

IIED-América Latina: Neighbourhood Credit Funds in Buenos Aires, Argentina

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The role of local
organisations in
sustainable
development

The roles of local organisations in poverty reduction and environmental management

All poverty reduction is local. This is easy to forget given how discussion and debate on the subject is dominated by bilateral aid agencies, development banks, national governments and international NGOs. But regardless of higher level commitments and decisions, what actually happens on the ground in particular localities is what makes the difference. Many barriers to poverty reduction are local — local power structures, land owning patterns and anti-poor politicians, bureaucracies and regulations. Much of what the poor require — schools, healthcare, water and sanitation, land, social safety nets, getting onto voter registers — must be obtained from local organisations within this local context.

Local organisations have a major role in addressing these realities, helping poor groups access entitlements and engage with government. They may be local NGOs, grassroots organisations of the poor, or even local governments or branches of higher levels of government. But they function on a local level, have intimate knowledge of the local context and should be accountable to local people. Many operate on very small budgets, outside the main funding flows and frameworks. Yet they are not isolated from larger governance issues; indeed, much pro-poor political change has been catalysed by local innovations and by political pressure from grassroots organisations and their associations.

This publication is one in a series of case studies and synthesis papers looking at the work of local organisations in development and environmental management. These publications were developed in collaboration with the local organisations they profile. They seek to encourage international funding agencies to rethink the means by which they can support, work with and learn from the local organisations that are such a critical part of pro-poor development.

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The gatekeeper series of the Natural Resources Group at IIED is produced by the Sustainable Agriculture, Biodiversity and Livelihoods Programme. The series aims to highlight key topics in the field of sustainable natural resource management. Each paper reviews a selected issue of contemporary importance and draws preliminary conclusions for development that are particularly relevant for policymakers, researchers and planners. References are provided to important sources and background material. The series is published three times a year and is supported by the Swedish International Development Cooperation Agency (Sida) and the Swiss Agency for Development and Cooperation (SDC). The views expressed in this paper are those of the author(s), and do not necessarily represent those of the International Institute for Environment and Development (IIED), the Swedish International Development Cooperation Agency (Sida), the Swiss Agency for Development and Cooperation (SDC) or any of their partners.

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Executive summary

This paper describes the development of a credit fund programme in informal settlements in Buenos Aires, Argentina, over a 15-year period from 1993 to 2007. It focuses on the creation, implementation and sustainability of credit funds for housing improvement and how these developed and changed in response to both external factors and programme dynamics. It pays particular attention to the programme's most recent phase, in which the management of the funds was decentralised into separate neighbourhood funds in three communities. It explains how each neighbourhood fund is managed, especially the role of the women who administer them. It also analyzes their respective levels of performance and considers prospects and challenges for the future. The authors conclude that credit fund initiatives based on modest financial resources have the potential not only to catalyze housing improvements but also to strengthen community capacity by delegating project management to the grassroots. In this way, when supported by a partner civil society organisation with experience of intervention in the area, such initiatives can be more flexible and more sustainable than top-down interventions. The paper recommends that project funding decisions for microcredit programmes should take account of their potential to build social capacity, strengthen grassroots organisations, engage community participation and complement other local programmes (including improving relations with local government agencies), rather than focus only on financial sustainability.

*Note: This is an abridged version of a longer document, "Mobilising Projects in Community Organisations with a Long-term Perspective; neighbourhood credit funds in Buenos Aires, Argentina", published in *Environment and Urbanisation* (2008), vol. 20, no. 1.

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Introduction

The *Instituto Internacional de Medio Ambiente y Desarrollo-América Latina* (IIED-AL) in Buenos Aires is the sister institution of the London-based International Institute for Environment and Development (IIED). It was established in Argentina in 1979 as a non-profit organisation. At present, it has 14 staff working within three programmes: urban management, local development and institutional capacity building, and sustainable development. IIED-AL also publishes the twice-yearly journal, *Medio Ambiente y Urbanización*.¹

Since 1987, an important part of IIED-AL's work has been direct engagement in programmes to improve conditions in informal settlements by supporting housing construction or improvement, the provision of infrastructure and services, the development of grassroots organisations and the incorporation of settlements into municipal programmes (so they become formal and recognised parts of the city, served by the different government agencies). Initially, the work focused on informal settlements in the municipality of San Fernando (which is within Greater Buenos Aires) – and this paper is primarily on this work in San Fernando.² Since 2002, IIED-AL has also had a major programme of work in the municipality of Moreno, based on similar methodologies to those used in San Fernando (Hardoy *et al.* 2005).

This paper is one of a series reflecting on the role of local organisations in development and environmental management.³ Virtually all aspects of development and better environmental management are local in the sense that they require tangible changes in particular localities for particular people with regard to their livelihoods,

1. For more details of IIED-AL's work and this journal, see <http://www.IIED-AL.org.ar/>; recent issues of the journal are available on the web at <http://www.ingentaconnect.com/content/iieal/meda>.

2. For further information on IIED-AL's work in low-income settlements in San Fernando, see Hardoy and Schusterman (1997), Hardoy *et al.* (1991). Both can be downloaded at no charge from <http://eau.sagepub.com/>. See also Schusterman *et al.* (2001). This can also be downloaded at no charge from <http://www.iied.org/pubs/pdf/full/9075IIED.pdf>.

3. IIED has invited a range of institutions with whom it has worked in Africa, Asia and Latin America and the Caribbean to reflect on their experiences in supporting local development (and grassroots organisations) and to draw on this to suggest how this can receive more appropriate support from governments and international agencies. See also Hasan (2007).

homes, access to services, respect for their rights and capacities, and scope for their involvement in decisions and actions. Thus, development and environmental management require effective local organisations – for what they do on the ground, the alliances they build, the resources they mobilise and the knowledge they bring. These organisations are also needed for what they can demand and can oppose and for what they can advocate – also for how they can build consensus from the different viewpoints of the different actors. They also need to be accountable to low-income groups for their work, their decisions and how the funding is spent. In the end, all the official donors, from the bilateral aid agencies to the multilateral banks and technical assistance agencies, are only as effective as the local implementers they support. Yet official development assistance organisations and structures were not set up to support local organisations – especially grassroots organisations – and offer them possibilities to engage with and work with government.

The paper begins by outlining IIED-AL's research-action strategy for community development in low-income urban areas. It then describes different phases of a credit programme that began in 1993 and how and why it developed and changed. Particular attention is given to the most recent phase, in which the fund was decentralised into three neighbourhood funds. The paper explains how these neighbourhood funds are managed in each community, paying particular attention to the role of the women fund administrators, and examines some of the key issues that have arisen in practice as well as prospects and challenges for the future. The final section draws some conclusions regarding the extent to which credit fund initiatives can contribute to both housing and neighbourhood development and, beyond this, also strengthen community capacity and local development.

IIED-AL's research-action strategy

IIED-AL's work in low-income settlements combines research and action as it focuses on sustaining long-term development processes in collaboration with community organisations and residents' leaders. Its institutional objectives are to improve the living conditions of the most deprived urban groups and promote democratic change through the relationship between civil society and government. IIED-AL considers its community development work as a continuous process that both builds and fosters synergies between projects in order to work towards an integrated approach to urban environmental problems; this occurs in collaboration with the various social actors who contribute to policy making, and by opening up spaces to enable the participation of all social groups. Box 1 lists the key events in IIED-AL's work in San Fernando.

