



Homeless International

**Feasibility study for the application of
Community-Led Infrastructure Finance Facility
(CLIFF) operations in Zambia**

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Urban Management Programme

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LIST OF ABBREVIATIONS

BoZ	Bank of Zambia
C3	City-Community Challenge Fund
CIA	Central Intelligence Agency (US Government)
CBO	Community Based Organisation
CLIFF	Community Led Infrastructure Finance Facility
DDCC	District Development Co-ordinating Committee
DFID	Department For International Development (UK Government)
DSHZ	The Dialogue on Shelter for the Homeless in Zimbabwe Trust
FINCA	Foundation for International Community Assistance
GoZ	Government of Zambia
GTZ	German Technical Co-operation
HI	Homeless International
HFHZ	Habitat for Humanity Zambia
HIPC	Heavily Indebted Poor Countries
IRIS	Centre for Institutional Reform and the Informal Sector, University of Maryland
JICA	Japanese International Co-operation Agency
LSUSSP	Lusaka Squatter Upgrading and Sites and Services Project
LUDC	Lusaka Urban District Council
LWSC	Lusaka Water and Sewerage Company
MFI(s)	Micro-Finance Institution(s)
MIT	Massachusetts Institute of Technology
MLGH	Ministry of Local Government and Housing
MMD	Movement for Multiparty Democracy
MPU	Microprojects Unit
NGO	Non-Governmental Organisation
PHI	Presidential Housing Initiative
PROSPECT	Programme of Support for Poverty Elimination and Community Transformation
PULSE	Peri-Urban Lusaka Small Enterprise
PUSH	Peri-Urban Self Help
RDC	Resident Development Committee
SDI	Shack/Slum Dwellers International
Sida	Swedish International Development Cooperation Agency
UI	Urban Insaka
UN	United Nations
UN-Habitat	United Nations Human Settlements Programme, formerly UNCHS
UNIP	United National Independence Party
ZAMSIF	Zambia Social Investment Fund
ZIHOPFE	Zimbabwe Homeless People's Federation
ZSDF	Zambia Slum Dwellers' Federation

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WHAT IS THIS STUDY?

Homeless International was commissioned to carry out research into the feasibility of introducing a Community-Led Infrastructure Finance Facility (CLIFF) in four countries in sub-Saharan Africa (Ethiopia, Ghana, Uganda and Zambia). The feasibility studies are intended to contribute to national and city government strategies for tackling slum upgrading, and to enhance donors' understanding of their potential roles in scaling-up the CLIFF concept. They also aimed to help ensure that the preparatory work is in place to aid the eventual process of developing CLIFFs in these countries if it is judged appropriate to do so.

The studies were carried out in Uganda, Ghana, Ethiopia and Zambia during 2004. Wherever possible, the Homeless International team sought to work collaboratively with local UMP partners and with Homeless International's own partners in the Shack/Slum Dwellers International (SDI) network. This paper documents the findings in Zambia and makes recommendations for steps required to catalyse community-led slum upgrading in partnership with government and other stakeholders, as a possible precursor to a CLIFF facility.

1 NATIONAL CONTEXT

1.1 MACRO-ECONOMIC, POLITICAL AND SOCIO-ECONOMIC OVERVIEW

1.1.1 Macro-economic context

Colonial exploitation of Zambia's natural resources went unmatched by investment in agriculture and infrastructure, but huge copper reserves meant that the country's economic position still looked relatively promising at independence. Over-reliance on this one export, however, meant that the crash in world prices in the 1970s had a severe effect. As a result, the government attempted to diversify the economy via industrialisation based on import substitution, but without success. Structural adjustment followed in the 1980s, and sped up in the 1990s, with the privatisation of parastatals and the removal of price controls on basic goods. Despite these reforms, Zambia had the lowest annual growth rate in the Southern Africa Development Community over the period 1990-1999, averaging just 1% (GoZ, 2002, p.17). Growth rates have since increased, reaching 4.92% in 2001 and 5.1 % in 2003, but still fall some way short of the 8% thought to be needed for sustainable poverty reduction (BoZ, 2004a). A further issue is that inflation is high and fluctuating, falling from 30.1% in 2000 to 18.7% in 2001, then rising to 26.7% in 2002 before falling again to 17.2% in 2003 (ibid). Significant exchange rate fluctuations have occurred over the same period, with the value of the Zambian Kwacha, which was fixed at 2,880 to the US\$ from late 1999 to late 2001, having declined to a low of 5,400 in early 2003, before recovering to 4,755 as at July 2004 (OANDA, 2004).

1.1.2 Political context

The United National Independence Party (UNIP), led by Kenneth Kaunda, took power at independence in 1964 and held onto it for the next 27 years. In 1990, street protests triggered by an increase in food prices, but more broadly caused by long-term corruption and mismanagement, forced Kaunda into agreeing to multiparty elections, won by the Movement for Multiparty Democracy (MMD), led by Frederick Chiluba, in 1991. Although the MMD kept power in the elections of 1996, the poll was marred by a UNIP boycott and a coup attempt the following year led to a state of emergency. In 2001 the MMD candidate Levy Mwanasawa succeeded Chiluba as president and put his predecessor on trial for massive corruption whilst in office. Despite this stance, the new government has been troubled by separate accusations such as over alleged rigging of the 2001 elections.

1.1.3 Socio-economic context

Zambia is one of the most urbanised countries in Africa, with over 40% living in urban areas and with eight cities of over 150,000 people, mostly in the Copperbelt region (World Bank, 2002a). Lusaka, the capital, is the largest city, with a population of 1.2 million, according to official figures, or 2.5 million, according to unofficial estimates. Of these, 70% live in slum areas, known as peri-urban areas or compounds, which cover just 20% of the residential land (ibid). The population of Zambia as a whole is estimated at 10.4 million, of whom 46.1% are aged 14 years or under (CIA, 2004). According to the latest available figures, from 1998, 72.9 % of the population lived

below the national poverty line, an increase from 69.2% in 1996 (World Bank, 2004). Most of this increase was in urban areas, where the population below the poverty line increased from 46% in 1996 to 56% in 1998, as compared to an increase from 82.8% to 83.1% in rural areas (ibid). Zambia's human development indicators are some of the worst in Africa, with life expectancy having fallen from 54 years in 1990 to 39 years in 1999¹, and with the infant mortality rate having increased from 108 to 112 over the same period (UN, 2004a).

1.1.4 Poverty Reduction Strategy Paper (2002-2004)

Zambia's Poverty Reduction Strategy Paper (PRSP) identifies that poverty has recently risen faster in urban areas than in rural areas, as a result of increasing unemployment caused by industrial closures (GoZ, 2002). It also attributes worsening poverty in Zambia to the absence of livelihood strategies that adequately address both rural and urban poverty. Whereas the intended solutions to rural poverty have some relevance to livelihoods at the micro-level, however, solutions to the problems of urban poverty seem only to be seen in terms of the macro level, being based on attracting and retaining outside investment in industry. An integrated strategy to tackle the problems characteristic of urban poverty, such as housing and related infrastructure, is therefore lacking, despite coverage of some specific issues, such as water and sanitation, in the individual chapters.

Zambia missed the completion point of the Highly Indebted Poor Countries (HIPC) initiative in December 2003 due to a budget over-run. The country nonetheless benefited from a US\$ 320 million loan under the Poverty Reduction and Growth Facility² in June 2004, showing a recognition that progress had been made. Subject to continued progress Zambia is expected to reach its HIPC goal in a further six months (Business Week, 2004). Reaching the goal will mean the cancellation of US\$ 3.8 billion of its US\$ 6.5 billion external debt (UN, 2004a).

