IIED 36pp Report a/w 1/28/05 3:10 pm Page 1

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INTERNATIONAL INSTITUTE FOR ENVIRONMENT & DEVELOPMENT

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urban matters

international institute for environment & development

2004 a special annual report

to celebrate 30 years of human settlements

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IIED 36pp Report a/w 1/28/05 3:10 pm Page 3

urbanagenda

IIED human settlements the first 30 years

contents

Director's report	3
Chair's report	4
Foreword	5
Urban matters	7
A new urban agenda	9
1972: Only One Earth	11
1977: The Human Settlements Programme	12
From 1981: Small urban centres and rural-urban linkages	13
Housing and health	13
Partnerships and networks	14
IIED-América Latina	15
IIED: Current urban work	17
Water and sanitation	17
Environmental transitions	18
Rural-urban linkages	19
Poverty reduction	21
Housing finance	22
Research to action	23
Maximising our voice	23
Research partnerships	24
Influencing others' agendas	24
Working with activists	25
Grassroots programmes	27
Tomorrow's challenges	28
IIED's Other Programme Highlights 2004	29
Staff List 2004	32
Board of Trustees and Donors	33
Statement of Accounts	34

IIED 36pp Report a/w 1/28/05 3:11 pm Page 5

director's report

The Institute has much to celebrate in 2004. Our Human Settlements programme has reached the grand old age of thirty, and demonstrates the virtues of following a consistent, focused approach. In recognition of the programme's work over three decades, David Satterthwaite was awarded the *2004 Volvo Environment Prize*. Breaking with tradition, we focus on 30 years of Human Settlements in this year's annual report. While this report may be unique in the emphasis given to one programme, the key attributes of Human Settlements – partnership, working with local organisations, strengthening voices from the South - are characteristic of work throughout the Institute.

Over this last year, IIED staff and colleagues from around the world have covered a wonderfully diverse set of activities. For example, we have examined the impacts of trade reform on the incomes of women cashew producers in Mozambique, explored options for marketing environmental services, developed a pro-poor agenda for the WTO negotiations, and investigated the impacts of supermarket penetration on the livelihoods of smallholder producers. We also led an exercise to feed perspectives from many of our Southern partners into the European Union's Sustainable Development Strategy. Other programme highlights can be seen at the end of this report.

Another exciting development in 2004 has been our joining with the *Foundation for International Environmental Law and Development (FIELD)* a core group of lawyers specialising in trade, climate change, and biodiversity. We are very pleased with this new association which should greatly strengthen our work on global institutions and law.

The year ahead will prove whether world leaders really have the will to Make Poverty History. The UK government will play a major role, as Chair of the Group of Eight most powerful countries and president of the European Union. The Blair Commission for Africa is also due to report in March 2005. This should provide a strong focus on how the richest nations in the world can best support an African-led agenda for development. As an international organisation, located in London, the institute offers a valuable platform for groups from the South to get their voices heard.

As part of our preparations for 2005, and together with the Royal African Society and the University of Greenwich, IIED held a Conference *Land in Africa: Market asset or secure livelihood?* Our discussions demonstrated that securing rights to land for rich and poor alike will be critical to peace and good governance, agricultural growth, equity and justice. We continue to explore the mis-match between donor priorities and the perspectives of people working at community level. If the *Millennium Development Goals* are to be met, much greater focus is needed on strengthening locally based initiatives. Showering central government with a lot more money risks weakening civil society and marginalising local initiative.

Finally, I would like to say a big thank you to Jan Pronk for the energy, commitment and inspiration he gave to IIED as Chair and we wish him all the very best in his new role in the Sudan. At the same time, I am delighted to announce that Mary Robinson, former president of Ireland and UN High Commissioner for Human Rights, has agreed to become IIED's Chair. Her stature, intellect, and humanity will be great assets for taking forward the work of IIED and our partners. I greatly look forward to working with her to find ways to push for more equitable, just and sustainable patterns of life on our fragile and beautiful planet. At the end of 2004, we also mourn the terrible loss of life from the Asian tsunami. Let us hope that the initial collective global response is a signal that with enough commitment we can forget our differences and act together for a better world.