IIED-AL began this direct support to community initiatives on the ground because it believed that this experience was essential for identifying what public policy changes were needed, whether at the local, provincial or national level. Our experience since 1987 shows how an effective development strategy for informal settlements must guarantee continuity on the ground, by working in association with community organisations and local government and consolidating experiences and disseminating them in

BOX 1. KEY EVENTS IN IIED-AL'S WORK WITH COMMUNITY DEVELOPMENT AND PARTICIPATION IN SAN FERNANDO

- 1987 Design and construction of a mother and baby centre in Barrio San Jorge (in collaboration with Caritas).
- 1989 Creation of an inter-institutional network with organisations working in Barrio San Jorge (with the Latin American Faculty of Social Sciences (Facultad Latinoamericana de Ciencias Sociales).
- 1990 IIED-AL successfully lobbied the Department of Urban Planning and Housing of the provincial government of Buenos Aires for land tenure legalisation and the creation of the Integrated Neighbourhood Improvement Programme, which was institutionalised through an agreement for cooperation and technical assistance between the province of Buenos Aires, the municipality of San Fernando, Barrio San Jorge and IIED-AL. During the first half of 1990, the consolidation of a community organisation in Barrio San Jorge began. Later in the year (in August), elections were held to choose representatives from the community to participate in the programme for the improvement and integrated development of the barrio.
- 1991 The elected representatives formed the formal organisation, the Barrio San Jorge Cooperative. Its first action was to request from the municipality a transfer of ownership of the public land occupied by the settlers. The first planning workshop was held (funded by GTZ), which focused on action to secure land tenure legalisation. Since its formation, the cooperative has been leading all the initiatives that have taken place so far in Barrio San Jorge.
- 1992 The municipality of San Fernando donated seven hectares of land adjacent to Barrio San Jorge, complete with urban infrastructure, for the resettlement of families from Barrio San Jorge (to allow densities to be reduced), thereby creating Barrio Hardoy.
- 1993 Institutionalisation of a working group to coordinate activities within the Integrated Neighbourhood Improvement Programme.
- 1993-1994 Installation of a water supply and sewerage network in Barrio San Jorge (in collaboration with the Barrio San Jorge Cooperative).
- 1993-1998 Establishment of a local Housing Materials Bank to sell building materials and to manage the first microcredit scheme.
- 1997 Water supply and sewerage infrastructure installed in Barrio Hardoy. A lottery was held to allocate plots in Barrio Hardoy to selected recipients (with Barrio San Jorge Cooperative and the municipality of San Fernando).
- 1997 A housing census was undertaken in Barrio La Paz, which is next to Barrio Hardoy (by the Faculty of Architecture, Design and Urban Planning at the University of Buenos Aires). A project for urban upgrading in Barrio La Paz was presented to the municipality of San Fernando. A water supply and sewerage network was installed alongside houses facing the street in Barrio La Paz (Barrio La Paz residents' committee and the municipality of San Fernando).
- 1998 Setting up of a small enterprise to manufacture windows.
- 1999 Formation of a working group in Barrio La Paz as a legal entity to which to assign land titles.
- 2000 Signing of an agreement between the municipality of San Fernando and Barrio La Paz for cooperation relating to urban upgrading and land tenure legalisation.

Since 2000, the three neighbourhoods – Barrio San Jorge, Barrio Hardoy and Barrio La Paz – have all been represented on the local consultation group, alongside the municipality of San Fernando and IIED-AL, within the framework of the National Neighbourhood Upgrading Programme (Programa Nacional de Mejoramiento de Barrios – PROMEBBA) for this area. This has continually strengthened the linkages between the resources and expertise of each participating institution, thereby increasing the potential individual impact of each one.

policy-making areas. It is difficult to see how any local organisation can be effective in providing policy advice for poverty reduction without knowledge that is informed by direct community action as well as by theory.

Since 1990, IIED-AL's community action team, working with community organisations, has been increasingly researching and promoting alliances for local development and citizen participation in two key areas: access to urban services in informal settlements (in particular water supply and sanitation), and neighbourhood improvement and micro-credit funds.

These two thematic areas employ the same strategy, which entails structuring the processes into three distinct phases:

- the production of knowledge through **research** or case studies, often in association with researchers or research centres outside Argentina;
- **dissemination** of IIED-AL's work and outputs, as both an advocacy strategy and with a view to influencing other actors who participate in policy decisions or finance social projects in urban contexts; and
- **action** through direct intervention in low-income or marginalised communities, through work that is developed in conjunction with social organisations and local government.

Figure 1 illustrates the three phases of IIED-AL's community research–action work and the interrelationships between them.

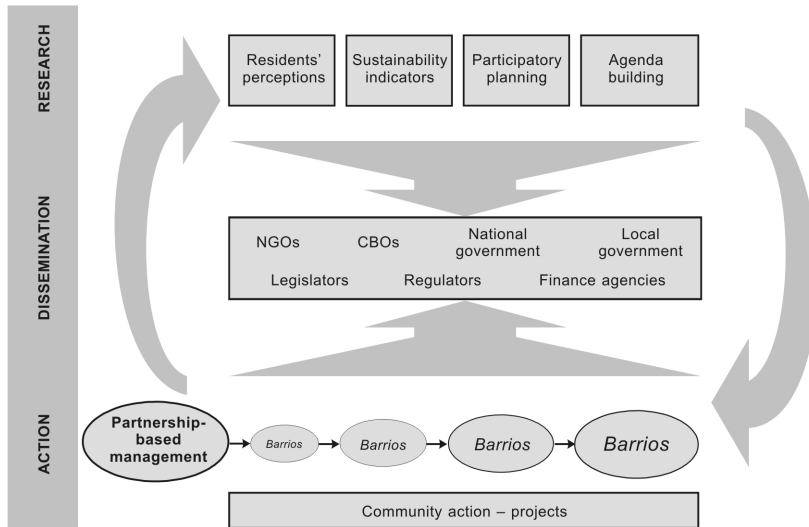
The rest of this paper focuses on a credit programme that was implemented initially in one settlement (Barrio San Jorge), then expanded to four further settlements, and that is now operating in three settlements.

The credit fund programme for housing improvement

IIED-AL started supporting small-scale self-help housing construction in 1988.⁴ In 1993, it initiated the first phase of its microcredit programme and established the neighbourhood building materials yard (the Housing Materials Bank) in Barrio San Jorge. From 1996, the injection of new financial resources into the credit fund enabled IIED-AL both to consolidate the credit fund programme and extend it to a wider geographical area. Since 2004, the credit fund has been operating in three neighbourhoods: Barrio San Jorge, Barrio Hardoy and Barrio La Paz (see Box 2 for an overview of the development and the socioeconomic characteristics of these three neighbourhoods). The experience with the credit fund programme is discussed within four phases: inception (1993–95); expansion (1996–99); consolidation and fall in demand (2000–03); and decentralisation (2004–present).

4. For further information on IIED-AL's work in low-income settlements in San Fernando, see papers listed in reference 2.

