ROLES OF ODA AT THE INTERSECTION OF URBAN ENVIRONMENT IMPROVEMENT AND POVERTY ALLEVIATION

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SUMMARY

The question of how to improve the poor living environment in low-income areas of cities in developing countries is at the intersection of many issues such as urbanization, poverty alleviation and environmental protection, and will become more important for international cooperation in the future. In planning and implementing living environment improvement projects in low-income areas, ownership of residents and flexibility on choosing the improvement measures are important factors to draw out investment will of residents. In order to fulfill this objective, this paper examines the importance of NGO intervention, the micro-credit system, the establishment of a housing finance system, appropriate support from the government and the significance of improving the land management system.

1. INTRODUCTION

Asian countries have experienced rapid economic development and urbanization, which has caused serious environmental problems in urban areas such as air pollution, water contamination and waste disposal. Cities in developing countries have many low-income areas with poor infrastructure. Urban environment improvement through provision of various services such as water, sewerage, electricity, public transportation and waste disposal has become an even more urgent issue. On the other hand, income disparity between urban and rural areas has increased along with economic development, and it is anticipated that a sharp increase in urban poor population will continue as a result of rural-urban migration. Thus, it is widely recognized that taking various measures to alleviate urban poverty, along with environmental improvement, is an important agenda for Asian cities to maintain their momentum of growth into the 21st century.

With this background, the improvement of the living environment in low income areas of cities is situated just at the intersection of urban environment improvement and poverty alleviation. Urban environment improvement projects including water supply, sewerage improvement and community waste management usually require huge amount of investment for treatment facilities such as water purification, sewage treatment and waste disposal plants as well as construction of sewers. Japan's ODA have supported these projects in cities of developing countries. In order to make these projects sustainable, it is extremely important to execute appropriate measures based on the user pay principle so that the necessary maintenance and operating costs can be recovered. However, it would be unreasonable to place a burden of the maintenance and operating costs for environment improvement facilities on the low-income level of people in the developing countries, when considering it is a large burden even on the urban residents in developed countries. As a result, it would be very difficult to promote environment improvement in low-income area of cities through conventional methods which require a huge initial investment. For example, in the low-income areas in Manila, even in areas that have a water supply system, adequate water pressure cannot always be secured and thus there are many areas where water is supplied only for a few hours a day. In other words, in order to improve the environment improvement in the low-income areas of cities, it has become essential to adopt methods different from the conventional way of placing priority on facility development.

Next the relationship between poverty alleviation and improvement of living environment is examined. The improvement of living environment itself does not necessarily raise incomes directly. However, the important point here is that investment in housing is one of the biggest investments made by an individual and in most cases is the main reason for saving money. Many

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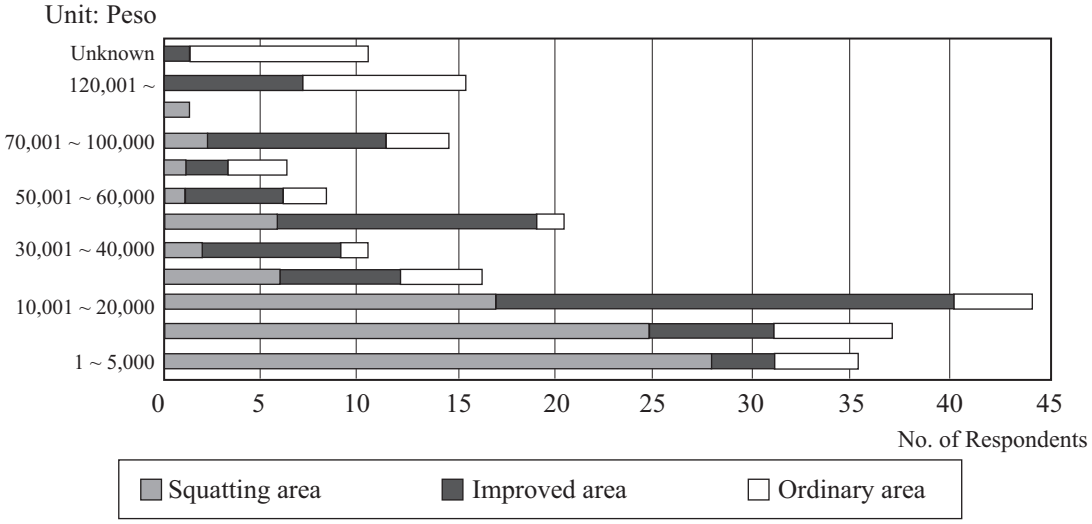
cases[1] have already been reported in which even those who are in the low-income level of people in developing countries would actively invest in housing if given the housing investment opportunity and will. This can be easily confirmed by the active housing improvement taking place in regions where living environment improvement projects are being conducted with government support. In the study conducted by the author in the low-income area of Manila, there was a startling difference in the amount of money invested in housing in regions where living environment improvement projects were carried out, and those without such projects (see Figure 1). As background, it can be assumed as a positive cycle that the improvement of living environment and provision of housing investment opportunities bring about further saving will, and elevate people's motivation for labor on low incomes. In order for such a positive cycle to function, it would be effective to incorporate micro credit schemes as one of the components for living environment improvement projects to start microenterprizes.