1.2 NATIONAL POLICY AND INSTITUTIONAL FRAMEWORK SUPPORTING UPGRADING, RESETTLEMENT AND INFRASTRUCTURE PROVISION

1.2.1 National Housing Policy

Zambia's National Housing Policy was produced by the Ministry of Local Government and Housing in 1996. It was envisaged as providing a "comprehensive assessment of the housing situation in the country" and "a vision for the development of adequate affordable housing for all income groups in the country" (GoZ, 1996, p.iii). The

¹ This significant decline in life expectancy can be linked to high levels of HIV prevalence: estimated to range between 13.5 and 20% of the population aged 15-49 in 2003 (UNDP, 2004, p. 167).

² The PRGF is the IMF's most concessional facility for low-income countries. The aim is that PRGF supported programmes will in time be based on country-owned poverty reduction strategies and articulated in a Poverty Reduction Strategy Paper (PRSP). This is intended to ensure that PRGF-supported programmes are consistent with a comprehensive framework for macro-economic, structural and social policies to foster growth and reduce poverty. PRGF loans carry an annual interest rate of 0.5 per cent and are repayable over 10 years with a five and a half year grace period on principal payments. Source: www.imf.org/external/np/sec/pr/2003/pr0396.htm

policy does, indeed, appear to give an impressive priority to housing development, which is promised 15% of the total national budget each year (ibid, p.15). As one analysis notes, however, this proved “an empty promise given in response to political pressure for housing, and there was no attempt made to keep it” (Schlyter, 2004, p.4). Funds for construction have therefore proven, in practice, to be available only via loans, which are often inaccessible to low-income groups due to interest rates of as high as 50% (Clement Chisanga, Interview, 28/06/04). More details on the types of finance available are given in section 1.6 below.

1.2.2 Ministries and departments

The main national government ministry working in the area of upgrading, resettlement and infrastructure provision is the Ministry of Local Government and Housing, headed by Minister Sylvia Masebo. Within the ministry sit the Department of Physical Planning and Housing, under Dr Glynn Khonje, and the Department of Infrastructure and Social Services, under Peter Lubambo. In terms of housing, the role of the ministry seems mainly to be one of policy setting and supervision, with planning and regulation of actual construction at city level being the responsibility of local authorities (GoZ, 1996). In terms of infrastructure there is also a division of roles, with the Ministry of Energy and Water Development being responsible for water resource management, but with local authorities, under the supervision of the Ministry of Local Government and Housing, being responsible for actual water supply and sanitation (GoZ, 2002). There is further delegation of responsibility at local authority level, with private water and sewerage companies undertaking the planning and installation roles (see section 1.6.7 below).

Other ministries with relevance to this study include the Ministry of Community Development and Social Services, which seeks to aid community-driven development and so is looking for ways to reach and mobilise the urban poor (Beall, 2003). Doubts have been raised over the future of this ministry, however, due to its marginal role in key initiatives such as the drafting of the PRSP (Times of Zambia, 2004b). The Ministry of Agriculture and Co-operatives, although not of obvious relevance to urban development strategies, has also had links with CARE Zambia programmes around peri-urban agriculture (see section 2.2.4 below). In terms of funding, the Ministry of Finance and National Planning has a key role in that it hosts the management unit of the Zambia Social Investment Fund (see section 1.6.6 below), and is responsible for disbursement of HIPC funds, although none of these are being used for housing at present (Elizabeth Ndhlovu and Liseli Bull Kamanga, Interview, 23/06/04).

1.2.3 Habitat Agenda

Zambia is a signatory of the Habitat Agenda, which was launched in 1996 with the aim of influencing national policy developments in housing, upgrading, resettlement and infrastructure provision. Within Zambia the Ministry of Local Government and Housing is responsible for co-ordinating efforts to fulfil the commitments contained in the agenda. The agenda does not seem to permeate down to the level of local policy, however, being viewed as essentially a matter for central government (Clement Chisanga, Interview, 28/06/04).

1.3 KEY ELEMENTS OF THE LEGAL AND REGULATORY FRAMEWORK GOVERNING NGO AND CBO OPERATIONS IN INFRASTRUCTURE AND HOUSING DEVELOPMENT

1.3.1 Societies Act

The Societies Act is the key legal framework for NGO and CBO registration in Zambia. Under the act, which regulates freedom of association, all civil society organisations are obliged to register with the registrar of societies. As well as NGOs and issue-based CBOs, the basic units of community organisation at the local level, the Resident Development Committees (RDCs), have in the past also been registered under this act (Beall, 2003). The registration system has caused friction between government and civil society, which sees the process as a mechanism of control, since groups can be banned unless they register (UN, 2004b).

1.3.2 Local Government Act

The Local Government Act of 1991 delimits the powers and responsibilities of the 72 local authorities in Zambia. Of these, four are City Councils (Lusaka, Ndola, Kitwe and Livingstone), 12 are Municipal Councils (covering a number of smaller cities, including all provincial headquarters), and 56 are District Councils (Momba, 1992). Powers in housing and infrastructure, as re-stated in the National Housing Policy, include the enforcement of building standards, the planning and regulation of land use and new developments, the management of upgrading schemes, and the allocation of land (GoZ, 1996). Related responsibilities include the setting of housing delivery goals, the identification of new land for housing, the provision and maintenance of infrastructure needed to open up such land for development, the provision of community and recreational facilities, and the construction of low cost housing for sale or rent. The Local Government Act also has a provision for CBO registration, which is increasingly being enforced, with RDCs in Lusaka now being obliged to register under this act rather than under the Societies Act (Beall, 2003).

When the Local Government Act was enacted in 1991, soon after the end of the one party state, it was hoped that it would lead to a genuinely devolved system of democratic local government. Practical problems have arisen, however, from the fact that, whilst responsibilities have been devolved, resources generally have not. Sources of revenue that councils used to be able to call upon, such as a percentage share of sales tax, have in fact been lost (Kamwi, 2004). This imbalance has led to fiscal crises within councils, which have severely limited their ability to perform the functions in housing and infrastructure. In terms of the democratisation of local government in peri-urban areas, nevertheless, some progress has been made. In Lusaka, from the early 1990s onwards, elected Area-Based Organisations were formed through collaboration between CARE Zambia and the City Council. These comprise Zone Development Committees at the local level, which in turn elect the RDC in each compound. Although these committees are apolitical, existing in parallel with the party-political area councillors, they are set to become the lowest level of local government, which may create a danger of co-option.

1.3.3 Housing (Statutory and Improvement Areas) Act

The Housing (Statutory and Improvement Areas) Act of 1975 was a major turning point in the recognition of informal peri-urban settlements in Zambia as it provided for unplanned settlements to be legalised, whereas previously the only official policy was demolition. Under the act, local councils are responsible for identifying which settlements should be legalised, subsequently submitting documentation to the Ministry of Local Government and Housing for approval (Times of Zambia, 2004c). Cases where approval would not be given include areas so close to infrastructure such as roads as to pose a safety risk: in such areas demolition without negotiation remains a possibility (Zambia Daily Mail, 2004). A further limitation of the legislation, as outlined in section 1.5.3 below, is that the term 'legalisation' refers to each peri-urban compound as a whole, rather than to the individual plots. After a compound has been declared an 'improvement area' then 30-year occupancy licences can be issued to residents, but the land remains the property of the City Council and so tenure is not transferred (World Bank, 2002a). Having said this, the main tenure systems in Zambia are traditional tenure, which is granted informally by a chief, and leasehold tenure, which is granted on a 99-year renewable deed, meaning that the system in improvement areas is not without parallels (Clement Chisanga, Interview, 28/06/04).

1.4 KEY ELEMENTS OF THE LEGAL AND REGULATORY FRAMEWORK GOVERNING BANKING, MICRO-FINANCE, AND HOUSING FINANCE AGENCIES

1.4.1 Banking and Financial Services Act

The Banking and Financial Services Act, passed in 1994 and last amended in 2000, sets the rules for all banks and financial institutions in Zambia from large international banks to small Microfinance Institutions (MFIs). It defines three different categories of financial institution, of which MFIs are one. The overall regulations are the same for all types of financial institution, but the minimum capital requirement is different for each of the three types, dependent of their scale and type of business. Among the provisions covered by the act are licensing of financial institutions; regulation of corporate restructuring/amalgamation, restrictions on who can be a board member or manager; regulation of operations, record-keeping, reporting and audit; minimum capital requirements; and procedures for insolvency and liquidation. Financial limits are generally not set within the act itself, instead being issued in periodical Gazette Notices. Limits that are contained within the act relate to proportions – for instance no individual can own more than 25% of a bank (GoZ, 2000).

