



# 2010 Africa-Middle East Regional Microcredit Summit

Session transcript

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

Day 2, 1:45 PM - 3:15 PM, Tsavo Ballroom

**Chair:** Mr. Robert Annibale, Global Director of Microfinance, Citi Microfinance, UK

**Panelists:**

- Ms. Ingrid Munro, Managing Trustee, Jamii Bora Trust
- Liz Case, Chief Operations Consultant, UN-HABITAT, Kenya
- Remarks from Former Peruvian President Alejandro Toledo

**Unknown speaker:** I am privileged to introduce Bob Annibale, who is the Global Director of Microfinance at Citi Microfinance, based in the U.K, who will chair this session, titled Microfinance for the Urban Poor: Building Better Lives and Sustainable Urban Areas. Robert Annibale.

**Robert Annibale:** Thank you. Good afternoon everyone. I'll just give a few opening thoughts to this session and President Toledo will be here to close the session and give his thoughts, which I think are very valuable, but also why this program on urban microfinance? So the whole issue of urban microfinance is so interesting. Most of us who've looked at microfinance- most who practice microfinance as practitioner institutions have begun in rural and if we think of the whole Grameen model and that used by Brock and others, it grew out of a rural group-lending model. And that's true in Latin America and elsewhere too. And it became, you know, quite a history, and, of a model and one that has evolved and reached so many of the people that microfinance serves today. But few of the institutions have a history of working in urban areas. And even today, many of the biggest microfinance institutions that we work with including in areas such as Mexico or Peru or other countries are rural-based and have a very small urban program. So today, I think it's interesting to be able to consider what are the needs and the issues that face the poor in an urban context. This is interesting for me because I look very much at the issues that are coming up around debates of the rights to the city. I spent so time on the U.N. Commission for Legal Empowerment of the Poor, and one of the biggest issues always was the legal definition and even the security land rights and land security of the slums. And certainly in Africa, like most of the world, populations have increasingly become urbanized for many reasons- for economic opportunity, for displacement because of war and elsewhere, but we have cities that have grown well beyond their own design. I lived here years ago in a place called Karen outside Nairobi, on a very quiet street on a plot of land that now has eight houses. But it has the same water supply. It has the same electricity and the same phone infrastructure. Think of that when we get to the urban slums of Nairobi, which some of you might visit or of Lagos or Cairo or maybe others. And we have large populations of people without land rights or title and a lack of urban infrastructure to provide for that community. And the needs of that community to access finance in many cases, are even more astute than they are in the rural areas where programs have focused on agriculture or rural communities. We also look at cities and see that there is a very large population of particularly young people. Not a great investment in education that covers the populations' densities of the slums but a very large population of young people as well. Young people which increasingly become unemployed youth. So, some of the programs we're going to talk about today will touch on a couple of those issues- both in terms of housing in low-income and in poor areas and in slums, the slum rehabilitations, and even finance to youth. And I think that sets the tone. I first will introduce Ingrid Munro, who I think needs no introduction, but Chair of the new Jamii Bora Bank and the managing

trustee of Jamii Bora Trust, because I think very interestingly for all of us is their experience of developing microfinance in the urban context. Thank you.

(applause)

**Ingrid Munro:** It's a real pleasure for me to be here on behalf of Jamii Bora members. I had the privilege of talking to you when before the President came yesterday. Today we have taken President Toledo and the Queen of Spain and Muhammad Yunus to visit our new town in Kaputei. And I just made it back here a bit ahead of the Queen. As you know, we started with fifty beggars. They were from the towns, from the city. And they were the poorest, poorest of the poor in the city. The ones who don't even have a room in a slum. And we have now worked with all the slums in most of the towns, I will say all towns in Kenya. The slums are not worthy settlements for human beings. I want you to think about that. They are not worthy settlements for human beings. And it's not a place where any mothers wants to ... [5:25 - 5:31 / no audio] We decided not to beg the government for anything. We bought a piece of land and we were going to build a new town. Once we had built it, we had got the approvals to build the new town. That's when hell broke out. Not here! Not in our area. Slum people- are you serious? Are we going to have slum people live here? And we say they are ordinary human beings, and they have children just like you. And mothers and fathers and sisters and brothers, and they want a better life for their kids. You can't believe how we had to fight for the rights of good Kenyan citizens to have a life outside the slums. Not in our area, not here, not near us. They think the slum people are bad people. 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. We just showed the Queen of Spain and Professor Yunus and the others what we are doing. And they were amazed. How you say that poor people can do this? We said yes. They're making their own building materials, their own books for the walls, their own tiles for the roofs, their own windows for the 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 sheets- 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, because they don't have to worry about cost. It doesn't matter what it costs. They will still afford it, isn't it? 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 the U.N. 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. I think I told you on the first day that we also have a health insurance and a life insurance. And when you take a housing loan, you know you take a twenty year loan. Most of them, they can choose between five year loans, ten year loans, fifteen year loans or twenty year loans. Most of them choose the twenty year loans because it's a smaller cost every month. If you get sick and you don't have any income, because a poor person don't get income when they're sick, they have their own business; if they don't sell anything, they don't get any income. The health insurance is a very important part of their capacity to remain owners of a better house in a better environment with better schools and better everything- businesses, whatever. So the health insurance plays a very big role in our organization, not the least for those who are now taking their decision to move to the new town. And all of them who are still in the slums are dreaming, "Why is Mama not building these houses faster?" But you know I can't invent money all the time. We need investors to believe in us and we can change slum after slum after slum by building new towns. When the