2. A NEW FRAMEWORK FOR LIVING ENVIRONMENT IMPROVEMENT IN LOW-INCOME AREAS

As represented in the BOT method, the participation of the private sector in partnership with the public sector is progressing in the urban environment improvement projects. On the other hand, the participation of residents and citizens in the planning and project executing stages are beginning to increase gradually. As a result, a new framework of urban environment improvement that widely involves the private sector as well as civil societies including NGOs is now in demand. Such a framework goes beyond the conventional framework in which the government unitarily conducts the infrastructure improvement project to provide public services. It is widely recognized that participation by NGOs and CBOs (Community Based Organizations) is essential especially for living environment improvement projects in low-

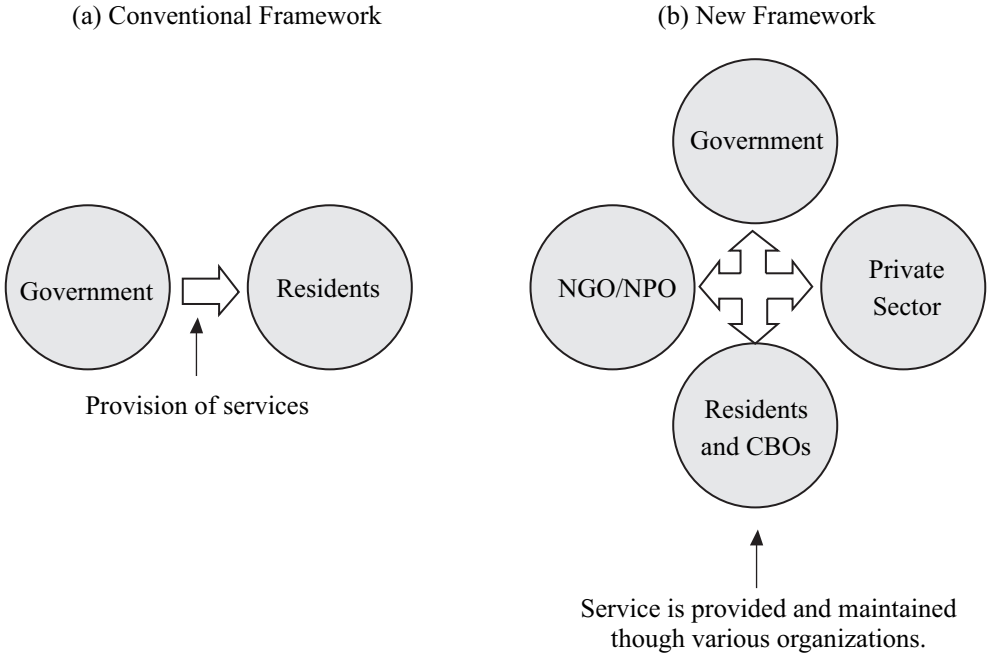
Figure 1 Housing Investment Amounts by Housing Type (Manila)