1.4.2 Microfinance regulation

Although MFIs are recognised as a type of institution under the Banking and Financial Services Act, the regulatory framework nonetheless contains a number of barriers to their effective operation. Most significant is that the Central Bank Act has no provision authorising the Bank of Zambia or any other institution to regulate MFIs, meaning that borrowers have little protection against fraud and also that MFIs have little practical guidance (IRIS, 2004). A further complication is that the Banking and Financial Services Act prohibits institutions from on-

lending deposits held unless they have capital of over US\$ 2 million. As MFIs lack such capital then in practice this means that lending from savings is ruled out, with the result that borrowing needs and thus costs are significantly increased (ibid). A law for the licensing and supervision of microfinance institutions is currently being drafted, in order to address these issues, but there are concerns that regulation will be too tight, and that thresholds will remain too high, meaning that barriers to effective operation will remain (Jens Reinke, Personal Communication, 04/08/2004).

1.4.3 Savings options

At present, deposit-taking MFIs are one of very few formal savings options open to the poor, since intermediation between the formal and informal financial systems remains very limited, as explained in section 2.3 below. In any case, the enormous disparity between the interest rates for lending and saving mean that saving is very unlikely to be an attractive option. At January 2003, when the interest rate on loans was 53.3%, the interest rate on savings of less/more than 100,000 Kwacha was a mere 5.7/8.3%. By July 2004 the disparity, whilst lessened, was still huge, with savings rates of 4.1/7.2% as against a lending rate of 37.4% (BoZ, 2004b). In the absence of realistic options in the formal sector, traditional means of saving are a key option for the poor. The *Chirimba* system is one example – this roughly translates as merry-go-round and involves several members of an informal savings group contributing an equal sum and one member in turn taking the total amount to use as they choose (Jennifer Masiapa, Meeting, 23/06/2004). A new option being developed by community savings groups in Lusaka and Livingstone, as outlined in section 2.2.6 below, is also issue-based saving around housing, which involves initial saving and lending for income generation, so as to build up the finance available.

1.4.4 Housing finance regulation

As with MFIs, legal provision for regulation of housing finance agencies is at present rather unclear. An anomaly of the legal framework is that credit-only institutions, a category into which some housing finance agencies may fall, are not currently regulated at all. The new microfinance law will mean that credit-only MFIs will in future be regulated, but whether this regulation will apply to credit-only housing finance institutions will depend on the length of credit terms and the frequency of repayment: if they do not fall within the definition of an MFI under the act then they will remain unregulated (Jens Reinke, Personal Communication, 06/08/04). For those housing finance agencies which take deposits as well as giving loans the situation is scarcely less complex – after the passing of the new microfinance law they will definitely be regulated, but whether that regulation will stem from the microfinance law or from existing banking legislation will depend on whether they are judged to fall under the definition of an MFI as defined in the new law (ibid). The main supplier of housing finance in Zambia currently, the Zambia National Building Society, does take deposits and so at present is regulated under banking law, although as explained elsewhere it lends in practice only to the rich due to high interest rates.

1.5 THE ROLE OF LOCAL AUTHORITIES IN FINANCING INFRASTRUCTURE AND HOUSING DEVELOPMENT

1.5.1 Construction to facilitation

Before the creation of the National Housing Authority in 1972 (see section 1.6.1 below) it was the responsibility of the local authorities themselves to build houses (Bonwell Matawe, Interview, 25/06/04). Since that time, though, local authorities have taken a more facilitatory role, looking to source land for new housing developments financed and built by others. Under a scheme known as de-densification, for instance, Lusaka City Council bought land for overspill developments so as to enable existing compounds to become less congested. Although not financing housing or infrastructure directly, purchase of land is certainly part of the process of their development. The de-densification scheme was externally funded, however, via the World Bank, and when funds for land purchase were exhausted then the process stalled (*ibid*). Local authorities are meant to be funded by central government grants, but in practice they feel that they receive much less than is needed, with Ndola having recently received only around 3% of its budget request (Elizabeth Ndhlovu and Liseli Bull Kamanga, Interview, 23/06/04). Besides lack of funds, a further complication in Lusaka is that there is very little available land remaining within the city boundaries, although this may be resolved by their expansion.

1.5.2 District Investment Funds

One financing mechanism that does exist at local authority level is the District Investment Fund. The funding for this comes from the Zambia Social Investment Fund (see section 1.6.6 below), with funds being passed to the 72 local authorities, which then make their own decisions on how the money should be spent (Fiddelis Mwewa Mwape, Interview, 24/06/04). Decisions are taken by the District Development Co-ordinating Committee, comprising members from government ministries, NGOs and the private sector, though no community representatives (Elizabeth Ndhlovu and Liseli Bull Kamanga, Interview, 23/06/04). Part of the funds are earmarked for capacity building at district level, chiefly meaning skills training for district officers, but remaining funds are available to finance district-level economic or social infrastructure, including main roads, water supply, and sanitation (ZAMSIF, 2000).

1.5.3 Legalisation of peri-urban settlements

A specific development in Lusaka is that, from the mid-1970s onwards, the City Council has legalised the informal peri-urban settlements, reversing its previous policy of evictions (Elizabeth Ndhlovu and Liseli Bull Kamanga, Interview, 23/06/04). In theory, this now means that the City Council has a responsibility not only to finance services such as infrastructure but to provide them on an ongoing basis. In practice, however, this often proves beyond their funds or capacity, meaning that they look for other organisations, especially NGOs, to assist with infrastructure as well as housing (*ibid*). In extreme cases, such as following an outbreak of cholera in George compound in 1991, national government may also get involved. In the case of George, the Zambian government

secured grant aid from the Japanese government for a water supply scheme based on boreholes (LWSC, 2004). A further point to note is that legalisation, as mentioned in section 1.3.3 above, is in practice more limited than the name might imply. Although compounds as a whole are 'legalised', meaning that their existence is formally recognised, legalisation does not extend to tenure of individual plots, with all of the land in legalised compounds being the property of Lusaka City Council (Elizabeth Ndhlovu and Liseli Bull Kamanga, Interview, 23/06/04). Uncertainty about occupancy in the long-term could thus prove a significant barrier to incremental upgrading.

1.6 EXISTING INTERNATIONAL/DOMESTIC FINANCING MECHANISMS FOR URBAN DEVELOPMENT INITIATIVES, HOUSING AND INFRASTRUCTURE

1.6.1 National Housing Authority

One of the main mechanisms currently available for housing provision in Zambia is the National Housing Authority (NHA), a parastatal which builds houses and then sells them on to members of the public. In practice, however, the houses built are only accessible to middle and high income groups, as the company must recoup the building expenses in full from sales. The process is therefore that the NHA costs a development, including related costs such as infrastructure, and then decides how much to charge (Clement Chisanga, Interview, 28/06/04). Whilst the NHA finances construction of what is defined as 'low cost housing', therefore, it does not finance the preferential loans or subsidies that would be needed in order to enable the poorest groups to access such housing in practice.

1.6.2 Zambia National Building Society

Whilst the National Housing Authority is engaged in the actual building of houses, the role of the Zambia National Building Society (ZNBS), established in 1970, is just to finance construction. The extremely high interest rates prevalent in Zambia, reaching over 50% and sitting at as much as 30% above the rate of inflation, mean that loans from the ZNBS are accessible only to the rich and powerful, with funds largely being spent on mansion-building (Bonwell Matawe, Interview, 25/06/04). The problem of interest rates is so great, indeed, that even figures such as government ministers have had difficulties with their repayments (Elizabeth Ndhlovu and Liseli Bull Kamanga, Interview, 23/06/04). The more serious problem to note, from the point of view of this study, however, is that there is no bank in Zambia for the poor, and thus they have no reliable source of credit for housing (Bonwell Matawe, Interview, 25/06/04).