Camilla Toulmin,
December 2004.
Director appointed Feb 2004

chair's report

My period as Chair of IIED's Board came to an end in mid-2004. I am now Kofi Annan's special envoy to the Sudan, a challenging brief indeed! However, I leave the institute behind in good heart and safe hands. It is a great pleasure to know that Mary Robinson, former President of Ireland and UN Commissioner for Human Rights, will take my place. I am also delighted to have overseen the appointment of Camilla Toulmin in February 2004. It is a fine turning of the circle to have women presiding over IIED for the first time since Barbara Ward established the institute.

While the institute may be in good health, the world is less robust, with all the most important indicators of secure and sustainable development in decline. Since the 1960s, economic growth has been seen as the solution to poverty, more equitable distribution and meeting basic needs. Despite a decade or more of structural adjustment, increased incomes remain elusive in many of the poorest countries. At the end of the 1980s, with the fall of the Berlin Wall, it was hoped that resources could be focused on making the world a fairer and safer place. Many believed that effective change could be bottom-up as well as top-down. Rio's Earth Summit in 1992 saw a flowering of new paradigms and global agreements. But the rhetoric could not be matched with practice. Governments pledged far more than they could deliver either in policy or resources.

The corporate sector now dominates global flows of trade, finance and investment. Globalisation is the new driving force, with economic liberalisation and trade negotiations providing the muscle to prise open markets around the world. Instead of poverty being the collateral damage associated with development, it has become the default of development – a necessary condition required by the global capitalist system, a system based on deliberate exclusion.

From 2001 onwards, we witness growing dissatisfaction, dissent, and exclusion throughout society. The 9/11 crisis has wrought havoc with our multilateral system, the invasion of Iraq creating a political quagmire as deep and damaging as the Vietnam War. Our global climate system is ever-more under pressure. While Russia has signed the Kyoto protocol, the US remains resolutely outside the agreement. Most acknowledge that Kyoto is only the beginning – we will need a much firmer grip on carbon emissions if we are collectively to steer a sustainable, equitable course over the next 30 years.

IIED knows how development processes work, through bottom-up, participatory processes. But mainstream political thinking, whether in government or major international institutions, currently runs counter to this trend, taking a top-down approach, asserting the primacy of macroeconomic policy and "trickle-down" of benefits to the poor. Good governance in developing countries is seen as a pre-condition for help, the beginning of the process and not a potential outcome, which needs to be worked towards, through institution building and political change.

Organisations like IIED must act to change views at all levels. We need to ask how to make a bigger impact in a tough, more polarised world. IIED must accept that "development" involves conflict, as the rule rather than the exception. To improve the lives of two thirds of the world's population, those with power will have to step back and relinquish control. This will not happen without a struggle. If we at IIED want to stay relevant, we must integrate the global dimension into understanding local conflicts.

IIED faces the challenge of relying on donors who are part of the mainstream. How can the power of evidence and argument lever change in thinking amongst powerful actors? Barbara Ward had such evidence and arguments to change mindsets in the 60s and 70s. I have every confidence of IIED meeting the challenges of today and tomorrow.

Jan Pronk,
December 2004.
Appointed November 2002, resigned June 2004

IIED 36pp Report a/w 1/28/05 3:11 pm Page 7

foreword

This annual report has chosen to celebrate IIED's work in urban areas over the past 30 years, its origins in 1974 and the formation of the Human Settlements Programme in 1976. We describe our efforts to change policy makers' views of urban centres and their inhabitants, how urban contexts demand different approaches to poverty reduction and environmental management, and how urban policies need to incorporate rural-urban linkages.