Note: The results are based on surveys conducted by our research group in a region adjacent to Manila. 100 households were surveyed for each of the three types of areas.
The squatting area and improved area are both in the same location and both have the same living environment and housing levels before the improvement projects were implemented. However, it can be seen a rapid increase in housing investment activity in the improved area following the improvement projects.
Squatting Area: Slum area where the residents do not have land ownership rights (no improvement projects)
Improved Area: Slum area where improvement of fundamental living environment projects have been implemented
Ordinary Area: General middle income residential area

1 For example, a case study of Kampung Improvement Program (KIP), a community infrastructure improvement program in low-income districts of cities in Indonesia, showed that the average housing investment per household was US$550 in areas where the KIP was implemented, but only US$247 in areas where the KIP was not implemented (Shubeler, 1996).

Figure 2 New Framework for Urban Environment Improvement



income areas, and this will be examined in greater detail in a later section. With such a background, it is probably sufficient to say that, beyond the conventional framework of infrastructure improvement by the government, ODA is also required to build a new framework, which supports mechanisms for improving the urban environment that widely incorporates not only the private sector, but the civil societies such as NGOs and CBOs (see Figure 2).

As mentioned above, the improvement of the living environment in low-income urban areas is situated right at the crossover point of the most important urban policies on urban environment improvement and poverty alleviation being embraced by major Asian cities. In addition to the infrastructure improvement (living environment improvement) in regions of water supply improvement, it has also become very important to promote the construction and provision of housing that can be obtained by the low-income level of people. This issue will be explained more fully in the following section.

3. ISSUES IN COMMUNITY INFRASTRUCTURE IMPROVEMENT

When the housing development targeting low-income levels is made in the cities of developing countries, it is more likely that imposing a high standard of urban community infrastructure improvement from the beginning of development will raise the development costs. As a result, such housing will eventually become out of reach for low-income people. Therefore, a system needs to be established where community infrastructure that meets the minimal requirement is established at the time of the initial development, and then the provision of public facilities and urban services can be gradually provided later in accordance with changes in living standard and the degree of urbanization.

Many experts have indicated the importance and effectiveness of preparing the needed community infrastructure within a district through resident participation with the support of the government and NGOs. One famous example is the Kanpung Improvement Program (KIP) which was widely implemented in many cities throughout Indonesia. There are differences in the characteristics of each city in KIP, usually residents in the poor districts participate in building and improving infrastructures such as roads, drainages, public toilets and others, through technical and financial support provided by local governments. In this respect, KIP is seen as a very valuable project, which shows it is possible to make steady progress in improving a wide area of cities through resident participation that is led by the government. Another example is the Orangi Pilot Project (OPP), which is the name of a local NGO in Pakistan. This project is carried out at the Orangi squatters (people living on land for which they do not have ownership rights) district in Karachi. In the case of this project, residents themselves are involved with the construction of low-cost sewage and drainage facilities using low-cost technology and community organizational support provided by the OPP. This project

is just one example of how residents themselves tackle the necessary improvement of community infrastructure with the support of NGOs.

Our research group conducted an interview survey in the squatter area in Manila. Residents were asked how much they would be willing to pay for the project on the assumption that it would provide facilities for the community infrastructure improvement projects such as road pavement, water supply, and drainage facilities. The average amount they stated was more than enough to cover the costs of the project, but the amount each resident would be willing to pay varied widely. Consequently, in the case of an actual project it would be very important to coordinate residents with diverging views on how much they would be willing to pay. It has been reported that the role played by NGOs, acting as a third party, has been very important in many cases of trying to coordinate these residents (Shubeler, 1996). Residents of the squatter area in Manila surveyed by the author were active in recycling activities unified with trash collection. These activities are currently being promoted under a community-based organization (CBOs), but they were originally initiated by an NGO called Save Pasig River Movement (SPM). SPM played many important roles in helping to start up these recycling activities, including helping to organize the various community groups in charge of recycling activities in the region, contributing to the temporary storage of recycled items, and organizing local government bodies for the collection of garbage together with recycling at the same time. NGOs from outside play a key role in organizing the local citizens and mediating between CBOs and local government bodies.