1.6.3 Employer loans

Given very high interest rates for borrowing, which stood at 53.3% at January 2003, one might wonder how anyone can afford to build a house in Zambia, let alone the poor (BoZ, 2004b). Rates have since dropped somewhat, standing at 37.4% as at July 2004, but where there is such fluctuation and attendant uncertainty, relatively long-term lending, as for housing, is likely to attract closer to higher rate (ibid). One of the main coping strategies, for those in formal employment, is to take a loan from their employer, on preferential terms, and repay

gradually over time to an agreed schedule (Bonwell Matawe, Interview, 25/06/04). Given that only a minority of the population are in formal employment, however, this is not an option open to many, and it is especially unlikely to be open to those living in informal settlements. Even for those able to exercise this option, indeed, it is far from foolproof as if they lose their job then their house can be repossessed by the employer (ibid).

1.6.4 Africa Housing Fund

One financing mechanism that does appear to be having some degree of success is the Africa Housing Fund (AHF). This was originally formed in 1996 as a two-year pilot programme, funded by the Norwegian Agency for International Development, to assist the rural and urban poor with house-construction, water supply, and micro credit. To date, the initiative has funded 2404 houses, including 520 in Lusaka and 462 in Solwezi, via loans which beneficiaries repay over a maximum of seven years (Times of Zambia, 2004a). The AHF works through the Resident Development Committee in each area, and now receives its funding via the Ministry of Finance. The number of houses built in a relatively short timescale suggest that the approach is effective, though it is unclear whether the AHF has the capacity or backing needed to take financing to really large scale in urban areas. The fact that most beneficiaries are able to repay their housing loans within just three or four years, as opposed to the maximum seven, moreover, suggests that the fund is not reaching the poorest groups.

1.6.5 Presidential Housing Initiative

This scheme was the brainchild of the former President, Frederick Chiluba, following the publication of the National Housing Policy in 1996 (see section 1.2.2 above). Instead of institutionalising funding for housing within the national budget, as promised in the policy, the President set up a personal initiative aimed at financing construction of new houses through selling off existing public housing (Schlyter, 2004). The Presidential Housing Initiative (PHI) had an impressive rhetoric, being presented as “a way to provide home ownership of affordable houses for all Zambians”, but in practice the construction process was very slow and so, as at January 2000, no one had yet been able to move into the first PHI estate in Lusaka (ibid, pp.4-5). To make matters worse, the houses proved extremely expensive, putting them out of reach of all but high income groups and businessmen, and meaning that any relevance for slum upgrading was lost (Bonwell Matawe, Interview, 25/06/04).

1.6.6 Zambia Social Investment Fund

The Zambia Social Investment Fund (ZAMSIF), funded by the World Bank, offers no funding for housing but is one of the main potential sources of funding for related infrastructure. ZAMSIF was established in 2000 with capital of US\$130 million over 10 years: as such, the continued operation of the fund beyond 2010 is not guaranteed (Fiddelis Mwewa Mwape, Interview, 24/06/04). Funding is divided between three components: District Investment Funds (described in section 1.5.2 above), Community Investment Funds, and a poverty monitoring and analysis section (ZAMSIF, 2000). District Investment Funds offer funding for district-level infrastructure, such as main roads and market places, although a high proportion of funding goes to social infrastructure not of direct relevance to this study, such as district hospitals and secondary schools. Community

Investment Fund money is likewise channelled via the districts but is then available at community-level for primary schools, health clinics, minor roads, and small-scale water and sanitation projects, amongst other areas. It is the Community Investment Funds that seem to have had most relevance for infrastructure in peri-urban areas, funding for instance a number of minor roads in Lusaka, although a larger-scale project involving drainage has also been funded via the District Investment Fund in Lusaka (Elizabeth Ndhlovu and Liseli Bull Kamanga, Interview, 23/06/04). Although individual projects can be identified, however, the overall impact of the fund specifically in urban areas is rather more difficult to judge, since some 'urban' districts, such as the City Councils of Ndola and Kitwe in the Copperbelt, also contain significant peri-urban and rural areas, and there is at present no mechanism for separating data in terms of the type of area where funds are actually used (Fiddelis Mwewa Mwape, Interview, 24/06/04). This might be a possible area for more detailed analysis by ZAMSIF once the first phase of the project, representing the first US\$65 million tranche of funding, is completed in 2005.

1.6.7 Water and sewerage companies

The Lusaka Water and Sewerage Company (LWSC) was set up as a private company in 1988, and began operations in 1990, but remains fully owned by Lusaka City Council (Chiwego Changala, Interview, 25/06/04). Although the primary role of the company is supply of water to existing customers on commercial terms, it also has a social role in financing expansion of the water network to peri-urban areas of the city. Some, though not all, of the costs are then recovered afterwards through user charges or bills. The two main systems used are communal taps and individual connections: the former generally proves the most practicable in peri-urban areas as installing connections in individual houses would require extensive demolitions in order to install all the underground pipes. The two systems cannot be mixed as individual connections have a flat fee and no meters, and so the LWSC has had problems in the past with householders selling on water to other residents, at no cost to themselves, and in the process undermining the communal tap system (ibid). In terms of sewerage, there are no connections to peri-urban areas, as installing an underground network would be prohibitive both in terms of cost and in terms of the need for demolitions and temporary relocation whilst the work was in progress (ibid). Systems are therefore based on pit latrines or septic tanks which are emptied periodically at community cost.

Similar companies have also been set up in other areas of Zambia – for instance the towns of Ndola, Masaiti and Luanshya in the Copperbelt are serviced by the municipality-based Kafubu Water and Sewerage Company (UN, 2004b). Livingstone, meanwhile, is served by the regional Southern Water and Sewerage Company (SWSC), in which the City Council is a shareholder. When peri-urban areas are being upgraded, the SWSC provides water and sewerage at market cost, whilst Livingstone City Council is responsible for roads and drainage (Clement Chisanga, Interview, 28/06/04). Funding for large-scale infrastructure development in peri-urban areas of Zambia is generally provided as part of upgrading schemes, however, rather than being financed by the companies themselves. The role of the water and sewerage companies in these cases is generally as the implementing partner, as outlined in the following section.

2 PRIOR EXPERIENCE IN COMMUNITY-LED HOUSING AND INFRASTRUCTURE DEVELOPMENT

2.1 SLUM UPGRADING INITIATIVES PRIOR TO 2000

2.1.1 Lusaka Squatter Upgrading and Sites and Services Project (1970s)

The Lusaka Squatter Upgrading and Sites and Services Project (LSUSSP), funded by the World Bank in the late 1970s, was one of the first upgrading schemes in Sub-Saharan Africa and generated over 30,000 new or improved plots in peri-urban areas of the city (World Bank, 2002a). In terms of one of its major aims, cost recovery, the project failed, however, due to a lack of effective sanctions to deal with defaulters, and due to a history of heavily subsidised services for civil servants (World Bank, 2002b). After the upgrading had taken place, beneficiaries calculated that their homes were unlikely to be demolished, and so were reluctant to pay, especially when others before them had got the same services for free. The evaluation of the project thus concluded that, although the project had been affordable, it had foundered due to a failure to meet certain basic requirements:

"1) participants must understand the nature of their financial obligations, 2) the system of collection must be efficient, 3) incentives as well as sanctions must be efficient, and 4) there must be consistent political support" (ibid, p.19).

