



Microfinance for the Urban Poor: Building Better Lives and Sustainable Urban Areas

On the afternoon of Wednesday, April 8, **Robert Annibale**, Global Director, Citi Microfinance and Community Relations, chaired the plenary session on “Microfinance for the Urban Poor: Building Better Lives and Sustainable Urban Areas” focused on helping the poorest families living in urban slums to break out of the cycle of poverty and build better lives for themselves and their families through housing, education, and enterprise. This plenary panel discussion was featured remarks from **Ingrid Munro**, Founder and Managing Trustee, Jamii Bora Bank; **Liz Case**, Chief Operations Consultant, UN-HABITAT; and **Robert Ogunde**, Master Trainer and National Coach, Street Kids International. The discussion put the needs of slum dwellers front and center, describing constructive approaches to improving their lives.

A number of key issues and themes surfaced throughout the course of the panel discussion including the enormous poverty challenges faced by the urban slum populations of Africa; the need to create large scale and replicable opportunities that can help the poor lift themselves out of poverty; the perceived risks of providing housing for the poor; redirecting those who lead a life of crime to a more productive life; the significance of land ownership; and motivating the poor to develop social purpose enterprises. It is clear from the work being done by Jamii Bora and UN-Habitat that the housing needs of the poor, particularly in the context of urban slums, is a critical issue that needs to be addressed through public-private partnerships. The funds required to make scalable improvements are so high that the microfinance sector cannot expect to solve this vast global issue on its own. However, the sector certainly has the expertise and convening power to advance the dialogue and bring the necessary stakeholders to the table to tackle the needs of these vast underserved slum populations.

Robert Annibale, Global Director, Citi Microfinance and Community Relations set the stage for this plenary session on microfinance and the urban poor. “It’s interesting to be able to consider what are the needs and issues that face the poor in an urban context,” he observed, especially, since the microfinance industry has its roots in the rural group-lending models developed by Grameen and BRAC in Asia, and many of the largest microfinance institutions operating in Mexico and Peru are based on lending in a rural context as well. “Certainly in Africa, like most of the world, populations have increasingly become urbanized for many reasons – for economic opportunity [or escape from conflict zones, and some of these] cities have grown well beyond their own design.... We have large

Wednesday, April 8, 2010

1:45 PM – 3:15 PM

Tsavo Ballroom

Panel

Chair: Mr. Robert

*Annibale, Global
Director, Citi
Microfinance and
Community Relations*

Ms. Liz Case, Chief

*Operations
Consultant, UN-
HABITAT, Kenya*

Ms. Ingrid Munro, Founder

*and Managing
Trustee, Jamii Bora
Bank, Kenya*

Mr. Robert Ogunde,

*Master Trainer and
National Coach, Street
Kids International,
Kenya*

populations of people without land rights or title, and a lack of urban infrastructure to provide for [these populations and their needs].”

The first panelist on the agenda was **Ingrid Munro**, Founder and Managing Trustee, Jamii Bora Bank. She remarked, “As you know, we [Jamii Bora] started with fifty beggars. They were from the towns, from the city. And they were the poorest of the poor in the city, the ones who didn’t even have a room in a slum. And we have now worked with all the slums in all towns in Kenya. The slums are not worthy settlements for human beings. I want you to think about that. And it’s not a place where any mother wants to [raise her family].”

“My experience is that slum people are hard-working, God-fearing, good mothers and fathers, and their kids are just as good as your kids. But they live in a very bad environment. And we stood up for our fight. We went to court. And we were taken to court. And we fought for our right to build a town, a new town for poor people. And we actually won the case. That was a shock, because all the rich were fighting us. We won the case. And they took us to high court a month later. We were another year in high court, and we won that case as well because we were right. Poor people also have the right to live in a better environment.

“Now we are building a new town. How? you say. Can poor people do this? We said yes. They’re making their own building materials, their own [walls], ... their own tiles for the roofs, their own windows, and their own doors. They are producing everything that you can produce and it’s done by the poor themselves for better housing. And the housing is good housing, not petty iron sheet shacks. That’s not what we’re doing. It’s real housing. And it’s at the fraction of the cost when the rich are building.... This is now becoming one of the most famous towns in Africa. And it was started with a dream of the poorest of the poor. We can also get out of the slums. We need to get rid of the slums. It’s not right that children should grow up in such environments.”

“And we are showing that the poor can do it themselves if the government cannot do it, if UN-HABITAT cannot do it, if all the other fancy people in the world cannot do it, we can do it ourselves. And we are doing it. The housing is a very important part of getting out of poverty. Once you start with your little business, you get a better business and another little better business. Now you want to have a better house for your children to grow up in.... Most of them, they can choose between five year loans, ten year loans, or twenty year loans. Most of them choose the twenty year loans because it’s a smaller cost every month.”