people move out of the slums, we can even change the slums, at the end, themselves. The business school that we have is helping the kids to get better lives and to do better solutions in their new businesses when they grow up. And I told you all about how we train beggars to get out of begging and today, we had the privilege of showing the Queen of Spain and President [of Peru] and the Deputy President of one of our countries here in Africa. And we had so many visitors and they were amazed when they saw the quality of the houses and our members proudly showed them around, where they cook their food, and the bathroom that they are so proud of, you know, and they flush the toilet. And so see! “We have a flushing toilet here and we have a shower” and the Queen was amazed. She was almost in tears to see it. I can tell you, unless we help the urban poor to get out of the misery of the slums, we’re not going to have peace in any country. And it was the same in Europe [11:58 - 12:01 / unclear] and we did it. Many people moved to North America from Europe because they were so desperate of the poor conditions. And that’s when the governments got scared in Europe and gave even the poorest of the poor the right to vote. And when they had the right to vote, they took over the countries and they changed. And they don’t have any slums in Sweden anymore, and it was the poor who did that. When I graduated from high school fifty years ago, I had the privilege of starting the work of the university in the government of Sweden. And still, at that time, some of the most prominent ministers were people who had grown up in the worst slums, who had not got any education. They started their own peoples’ schools and they got their own education and they took over the government and they changed Sweden to a welfare state. That is what is happening in Africa today. 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. Thank you.

(applause)

**Robert Annibale:** Thank you, Ingrid. Thank you. Next we’re going to ask Liz Case, who is the Chief Operations Consultant for the Slum Upgrading Facility in the Urban Finance Branch of U.N. Habitat, which is headquartered here in Kenya but is a global part of the United Nations.

(applause)

**Liz Case:** Thank you very much, Mr. Chair, my fellow panelists, and guests of this conference. It is a pleasure to speak on behalf of U.N. Habitat. It was very nice to be mentioned by Ingrid in her speech, and I believe she mentioned that U.N. Habitat, and she’s absolutely right, cannot do some upgrading on its own. And I want to reconfirm that statement. Celebrating is something that has to be done and led by communities, so I support that statement completely. But the goal of U.N. Habitat is to promote sustainable cities and adequate shelter for all. Now on the screen, you’ll see a definition of a sustainable city. I think if anyone has worked in the U.N. system, this is a long, and, definition, but it was agreed by many different people that’s the why the U.N. works. Basically, it’s about bridging the gap between the rich and the poor. There’s 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 ten percent per year. Now we’re starting to see progress in some countries, but it’s mostly concentrated in places like China and India. There has been some improvement. We still aren’t seeing a lot of improvement in other areas. Africa has mixed results, based on latest numbers. 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 twenty percent of those people coming will become slum-dwellers. At the moment- and Africa is still more a rural continent than an urban one- and Kenya, for example, is about thirty percent urbanized, but the trend is towards urbanization. And statistics aside, you’re in Nairobi now, and, or you live here, you’re from Kenya, do try and see for yourself what the slums are like here. They are deplorable and there is time we did something about them. But globally, the financial resources needed to address this