The failure of the project to recover costs as planned therefore suggests that genuine engagement of the community is vital if upgrading is to succeed in a manner that is viable and thus replicable at scale. Other difficulties uncovered in the evaluation reflect this lack of genuine community engagement: community groups were not consulted during the planning of services, therefore services were not of the type they wanted, yet they were still expected to maintain them (World Bank, 2002a). Besides the issues of cost recovery, the project thus seems also to have had major issue in terms of sustainability. On the plus side, the granting of land title was seen in the evaluation as a success of the project, as it provided a major boost to economic activity. Land title was also a significant issue in the later Kamanga Compound Water Scheme, which ran into disputes over the relative rights of landlords and tenants during upgrading (ibid).

2.1.2 Kalingalinga Integrated Upgrading Project (1980-1987)

This comprehensive upgrading project, begun in 1980 and completed in 1987, was a joint initiative of Lusaka Urban District Council (LUDC) and German Technical Co-operation (GTZ), being run by the former yet with two thirds of the funding being provided by the latter. The project resettled 13,000 people, who had been living in 1,460 houses on the original site, via a combination of in-situ upgrading and overspill into a neighbouring area (MIT, 2001). This strategy proved effective as it enabled lower density housing to be built whilst at the same time leaving space for necessary infrastructure such as wider roads. Services were funded directly, with construction of schools via community participation, but house construction was funded indirectly through a community revolving fund. This fund provided loans for materials, enabling people to build single room 'core houses' initially

and then develop them in stages over time. Despite the effectiveness of community participation, however, the fact that the project was run on a line-agency basis by the municipality made administration and accounting cumbersome and made it vulnerable to resource struggles within LUDC (ibid). A further issue was that the percentage of female-owned houses declined after upgrading, suggesting that female-headed households could not afford the cost of upgrading and so had to either move out of the area or become renters (World Bank, 2002a).

2.1.3 George Complex Water Supply Scheme (1994-1995)

This George Complex Water Supply Scheme, prompted by persistent outbreaks of cholera in peri-urban areas in the west of Lusaka, was funded by the Japanese International Co-operation Agency (JICA) and has been implemented under the auspices of LWSC. The project involved digging boreholes and installing communal taps, since shallow wells, the main source of water for residents previously, had been too close to pit latrines, leading to contamination. The scheme covers a total of seven compounds, including George, serving a total area of 4,772 square kilometres and a population of around 120,000 people (LWSC, 2004). Despite the technical success of the initiative, however, the high start-up cost of US\$300 per person, coupled with minimal cost recovery, means that creating schemes to similar specifications in unserved areas of Lusaka is unlikely to be viable (World Bank, 2002a, p.22).

2.1.4 Urban Restructuring and Water Supply Project (1995)

Whereas the vast majority of upgrading initiatives in Zambia have been focused on Lusaka, as the city with the largest number of informal settlements, the World Bank-funded Urban Restructuring and Water Supply Project was an exception, supporting water supply improvements in six peri-urban areas of the Copperbelt. The project was also notable for making a far more limited attempt at cost recovery than previous initiatives such as the Lusaka Squatter Upgrading and Sites and Services Project, due to the difficulties of dealing with defaulters. Communities were given a list of technical options to choose from, but with the caveat that if they opted for a scheme costing in excess of US\$25 per head they would be required to pay the difference (World Bank, 2002b). Such a system certainly appears an improvement on the imposed solutions under the LSUSSP, as communities were at least given some kind of choice, but it still seems far from ideal. If the lessons of the LSUSSP had really been taken on board then one would have expected communities to have been given an opportunity to plan the services required for themselves, rather than just being presented with a menu of technical specifications following token consultation. Practical concerns have arisen, indeed, over the technical complexity of some of the schemes and thus over the capacity of RDCs to manage them as intended (World Bank, 2002a).

2.1.5 Sustainable Lusaka Programme (1997-2001)

The Sustainable Lusaka Programme, which began prior to 2000 but finished slightly afterwards, was implemented by Lusaka City Council, with partners including the Ministry of Local Government and Housing, UN-Habitat, and the RDCs. The programme aimed to tackle environmental degradation caused by unplanned

expansion through integrating environmental planning into projects at settlement level. This involved training in waste management, leading to establishment of small enterprises, in six settlements – Mandevu/Marrapodi, Kamanga, Kalingalinga, Ng’ombe, Linda and Bauleni – plus the development of community water supply systems in the last three areas (UN, 2003). At the larger scale the programme also supported the establishment of a development planning and co-ordination unit for Lusaka. Whilst the actual activities of the programme were restricted to six areas, therefore, it seems possible that the structures created could support upgrading, at least in terms of water and waste management, more generally.

2.2 PRIOR LOCAL NGO/CBO EXPERIENCE IN LENDING FOR/FINANCING HOUSING AND INFRASTRUCTURE FOR POOR AND INFORMAL COMMUNITIES

2.2.1 Peri-Urban Self Help Project (1990-1998)

The Peri-Urban Self Help (PUSH) project, begun by CARE Zambia in 1990, indirectly financed infrastructure development in informal settlements of Lusaka as it funded the building or rehabilitation of roads and drains on a food-for-work basis (CARE, 2000). Government support for the project demonstrated its recognition that demolition was no longer an option and thus built upon the trend towards legalisation of peri-urban settlements (Cathryn Mwanamwambwa, Interview, 25/06/2004). PUSH switched to a more holistic community development focus as it moved to a second phase, PUSH II, in 1994 (CARE, 2000). As part of this switch, the project began to support larger-scale infrastructure development in Lusaka, initially through collaboration on the JICA-funded George Complex Water Supply Scheme (see section 2.1.4 above), and later through implementation of the Chipata Compound Water Supply Scheme in 1996-1997 (ibid). An affordable and safe water supply was seen as especially important to livelihood security because water bought from vendors was expensive, eating up much of household income, and contaminated, causing illness and so reducing the time available for productive work. The Chipata scheme had a relatively simple design, with residents pre-paying each month and then being given a card entitling them to 140 litres of water from communal taps per day, which has made cost-recovery more successful than in similar projects elsewhere (World Bank, 2002b). Despite this relative success, however, the revenues received have been equal only to operational costs, and so do not cover maintenance (ibid). As well as implementing initiatives in three informal settlements - or compounds - of Lusaka, PUSH II also supported activities in one compound of Livingstone (CARE, 2000).

2.2.2 Programme of Support for Poverty Elimination and Community Transformation (1998-2004)

The Programme of Support for Poverty Elimination and Community Transformation (PROSPECT) was initiated by CARE Zambia in 1998, funded by the UK’s Department for International Development (DFID), as a successor to PUSH II. The programme increased the scale of activities from four compounds to 13, of which 12 were in Lusaka and one in Livingstone (CARE, 2004b). A further development has been that, whereas PUSH II had

begun to encourage coping strategies through savings and loans, PROSPECT has seen savings groups develop to the point where they can begin to lend from their own savings rather than just drawing credit from the programme (Wezi Nkana, Interview, 25/06/2004). Although this is known as the micro-finance component of the programme it seems to differ from micro-finance in general in that the focus is on the individual savings groups saving and lending rather than on an MFI lending and recovering. The finance generated, whether through credit from CARE or through lending within groups, seems to be mainly used for income generation and livelihoods, although this could have a knock-on effect in terms of making resources available for housing improvements. The chief relevance of PROSPECT here, however, appears to be the infrastructure component as opposed to the micro-finance one. The programme has supported infrastructure development through first facilitating the formation of representative Resident Development Committees (RDCs) in each compound and then assisting them to develop, manage and maintain water and sewerage systems (CARE, 2004b). Although the success of the programme both in terms of institutions and infrastructure has been widely recognised, the donor trend away from funding urban projects means that no finance exists beyond September 2004 (Cathryn Mwanamwambwa, Interview, 25/06/2004). CARE Zambia's new Programme Partnership Agreement with DFID Zambia, indeed, is almost exclusively rural in focus, despite that fact that almost half of the country's population lives in urban areas (Elizabeth Ndhlovu and Liseli Bull Kamanga, Interview, 23/06/04).