4. ESTABLISHING A SUITABLE LAND AND HOUSING MARKET

As mentioned above, the improvement of the living environment in low-income urban areas is situated right at the crossroads of the most important urban policies on urban environment improvement and poverty alleviation being embraced by major Asian cities. In addition to community infrastructure improvement (living environment improvement), it has also become very important to promote the provision of housing that can be obtained by low-income people. The conventional model has tried to provide housing to those on low-incomes by promoting the construction of public rental housing. However, rental housing policies put forth by the public sector in many developing countries have not functioned very well due to various political and other reasons. There has been a tendency to provide housing at a level that is too high to be affordable for those in the lower-income bracket. There is also the problem of inefficiencies within the public sector (construction costs tend to be higher than those for the private sector; the government sets rental fees excessively low, and the collection rate of rental fees is low). The subsidy for each house becomes very high, and as a result only a very small amount of housing is actually provided. Under such circumstances, as emphasized by the World Bank, it is considered to be appropriate for many countries to promote the housing which those on low-incomes will be able to obtain through the rationalization of land and housing markets and at the same time quantitatively expand the private rental housing market (World Bank, 1993). There is still much to learn about the state of private rental markets in developing countries, and thus it is difficult to here propose suitable policies that should be adopted in the future. However, advice can be given on how to create a financial support system for constructing private rental housing for those in the low-income bracket. This section will take up two points regarding the improvement of the land and housing markets: (1) establishment of a housing finance system through which even those in the low to middle income brackets will be able to obtain housing, and (2) improvement of various systems facilitating the smoothing of the land market, such as the land ownership system, land use control system, land tax system and regulations on the expropriation of land, with particular reference to the land use control system.

4.1 ESTABLISHMENT OF A SUITABLE HOUSING FINANCE SYSTEM

In many developing countries housing finance is provided from private financial institutions mainly for those in the upper income brackets, with housing finance to those in the lower and middle-income brackets being very limited. Many in the lower income brackets do not even have savings accounts and their earnings are unstable. This has made the provision of housing finance rather difficult. It is very difficult for the private sector to bear all of the risks associated with housing finance in developing countries under such circumstances. It is natural to assume that some type of public intervention will be necessary. There are various levels to such public intervention, but each country will need to search for the methods that best suit their unique conditions. Here several examples will be cited and their merits and demerits will also be examined.

In Japan the degree of public intervention is high in the provision of policy-directed housing finance with low interest rates, mainly held down by a government agency

(the Housing Finance Corp., in the case of Japan). Korea has adopted a similar system, but is also planning a switch to a secondary mortgage market (Watanabe, ed., 1998). This will be mentioned in a later section. In the case of Japan's Housing Finance Corp., the sources of funds are from the Fiscal Investment and Loan Program which are working assets from postal savings and other direct saving systems by the government agency, while the back spread portion borne by the policy decision to keep interest rates low is compensated as a subsidy by the government. However, there would likely be many problems in trying to apply such a system to developing countries. Firstly, compensating the back spread portion of low interest rates for a long period, by using subsidy, could be too much of a burden on the governments of developing countries with frail financial situations. Secondly, the construction of a huge savings system directly run by the government could inhibit the development of private financial institutions. There is no guarantee that the public sector will efficiently distribute resources, and there is the danger of damaging the efficiency of that country's overall financial system. In consideration of these points, this first method is probably not the direction that should be taken by many developing countries.

Another method with the second highest degree of public intervention is a government-affiliated housing bank which provides housing finance as an independent entity. The Thai National Housing Bank (NHB: 100% state-owned public corporation) is a typical example in Asian countries. Like India the government-affiliated bank is a provider of funds to private financial institutions as APEX bank[2] while lending to individuals can be executed by private financial institutions. In the case of Thailand's NHB, the main source of revenue for housing finance comes from individuals' deposits and the issuing of government guaranteed-bonds. Since its foundation until the beginning of 1980's, NHB did not play a very significant role in terms of quantity. However, around the mid-1980's, NHB was able to offer housing finance with rates lower than those of private banks and its volume of loans grew rapidly through management efforts including drastically expanding the number of branches and promoting efficiency in lending and collection work. NHB developed its own method of looking at the state of a person's savings account to judge their creditworthiness for the loan appraisal standard of housing finance. Furthermore, NHB endeavored to elevate the saving will of those in low- and middle-incomes by housing finance in conjunction with saving account deposits. As a result of these efforts, NHB has made it possible to provide housing finance even to those in the upper low-income bracket. This method has been successful in providing long-term, low interest loans to those on upper low-incomes. However, several issues still remain to be made clear, including how to ensure efficient lending and collection work, how to assess the credit risks of individuals, how to elevate the saving will of individuals and what degree of government participation is needed in issuing government-guaranteed bonds, and thus the application of this method should be carefully examined in other countries.