problem is 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 that money from governments or donors- the traditional places we try and get finance for slum upgrading and social housing. But, such resources absolutely are available from the private sector markets. But conventional mortgages don't reach the poor- they never have. They also don't meet- reach- middle income people in emerging markets either. They're just not suited to that clientele. The one that your microfinance institutions are reaching. This is for a lot of reasons, and one of it 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. Things are starting to change- we're hearing about it, we're seeing it in this conference this week. Financial sectors are deepening in many developing countries and already, twenty to thirty percent of the kind of lending that you're doing, according to certain 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. Slums still present an enormous challenge. An especially 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. In this very brief presentation today, I'd like to talk about the new urban finance approach of U.N. Habitat. 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 quickly define those- social housing is for the very poor- the bottom of the pyramid; affordable housing is for the low-income to middle-income middle of the pyramid range. I want to start by introducing three lessons learned by U.N. Habitat in our work in trying to finance slum upgrading. Lesson one: slum upgrading is about much more than improvements to individual houses, 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 in 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. So in our new urban finance branch approach, we are concerned with three things: 1) affordability. For the very poor, this means subsidy in some form, as part of the slum upgrading project finance. The trick, of course, is making sure that that subsidy is well-targeted and leverages greater value and- this is important- does not interfere with the market-driven portion of the project finance. You know, I work for a slum upgrading program and we're trying to get domestic banks and MFIs to lend to slum upgrading projects. And when we first approached them, they look a little nervous, and I think that they're expecting that we want them to provide loans to the poor below their profit margins. And that brings things like reputational risk. They don't want to be seen as offering loans that are too expensive to the poor. But that is not what we're asking. The market portion of the project finance must be something that can be provided by the market forces. 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 three, we're concerned with replication. It's so crucial that we can find solutions that 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. And while it is true that the goal of microcredit is not merely profit- and I believe that completely- financially self-sustaining, even profitable, solutions will spread the fastest and with the least effort on our parts. Let me very briefly tell you now about the two programs that we're undertaking. The first is called ERSO- again, this is another U.N. name which makes no sense to anybody. It's called the Experimental Reimbursable Seeding Operation, but all

it really is is a revolving loan fund that provides loans for housing and infrastructure projects. Here we try and assist domestic banks and microfinance institutions to access lower costs, longer term funding, which is sometimes difficult to access. We like to bring banks and community groups together to create the kind of bankable social lending and community development programs we know they can do. This program is designed to become self-sustaining, and it needs to balance three types of lending- the construction of new affordable housing, we need investment and initiatives to create secondary finance programs and access capital markets, and very low-cost loans to microfinance institutions and banks that want to grow into housing microfinance so that they can become sustainable in that market. This means we have a lot of variety- a lot of different programs...in ERSO, we have about three and a half million dollars of donor funds that we are loaning at the moment. I will very quickly run through them. In Palestine, we have a million dollar loan that is providing necessary capital to establish secondary lending of five hundred million dollars. This is partnering with some very big international financial institutions, and we're hoping it will reach thirty thousand affordable housing units for middle-income and low-income people in Palestine. Tanzania- a loan to a bank that will be on lend to the municipal council because in all cases we must work with governments as well for highest invest use, scheme on the shores of Lake Victoria. That will house, that will provide two thousand four hundred service plots. We're working with Prodalá Nicaragua to help them on-lend. Uganda, another half a million for housing construction for low-income families. Nepal, further on-lending, sort of low-cost, longer term capital from ERSO for on-lending for MFIs, and in Laos, programs underway for mortgage- low-income mortgage finance. This pie chart shows you- you may not be able to see ERSO. It's the skinniest one in the middle. It's less than one percent of our money and we've managed to leverage- this includes the Palestine project, but we have leverage right now of a hundred and seventy-three to one which we're pleased with, and we'd like to continue with high, double and triple digit leverage in this particular program, because it does tend to reach the middle to lower end of the pyramid. The program I work for is the Slum Upgrading Facility, and this is the bottom of the pyramid. Oh, I hear bells. I'll talk about the Slum Upgrading Facility in more detail in the workshop that follows this plenary. It's a facility that provides guarantees and blends finance together so that people can come up with projects that are both bankable and affordable. And the trick is blending the finance at market rates. One final slide. I think that MFIs must and should take advantage of the huge market opportunity that's presented by the urban poor. Governments have to be a part of public-private partnerships, communities need to get the support they need. They are not expected to shoulder the risk of slum upgrading on their own. We do not talk- we talk about risk with banks, we don't talk about risk very much when it comes to communities. That's a topic of it's own, but it's worth considering. Houses are an important asset. Do we want to set people up so that their house asset is improved or that they may lose it? And that's a moral question that we need to ask ourselves as we enter- how we collateralize housing microfinance loans, and this is where MFIs are well-placed. Donors, we still need your money. We all do for this kind of slum upgrading. We need to ensure that your grant funds are well-targeted and have maximum impact and leverage. And Asante Sana to everyone.