FIGURE 1: IIED-AL'S COMMUNITY ACTION STRATEGY IN LOW-INCOME URBAN NEIGHBOURHOODS



Inception of the credit fund (1993–95)

The Housing Materials Bank in Barrio San Jorge was set up in 1993 with a grant of US\$ 100,000 from the UK charity, Homeless International. When it opened, not only did it make available within the settlement construction materials at much lower prices than at commercial outlets in the area, but it was also open at weekends and on national holidays, when families were able to work on improvements to their houses. Since then, the Housing Materials Bank has been the hub for housing materials provision and technical assistance, not only for the residents of Barrio San Jorge but also for adjacent neighbourhoods. Once it was established, the Barrio San Jorge Cooperative⁵ decided to set up a microcredit fund with an initial working capital of US\$ 30,000, to allow inhabitants to get housing construction materials on credit with no interest. During this inception phase, 108 small loans were provided to families from Barrio San Jorge, averaging US\$ 50 each, with no cases of default. At the time, no bank payment system was necessary because repayments were made directly to the Housing Materials Bank, either fortnightly or monthly, with the amount depending on what each family could afford. Also, there was no need for loan agreements to be signed before a notary.

5. See Box 1 for more details of this cooperative.

BOX 2. THE NEIGHBOURHOODS WHERE THE CREDIT FUND OPERATES

Barrio San Jorge is the longest-established settlement in which IIED-AL works, having originated in the informal occupation of public and private land 35 years ago. Due to its irregular layout, the neighbourhood had very high rates of overcrowding and insecurity until the 1990s, when upgrading work started.

Barrio Hardoy is a relatively new settlement, formed in 2001, and is still in the process of development. It developed on a land site next to Barrio San Jorge and was planned and developed for the resettlement of families from Barrio San Jorge to reduce density and allow the resettlement of households that were on land needed for the installation of infrastructure. It has a planned physical layout.

Barrio La Paz has been settled since 1996. When IIED-AL first started working there, parts of the settlement had not been upgraded and had high levels of overcrowding. Over the last few years, an upgrading programme has improved conditions and provided internal roads. (These were designed to minimise the number of households who were displaced, and those who were displaced were provided with new housing in the neighbourhood.)

The populations and areas of the three barrios:

SETTLEMENT	POPULATION	AREA
San Jorge	1,770	9 hectares
Hardoy	1260	7 hectares
La Paz	345	1 hectare

The residents in these three neighbourhoods fall into the two lowest-income population quintiles and are currently facing very high levels of unemployment and rely on informal employment. Only 38% of families are supported by a household member in stable employment. The main types of stable employment are municipal government jobs, domestic service and private security firms, although most of these are informal. Thirty-two per cent of households have sporadic employment, such as construction work. Thirty per cent either participate in the informal economy, undertaking work such as solid waste collection and reselling, or are unemployed, in which case unemployment benefits are their main source of income. Families living in the neighbourhoods have monthly incomes between US\$ 100 and US\$ 200, with an average family income of US\$ 158 and an average per capita income of US\$ 30 (during periods of employment).

Other neighbourhoods in this part of San Fernando are at a more advanced stage of development. Most homes are owner-occupied or rented to tenants but can have inadequate service provision, especially for water supply and/or sewerage, or sub-standard housing in terms of both poor quality of construction and overcrowding.

Expansion of the credit fund (1996–99)

In December 1996, the credit fund administered by IIED-AL entered a new phase, having secured finance from two new sources, namely the national government⁶ and an Argentine business corporation.⁷ In the context of the growing international emphasis placed on the importance of microcredit during the 1990s, and faced with a lack of resources within its own housing sector, the Argentine government decided

6. Programme 27 of the National Department of Housing, which provided 158,671 pesos; this is equivalent to US\$ 158,671 under the former exchange rate mechanism that pegged the peso to the dollar at a rate of one to one between April 1992 and January 2002.

7. The Fate–Aluar Group, which gave 23,000 pesos (equivalent to US\$ 23,000 under the fixed exchange rate).

to promote credit funds that were specifically targeted at housing improvement. It asked 12 NGOs from all over Argentina, including IIED-AL, to take charge of promoting this new policy.

Drawing on the experience of the Housing Materials Bank, in the first year the credit fund was implemented in Barrio San Jorge and the adjacent Barrio Hardoy, and in the following year it was extended to other nearby neighbourhoods. The aim of extending the credit fund was to widen access to the inhabitants of other settlements and increase the number of loans to strengthen the financial sustainability of the fund.

At the outset, the partners with direct involvement in the programme were the municipality of San Fernando, the Barrio San Jorge Cooperative, businesses and the Housing Department of the national government. In its early stages, the credit fund had the following objectives:

- to improve living standards in the five neighbourhoods in which it was implemented (Barrio San Jorge, Barrio Hardoy, Barrio La Paz, Barrio San Martín and Barrio Presidente Perón) and to promote resident participation in the design and implementation of the proposed activities;
- to foster linkages between the resources and activities of community organisations, NGOs, businesses and the local government to improve conditions in low-income urban settlements;
- to target microcredit at housing improvements among the population within the two lowest-income quintiles; and
- to secure the financial sustainability of the fund.

Local residents and their representatives (the Barrio San Jorge Cooperative) all participated in the design of the prototypes for the new housing and in defining the criteria for providing loans as well as the penalties or sanctions for those who defaulted.

In its first few years, the impact of the credit fund was significant and it generated a very large demand for technical assistance, which was offered to people who were building new houses. Families were assisted in planning the entire house at a rate of construction that matched each family's financial means. In the new neighbourhood of Barrio Hardoy, for each peso loaned by the credit fund for new housing, most families invested between three and five pesos, based on the value of building materials and their own labour. In other neighbourhoods, the contribution of each family to housing improvements was more varied but its value was estimated at between two and three times the value of the loan.

The credit fund provided 295 small loans during this period, with the following two key outcomes:

- the fund acted as a catalyst for urban development, as in the case of Barrio Hardoy. The fund was the main reason behind families finally moving into their new neighbourhood because access to credit allowed them to build their houses. If credit had

not been available, families would not have been able to afford the investment necessary to start construction; and

- the fund served as a hub for technical assistance. Together, the Housing Materials Bank and the credit fund led to the establishment of a technical assistance centre in the area, which offers help on building and urban development to all the surrounding neighbourhoods.

Consolidation of the credit fund and fall in demand (2000–03)

This phase of the fund is characterised by two factors: the consolidation of the programme team and its strategy, and Argentina's economic crisis between 2000 and 2002. The credit fund programme continued to target the population within the two lowest-income quintiles, who suffered either extremely high levels of unemployment or informal employment during this period; families involved in the programme had incomes ranging from US\$ 300 to US\$ 600 per month.⁸ During the height of the economic crisis (2001–2002), borrowers' ability to repay their loans fell considerably and the credit fund had to restrict the issuance of new loans due to the increased risk of default.

In addition, the Housing Materials Bank experienced a significant reduction in stock between October and December 2000 due in part to the economic crisis and in part to a loss of funds; this forced the Housing Materials Bank to close and IIED-AL had to enter into a commercial agreement with a building materials yard in the area in order to continue supplying housing materials at the same price as the Housing Materials Bank. The restriction on issuing new loans between 2000 and early 2003 due to the nationwide economic crisis particularly affected families in the two lowest-income quintiles, who were precisely those whom the credit fund sought to target.

The credit fund had to adjust to these new, difficult circumstances. Faced with a simultaneous slump in demand, an increase in arrears, a loss in value of the fund and, most importantly, the initiation of other programmes and resources specifically directed at housing (housing subsidy programmes) in San Fernando, the credit fund shifted its focus but maintained its aim of promoting neighbourhood improvements in low-income settlements in the area through urban upgrading, land tenure legalisation and housing improvements.