The third method, which is said to have the smallest level of public intervention, is the method used in the U.S., where the government helps to establish a secondary credit market for housing mortgage loans. Public secondary mortgage institutions were already established in Malaysia and Hong Kong under the 100% investment of the government and these institutions have given actual results. This public secondary mortgage institution procures funds through the issue of government-guaranteed bonds and purchases housing mortgage loans owned by the private financial institutions. Afterwards, the risks of debt are taken into consideration, then a suitable combination that will get the highest overall rating is made, and some of the debt is re-sold to third parties. As a result, the risks associated with the housing mortgage loans are ideally and optimally spread through the market, the overall risk is decreased, and interest rates can be lowered. Furthermore, even though the housing loan debt, which is purchased and resold by the public secondary mortgage institution, is not guaranteed by the government, a high rating can be obtained as it is transacted by a public institution. Low-interest housing loans are made possible since the public secondary mortgage institution works in conjunction with the fact that funds can be procured at low interest through the issuing of government-guaranteed bonds. In the US, the public secondary mortgage institution called Fannie Mae was established, which then became privatized. Private secondary mortgage institutions are being established, and mechanisms are also being created by which interest rates can be lowered through competition between these institutions (that is, through an optimal distribution of risk). Since the Asian economic crisis, Thailand and Korea have been establishing such public secondary mortgage institutions. From the institutional point of view, this public institution can be regarded as the most desirable of the three methods

2 A bank that provides business advice to housing finance companies, procures low-interest funds through the issuing of government-guaranteed bonds, and provides low-interest funds to private financial institutions.

mentioned here, as the financial burden from the government is the smallest and risk is optimally distributed through market principles, meaning that efforts are made to lower interest on housing finance. However, in order for this method to work effectively a quantitative expansion of the overall bond market is a precondition of risk being optimally distributed. Currently the bond market is very small in many developing countries and there is little expertise in buying and selling bonds within these countries. Therefore, it would be very difficult to immediately start implementing this method. This method should be gradually introduced while improving the legal framework related to mortages, the bond guarantee system and other necessary conditions.

Some of the representative housing finance systems being implemented in various countries were selected and examined. In order to realize the long-term housing finance with low interest that can be used by those in the low and middle income levels, the main point is whether or not a housing finance market that is large enough for the optimal distribution of risk can be established, including a primary market (housing loan market between banks and homebuyers) and a secondary market (housing mortgage market). During our interview of residents in a low-income district of Manila, we asked how much they would be willing to pay per month for four types of housing: (1) low-cost housing units in the suburbs, (2) low-cost, mid-level condominium housing units near the area where they are currently living, (3) redeveloped low-cost, mid-level condominium housing units in the area where they are currently living, and (4) redeveloped low-cost, mid-level condominium rental units in the area where they are currently living. The results of this survey showed that even though the amounts they were willing to pay were low even in the level of people in the low-income district (in other words, there was not a strong desire to move to that type of housing), a fairly large percentage of these people (60% of the 200 households interviewed) expressed a willingness to make payments for two of the types of housing mentioned, namely redeveloped low-cost condominium housing units in the area where they are currently living, and low cost housing built in the suburbs. In the case of the smallest housing unit called 'core house', the minimum basic infrastructure (land, electricity, waterworks, drainage and toilet septic tank) is provided initially to lower the initial investment costs, and then buyers can later make additions and improvements when their financial situation so allows (Yokoyama, Kidokoro and Onishi, 1999). With this amount (average of 2,500 pesos per month), the residents can afford low-cost housing (around 200,000 peso), provided they can receive the same housing loan conditions currently provided by private banks in Manila to upper income applicants (15 year repayment period with interest rate of around 15%). However, private financial institutions in the Philippines generally do not extend housing loans to those in the mid- to low income levels. Meanwhile, in the case of a public housing loan system that provides low-interest, long-term loans through public support, the main borrowers are limited to members of the Mutual Aid Pension Association for Public Servants (GSS: Government Social Service) and the Mutual Aid Association for Private Company Employees (Pag Ibig). The Mutual Aid Association for Private Company Employees is basically made up of members of the private formal sector, and the number of members was less than 2 million in 1995. The actual number of these members receiving housing loans as of 1995 was only 27,000. Namely, people who have been excluded from the housing finance system, though having a sufficient will to pay, must be incorporated into this system. This is an essential condition for expanding the size of the housing finance market and consequently realizing low-interest and long-term housing finance.