(applause)

**Chair:** Thank you Liz. Next we have Robert, who interestingly is a Master Trainer and Loan Officer for Street Kids International and K Rep Bank, which has a partnership here in Nairobi. I think he's very interesting to discuss programs around youth. Thank you.

Robert: Ladies and gentlemen, good afternoon. It excites me so much even to have you in this place. I know we have all come here for a lot of causes [unclear]. We've come here to spill out actions and share experiences. To help us [unclear] transforming the lives of hundreds of millions of people in this world and, whose lives have been shattered by poverty and also as we feel the need to make this world a better and a safer place for children and grandchildren and generations to come. That is a very good dream, isn't it? Well, I [26:39-26:44 / unclear] it's not easy. Because the rest of challenges that we have to deal with in order to make this dream a reality. And I believe that change begins with the individual; change begins

with me, and the world can benefit from us changing the lives of other people. And it is true that we need change in the way that we see things, we need change in the way we actually act to be able to change this world. Because it's only changed people who can change this world. We agree. Sometimes when I take a look at people, and when people think that big businesses is a very costly [27:25 - 27:29 / unclear]. When somebody says, "How do I take money [27:35 / unclear] access credit, how do I go about making investments, how do I have it work in all this disabling environment, how do I pay my taxes?" And they think it is a very very tedious thing and a very very difficult thing to do. But let me say that, not doing business is the question [unclear]. And it pains me to even give this statistic, because I lived in the [unclear] two years and was able to get out of this. But out of every ten thousand million who give birth, five hundred thousand of them die, simply because they are not able to afford transport to take them to the health facilities where they can have a safe delivery. Not doing business is very expensive because it leads to poverty [unclear]. Not doing business is a lost opportunity- not just for today but even for the generations to come. It is the lost of our creativity and our [unclear], but [unclear] countries. So this is one of the challenges that we find out and we see that people need to choose the way they perceive things and the way they see things and actually the way they live. It could be something that is common in these lands, in urban slums. And as I talk to you, let me just say that [unclear] has been [unclear] a slum in Kenya. All of us who are Kenyans know of [unclear] in the slums. And urban slums are very interesting places. You can find so many things over there, as I'm just about to share with you very very briefly. We cannot talk about the slums. If you do not have this fact with us, that cities and towns are at the forefront of global movements to reduce poverty [unclear]. They are centers of government and politics, they are centers of technological innovation and culture and education. They provide this place where people can have the vast experience, where different cultures can mingle through a range of human contacts. And a broad range of economic activities take place, where services, including health and education, can be provided in an efficient and cost-effective basis. Most investors would find it very very prudent to have the investments in urban centers, because there is labor and even the environment is just good for them. And as a result of this, jobs are being created. As a result of this, you will find that there is access to education; there is access to so many other services that people want. And this is what has made so people come from the rural areas and come to live in the urban centers. What we know that the urban centers need to do are give so many intensive services to the people, to their citizens. But they cannot be able to do this unless they are [unclear] and they are well-governed. It is so unfortunate that in other urban centers, this has not been the reality and as a result of this, we find out that the urban poor have been forced to live in this form of settlements, which are usually discriminated by other government systems and they are generally at the mercy of private service vendors, which have been highly essential services. You go to the slums and people need access to water. Where do they get the water? But a family of maybe five-between five and ten members- could use like a day's income to purchase that water, because it's readily available to them by some private people who bring it to them and actually charging so high for those kinds of services. We also see that in the urban slums, these people have entitlements to welfare benefits they are vulnerable to eviction at any time. And this is something that happens in the urban slums of Kenya. We know about evictions every now and then. And South African [unclear] judicial systems, which do not respect the fundamental right to an equal hearing before the law. We all see that some of the people who have come to help people in the slums are the civil society; people who already in the forefront to advocate and see that actually their rights are respected and secure justice and rights for all from accountable government systems. If they do not do this, they know that the situations will prevail and that just cause nothing but disaster. This means that poor people are forced to live in overcrowded, under-serviced slum settlements, where the threats to health from environmental hazards, [unclear] diseases, air pollution, fires, floods, lost legs, and exposure to [unclear] is a daily reality. Recently- sometime last year- in some slums near Nairobi there is an outbreak of cholera. It was in the media. People lost their lives. So it's a very sad state of affairs. That just tells us the reality in the urban slums. It's part of this many poor people choose to stay in cities, because they perceive potential opportunities in urban [unclear]. Before we talk extensively about microfinance, let me say that the international community has a very big role to play because they actually support the governments of foreign nations,