The Programme helped develop new forms of collaboration with partner institutions in Africa, Asia and Latin America. Our work in urban areas is also the story of Jorgé E. Hardoy, the Argentine architect who founded and developed IIED's Human Settlements Programme and who founded IIED-América Latina in Buenos Aires. Although he died in 1993, our agenda on human settlements issues both in London and within IIED-América Latina still follows the lines he established.

overview

- Though many governments see urbanization as a problem, it is usually a key part of stronger, more productive economies
- International discussions of 'pro-poor' economic growth avoid any discussion of urban development yet economic growth almost always involves an increasing proportion of the population living and working in urban areas
- The scale of urban poverty is greatly under-estimated by measuring it with poverty lines that do not allow for the high cost of housing, water and sanitation, health care, transport and keeping children in school in cities
- A more integrated approach to environmental problems, human development and social justice was sparked by the book *Only One Earth*, written in 1971-2 by IIED President Barbara Ward and Nobel laureate René Dubos
- IIED played a pioneering role in creating a global network of research partners focused on collaborative research to identify common issues and concerns
- IIED-América Latina, founded in 1979 by Jorgé Hardoy, has taken a lead in generating new ideas and new literature on urban issues in the region
- IIED's current urban agenda highlights five major areas for action: water and sanitation; environmental transitions; rural-urban linkages; poverty reduction; housing finance
- Collaborating with and giving support to southern partners are crucial to the task of bringing 'local context' into the international approach to 'human settlements'
- One of the most significant developments within urban areas over the past twenty years is the emergence of federations formed by the urban poor and homeless
- An important consideration in tackling urban issues is how funding mechanisms are structured. IIED continues to promote the idea of decentralised funding systems in cities of low- and middle income nations
- The greatest challenge for the years ahead is to change structures within governments and international agencies to make them more effective in dealing with the problems of low-income groups

Cebu City, Manila, The Phillipines

IIED 36pp Report a/w 1/28/05 3:11 pm Page 9

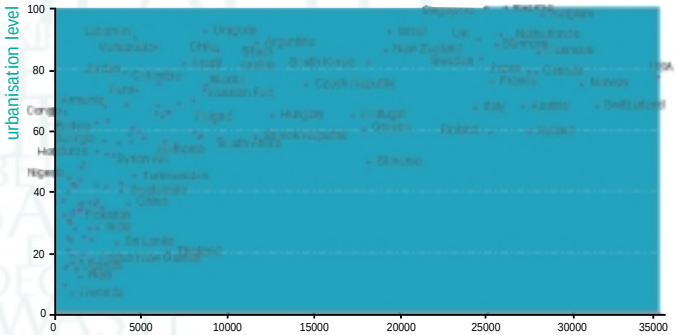
urban matters

Many governments see expanding cities as a problem, even though they're often key to a stronger, more productive economy. Much of the international debate on 'pro-poor' growth avoids any discussion of urban development. Yet economic prosperity usually involves an increasing proportion of the population living and working in urban areas. How urban centres and urban growth are managed and the quality of their governance directly shapes their economic success – or failure.

Urbanization is often judged to be 'out of control', yet it has an economic logic. The world's largest cities are heavily concentrated in its largest economies. The wealthier a nation, the more urbanized its population (see Figure 1). The low- and middle-income nations with the most successful economies are generally those that have urbanized most. Even so, most research on environment and development ignores urbanization. Most National Poverty Reduction Strategy Papers, the development strategies agreed by governments and donor agencies, have no coherent urban strategies. Indeed, many view urbanization as negative.

Good urban governance is central to reducing poverty. According to the World Health Organization, more than 700 million urban dwellers in Africa, Asia and Latin America live in housing of such poor quality their lives and health are under serious threat. It is common for 30-60 per cent of city populations to live in illegal settlements. The same number - 700 million - lack adequate provision for water and far more lack sanitation. As many as 100 million have no toilets in their homes. Despite these sobering statistics, many governments and most international agencies give little attention to urban poverty. Most official measures of 'poverty' under-state the size and depth of the problem in urban areas and fail to recognize how urban contexts influence its scale and nature. Meanwhile, growing cities are generally assumed to mean more serious environmental problems – but this need not be the case. Well managed urban development is key to effective environmental management.