4.2 ESTABLISHMENT OF A LAND USE CONTROL SYSTEM

Improving the land management system (land ownership system, land use control system, land tax system, regulations on expropriation of land) is an important issue for making it possible to provide land and housing prepared with the improved basic living environment for people on low-and middle-incomes. As for the improvement of legal systems for land ownership systems, land tax systems, regulations on expropriation of land etc., since the interests of stakeholders in each country are intertwined with each other under its own unique circumstances, it is necessary to proceed with such systematic improvements from the long-term viewpoint. Meanwhile, because the land use control system is directly related to the provision of land and housing, it is a theme central to rectifying problems with the system. Also, because this system is better suited to the universal phenomenon of urbanization, as compared to the other systems such as the land ownership system, experiences in other countries can be easily referenced. Here the land management systems used in different countries, particularly land use control systems will be compared and its issues will also be discussed.

As shown in Table 1, many Asian countries began land use control systems in the 1970's, but there are still countries such as Vietnam that have yet to establish such a system. However, many countries have created master plans

for the long-term development of cities. In accordance with these master plans, the necessary preparations have been made for land use control systems, such as land use control plans that serve as the legal basis for regulating and encouraging actual development and development approval systems that serve as regulatory methods. Land use control systems in cities that are experiencing rapid urbanization should be as simple as possible and have a high degree of transparency. Complicated land use control systems that lack transparency will result in higher costs related to land development. Even if this is not the case, the low cost per housing unit and the low profit ratios would discourage developers from developing housing for those in the mid and lower income brackets. For example, formal developers in Indonesia building houses in accordance with the proper land use controls and development regulations have focused mainly on developing houses for high-income customers. Low-income housing accounts for less than 15% of their business. Informal land subdivision operators that do not follow the proper procedures provide the vast majority of the low to middle-income housing. In Indonesia customary land ownership rights coexist with modern legal land ownership rights and the costs for establishing actual land ownership rights have become high. Furthermore, the land use and development control system used during the time of Dutch colonialism still continues today. This results in a very strict system that is out of touch with the actual situation. It has been indicated that the added costs (costs related to the time needed for obtaining a development license, costs for preparing infrastructures not in line with the actual situation) associated with the proper development control system have become restrictive conditions (Kidokoro, 1995).

The situation in Thailand provides an interesting contrast to the situation in Indonesia. From the late-1980's, Thailand began simplifying procedures for its land subdivision control system, which is an appraising system for housing development, and regulations were loosened for the level of infrastructure needed at the time of development. As a result, costs related to land development were lowered, and the formal development of properties that could be afforded by those in the upper low-income level became much more active. Furthermore, a comprehensive plan was enacted for Bangkok in 1992 based on the Urban Planning Law. By establishing zoning regulations for land use, when the land is developed by developers, it has become easy to see what land could be used for their development projects. However, land use control that is too loose may result in big problems for the environment. In Bangkok a wide range of the land has been designated as being available for development in accordance with the land use control. On one hand this increases the amount of land available for development which helps lower the costs of land and housing. However, there could be various problems if construction of the basic infrastructure fails to keep pace with the sprawling land development in the surrounding areas. Such problems could include serious traffic congestion in the limited principal roads and polluted water in the canals due to inadequate sewage and drainage facilities. Regarding this point, the Japanese system is cited as a reference here. The city land is divided into two categories: urbanization areas which are to be promoted for urbanization over a 10-year time span, and those designated as urbanization restriction areas aimed at controlling development. The creation of community infrastructure is promoted in the urbanization areas, while property taxes are levied in the agricultural regions in the same manner as in the residential regions, to promote a switch to a more urban-type of land use. (It is pointed out that the tax rates on land ownership including property taxes and others in Asian countries are generally low compared with those of US and Europe, which tends to make speculative land holding more profitable, which in turn hampers the promotion of more effective land use.) There are some cases in which