the central government, and the central government also supports the local government through the municipalities, which actually is in the forefront to improve the lives of poor people in urban centers, since they are responsible for effective governments and the measurements of cities and towns. Good things can come from the slums, we've been able to see. Let me just try to say what we were able to hear yesterday from Ingrid. I'm an example of someone who can be born and brought up in a slum and can get somewhere. And I know my mom, who was in a small self-help group and could access microcredit, could run small businesses, the small enterprises. And we were able to eat, we were able to go to school. And also the [unclear] bathroom. So I believe that still many people living in the slums, by accessing microcredit, by doing good businesses, by believing that they are able to make it, will be able to change the lives of many people who live in the slums, better their children, who ultimately grow up and do something for their nation. Let me also say that [unclear] businesses in the slums need to be different in the urban slums. Business is not just all about making profits. I think we need businesses for change. We need businesses that apart from giving us profits, also contribute to our social development. And people we've seen in other areas- where women come together- and apart from just looking for finances through the business that they do, they are getting social action plans and community action plans, and they say, 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 do serve. Where the thing is even the youth of the urban slums and the kind of business that they do. We've seen those that have taken care of facilities electronics that have been able to help try to reduce incidences of businesses that would come as a result of not having a very good system like that. But also, not to forget and say that as we talk about sustainability of the projects in these other areas. Good governance is essential. Businesses [unclear] must practice good governance in terms of building the microfinances and general administration. They need a clear-cut vision of who they are, where they are, and where they want to go. And we as people of the microfinance [unclear], we all have a role to play by doing our jobs well, by inspiring people, and making them believe that it is indeed possible to bring about change. Thank you so much and God bless you.

(applause)

**Chair:** Thank you for that.

**Liz Case:** Can you hear me? OK, good. New towns are a way to handle the densification, but the land pressure in urban areas is such that there will always have to be an element of upgrading, and probably a significant element of upgrading will have to take place. Slum upgrading also costs about one-fifth to one-tenth less than new settlements cost, depending on what's available already in the area. And slums are where they are for good economic reasons. People move to places that allow them to be close to city centers. That means the land value is high, there is always times when relocation is needed. But it can have difficulty- it can destroy social fabric. But on the other hand, as Ingrid has pointed out, there are ways to preserve that social fabric. That's a very important part of a slum settlement that is being upgraded. The question about whether we're financing that kind of thing or not- at the moment, we're too small. We hope that on a large scale but the answer is no to large slums like Kibera. Are we, as U.N Habitat financing? We're not, we're working with governments and donors on projects that are bringing in water and infrastructure and doing upgrading. We're dealing with land issues. In the slum upgrading facilities itself, yes, we're doing both new construction builds and progressive build upgrading. We're getting domestic banks to lend, but we always need to find some sort of subsidy. In Ghana, that has been commercial cross-subsidization- building shops into the three-story buildings. In other countries, like Indonesia, that has been getting municipal finance contributions. You will always need to do both in order to deal with the densification issue. Dave, if that answers your question.

**Chair:** And just a question we had for Ingrid. How many new homes are you planning in the new town and how are people financing these houses? Are you providing long-term, medium-term loans? Can you just give us some sense of that?

**Ingrid:** Thank you. In this particular new town, there are two thousand homes. The normal family has six members, so it will service twelve thousand people. That is just the beginning for us. For an organization like us to do slum upgrading is not so easy. Most of the people in the slums are tenants. They do not own their shack. They are renting it. And you will find that they will then be chased away, and others who are a bit better off will come into the new houses. And that's why we have found it easier to buy a piece of land so that we can control it and our members can control it. But I agree with you that first of all, we don't want to leave these horrible slums. We have to upgrade them. And we have to go both ways. But for upgrading of slums you must have a heavy government involvement. It's impossible otherwise. And what you find is upgrading of slums in most countries in Africa is chasing away the poor and some better off are coming into centers that are close, to the city center, as you said, and therefore very attractive. And they chase away the poor, and the poor go further out in worse and worse slums. So we have to go both ways and governments have to be involved. Yes. In financing the houses, we started by borrowing money for the construction itself and the members are getting loans from us, from Jamii Bora. And I mentioned on the first day here that Jamii Bora is now a real bank. And we are a bank since the 30th of March this year. So we are a very new bank but we are very proud of it. Jamii Bora Bank now exists and we have the right to give housing loans. But we cannot give over a certain percent of the total, so we will also have to go by possibly also setting up a special housing finance institution that can do more housing.