It is worth noting that during this period of economic recession, it became increasingly difficult for the credit fund to keep track of and follow up repayments on small loans that were granted to residents spread over a large area in San Fernando. The original two neighbourhoods of Barrio San Jorge and Barrio Hardoy had lower levels of loan arrears than the other settlements. The decision was taken to refocus the fund in these original two neighbourhoods, with Barrio La Paz (adjacent to Barrio Hardoy) being reincorporated later. Together, these neighbourhoods comprise approximately 900 families and are located in the part of San Fernando with the highest concentration of low-income

8. The cost of construction materials for one square metre at this time was US\$ 250. Loans were provided for sums of US\$ 300–1,000.

settlements. Photo 1 shows the location of the three neighbourhoods.

Refocusing the credit fund in these three neighbourhoods enabled urban upgrading and neighbourhood development to progress at a faster pace. In this way, it facilitated the resettlement of families located in areas that were needed for public infrastructure, which in turn made it possible to build streets in these spaces and thus reduce urban density. This allowed the settlement layout to be regularised and enabled land tenure to be legalised in the three neighbourhoods. As a result, Barrio Hardoy and Barrio La Paz became eligible for the National Neighbourhood Upgrading Programme (PROMEBA),⁹ financed by a loan from the Inter-American Development Bank. This programme undertook urban upgrading and legalised land tenure in the two neighbourhoods, and also indirectly fostered urban improvements in Barrio San Jorge, thus complementing the results of the credit fund.

PHOTO 1: AERIAL PHOTOGRAPH SHOWING THE LOCATION OF BARRIO SAN JORGE, BARRIO HARDOY AND BARRIO LA PAZ IN SAN FERNANDO, BUENOS AIRES.



9. This is a national public works programme that builds new housing units on empty plots, improves existing housing, installs infrastructure networks and constructs roads. This programme was implemented in Barrio Hardoy and Barrio La Paz.

Decentralisation of the credit fund (2004–present)

The implementation of PROMEBA in Barrio Hardoy and Barrio La Paz, and indirectly in Barrio San Jorge, took the credit fund into a new phase. On the one hand, new finance and more technical expertise complemented existing resources in the area, and here the credit fund started to fill the gaps left by PROMEBA. On the other hand, it opened up new spaces for organisation and participation that enabled the fund to adopt new forms of management.

The involvement of new social actors and the increased resources gave rise to a new framework for action and coordination of activities. Working groups were formed in each of the three neighbourhoods and the decentralisation of the credit fund to each neighbourhood on an individual basis was proposed. These working groups comprised residents committed to the improvement of the barrio; some were delegates elected by their neighbours, others were representatives from a community organisation, or individuals who were respected by the community. Each barrio had a working team that provided the connection between the neighbourhoods and the local authorities.

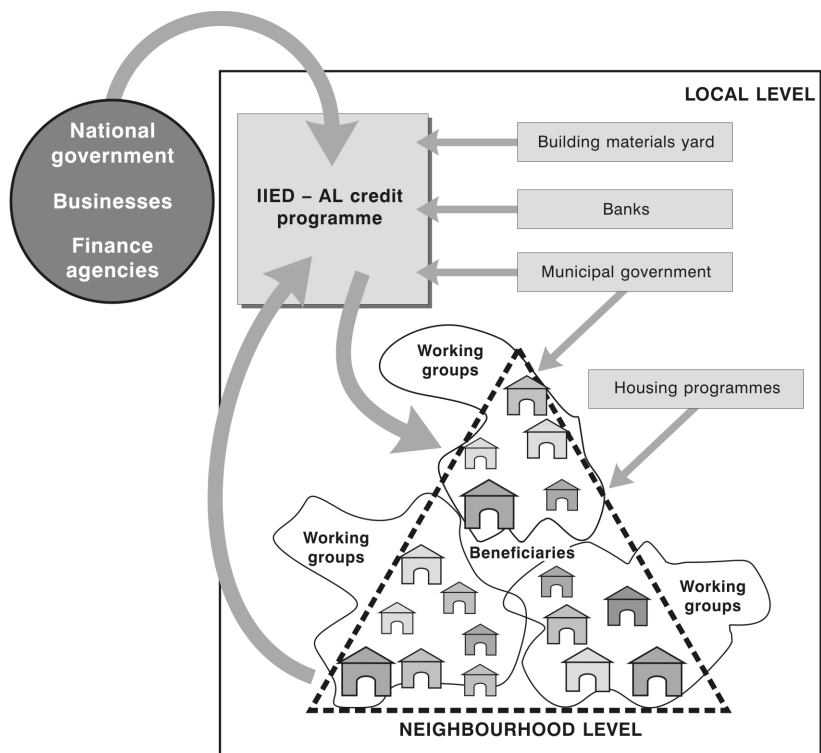
In 1996, the initial capital of the credit fund was 181,671 pesos, equivalent to US\$ 181,671 under Argentina's former fixed exchange rate mechanism. The total amount allocated as loans up to 2003 was 227,470 pesos (now equivalent to US\$ 75,823 following the dismantling of the fixed exchange rate). By December 2003, the credit fund had a portfolio of 342 loans and available capital in the bank for new loans of 106,379 pesos (equivalent to US\$ 35,459). It is important to note that during 2003, the fund lost value not only as a result of the devaluation of the peso but also because of the large backlog of loans that were not being repaid (which at times reached 40%) and rises in the prices of construction materials, which did not reflect the full extent of the currency's fall in value. In 2004, the credit fund was decentralised and divided it into three smaller neighbourhood funds for Barrio San Jorge, Barrio Hardoy and Barrio La Paz. Each fund was allocated 10,000 pesos as initial capital¹⁰ and any repayments from existing loans in each neighbourhood were then added to this fund. Although more funds were available, the decision was taken to allocate small amounts to each decentralised fund while knowledge and skills were gradually being transferred to each set of administrators. The new strategy for implementing the decentralised neighbourhood funds is illustrated in Figure 2.

The same conditions in relation to loan amounts, terms and interest rates applied to the neighbourhood funds as to the centralised credit fund (Table 1). Slightly higher-value loans were provided in Barrio Hardoy for two reasons:

- the better performance of the decentralised credit fund due to a larger number of loans and better repayment rates; and
- more demand for extending houses, which requires higher levels of investment than simple improvements or completion.

10. Equivalent to US\$ 3,300. It is important to highlight that the loans granted at this time were for sums of 1,000–2,000 pesos (equivalent to US\$ 330–665). The cost of construction materials for one square metre was 300 pesos (US\$ 100).

FIGURE 2: OPERATIONAL STRATEGY OF THE DECENTRALISED NEIGHBOURHOOD FUNDS



IIED-AL maintains contact with the finance agencies that fund the microcredit programme,¹¹ and oversees the implementation of the credit fund and neighbourhood funds at the local level by coordinating their management with the building materials yards, banks and the municipal government. From 1996 onwards, the expansion of the fund made it necessary to introduce a banking system for collecting loan repayments. Each month, IIED-AL provides each neighbourhood fund with a statement of account that includes the availability of funds that can be disbursed as new loans. Each neighbourhood's working group administers its own fund, which includes managing loan applications, defining future loan allocation and pursuing defaulters.

Sum loaned (pesos/US\$)	Repayment period (months)	Repayment amounts (pesos/US\$)	Interest rate (% monthly)
1,000/330	24	60/20	0.0379
2,000/660	12	120/40	n/a
500/166	10	67/22	0.0610

11. The microcredit programme is funded by the national government and a business group.

The decentralised neighbourhood funds

The implementation of PROMEBA in the three neighbourhoods opened up new opportunities for community organisation and marked the beginning of an active and ongoing process of citizen participation among residents. Groups of neighbourhood representatives attended weekly meetings to participate in the different stages of urban upgrading, and later formed the neighbourhood working groups. In this context, and with the dual objectives of strengthening community participation and securing repayments on existing loans, IIED-AL proposed the decentralisation of the credit fund, envisaging co-administration of each neighbourhood fund with its respective neighbourhood working group.