“All of you who are involved in microfinance, I urge you not to be afraid of the urban poor. They are capable, industrious, hard-working, and they want a better life for their kids. Don’t start by working only in the rural areas because it’s

easier. Don't be afraid of going into the worst slums in your countries because they're capable, hard-working, industrious people who want their kids to grow up in a better life. And we think that they have the right to have their kids grow up in a better life."

The second speaker on the panel was **Liz Case**, Chief Operations Consultant for the Slum Upgrading Facility in the Urban Finance Branch of UN-HABITAT, which is headquartered in Kenya but functions on behalf of the United Nations globally. "The goal of UN-HABITAT is to promote sustainable cities and adequate shelter for all," Ms. Case explained. There are currently "about a billion people who live without adequate shelter, water, and sanitation in urban areas around the world. Unfortunately, the total number of slum-dwellers is growing by about 10% per year. There are still over two hundred million people in Africa who live in slums and there are a lot of people coming from rural areas. And 20% of those people coming will become slum-dwellers."

"Globally, the financial resources needed to address this problem [are] estimated to be well over one trillion U.S. dollars. It might be up to two trillion U.S. dollars. Now that sounds like a lot of money, and it certainly is if you're trying to source it from governments or donors—the traditional places we try and get financing for slum upgrading and social housing. But, such resources absolutely are available from the private sector markets."

Unfortunately, "conventional mortgages don't reach the poor—they never have. They don't reach middle-income people in emerging markets either. They're just not suited to that clientele, [the clientele that] microfinance institutions are reaching. This is for a lot of reasons, and one is poorly developed macroeconomic markets. Others are weak housing finance institutions, but so too are the informal incomes, the lack of secure tenure, and the perceived risk of housing lending to the poor. [But] things are starting to change... Financial sectors are deepening in many developing countries and already, 20-30% of the kind of lending that you're doing, according to some studies, is informally being used for housing improvement. And now we're starting to see the growth of specific housing finance products for urban markets that support incremental and progressive building for the poor. And I think that this is one of the most promising developments in housing finance in the last decade."

Ms. Case pointed out, "Slums still present an enormous challenge, ... but I would like to suggest today that they also present an enormous opportunity. However, it is not an automatic transition from microfinance to housing microfinance, to slum upgrading and sustainable cities." UN-HABITAT has developed a new urban finance approach through which "we're trying to combine market-based

solutions and business approaches with community-led efforts for the delivery of social and affordable housing.

“I want to start by introducing three lessons learned by UN-HABITAT in our work in trying to finance slum upgrading. Lesson one: slum upgrading is about much more than improvements to individual houses, or working with individual clients. It’s [also] about land and security of tenure and there’s a wide range of tenure options from ‘no right to be on the land’ to formal title—there’s a whole range in between. And those things must be worked out. It’s about infrastructure and the provision of basic services. It’s also about the communities and building neighborhoods: safe neighborhoods, vibrant neighborhoods, places where people would like to live. The second lesson is that other types of finance and subsidy, in addition to community savings, microcredit, and housing microfinance, are needed to cover the cost of slum upgrading—costs that cannot be completely covered by the poor alone. And the third lesson follows those two: to do that we need new partnerships. We need to coordinate and share the risks that are a reality of slum upgrading.

“In [UN-HABITAT’s] new urban finance branch approach, we are concerned with three [issues, first of which is] affordability. For the very poor, this means a subsidy in some form, as part of the slum upgrading project finance. The trick, of course, is making sure that that the subsidy is well-targeted and leverages greater value and—this is important – does not [interfere] with the market-driven portion of the project finance.... The second thing we’re concerned with is co-investment. We’re too small as an agency and none of us in this room on our own could get enough investment to deal with the urban poor in slum upgrading. The number’s too big. So we need co-investment from microfinance institutions, from domestic banks, and from international IFIs. And [third], we’re concerned with replication. It’s crucial that we find solutions that [we] can scale up. A lot of people have been working on slum upgrading for a lot of years, and we just haven’t seen the progress that we should have seen by now.”

The final panelist was **Robert Ogunde**, the Master Trainer and Loan Officer for Street Kids International and K Rep Bank, which has a partnership in Nairobi. He commented, “The international community has a very big role to play because they support the governments of foreign nations and the central government. The central government also supports the local government through the municipalities, which actually is at the forefront [of improving] the lives of poor people in urban centers, since they are responsible for effective governments and the measurements of cities and towns. [As we have seen,] good things can come from the slums.”

Additionally, he remarked that business in urban slums should not be solely focused on profit-making, “I think we need businesses for change. We need businesses that, apart from giving us profits, also contribute to our social development.... We’ve seen in other areas—where women come together—apart from just looking for [financial gains] through the business that they do, they are [making] social action plans and community action plans, and they [are saying], for example, ‘Let’s build a school; let’s build a necessary school.’ And from that there is something good – a social aspect, even – because of the people that they serve.”