(Question asked from 40:40 to 40:54)

**Chair:** Question- slums are the centers of crime in many towns across Africa? How can microfinance intervention mitigate such risks in product delivery?

**Robert:** That's a good question. And I think that human beings have to live and human beings have to survive. And sometimes they do whatever they can do to make ends meet. People with no skills in doing [unclear] business, people were not able to access finance and even run profitable ventures, wouldn't have any other thing to do than turn to crime, turning to prostitution, or other social vices, to be able to make ends meet. I believe that microfinance [unclear] funds to people, especially the youth and women for this matter. We actually equip them to be able to get into 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, definitely they won't think of turning to crime and they make ends meet.

**Chair:** Thank you. Ingrid?

**Ingrid:** 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- sorry, all men, had a tendency to go into crime while the women were toiling away like this. And we decided to change them. And they change if they have another chance. If they get a chance to earn income through microfinance, and you met- those of you who were here the first day- you met Wilson Minor. He was a very wanted criminal in [unclear] slum, one of the worst. And when you saw him, you saw he's a very beautiful man and a good father and a good husband. And he himself has been part of convincing hundreds and hundreds of criminals to get out of crime. 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. And when you get them out of crime, they don't have to be shot by the police. Suddenly, they will survive and their kids will have their father alive. So, it is possible to get people out of crime. It is possible to do it with microfinance and Jamii Bora has proven it.

**Chair:** Thank you. There's another question and it links on to land rights, which I think will probably come up- President Toledo is very familiar with Peru's. Peru has led a lot of discussion in this area. But slum upgrading- is this worthwhile while residents don't have tenancy rights at all? Is it still a project that

you want to take? And can you give a sense of how the upgrading occurs while the property is still in dispute, if you will?

**Liz Case:** Well, it is difficult. I don't know if anyone has been following the news on Kibera lately, we do have a project there that so far has moved a thousand people into proper accommodation and now there's a group of people who have taken the project to court over the land issues on ownership. It is definitely a difficult situation. We need political will to sort out the land issue. 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. The projects that we're doing in the local finance facility program that I told you about, we have a volunteer Board of Directors that are taken from government, from private sector, from so on, who must resolve the land issues before we go ahead and finance the project. We are finding banks don't mind that much if the land is in the name of the community. They want to just see that their loan will be repaid and as long as there is a sense of security of tenure, we can go forward. It's a continuum, and we work it out based on the national situation, based on customary law, based on lots of different things. 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. We do have to work around that. And, just to say one more thing, there are so many situations where tenants are the main occupants of a slum, and that does have 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 organized, that's your first step. And that's a big sort of way to deal with issues of who owns what and where and how to resolve that.

**Chair:** Another question. What weight do you place on the strength and reliability of legal system in creating an environment conducive for the poor. And I think in this case, we should say in terms of providing finance to the poor. Do you rely on the legal system, either Robert or Ingrid?

**Ingrid Munro:** You cannot fight the legal system if you want to survive as an organization. And we do not want to advise our members to fight the legal system either. But we can do a lot within the legal system, especially if you are clever. And you negotiate and you go in steps like that. And so, when people set up their businesses, they often in the slums set it up on plots that they don't own. But we negotiate with the government and the local authorities, and eventually the best solution is that we can buy land- big pieces of land- and that we can develop it ourselves so that we know that those who have shops will not have their shop pushed down one day because it's not their piece of land. Those who have a factory will not have the factory destroyed one day because it's not their piece of land. And those who have invested in their houses will not have their house pulled down one day because they don't own the houses. Now, to do that in the urban slums, we decided to just go for buying our own pieces of land and develop. While we are arguing with the government and trying to convince them, and talking to U.N. Habitat and everybody else who has a voice, that we also need to do something about raising enough possibilities within the urban areas. But you can't fight the law. You can handle it softly, but you can't fight it in the end. Thank you.

**Chair:** Robert, you work with some very disadvantaged youths in your programs, and you provide them some coaching, and I guess advice- 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?