2.2.3 City-Community Challenge Fund (2000-date)

Whilst the prior two initiatives have flowed one to the other, the City-Community Challenge Fund (C3) is a separate initiative being piloted both in Zambia and in Uganda. The aim of C3 is to provide "catalytic funding to help low-income urban communities and their representative local authorities to engage in sustainable poverty reduction initiatives" (CARE, 2004a). The key question the pilots are seeking to answer is whether such funding provides an effective and complementary means of reaching the poorest in a context of increasing direct budgetary support (Beall, 2003). The partner for the initial DFID-funded pilot in Zambia, which ran from 2000 to 2003, was Urban Insaka (UI), a research and project management unit within CARE Zambia. Since 2003, C3 has begun a second phase, funded via the Urban Management Programme of UN-Habitat, as part of which it has been separated from UI (Elizabeth Ndhlovu and Liseli Bull Kamanga, Interview, 23/06/04).

In its initial phase C3 supported a range of projects in Lusaka and in Ndola, the largest city in Copperbelt province. These included infrastructure projects such as water and sanitation as well as social projects such as adult literacy and skills training, with funds being distributed via an application process. Of the total budget of £500,000 for the initial Zambia pilot, £400,000 was allocated to implementation activities, which also included elements of information dissemination and capacity building (Beall, 2003). The interim evaluation found that: "the response has been overwhelming, suggesting that when given the opportunity, community organisers in vulnerable settlements know what they need and know what to do about it" (ibid, p.33).

A further finding of the evaluation was that 45% of approved projects had not previously been funded by international donors, suggesting that C3 has succeeded in reaching beyond the “usual suspects” (ibid, p.35). As well as enjoying success at community level, C3 has also built good links with local authorities. Ndola City Council has been particularly enthusiastic about the C3 methodology, in large part due to a fiscal crisis which has prevented them from delivering services by other means – in the words of one team member: “we can now *do* something” (ibid, p.37). Lusaka City Council, by comparison, has been slower in coming on board, probably because it is faced with “many more competing donor programmes providing or offering support” (ibid, p.38).

Overall, a major success of C3 has been in developing “effective and accountable structures and procedures for devolving control and management of funds to local government and the lowest tiers of organisation in disadvantaged and low-income settlements and communities” (ibid, p.11). A major lesson arising from C3, therefore, is that: “*having some resources around which to negotiate, however small, allows for processes and structures of governance to be activated and motivated*” (ibid, p.5). As well as assisting community organisations to strengthen links with government, C3 has also helped them to increase their own capacity and skills, acting as “*the spark for collective action and leadership*” (ibid, p.6). The skills and confidence thus gained have in turn eased the development of city-community partnerships, as “it has been recognised by citizens and council staff alike that community groups can get things done efficiently and effectively and often at far lower cost” (ibid, p.42).

One caveat arising from the evaluation is that, despite the successes of C3, it remains “a small programme engaged in small projects and as such will never replace the need for...large-scale interventions” (ibid, p.6). Although a number of the projects supported have involved infrastructure in peri-urban areas, moreover, one of the key attributes of C3, that it offers “lightweight, fleet of foot procedures for small-scale, local level initiatives” (ibid, p.36), means that it looks poorly suited to supporting upgrading in a more wholesale or focused manner. In any case, both the time frame and the funding of the programme have been very limited, meaning that it looks to be a pilot with little prospect of replication.

Another cautionary note is provided by the fact that, whereas C3 has sought to be flexible and open to applications from all types of groups, it has learnt from negative experiences that “projects must be approved only in the case of established groups that are recognised and well thought of by the community” (ibid, p.38). Whilst C3 in Zambia does build upon prior CARE projects which have helped to establish community-based organisations such as the RDCs, and whilst the application process does include elements of capacity building, it is unclear whether C3 has really addressed this need for prior organisation in a systematic way.

2.2.4 Copperbelt Urban Livelihood Project (1997-2002)

Although the majority of CARE Zambia’s urban projects are wholly or partially focused on Lusaka, a notable exception is the Copperbelt Urban Livelihood Project (CULP), which began in 1997 in peri-urban areas of four cities in Copperbelt Province. The programme had many similarities to PROSPECT in Lusaka, being geared

towards facilitation of the formation of representative community institutions, support for community-led infrastructure development, and livelihoods improvement (CARE, 1999). An interesting element of the livelihoods component is that, due to the spread out nature of some of the peri-urban areas, a significant contributor to livelihoods is urban agriculture, meaning that the project has involved collaboration with the Ministry of Agriculture and Co-operatives (Elizabeth Ndhlovu and Liseli Bull Kamanga, Interview, 23/06/04). A major lesson from the project, based on the experience of George, a peri-urban area of Ndola, is that community management of infrastructure projects stimulates local organisation, develops community skills, places decisions and resources in the hands of residents, and so forms the basis for future negotiation and collective action (CARE, 1999). This example thus suggests that NGO/CBO experience of financing infrastructure development should not be seen purely in terms of the amount invested or the infrastructure built, but should also be judged for the value and sustainability of the processes involved.

2.2.5 Habitat for Humanity Zambia

Whereas the CARE/RDC projects considered above have been focussed predominantly on infrastructure, Habitat for Humanity Zambia (HFHZ) takes housing as its primary focus. Since its establishment in 1984, HFHZ has built nearly 1000 houses (HFHZ, 2004a). This is perhaps surprisingly few given that the Africa Housing Fund has funded over twice as many houses in less than half the time, as detailed in section 1.6.4 above. The rate of around 50 houses per year is probably attributable to the approach of HFHZ, which is to organise Global Village Work Camps, where volunteers from the USA or Europe, generally unskilled, go to Zambia for two or three weeks to help build houses (HFHZ, 2004b). Whilst this doubtless has value in terms of cultural exchange, it seems unlikely to provide a scaleable or sustainable solution to housing problems in peri-urban areas of Zambia. Apart from the five-day Kenneth Kaunda Work Project in Lusaka in 2003, indeed, the focus of HFHZ seems to be largely rural.

2.2.6 Dialogue on Shelter for the Homeless in Zimbabwe and Shack/Slum Dwellers International

The Dialogue on Shelter for the Homeless in Zimbabwe Trust (DSHZ) is an NGO that supports housing and infrastructure development by groups of the urban poor that have coalesced to form the Zimbabwe Homeless People's Federation (ZIHOPFE). In addition to supporting processes within Zimbabwe, DSHZ and ZIHOPFE are also linked into an international network of federations of the urban poor known as Shack/Slum Dwellers International (SDI). A key part of the SDI and federation methodology is to facilitate community-to-community exchanges, both domestic and international, to enable groups of the urban poor to share their experiences of what works – in terms of housing and infrastructure development and in terms of negotiation and partnership with government – so as to assist and encourage one another in developing solutions that benefit all.

As part of this wider exchange process, representatives of ZIHOPFE and DSHZ have taken part in exchanges to Lusaka and Livingstone in Zambia to develop links with urban poor communities and to explore whether there is

demand for further support from the SDI network. Exchanges began in 2001 and early signs have been promising: communities have been exposed to the 'federation process' of organising around savings and loans and have begun to organise around their own groups and to take forward their own initiatives, lending from their savings for group income generation schemes. In total, there are now 23 savings groups in Lusaka and 7 in Livingstone, with a total membership of almost 1000 families. Further details on some of the groups, drawn from community meetings at George Compound in Lusaka and Mwandu Compound in Livingstone, are given below:

Name of Savings Group	City	Number of Members	Savings (ZKW)	Projects
Good Samaritan	Lusaka	44	606,000	Making pegs and clothes
Tipillile	Lusaka	45	500,000	Selling fish and fritters
Madaliso	Lusaka	13	250,000	Making tablecloths
Tianjani	Lusaka	45	300,000	Making clothes and rugs
Tawanga	Lusaka	30	80,000	Selling sugar cane
Chikondi	Lusaka	22	42,200	
Katchele	Lusaka	20	20,000	Making soap
Musawanongi	Lusaka	20	75,000	
Luchimbuke	Livingstone	96	941,000	Skills training
Lushomo	Livingstone	52	500,000	Making clothes
Faith Now	Livingstone	63	1,027,800	Making tablecloths
Emmanuel	Livingstone	75	250,000	
Kapamo Kimata	Livingstone	49	400,000	Gardening
Try More	Livingstone	54	350,550	
Mwandu	Livingstone	(New group)	(New group)	

Although the savings groups have yet to lend for housing or infrastructure development, income generation schemes, through supporting livelihoods, are helping to build up the level of finance available for future initiatives around housing and infrastructure, which are the long-term focus.