In May 2004, the process of decentralising the credit fund began in Barrio San Jorge, Barrio Hardoy and Barrio La Paz. Since then, the three neighbourhood funds have been operating in partnership with IIED-AL. As a result, the level of loan default has decreased and the allocation of loans has responded better to both demand and to local conditions. Although the results have been positive in all three neighbourhoods, compared with the previous phase when IIED-AL administered the credit fund, each neighbourhood fund is managed, organised and operated differently, which in turn has produced different levels of performance.

It is important to highlight that each neighbourhood fund has different characteristics, because each neighbourhood-level institutional framework and each set of fund administrators varies in terms of its history, capacity, management style and level of participation. This is not to say that some are better than others but, rather, that each has particular features that explain, at least in part, their different levels of performance. It must be stressed that any local programme should take into account these particularities and should consider the initial capacity of each community, because programmes should be flexible in order to foster community development in different contexts. This is how local capacity is strengthened. If, however, local initiatives are rigid and overlook the individual features that define each community, they will have little chance of success.

This section analyzes the commonalities and differences of the three neighbourhood funds and draws on the administrators' views on the funds' paths up to the present. The analysis focuses on the following five aspects: community organisation and gender issues; fund administration strategies; problems and responses; the benefits of decentralised fund administration; and future prospects.

Community organisation and gender issues

Although each neighbourhood fund is integrated differently into the organisational structure of the respective communities, they are all administered by women residents. Barrio Hardoy's neighbourhood fund is administered by three women residents, all of whom are representatives of the neighbourhood's working group. The women undertake the administration of the neighbourhood fund in addition to their activities for the

working group because they consider it to be part of their work “for the community”. In the words of Inocencia Rivas:

“What we decided is that we would look after the list of people who put their names down for a loan, arrange the payment, get them to sign the agreement, ask them for all the necessary documents and, well, that’s what we do. [...] Although the three of us are the ones who work with the loans, we give the 20 pesos¹² that we get each month to the working group. [...] At working group meetings, we see how much that adds up to and then all the representatives think about what we can do with this money.”

The Barrio San Jorge Cooperative assumed responsibility for the neighbourhood fund as one of its community activities, but with the difference that the loan administrators would not be representatives of the cooperative as none was able to take on this role. For this reason, beneficiaries of a public programme that provides unemployment benefit to unemployed heads of household¹³ were specifically assigned to the cooperative to administer the neighbourhood fund. These administrators were also three women, and they were coordinated by the current president of the cooperative, Susana Carlino. In 2006, the situation changed because the three women gave up their roles for various reasons, and the cooperative is now reorganising the fund administration. Susana explains the situation:

“The women used to arrange the loans. Alejandra did pretty much all the paperwork. And, well, they used to meet up twice a week to allocate the loans.... A while ago they stopped running the fund. [...] As soon as one of the women got a loan herself, she resigned, she didn’t start repaying it and not long after the other two gave up too. The one who did more or less all the work was Alejandra, but she also ended up leaving because she didn’t want to be the only one left doing it. [...] [Now] we’re going to see whether we can find someone else to take over.”

In contrast to the two other cases, the neighbourhood fund for Barrio La Paz is administered by just one woman, Beatriz Gómez.¹⁴ She is also a representative of her neighbourhood’s working group but administers the fund independently of that role. She submits the fund accounts to IIED-AL and does all the administration on her own. She says:

“I’m the only one here, so who else is there to meet up with and submit anything to? As I’m on my own, nobody wants to come and waste time saying, ‘Let’s see how we’re getting on with the loans...’ [The Barrio La Paz Working Group] doesn’t want to get involved. [I meet up with the women representatives every now and again about neighbourhood issues] or when I go on Mondays¹⁵ – I make it when I can but sometimes I can’t. Likewise for the Solidarity Fund Commission¹⁶ that I’m a member of too, I go along when I can.”

12. This refers to a small monthly allowance of 20 pesos (approximately US\$6) that IIED-AL pays to each set of neighbourhood fund administrators to cover stationery and travel expenses.

13. The Heads of Household Plan (*Plan Jefes y Jefas de Hogar*).

14. In the first two months of operation of the neighbourhood fund, there were three women administrators but they all resigned once they had received their loans.

15. Joint meetings with the working groups from the three neighbourhoods are held on Mondays. Representatives of IIED-AL and the municipality participate in these meetings alongside those of the neighbourhoods.

16. The Solidarity Fund Commission (*Comisión del Fondo Solidario*) comprises representatives of the three neighbourhoods, the municipality and IIED-AL. It holds fortnightly meetings to decide how the funds allocated to beneficiaries of PROMEBA in Barrio Hardoy and Barrio La Paz will be used.

As the above accounts show, all three sets of neighbourhood fund administrators participate in some way in existing community organisations and are also already involved as community representatives and committed to various neighbourhood activities. Another common feature, noted already, is that all the fund administrators are women. The women themselves gave different reasons for this. Marta Mansilla (Barrio Hardoy) thought that it was due to the fact that “...men have less time” and that “...they have a greater need to do things at home [home improvements]”. Susana Carlino (Barrio San Jorge) suggested that it is “...because everyone thinks that women have more time. Or because women are more brazen and men are more austere.” Beatriz Gómez (Barrio La Paz) agrees: “...because men spend more time at work. There aren't as many men involved in community work or on the working group.” Another common attribute of the women who manage the neighbourhood funds is that most have been, or still are, recipients of loans themselves.

It is important to emphasise that the administration of the neighbourhood funds is voluntary and that each set of administrators only receives a small monthly allowance of 20 pesos (just over US\$ 6) from IIED-AL for expenses relating to stationery or travel. As noted above, Barrio Hardoy puts this money into the working group's general fund and uses it for activities such as fêtes or special events (such as Children's Day), while the other two neighbourhoods use it exclusively for fund expenses. In Barrio San Jorge, the former administrators received government unemployment benefit of 150 pesos (approximately US\$ 50) per month for their work. This was possible because the Barrio San Jorge Cooperative has the necessary institutional status to apply to government subsidy programmes. The other two working groups do not yet have either the legal status or the recognition that would enable them to access such programmes.

Fund administration strategies

In relation to the three neighbourhood funds, IIED-AL is responsible for the following:

- organising bank payments and covering the associated transaction costs;
- transferring funds to the building materials yards for the housing materials ordered by the borrowers;
- assuming the credit risk from potentially unrecoverable loans; and
- coordinating the provision of technical assistance that is offered by the neighbourhood funds.

In general, the three neighbourhood funds operate similarly. The administrators maintain a waiting list of applicants for loans and, once IIED-AL has informed them of the availability of funds – which depends on levels of repayment – they contact potential recipients. Then, for each borrower, they obtain the necessary details and documentation (personal details, photocopy of national identity card, copy of a paid utility bill, details of a guarantor). If the documentation is in order, both parties sign a loan agreement and the administrators then prepare and transfer the payment. Thereafter, they keep track of the repayments and check that each borrower has used the materials that were purchased with the loan. However, each set of administrators

uses different strategies and places emphasis on different issues. Box 3 illustrates a number of advantages (and potential pitfalls) of the microcredit scheme, as highlighted by the administrators.