Table 1 Urban Land Use Control Systems in Major Asian Cities

	Bangkok	Manila	Jakarta
Regional Master Plan	National Five-Year Development Plan	—	JABOTABEK 2005 PLAN
Urban Master Plan	—	Regional Development Framework Plan	Jakarta 2005
Regulatory Plan	General Plan (Mixed-Type Zoning Plan)	Zoning Ordinance (Mixed-Type Zoning Plan)	District Plan (1:5,000 scale) Detailed Plan (1:1,000 scale)
Development Control Measures	Land Subdivision Controls and Building Permites	Land Subdivision Controls and Building Permits	Location Permits, Planning Direction, and Building Permits

Source: Kidokoro (1995)

the Japanese system does not function as effectively as it should. For example, since major tax reductions and exemptions are applied to a large portion of the agricultural land within the urbanization area, owners of this land are less likely to part with it for the development of housing zones. However, the system seems useful for urban development in other Asian countries.

5. EMPOWERMENT-TYPE ASSISTANCE

In recent years considerable attention has been given to empowerment-type assistance in the area of living environment improvement for the urban poor that includes assistance for building and obtaining housing. In this type of project the main roles are expected to be shouldered by community based organizations (CBOs). The main responsibility of the outside organizations (NGOs, local governments) is basically to provide various kinds of assistance for increasing earnings opportunities, while helping the CBOs to improve their living environments on their own. The main components of empowerment-type assistance projects are said to be the formation of CBOs, the training of CBO leaders, technical training (Ex.: training on how to build low-cost drainage facilities for self construction), provision of micro-credit, and assistance in access to basic public services provided by the government (Ex.: regular collection of trash collected by community groups).

The Philippine Community Mortgage Program (CMP) is a well-known example developed under the empowerment concept. The CMP system was launched in 1989 to help the poor living in the squatter areas (slum areas occupied by those without rights to the land). Under this system the government provides long-term (15 years), low-interest (6% annually, which constitutes a form of government subsidy as this interest rate is much lower than the 15% on the market), financing for land ownership, the construction of homes, and the building of facilities for improving living environments such as water supply and drainage facilities.

The unique feature of this system is that the NGOs, local government and the National Housing Authority (NHA) act as financial originators and assist in forming community based organizations (CBOs) in the squatter areas, and help with the clerical procedures related to financing. Financing is provided through a government housing finance institution, with initial funding going to obtaining land and establishing living environments. However, the recipient of the financing is the community organization, and for the first two years land rights are held by the community and not the individual. Repayment of the financing for the first two years is also the responsibility of the community organization. After repayment has been made for the first two years, land ownership rights are allotted to individuals, who then become responsible for repaying on an individual basis. At this time financing is made possible for housing construction. The repayment rate in 1997 was 80%, which is an excellent result, especially when compared with the less than 50% collection rate for individual housing loans provided by government institutions for those from the upper-low to the middle income levels. CMPs in which NGOs served as originators showed an especially high repayment rate of 90% (see Figure 3). It can be assumed that the excellent results in this case are due to greater awareness on the part of the residents because the NGOs help to organize community organizations, ensures independence for the community organizations, in preparing living environments, and conducts activities in line with the original aim of improving living environments led by the community itself. On the other hand, when the local government or NHA acts as the originator, the projects tend to be led by the government. Therefore, the residents are strongly aware of the expedient aspect of loan collection for shared responsibility of loan repayment duty, and consequently it is reasonable to think that the will to improve living environments is weakened. In any case, loans with very low interest rates are provided under the government subsidy in the case of CMP. Since such projects target those in the very low-income brackets, this assistance is deemed to be suitable. Even though there is some room for discussion as to the suitability of providing low interest rate support over a long period of time (it would be financially impossible to provide such long-term interest rate assistance for improving living environments for the entire low-income level), CMP is seen as an important example in the aspect of fostering a will for community-led improvement of living environments.