Question: “Slums are the centers of crime in many towns across Africa. How can microfinance interventions mitigate such risks in product delivery?”

Answer from Mr. Ogunde: “That’s a good question. I think that sometimes human beings ... do whatever they can to [meet their needs and] make ends meet. [Unfortunately,] people with no business skills, [who are] not able to access finance [or] even run profitable ventures, don’t have anything other to do than turn to crime, turn to prostitution, or other social vices to be able to make ends meet. I believe that microfinance provides funds to people, especially youth and women, [to address this]. We equip them to be able to [start] profitable ventures and run them successfully. They’ll get an income from that and when they get an income from that, they’ll be able to take care of their needs. And when they take care of their needs, they definitely won’t think of turning to crime [to] make ends meet.”

Answer from Ms. Munro: “In Jamii Bora, we have decided to give the criminals a better chance, because we couldn’t fight the fact that so many are poor and men.... And we decided to change them. And they change if they have another chance, if they get another chance to earn income through microfinance.... So, in my view, and I think we have proven it in Jamii Bora, microfinance, if you handle it right, is also a way to get young men out of crime.”

Question: “There’s another question and it links on to land rights.... [In regard to] slum upgrading—is this worthwhile when residents don’t have tenancy rights at all? Is it still a project that you want to take [on]? And can you give a sense of how the upgrading occurs while the property is still in dispute, if you will?”

Answer from Ms. Case: “The way land works in Canada, where I come from, you buy a plot, you get your title, you get the money to build, you build, you move in. And I think in the rest of the world, often the opposite happens. You occupy a plot, you build slowly, and then you build more solidly, and eventually you go and get your land title. So eventually we’re looking at an upside down reality when it comes to occupancy and security of tenure and land around

slums.... I have no straight answer for that question because it does vary so much, but bear in mind in the developing world the concept of legal formal title is not that common.

“There are so many situations where tenants are the main occupants of a slum, and that has to be worked out. That is why community organizing is absolutely critical. We won’t do any projects that don’t have organized communities first and foremost. Land you might be able to sort out. But without the community being organized, [you cannot move ahead. That must be] your first step.”

Comment from Ms. Munro: “We actually finance a lot of upgrading in the slums. First of all, we help people set up their businesses so that they earn better money. And many of them apply for loans to make their house better in the slum. They upgrade it themselves, but we cannot give [them] long-term loans [for this]. We can give [the loan], and [the improvement] gives them a better life, but they will not be sure whether they can keep that house or not. But they still think it’s worth it, and you know, [there are] some very funny things in slums—people sell their houses even though they don’t own the house. And if they’ve upgraded it a bit, they get better money. And the [ones who buy the house] know that they will not own the house, but at least they live in a better house. But for long-term financing, we have so far not seen any other solution in Kenya other than buying land ourselves at a cheap price before people [notice] that that plot [of land] is very good.”

Question: “Robert, you work with some very disadvantaged youths in your programs, and you provide them with coaching, and ... business advice, but you also provide finance. So you do what many people see as financial education, but what is often frustrating is it is often not accompanied by finance or a product. In this case, it is. Can you just tell us, what are the average loans and how long are they for and what’s the experience been on lending to these youths?”

Answer from Mr. Ogunde: “Well, I run one big portfolio that has two different programs. One is with K-REP, the other one is [with] Street Kids International. The average loans for the youth who are accessing funds from K-REP [were] ten thousand Kenyan shillings to start. Initially, it was supposed to be twenty thousand Kenyan shillings (US \$X), but ... people thought that’s a very volatile and risky situation, [so we] reduced the amount of money from twenty thousand to ten thousand. Even though we gave them the first loans in December 2009, the repayment rate has been remarkably good. And now youth are accessing an average of thirty thousand shillings. While they’re doing this, they are graduating from where they were. Usually it takes them six months to be able to repay the first loans, but what is happening is that some of them are repaying the loans back within three months’ time. And when you go to appraise their businesses,

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you find that their asset base is increasing and they have been able to do something worthwhile with their loans. So we are giving them ten thousand for a start. They are proving [to be] very, very hard-working. No wonder they're accessing bigger and bigger loans as their asset base keeps on growing.”



MICROCREDIT SUMMIT CAMPAIGN

A Project of RESULTS Educational Fund

Microcredit Summit Campaign
A Project of RESULTS Educational
Fund

750 First Street NE, Suite 1040

Washington DC 20002

Phone: 202 637 9600

Fax: 202 637 3566

E-mail:

info@microcreditsummit.org

www.microcreditsummit.org