BOX 3. THE ADVANTAGES OF NEIGHBOURHOOD FUND LOANS

In the words of the neighbourhood fund administrators:

"The credit fund enables you to improve your house."

"It's an alternative for the people who don't have official pay slips, who work informally or who have sporadic employment."

"The thing that often really benefits people is that the repayment instalments aren't very high compared with other loans."

"Loans are really beneficial for residents in the neighbourhood and that's what we try to make people realise. The thing is that these funds mustn't be lost through people not repaying their loans."

"At the bank they even ask you for a detailed description of your house, and if you don't have it, they don't give you a loan [...] you also run the risk of losing your house too, if you don't repay. Well, here you'd be noted down as being in arrears, but if one day you want to repay, you can."

"It serves as experience to apply to some of the [Barrio San Jorge] cooperative's other activities."

The administrators of the Barrio Hardoy neighbourhood fund, Inocencia Rivas, Marta Mansilla and Claudia Mercado, prioritise community relations. The three women decide who takes responsibility for following up unpaid loans according to which of them lives closest to the defaulter and/or who dealt with that person's loan application. Marta Mansilla describes how they work as a team: *"The three of us go around together [...] we are the 'three musketeers'. Or sometimes we say 'You take charge of this one because the person lives on your block'."*

Even though only one woman maintains the "waiting list", to avoid having three different lists with different orders or priorities, each administrator has her "own" set of loans for which she considers herself the contact person. In other words, each woman establishes a personal rapport with the potential recipient and invokes this trust and mutual familiarity to help ensure that the loan is used effectively and is duly repaid. Another distinctive feature of the Barrio Hardoy neighbourhood fund is that loan applicants are always dealt with face-to-face. However, the high demand for loans in Barrio Hardoy means that the three women have to dedicate more time and work to the administration of the fund.

It is important to remember that settlement in Barrio Hardoy only started in 1996, and in 2004, within the framework of PROMEBBA, 120 new families moved into the neighbourhood, which has a total of 252 plots. The majority of houses in this neighbourhood were built with the support of the credit fund, over its different phases. When the infrastructure construction work under PROMEBBA got underway, this catalyzed both the improvement of existing housing as well as the extension of the new, but small, housing units provided by PROMEBBA, which measured just 26 square metres. The credit fund has complemented other programmes, relating to housing improvement, the relocation of

families from Barrio San Jorge, the installation of bathrooms, the purchase of gas heaters (by allowing them to pay in installments), and the extension of single-room housing units received under PROMEBA.

Beatriz Gómez from Barrio La Paz sees loan applicants in her home, but only up to 7 pm. She does not visit residents in their homes but instead prefers to wait until they have a reason to come to see her. Her work on the neighbourhood fund is limited to the administration of the relevant documentation, which she does at home, although occasionally at working group meetings if residents attend to ask for loans. Of the three neighbourhood funds, this is the only one that has all the necessary documentation up to date and perfectly ordered. The Barrio La Paz fund also stands out in terms of well-organised loan allocation and for having practically no defaulters.

The strategy of the Barrio San Jorge neighbourhood fund, administered by the cooperative, combines some of the characteristics of the two other neighbourhoods. However, it uses a more flexible strategy because the women who used to administer it carried out door-to-door visits when necessary – especially in cases of default – and they also dealt with loan applications at home as well as at the community centre (the cooperative's headquarters). Despite Barrio San Jorge's neighbourhood fund being the most "institutionalised" in terms of being embedded within a community organisation, it was nevertheless poorly coordinated, perhaps because the administrators never fully espoused the initiative because their involvement did not arise out of their own interest but, rather, through the Unemployed Heads of Household Plan. Susana Carlino (the president of the cooperative) was the only one who really made a commitment to the neighbourhood fund. As mentioned earlier, the three original fund administrators managed the fund for two years, but in 2006 they all resigned for personal reasons. The cooperative took over the administration of the neighbourhood fund itself.

To summarise, it could be said that the Barrio Hardoy neighbourhood fund, sustained and coordinated by its three administrators, stands out for its strong teamwork. These women place great importance on maintaining good community relations, and the link – albeit at arm's length – that they maintain with the working group is also important because it secures interest in, and endorsement of, the neighbourhood fund. On the one hand, the fact that the neighbourhood fund in Barrio La Paz is administered by just one woman perhaps explains its excellent organisation and high level of repayments. However, on the other hand, this restricts the size of the fund's portfolio and fails to promote community participation.¹⁷ Moreover, having only one administrator and no collaboration from other residents means that the neighbourhood fund is at high risk of being discontinued if the current administrator were to resign. Barrio San Jorge's neighbourhood fund has the advantage of being integrated into the activities of the cooperative and therefore can count on a higher level of neighbourhood support. This institutional framework also allows the cooperative to apply for future funding and other benefits that would secure the fund's continuation. However, this neighbourhood fund is in need of better coordination and it should involve new people so that the fund

17. Beatriz Gómez from Barrio La Paz, however, argues that the drop in demand for microcredit is due to "...*fear of not being able to repay*".

administration does not fall to members of the cooperative, who would then be overburdened with community work.

Problems and responses

Loan default and its impact on the neighbourhood fund through reducing the money available for allocating fresh loans is a problem in all three neighbourhoods, although to varying degrees. Barrio Hardoy has been most negatively affected by high levels of default because it has the highest demand for loans due to its large population, the resettlement of families and the improvements in infrastructure underway in the neighbourhood. Faced with this situation, the fund administrators, in collaboration with IIED-AL, produced a leaflet informing residents of the situation with the fund and appealing to people to start repaying. IIED-AL staff made appointments with all defaulters to reschedule repayments and to ask them to renew their commitment to repayment.

Barrio San Jorge has also been affected by a high rate of default, which was exacerbated by poor administration and inadequate monitoring of loan repayments. IIED-AL also convened debtors in this neighbourhood. The cooperative decided that if levels of repayment had not improved after three months, it would publish a list with the names of the debtors.

Complaining to residents about unpaid loans is a task that makes the neighbourhood fund administrators uncomfortable. Beatriz Gómez (Barrio La Paz) decided not to assume this task herself, while the administrators in Barrio Hardoy and Barrio San Jorge agreed to do so, although they had some reservations and faced some difficulties. Although the rate of default has fallen since the credit fund was decentralised to the three neighbour-

	NUMBER OF LOANS GRANTED	UNPAID (%)
BY STAGES OF IMPLEMENTATION OF THE CREDIT FUND		
1993-95 (inception)	108	n/a
1996-99 (expansion)	260	33%
2000-03 (consolidation and fall in demand)	82	49%
2004-present (decentralisation)	94	37%
BY NEIGHBOURHOOD		
Barrio Hardoy	62	35%*
Barrio La Paz	11	27%
Barrio San Jorge	21	47%*

* Includes loan defaults from the previous period.

hoods, and a few borrowers in arrears have restarted making repayments following IIED-AL's rescheduling meetings, a high level of default still persists. Table 2 summarises the levels of default over time and by neighbourhood.

The Barrio Hardoy fund administrators maintain that a legal sanction, or “...a tougher mechanism”, is needed to prevent high levels of non-payment, such as filing defaulters with the Credit Register¹⁸ or taking legal action. They also argue that there is a “...lack of information” and that “...word goes around that people don't have to pay, because nothing happens.” In response to this, a strategy that Beatriz Gómez (Barrio La Paz) has been using since the outset is to refuse to award loans to relatives of debtors until the latter have repaid their loans. This measure is now being used in both Barrio Hardoy and Barrio San Jorge.

