the concerned parties

Implementation. Funding would be secured, agreements signed, and activities implemented. The activities are an ongoing process, and would be monitored, and evaluated after two years.

### **8.2. Research**

Concurrently with the pilot, research would be conducted to obtain a more in-depth knowledge and understanding of initiatives already taken on this topic and the lessons learned. Key areas for attention are:

- (a) Existing involvement of trade unions and cooperatives in the informal settlement process.
- (b) Assessment of interest and attitudes towards involvement of LGs and CBOs with unions, cooperatives and employers associations in informal settlement upgrading.
- (c) Attitudes of international and national trade union, cooperative and employer associations to the topic, issues and approach.

### **8.3. Guidelines**

Following the initial establishment of the pilot project, and the result of the research, two sets of guidelines might be prepared to assist the CBOs and HAs on the one hand, and the unions, cooperatives and employers on the other.

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Employment and poverty in Sri Lanka: Long-term perspectives (Vali Jamal)	2000	WP.157
Recruitment of educational personnel (Wouter Brandt and Rita Rymenans)	2000	WP.158
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Working time arrangements in the Australian mining industry: Trends and implications with particular reference to occupational health and safety (Kathryn Heiler, Richard Pickersgill, Chris Briggs)	2000	WP.162
Public participation in forestry in Europe and North America: Report of the Team of Specialists on Participation in Forestry	2000	WP.163
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Safety and health in small-scale surface mines – A handbook (Manfred Walle and Norman Jennings)	2001	WP.168

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