2.3 STATE OF INTERMEDIATION BETWEEN FORMAL AND INFORMAL FINANCE SYSTEMS

As has been touched on above, high interest rates on loans mean that access by the poor to finance from formal channels is very limited. As there is thus little profit to be made from the poor, and as they in any case lack the collateral that would make them an acceptable credit 'risk', then links between the formal and informal finance systems seem to be very limited: in the words of one interviewee "there is no bank in Zambia for the poor" (Bonwell Matawe, Interview, 25/06/04). The main link between the formal and the informal systems seems therefore to be a very indirect one, namely that MFIs, or at least the larger ones, would keep a bank account (Jens Reinke, Personal Communication, 06/08/2004).

Some links that do exist between the formal and informal systems have been developed as part of CARE's PUSH and PROSPECT projects. Under the second phase of the PUSH scheme, CARE facilitated the development of community savings groups and assisted them to open bank accounts, linking them for the first time to the formal sector. Support for a formal savings system under the second phase was in itself a reaction to informal systems developed within groups of women who organised themselves and collaborated to sell surplus mealie meal, gained through the food-for-work programme, in bulk, giving the proceeds to one member in turn (Cathryn Mwanamwambwa, Interview, 25/06/2004). Under PROSPECT systems have developed further, as detailed in section 2.2. above, beginning to lend from their own savings as well as from programme funds.

A further initiative by CARE which has sought to address problems caused by the distance between the poor and the formal financial sector is the Peri-Urban Lusaka Small Enterprise Project (PULSE). In this case, the problem was that, small-scale entrepreneurs, lacking access to formal banks, were forced to borrow from loan sharks in order to invest in their income generating activities. PULSE, instead of attempting to link beneficiaries directly to the formal banking sector, as with PUSH and PROSPECT, has instead created a separate loan-giving entity to plug the gap. PULSE has now become an autonomous MFI, in essence taking finance to the poor rather than taking the poor to finance. It should be noted, however, that PULSE does not cater to the poorest groups in peri-urban areas, who instead, under PROSPECT, deal with finance institutions collectively via their savings groups (Elizabeth Ndhlovu and Liseli Bull Kamanga, Interview, 23/06/04). Other MFIs in Zambia, such as the Foundation for International Community Assistance (FINCA), focus almost exclusively on rural areas, as does the microfinance component of the government-run Microprojects Unit.

The housing savings groups described in section 2.2.6 above interface with the formal financial sector in a similar way to under the PROSPECT programme. Each group has its own bank account and funds are managed by three treasurers and collectors. Treasurers record and bank the contributions whilst the collectors move daily door-to-door collecting the savings. Dealings with banks are thus collective rather than individual.

2.4 CONSTRAINTS GOVERNING ACCESS BY ORGANISATIONS OF THE POOR TO DEVELOPMENT CAPITAL FOR SLUM-UPGRADING, RESETTLEMENT AND INFRASTRUCTURE PROVISION

Although organisations of the urban poor have been able to access small-scale finance for infrastructure projects from sources such as C3 and ZAMSIF, a number of factors have prevented them from gaining the large-scale finance needed for upgrading or resettlement:

- 1) National government has failed to deliver on the promise, contained in the National Housing Policy of 1996, to devote 15% of the national budget to housing development.
- 2) Local councils suffer from a chronic lack of funds, with salaries of council employees going unpaid for as long as six months at a stretch, meaning that they lack the funds to assist (Beall, 2003).

- 3) High interest rates plus the lack of a bank or housing finance agency catering to the poor means that credit from the formal financial sector is not an option.
- 4) Financing options that do exist for housing and infrastructure are either small-scale, such as the Africa Housing Fund and C3, or rural-focused, such as ZAMSIF and the majority of MFIs.
- 5) Local government policy in Lusaka obliges the urban poor to organise by area, via the RDCs, which limits the potential for city-wide organisation around common themes such as housing or infrastructure. This in turn makes it difficult to advocate for funding in a concerted and thus effective manner.
- 6) Whilst savings groups supported by SDI have begun to organise across areas by issue (see section 2.2.6 above), such organisation has not thus far had the support, via grant funding, that would be needed for it to be effective.

3 FUTURE OPTIONS

3.1 CBO/NGO CAPACITY TO SCALE UP URBAN INFRASTRUCTURE AND HOUSING INITIATIVES

Whilst savings groups in Zambia supported by SDI are still at a fairly early stage (see section 2.2.6 above), experience from countries such as India, Kenya, South Africa and Zimbabwe clearly shows that organising around savings engenders the ability to plan and manage money collectively and so provides the basis for community-led housing or infrastructure development at scale. In order for this to be the case in Zambia, however, it is clear that greater support will be needed than has been possible to date. In particular, the ongoing backing that could only be provided by a local support NGO looks to be crucial. It is notable that the groups in Livingstone, where exchanges by ZIHOPFE members have been possible every month due to the proximity to Victoria Falls, have grown faster both in members and in savings than their counterparts in Lusaka, where visits by ZIHOPFE and DSHZ representatives have only been possible quarterly. This gives an inkling of what might be possible in Lusaka, and indeed elsewhere in Zambia, with more sustained support.

Other NGO housing initiatives, such as those of Habitat for Humanity Zambia, seem to be too rural-based, and perhaps also too externally-led in their approach, to offer the prospect of significant scaling-up in urban areas. Whilst C3 and other projects supported by CARE Zambia have involved infrastructure components, moreover, these have not thus far been a sufficiently major focus to suggest scaling-up is likely, particularly in light of the funding problems faced by CARE's urban programme.

3.2 POTENTIAL FOR LOCAL AUTHORITY-CBO/NGO PARTNERSHIPS

The experience of C3 suggests that the potential for partnerships between local authorities and CBOs or NGOs is strong. CARE Zambia, in particular, has established a key intermediary role, having "built strong relationships with local government and urban communities and their leaders across Lusaka and Ndola" via Urban Insaka (Beall, 2003, p.40). As part of this, UI has played a key role in the establishment of a Development Co-ordination Unit within Lusaka City Council, which could in future play a crucial part in bringing different stakeholders together and ensuring that strategies complement one another. The success of C3 projects suggests that CBOs/NGOs and local authorities certainly have the potential to play complementary roles within a programme: in Ndola, for instance, C3 has enabled CBOs to manage projects for themselves, meaning that council staff, who previously had to micro-manage initiatives, are now free to withdraw to a role of monitoring and support (ibid).

One slight concern, in fact, might be not that local authorities and CBOs are too far apart, but rather that they might be too close together. This concern arises from the fact that RDCs are to be moved from being regulated under the Societies Act to being regulated under the Local Government Act, in effect becoming the lowest level of government (Elizabeth Ndhlovu and Liseli Bull Kamanga, Interview, 23/06/04). This change arguably creates a

risk of community representatives being co-opted into government, making them less able or less willing to represent the interests of their constituents if these were to conflict with those of the authorities.

The rather formal structure under the Societies Act at present might also be a concern. A problem for the emerging *Zambian Slum Dwellers' Federation* in Lusaka has been that, in order to apply for a Community Investment Projects under ZAMSIF, they would have to register their organisation and pay a fee of 250,000 Kwacha (around US\$50). This condition could be seen either as a sensible check as part of the application process, or as an example of over-prescription. To give a comparison, none of the other SDI federations around the world has ever had to register, since they are community groups rather than NGOs or companies. A solution in the Zambia case might be that, if an organisation becomes established as the support NGO for the federation, then it could undertake the necessary registrations on their behalf.