**Robert:** Well, I run one big portfolio that has two different programs. One is in the [unclear], the other one is on Street Kids International. The average loans for the youth who are accessing funds from [unclear] was ten thousand Kenyan shillings for a start. Initially, it was supposed to be like twenty thousand Kenyan shillings, but we all know what happened in Kibera during the year 2007 and part of 2008. We thought- or rather other people thought- that's a very volatile and risky situation. No wonder they reduced the amount of money from twenty thousand to ten thousand. But even though we gave them the first loans in December of last year- 2009- the repayment rate has been remarkably good. And now youth are accessing an average of thirty thousand shillings. While they're doing this, graduating from [unclear]. But usually it takes them six months to be able to repay the fast loans. 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, you find that actually, their asset base is actually increasing and they have been able to do something worthwhile with the loans. So we are giving them ten thousand for a start. They are proving very very hard-working. No wonder they're accessing bigger and bigger loans as their asset base keeps on growing.

**Chair:** Thank you. Thank you. I'm going to put another two questions sort of together. There are a number of people asking, saying slums have political dimensions- i.e. powerful people have vested interest in keeping the slums going. In this regard, what are the major obstacles for upgrading. And another question that was linked- what about the risk of physical planning and how does that impact the whole financing of these projects? Ingrid, I guess when you started on a clean slate of land when you buy, you can address those things, but in the urban slums themselves, I guess the question really is there seems to be those who want to keep the slums going as they are- the landlords who don't really have title. So when we provide financing in the slums for home improvement or for, in that sense of the individuals' upgrades, how are you addressing that?

**Ingrid 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, and those loans we cannot give as long-term loans, you know? We can give it, and it 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's 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 one who buys knows 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 than buying land ourselves at a cheap price before people have seen that that plot is very good, it's going to be part of the city one day. That's what we have done. We have bought land that people didn't see could be part of the city. And it is already part of the city, you see?

**Chair:** A question interestingly comes from Bangladesh. While urban migration is a big problem in the countries like India and Bangladesh and of course in Africa- we know that, too- don't you think that U.N. Habitat's slum support program will further aggravate the problem? What solutions do you suggest?

**Liz Case:** That's an interesting question. With a billion people in slums already, I think the trend towards stopping people from migrating from rural areas to urban areas, I think that's been a discussion over the past decades. That's not something U.N. Habitat deals with. We absolutely need as a U.N. body to support the development of rural areas. And we are seeing trends in other regions where secondary cities are growing. What we don't want to see is one city like Nairobi just getting larger and larger and larger at the cost of all the other secondary and tertiary cities in the country. So, U.N. Habitat does work in any city that has the problems that go with urbanization. And that can be quite a small town. I want to give Afghanistan as an example because we had a huge program in Afghanistan and it was one hundred percent rural. It was called the National Solidarity Program and it went into small communities; it provided small loans, it helped with small- communities identified what things they wanted done. It might have been a road fixed or some sort of infrastructure. So we do tackle rural areas that have urbanization

issues. And that has to continue. Globalization, it just means we're so well-connected now that we can't separate cities from towns and countries. I also don't think we can stop people from moving around countries and the cross-borders. We have to try to [unclear]. It's what they describe as a wicked problem. It doesn't have any one answer. It's not wicked as in it's evil; it's just wicked in that it's very complicated. There's no one answer, but all kinds of solutions need to be brought to the table. So your point is very well-taken.

**Chair:** So maybe one of the last questions again. The question was: in slum areas, women are affected severely compared to males. Do you have a special consideration in addressing this problem and how? And I think we've talked about in your financing programs. Maybe yourself, Ingrid, and Robert? Do you have different program for women than you would for men in that situation in the slums?

**Ingrid Munro:** No, we don't have different programs for women, but the women come first. They're the ones that get interested in microfinance first. Initially in Jamii Bora, we only had women members, but we are very proud that the men are going out of crime, are going out of sitting at home waiting for the wife to do everything, and also get involved. And we can't change the world by asking the women to raise the children to do the income-generation so the men can stay where they want. So in Jamii Bora at least, we have found it urgent, necessary, and the only practical thing to give loans both to women and men. And we encourage all men to get involved and feel responsible.