Thailand's Urban Community Development Organization (UCDO) is said to be an even more developed example. UCDO was founded in 1992 as a subsidiary organization of the National Housing Authority (NHA), which is a government agency. The directors, serving as the decision-making body, are composed of representatives from government organizations, NGOs and experts on an equal footing. The loan is provided to a community cooperative association organized by a low-income community based on Cooperative Act, using 50 million baths (approximately ¥150 million) as funds deposited by the central government, and then the funds as fiscal resources are made available to the members of the

Figure 3 Average Loan Collection Rates for each Originator (Organization Aassisting the Project) in CMP

Note: This figure is made based on Summary of Collection Efficiency, Community Mortgage Group (August 1993)
Source: Minai (1999)

cooperatives. UCDO provides the community cooperatives with funds at interest rates much lower than the market rate. However, the community cooperative provides these funds to its members at interest rates at roughly the same level as the market rate. Spread is retained by the cooperatives to be used for new projects. When UCDO provides funds to the cooperatives, target projects for the funding are determined based on consultations between both parties. Therefore, this funding is not limited to just housing improvement and living environment improvement projects, but can be expanded to include the creation of various small-scale projects. In other words, compared to the Philippine's CMP, this system provides an even higher degree of ownership to the community organization. Eight years have passed since it was founded, and UCDO has been successful as it has been able to maintain the amount of initial funding despite the Asian economic crisis. However, UCDO's operations have been limited to within the range provided by the initial funding, and policies must now be found for expanding operations. However, simply increasing the funding without raising the skills of the secretariat and improving other conditions would lower the quality of the program, considering the fact that currently project components are appraised and determined based on close consultation with the UCDO secretariat. In the further expansion of the program scale in future, it would be necessary to proceed to systematize the project components based on the markets and those receiving subsidies from the government. By making the appraisal and decision-making process for project components more transparent in this manner, and by promoting greater use of manuals, the burdens placed on the business abilities of the UCDO secretariat and cooperatives are reduced, while at the same time burdens and risks of the non profitable project component (Ex.: living environment improvement project) can be removed from loan components. As a result, it is assumed that the financial condition of UCDO can be improved, and the project scope can be expanded by obtaining funds from the market through the issuing of government guaranteed bonds and other methods. Using ODA funds for the needed systematization of project components, creating manuals and computerization is considered to be acceptable when increasing the scale of the program in this manner.

6. CONCLUSION

The question of how to improve the poor living environment in low-income areas of cities in developing countries is situated right at the intersection of many issues such as urbanization, poverty alleviation, and the environmental problems being faced by developing countries, and it is increasingly becoming an important issue for future international cooperation. The conventional way of thinking in which the urban living environment is improved, managed

and operated by government institutions on behalf of the citizens has not been able to solve many problems that cities in developing countries are currently faced with. It has become widely recognized that the improvement, maintenance and operation of community infrastructure must be performed while clearly sharing responsibilities among various entities such as the central government, local governments, government institutions, private sectors, NGOs/NPOs, citizens and CBOs. The examination of advanced examples in this report revealed that, in particular, in planning and implementing living environment improvement projects in low-income areas, ownership of residents and flexibility on choosing the improvement measures are important key factors to draw out improvement and investment will of residents. In order to fulfill this objective, this report examines the importance of NGO intervention, the micro-credit system, the establishment of a suitable housing finance system, appropriate subsidiary from the government, and the systematic improvements on land use control, the land tax system and others. To deal with these issues, it can be said that the conventional ODA framework based on the notion of government institutions providing services to the residents needs to be changed. In other words, Japan's ODA system is required to make major changes in order to switch from a framework of lending support to a single project by a single entity such as a government, especially a central government, to a system and framework of that can provide detailed support to various activities by many different entities.

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