However, according to Marta Mansilla (Barrio Hardoy and Beatriz Gómez [Barrio La Paz]), the women's best strategy is dialogue. The Barrio San Jorge administrators adopted a slightly different approach and decided to hold a meeting with all the defaulters and with the people on the waiting list for a loan. With this strategy, Susana Carlino hoped that “People will start to discover who has repaid and who hasn't. This idea came from a resident who is on the waiting list and who wanted to participate in the meeting in order to give the defaulters a piece of his mind. So, when they would try to justify their debts with things like ‘I didn't pay, because such-and-such happened to me, so I got into arrears and stopped paying’, he would also be able to put forward his position and say that ‘...now, because they are not repaying, I can't get a loan, so they're having a detrimental effect on me.’” In close-knit neighbourhoods, it is common for everyone to know who makes their loan repayments and who does what for a living. In this way, neighbourhood events and residents' lives become part of a collective “social memory”, which defines whether or not neighbours meet common community social norms, especially whether they would honour commitments such as loan repayments.

The fund administrators recognise that they made mistakes with some people, but in general they make good judgements and the credit scheme works well. Susana Carlino (Barrio San Jorge) recounts that:

“We, more than anything, grant the loans based on trust. Because people used to come and tell us ‘No, [don't give him one because] his father hasn't repaid.’ So, we asked ourselves, is that a good enough reason to judge the son? But then the son ended up not repaying either. So, we don't really know what to do – we want to be kind; but if this means that we're mean, then we're mean. But, if you go anywhere else for a loan and you don't repay – or even if you don't have a pay slip – you don't even get credit. We make it much easier in many ways to give people a loan. And even then some have screwed us over, because they didn't repay. I don't know why – maybe it's because they think that nobody's going to ask them to repay, or that their loan is somehow going to get lost in the system. That's what we want to change so that the neighbourhood fund works properly.”

18. The Credit Register (La Veraz) is a report containing data about a person's commercial, credit and repayment history. This report can be obtained to check whether a person has debt, a mortgage or has failed to honour any commercial agreements. People on the Credit Register cannot obtain bank loans or assets in their own name because they may be blacklisted.

Another problem in the three neighbourhoods – although of most concern in Barrio La Paz – is the lack of volunteers to help run the credit schemes. First, it has proved difficult to involve people in doing work that is unpaid or otherwise unrewarded. Second, in some instances, residents have participated in pursuit of their own interests (obtaining a loan) and have withdrawn soon afterwards. The difficulty in recruiting volunteers is further aggravated by the fact that many residents think that the fund administrators get paid for their work and because of this, they place demands upon them.

The Barrio San Jorge neighbourhood fund, which is somewhat protected by being embedded within the institutional framework of the cooperative, avoided this problem by appointing administrators who are beneficiaries of a government programme. However, as mentioned previously, this raised other issues, including destabilising the fund administration because it depends on the local implementation and/or the permanence of government initiatives. Another issue is that these administrators have shown less commitment to their role than their volunteer counterparts who see their role as a commitment to their neighbourhood and their fellow residents.

A further problem experienced by all three sets of fund administrators is that of being constantly visited by loan applicants at home, at all times and especially in the evening. Despite the administrators' efforts to get loan applicants to stick to agreed meeting times and places, informal consultations about loans are incessant. This has caused the women practical difficulties within their households, notably their families being disturbed, which adds to existing complaints from family members about the time that they spend attending their other meetings. Inocencia Rivas (Barrio Hardoy) comments: *"We have had to fight with our husbands to do this, more than once. [...] Because we have to go to meetings here and there."* Notwithstanding these complications for the women, being able to visit the fund administrators at home outside normal working hours is an advantage for the residents. This arrangement was not possible when the credit fund was managed by IIED-AL.

With the experience gained since 2004, the administrators have improved their methods of selecting applicants and allocating loans, and have optimised the time required to coordinate the neighbourhood funds. In addition, the administrators themselves have acquired skills in the areas of managing documentation, dealing with applicants, and teamwork; the latter especially so in the case of Barrio Hardoy.

The benefits of decentralised fund administration

"We are always walking around the neighbourhood – because we always have some kind of information leaflet to distribute – and we always go on foot. For one thing or another we are always walking around the neighbourhood and seeing what's going on." Inocencia Rivas (Barrio Hardoy).

The most important common attribute of all the women fund administrators is that they themselves live in the neighbourhoods. This is significant in terms of both their proximity to loan recipients and the social capital that they draw on in administering the funds. In these neighbourhoods, existing social networks and informal agreements seem

to be both more important and more effective than more formal or more conventional microcredit agreements. As Marta Mansilla (Barrio Hardoy) explains:

"We try to look closely at the people who are on the waiting list. Sometimes, we notice that there are people who don't pay their electricity bill, who don't pay their water bill, who don't pay anything.."

Beatriz Gómez (Barrio La Paz) also reports:

"I also scrutinise the person. For example, a girl came to ask for a loan but I was worried because she wasn't working, neither was her husband, so how were they going to be able to repay it?"

Susana Carlino (Barrio San Jorge) adds:

"Sometimes I went along to their [the former fund administrators] meetings and listened to them saying things like 'We'll give a loan to so-and-so' or 'So-and-so came to ask for one', and then we remarked on what that person was like."

The administrators' accounts demonstrate their local knowledge and their close relationship with the residents who receive loans. The relationship between the administrators and the borrowers is informal and familiar, and these social links play an effective, explicit and sometimes tacit part in the loan allocation process. These social networks constitute a distinctive type of capital for the residents of the three neighbourhoods.

Through the shared administration of the neighbourhood funds, the community is not just the recipient of the microcredit programme but also its coordinator, as the neighbourhood development is channelled through the fund administrators. Compared with IIED-AL's centralised and external credit fund management, the administration strategies adopted for the neighbourhood funds, notwithstanding their differences, have all had a positive bearing on effective loan use and repayment. In the words of Inocencia Rivas (Barrio Hardoy):

"We tell them that things were different when IIED-AL managed the loans. Now it is the working group that administers them, therefore, we are the ones who set the terms and conditions."

Claudia Mercado (Barrio Hardoy) adds:

"We are from the neighbourhood [...] we are running it, we are the face of the fund, let's say. Maybe it's because of that, that we ask them to try to honour their obligations."

Future prospects

The three sets of neighbourhood fund administrators believe that they are doing their work well. They say that they are committed to the funds and are interested in their continuation. However, they do not yet envisage managing the funds completely independently of IIED-AL; instead, they express the need for guidance, especially with the bank administration.

The Barrio Hardoy neighbourhood fund is the most promising in terms of sustainability. This is not only due to the participation of the three administrators and their strategy but also because of the fund's positive results so far, both in terms of the size of the portfolio and the level of repayment.

In Barrio La Paz, Beatriz Gómez is uncertain of the fund's future because of the lack of collaboration from fellow residents and also because of problems arising from her lone management of the fund. She does not believe that the possibility of combining the fund with another neighbourhood fund – for example that of Barrio Hardoy – is a viable option:

“Each neighbourhood has its own problem. Maybe we don't have the same problem as over there in Barrio Hardoy, and it could be that Barrio Hardoy has a different problem to Barrio San Jorge.”