**Robert:** And maybe yes to, I don't know what Ingrid is saying, it's true that in microfinance, I don't know why, but it is proving that women take the lead. They are very interested. Their repayment rates are even better than men. But when you look at Street Kids International, what we do is we have a program that trains youth and youth workers. In the selection of the youth workers who actually go and train the youth in their respective communities, we usually aim at a fifty-fifty representation, male and female. When we recruit the youth even to come for the business training and even for future funding, again, it's fifty-fifty representation. So we actually ensure that even women get access to all the services that we do provide.

Well, thank you to the delegates and to all those who asked questions. And those questions that we couldn't get to- and there were quite a few- we'll also give to the speakers. I think some of them may want to think of those or address those in other panels they're on. Again, I believe it's been a very interesting conversation and thank you all for your help. Let me just ask Sam now to introduce the special guest to conclude this panel.

**Sam Daley-Harris:** Great, thank you. Thank you to our panelists. And our chair. The Microcredit Summit Campaign has been blessed to have a very special advocate, the former President of Peru, Alejandro Toledo. President Toledo was with us two years ago at the Asia/Pacific Regional Microcredit Summit in Indonesia. And he was with us last year at the Latin America and Caribbean Regional Microcredit Summit in Colombia. And now he's with us here at the Africa-Middle East Regional Microcredit Summit in Nairobi. And I think it's most appropriate that his comments are coming at a session on microfinance in urban areas. And I have a feeling you'll get a sense of why that is in his remarks. Please welcome the former President of Peru, Alejandro Toledo.

President Toledo: Congratulations to the panel. I apologize for the way I'm dressing. I know it's not very presidential. But what the hell? [applause] I wanted to hear this panel, so I didn't have time to change. And I don't want to change because I just came from one experience that has made me a rich man.

When a person charged with a wealth of experience of seeing something concrete, that goes beyond my regular job as a professor at Stanford University or at Harvard or *even* as a former president. I'm coming from that experience of seeing this new town, Kaputiei. That's the creation of one of the greatest human

beings, Mama Ingrid. My shirt is charged with the dust of a concrete experience of seeing the faces of the women and men who can verbalize how their life has been changed so dramatically by just opening up a window of opportunity. Of having a roof under which to live—with tranquility. ~~But all~~ Without the concern that someone could take it away. But also knowing that they have something that belongs to them. With the psychological benefit of knowing that, finally, something is ~~being~~ empowering for them to have a roof, to convert it into a business, a roof that they build themselves from concrete to bricks to tiles for the roof.

I have come over here, fifty-two hours flying from Peru to Washington, from Washington to London, from London to Nairobi. And I have come over here to pay a tribute to those people who are producing smiles in the faces of human beings who have the right to have a dignified life. I have come, leaving my other responsibilities, to pay tribute to my friend, Muhammad Yunus, a man who is transforming many lives in the world. To Ingrid, who had the insight, the wisdom, and the strength to pick up children, men and women from the street and [make it her life's work].

This is my first time that I've been in Africa and you may not know much about my life, but I did not have the privilege of having a Momma Ingrid when I was a child in the street shining shoes, selling newspapers or tickets for the bus. I didn't have microcredit institutions to provide me a window of opportunity and perhaps to create early in my life a smile that today I envy [in] many women I have seen in this new town Kaputiei.

I have come over here to pay tribute to Sam Daley-Harris for continuing and buying such a dream: the Microcredit Summit Campaign. I have come here to pay a tribute to the woman who are empowering women and men through their cause. Lydia Koros. Jennifer Riria. Today, I pay tribute as a common citizen of the world and as an insane academician who lost his mind to enter into politics. Poor people do not want to be given fish away. Poor people have dignity--and mind you--I know what I am talking about. Poor people are asking the right to have a window of opportunity to empower themselves. To generate their own jobs. To generate their own personal income and be able to consume their basic needs for them and for their children. Microcredit experiences have shown around the world that poor women have are exceptional administrators over scarcity. Poor women have shown that if you just give them one dollar, they change the world. My friends, those who are supporting this Microcredit Summit, those who contributed to the funds for microcredit in ~~the~~ different forms and fashions, don't do it out of compassion, out of solidarity, do it because it's good for your business. Because the poor, when they have a job, they will purchase what you produce. They will deposit their salary in the banks, ...they will buy your Yahoo!, your Google, your shirt... So investing in the poor is profitable for a business, and it's good for a dignified life for the poor. Selling potatoes, tomatoes in a house that is built by their own hands, by a bank that belongs to the people-- it is a window of opportunity. And believe me, the shanty town that I was raised in Peru...

[Audio ends]