Despite these concerns, a major positive in the case of Lusaka is that the City Council, lacking the resources to undertake housing and infrastructure development on its own, and unable to borrow on the open market due to high interest rates, is receptive to other stakeholders who come in with proposals. The absence of arrogance, which is often a common feature of capital cities' authorities, is also something that is positive. Officials from big cities can sometimes have a 'we-know-it-all attitude' even if it is clear that they have failed, but in Lusaka this does not seem to be the case. This offers the potential of space being opened up for community-centred processes, whilst also offering the prospect of 'official back-up' to support those processes.

3.3 POTENTIAL FOR FUTURE PUBLIC AND PRIVATE SECTOR FINANCING

The Minister of Local Government and Housing, Sylvia Masebo, recently announced that her ministry is investigating the possibility of issuing housing bonds as a means of finding the finance necessary to implement the National Housing Policy (Times of Zambia, 2004b). This move, if implemented, would have the benefit of making housing a more attractive option for investors and so of drawing in the private sector. However, given the paucity of private capital in Zambia at present, with there being less than 20 companies listed on the Lusaka Stock Exchange, the scheme will have to overcome significant barriers in order to succeed (Robin Miller, Interview, 23/06/2004). At present, what private sector involvement there is in housing, such as by the Meanwood Property Development Corporation, is in building exclusive 'executive' accommodation rather than low-cost housing for the urban poor.

There is also a possibility that future finance for upgrading might be available from local government. Ndola City Council, for instance, has a policy of setting aside 10% of its total revenue for development activities every month. This amount was earmarked as a city contribution to the C3 fund, but a fiscal crisis in the council has meant that it has not been regularly delivered (Beall, 2003). If the fiscal situation were to improve then this portion of council revenue could possibly be drawn down for community-led housing or infrastructure development. At present,

however, the situation is one where “formal structures of local government are severely disabled by lack of resources” (ibid, p.30), meaning that the possibility of significant financing from local government is fairly remote.

3.4 COULD A CLIFF HELP?

Lack of public or private capital for upgrading is clearly a major problem in Zambia and thus, from a purely financial perspective, CLIFF funds would certainly be useful. From a more political perspective, however, it is probably important that the government first makes some tangible progress towards the commitment, stated in the National Housing Policy, of devoting 15% of its budget to housing development. If CLIFF funds were to be introduced without this having happened then the expectation could be that funds would simply continue to come from outside and that there would thus be no need to alter national policy. This impact would run exactly counter to one of the key aims of CLIFF, which is to stimulate policy change and investment in favour of upgrading.

If tangible moves are made towards meeting the 15% target, on the other hand, then CLIFF could potentially serve a very useful role in providing bridging finance to enable projects to proceed in cases where subsidies can only be claimed retroactively. The progress of CLIFF-funded projects, moreover, could demonstrate the effectiveness of community-led solutions to the problems of housing and infrastructure in peri-urban areas, thus encouraging further investment by government and other stakeholders, national and international. (These solutions would be dependent, however, on the development of the nascent Zambian Slum Dwellers’ Federation, which is in turn dependent on the conditions outlined in section 4 below).

4 RECOMMENDATIONS – STEPS NECESSARY PRIOR TO THE INTRODUCTION OF A LOCAL CLIFF IN ZAMBIA

4.1 GRANT FUNDING TO FURTHER DEVELOP ‘SOCIAL INFRASTRUCTURE’

As a facility supporting community-led infrastructure and housing development the key pre-condition for establishing a CLIFF is clearly that the community capacity is there. Whilst CARE Zambia’s programmes have involved elements of community mobilisation, most notably in the formation of the Resident Development Committees at compound level, a weakness of these organisations is that, being organised by area rather than by issue, they tend to hinder cross-city (let alone inter-city) organisation around common problems such as housing and infrastructure. The housing savings schemes in Lusaka and Livingstone are beginning to form a nascent Zambian Slum Dwellers’ Federation, which is showing promising signs of developing, but it is clear that more support, and more sustained support, will be needed if that development is to continue to the point where a CLIFF would be feasible. If the federation process is really to take off in Zambia then grant funding for community-to-community exchanges around housing and infrastructure issues, for formation of savings groups, for settlement enumerations and for community planning exercises will be vital.

4.2 GRANT FUNDING FOR NGO DEVELOPMENT

The emerging federation process in Zambia has been supported to date by DSHZ and SDI, and such support is likely to continue and increase. A major lesson learnt from the efforts of the SDI network to support the Zambian process from a distance, however, is that support via exchanges, whilst crucial for the exchange of ideas and skills, cannot substitute for the day-to-day back up that can be provided by a support NGO. For the process in Zambia to proceed, therefore, a local NGO that can provide support for the federation will need to be identified. The NGO that looks best equipped, in terms of its existing programmes, is CARE Zambia. Whilst CARE has significant experience of work around urban poverty, however, that work has generally been geared towards specific programmes. Providing support for a movement such as a federation, which requires flexibility and lacks clear timescales, might therefore prove quite a significant change of approach. The future of CARE’s urban programme is also in doubt due to a lack of funds. This study recommends that the housing savings groups in Zambia explore the possibility of linking with CARE and that, if collaboration proves viable, donors should provide the funding to CARE which would enable them to provide ongoing support to the emerging federation movement.

4.3 LEARNING GRANTS FOR LOCAL/NATIONAL GOVERNMENT EXPOSURE

The enthusiastic response of local government to C3, particularly in Ndola, suggests that City Councils could prove willing partners to CLIFF-style financing. The support of the Minister of Local Government and Housing, Sylvia Masebo, could prove furthermore prove crucial in helping to create the conditions, at institutional level, needed for a local CLIFF to develop. Initial signs are positive, as the Minister agreed to chair a networking event at the World Urban Forum exploring community-led resettlement as an alternative to evictions along railway

lines³. In order for possible partnerships to be converted into genuinely effective links that can facilitate the federation process, however, grants for exposure of government officials to successes elsewhere are likely to be vital.

4.4 SEED CAPITAL FOR PILOT SCHEMES AND AN INSTITUTIONAL MECHANISM FOR THIS

Although C3 has been an effective mechanism for disbursing small-scale funds, the signs are that, in the absence of further funding, it is a pilot with little prospect of continuation or replication. A useful step for donors to consider might therefore be to provide further support for C3 in Zambia so as to enable it to develop into a permanent urban poor fund which could provide seed capital for pilot schemes that would demonstrate and develop community capacity, creating the foundation for scaling-up.

4.5 IDENTIFY, AND INVEST IN, POTENTIAL CLIFF CHAMPIONS

The main potential CLIFF champions in Zambia, namely CARE Zambia and Minister Masebo, have been discussed in the recommendations above. A further possible supporter for the federation process in Zambia could be the Swedish International Development Cooperation Agency (Sida). Sida Zambia has recently developed a strategy for supporting urban work and is currently employing consultants to design pilots. These are likely to revolve initially around support for systems improvements at Lusaka City Council, but support for income generation and other projects at community level is also likely (Pamela Pio, Interview, 24/06/04). Given Sida's existing support for CLIFF in India, and its grants for the federation-building which underlies CLIFF both in India and Kenya, this could prove an important link in terms of funding for the emerging process in Zambia. In this regard, exchanges between Sida staff in Zambia and their counterparts in Kenya and India could be a useful step. The upcoming CLIFF Advisory Group meeting in Kenya in 2005 could provide a setting for one such exchange.

³ The session is being organised by ComHabitat, the implementing arm of the Commonwealth Consultative Group on Human Settlements (CCGHS), the body of Commonwealth ministers concerned with the Habitat Agenda. Minister Masebo currently chairs the CCGHS.

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