The Barrio San Jorge neighbourhood fund has the advantage of being embedded in the community's institutional framework. This protective arrangement guarantees the fund's continuation despite the management problems that have arisen. Now that the cooperative has taken on administration of the fund as one of its activities, it hopes that this will lead to more participation by residents and also foster more dedication among the new administrators.

Conclusions

Since 1987, IIED-AL has worked closely with community organisations and other local actors in specific informal settlements in Buenos Aires, both to effect improvements and to draw lessons that can be applied in other settlements and that can influence the policies and programmes of government – at national, provincial and municipal levels. This paper has focused on one such initiative – a credit fund that is available to promote community participation and improve living conditions for Buenos Aires' most deprived urban residents.

If the results of the credit programme are viewed in isolation, these might be judged as having a poor performance, especially in recent years. The initial 108 loans provided between 1993 and 1995 were all repaid, but around 33% of the 260 loans provided between 1996 and 1999 were not. From 2000, a much higher proportion of loans were in default, especially during and after the very serious economic crisis that Argentina experienced in 2001–2002. But if the credit programme is viewed as a small, although important, component and supporter of a larger development process, it can be judged more positively. The credit programme certainly supported local development and helped sustain community participation. The various phases that the programme has been through over its 15 years of operation reflect changing circumstances and its adaptation to local needs and demands. The programme was able to respond to change, with new administrative structures being implemented that largely have been successful. Thus, the performance of the credit fund programme cannot be evaluated in isolation from this larger picture of house construction and improvement, and settlement upgrading and regularisation that have benefited several thousand low-income people.

The improvements in these settlements now make it difficult to distinguish between what were “squatter settlements” and nearby settlements that are legal. As important as the physical changes are the institutional changes – these settlements are now formal parts of the municipality of San Fernando, with formal linkages with different municipal departments. IIED-AL’s presence since 1987, through its various programmes and local initiatives (especially in Barrio San Jorge, Barrio La Paz and Barrio Hardoy), has to a great extent fostered the necessary trust and stability for partnership-based management.

Over the 15 years of its existence, other programmes or projects have been implemented in the same geographical area as the credit fund. While these have brought additional resources, they have also reshaped existing management structures. The credit fund responded to these new contributions and changes by reviewing its objectives and strategies. In this way, the credit fund has been flexible enough to adapt to changing conditions and now primarily fills the gaps left by other bigger but less flexible programmes. Furthermore, the local government has requested that the credit fund intervene in special cases to which other public programmes have failed to respond. Despite its modest scale, the credit fund has become a management tool at the local level that focuses on the lowest-income groups; it also has the potential to be sustainable over time.

In the current phase, the funds managed by inhabitants within each settlement have contributed to social capital. It is not possible to attribute this capital only to the work with the neighbourhood fund administration, but this management of resources, applying technical and financial criteria and continually revising equity criteria regarding access to loans, has made an important contribution. Fostering equity in access to loans means that the administrators are trying to ensure that the loans are distributed to different families, and are provided in accordance with families’ need to improve their houses. Furthermore, the power of the loans in leveraging housing – and neighbourhood – improvements is also clear, no matter how small the sum of money involved.

The communities’ participation and their commitment to this type of neighbourhood development project shows that they are prepared to invest in long-term processes. This, in turn, implies that supporting community-based initiatives is likely to be successful. Indeed, the results at the community level often exceed expectations and thus demonstrate that public responsibilities can be decentralised to responsible civil society organisations. It is also clear that interventions should not only allocate financial resources but also, and especially, invest in the development of technical and social capacity.

Thus, the financial performance of the credit fund schemes, although important, should not be the sole criterion for evaluating them. Equal emphasis should be given to the capacity to sustain residents’ motivation and their ability to take initiatives forward – the level of community participation, the extent to which credit schemes link with other programmes and complement them, and the management capacity and strengthening of grassroots organisations. Delegating project management to the community level develops skills, ensures that initiatives respond better to local needs and, ultimately,

contributes to integrated development over the long term. Yet usually, these indicators are not considered when decisions on project funding are taken.

IIED-AL's work through its credit fund programme, as presented here, is intended as an illustration of how we understand the process of capacity building, in order to develop a more just and equal society. Working collaboratively with low-income groups is a challenge, and formalities are substituted with tacit and shifting agreements around particular local needs. This, in turn, calls for institutions that push forward ideas, strengthen community organisations and build bridges with local governments in order to produce a broader framework of long-term processes that, in turn, mobilise community-managed projects.

IIED-AL's community support programme (within which this credit fund was located) has, in many ways, contravened many of the norms usually used to evaluate success. It has worked in these settlements on a continuous basis for many years and continues to do so; it did not design and implement an "exit strategy" when it began. This long involvement could be judged inefficient. But in large part this reflects the complexities and difficulties for the inhabitants of the low-income settlements where it worked to move out of poverty. Despite major improvements in all the neighbourhoods where IIED-AL works, there are still very serious problems for much of the population in earning sufficient income to avoid deprivation. It is very difficult for younger groups in particular to find employment; also for new households to find accommodation they can afford (and many double up with their parents). In addition, shifting a "squatter settlement" into a settlement recognised and serviced by all the municipal agencies, and with tenure, is usually a long and slow process, and this has needed constant pressure on government agencies and constant support for community organisations.

It is also possible to judge this programme by its physical outputs – which are impressive with regard to houses being improved or built from scratch, and provision for infrastructure (including paved roads, piped water supplies, sewers and drains) and services (including health care, schools and day care centres). However, it is difficult to know how to assign "success" among the different local and extra-local government and non-government agencies that have contributed to this. In addition, if IIED-AL considers what we regard as our achievements, we feel that our success is in large part due to the changed relationships between households within these settlements, and in the changed relationships between the settlements' residents and external agencies. These initiatives contribute to the development of local capacities and the generation of new skills that strengthen the autonomy of local organisations in their relations with external agencies.

Microfinance specialists would find the performance of our credit programme disappointing if using conventional indicators, but we hope that this paper has explained why it deserves a more positive evaluation.

Some consideration should be given to the relationship between IIED-AL staff and the settlements in which we work. When all the organisations concerned are aware of the funding available and its origins and of the amount spent on management, and agree on the criteria to select beneficiaries and set priorities, trust is built between them, those who take out the loans and local government.

With regard to “going to scale”, it would be difficult for IIED-AL to greatly increase the number of informal settlements where it could sustain the kind of engagement it has in Barrio San Jorge, Barrio Hardoy and Barrio La Paz. But we hope that our work here and the documentation of this work have demonstrated the kind of roles that local NGOs such as ours can play in supporting poverty reduction. “Going to scale” will be achieved through a wider recognition of the validity of this role by governments and international agencies and support for hundreds of teams like ours. In addition, IIED-AL has drawn on its experiences in these settlements for its work in Moreno – which is at a different scale as it focuses on an entire municipality with around 400,000 inhabitants – although here too, the work focuses on supporting community organisations formed in each of the settlements and their relationships with local government agencies.

Improving conditions in informal settlements almost always has to involve improving relations between these settlements’ inhabitants and local government, including a range of local government agencies. But we have to recognise that in doing so, we have to address the natural tension that exists between government and communities’ timetables and the impulse of the government to co-opt community leaders, especially around the time of elections. IIED-AL has been asked by official government agencies to implement some of their programmes and be supported in doing so. This always raises difficult issues – for instance, the inhabitants may no longer see us as independent and government may simply regard us as a contractor. It is easy for NGOs to become dependent on being funded as delivery service agents for governments.

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