Figure 1: Wealthier nations are more urbanised



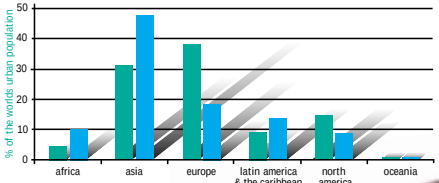


Figure 2: The changing distribution of the world's urban population – Asia takes the lead

The past fifty years have brought dramatic changes in the distribution of the world's population. Asia is now home to almost half the world's urbanites and both Latin America and Africa have more urban dwellers than North America (see Figure 2). Urbanisation is usually discussed in hysterical terms: city populations are "exploding"; cities are "mushrooming"; vast mega-cities "are destroying living standards". The reality is somewhat different:

- NOT EXPLODING: Most city populations are not 'exploding'. In fact, much urban poverty occurs in urban centres that are not growing rapidly. Only 5 percent of the world's population live in mega-cities with 10 million-plus inhabitants – and in 2000 many of these had far smaller populations than forecast.
- NOT MUSHROOMING: Many of today's largest cities have long urban histories. Of the 387 cities with more than a million inhabitants by 2000, nearly three quarters were already urban centres in 1800. One in five existed 2000 years ago.
- BETTER LIVING STANDARDS: Most mega-cities have better living standards than smaller urban centres in their nation in terms of water, sanitation, schools and health care.

Top left: Manila, The Phillipines
Right: Dhaka, Bangladesh

a new urban agenda

Some governments and international agencies have now developed policies to address urban poverty. The definition of "urban poverty" is shifting from a narrow focus where poverty is equated with inadequate income or consumption, to a broader recognition of the multiple deprivations suffered by the urban poor. Success in reducing urban poverty depends on building more competent, effective local institutions accountable to local populations and local democratic political systems.

Three factors have helped produce this change in focus:

1. Increased urbanisation : The trend towards more urbanized populations in almost all nations

2. Growth in urban poverty: Some governments and international agencies now acknowledge they have long under-estimated the scale of urban poverty, mainly because of wrong criteria used to define and measure it. They also agree action in urban areas is needed if internationally agreed poverty reduction targets are to be met by 2015

3. Need for new urban investment: New urban investment is essential if sustainable development goals are to be met, because a high proportion of the world's production, consumption and waste including greenhouse gases is concentrated in urban areas. Large sections of the urban population in low and middle-income countries are particularly vulnerable to the likely direct and indirect effects of global warming

But urban issues are still sidelined, with environmental concern chiefly focused on natural resources. Too little attention is given to the environmental burdens faced by many low-income groups - the lack of safe water, poor sanitation, drainage, health care and emergency services - and by the many living in areas at high risk from floods or landslides. Urban environmental priorities have been unwisely transferred from high income to low income nations. For instance, the loss of agricultural land or wetlands to urban expansion receives more attention than environmental problems that are the main cause of ill-health, injury and premature death for most people. The urban poor are wrongly blamed for environmental degradation when invariably middle and high-income groups are responsible for the resource use and waste that underlie environmental degradation.

International 'experts' have tended to see urban populations as privileged since cities usually concentrate investments in housing, water supply, sanitation, schools and health care systems. What these 'experts' often fail to notice is that poorer groups in these cities do not, in practice, have access to these services.

When IIED was asked by the secretariat of the World Commission on Environment and Development (The Brundtland Commission) to draft a chapter on urban issues for *Our Common Future* in 1985, this was strongly opposed by some members of the Commission. For them, the Commission's emphasis on 'the needs of the present' did not include the hundreds of millions of urban dwellers who survive on very low incomes in neighbourhoods without safe water, sanitation, schools and health care.

Among international agencies that now have urban programmes, many developed those recently, often against both internal and external opposition. As late as 2001, the *World Development Report* on poverty refused to recognize the scale of deprivation in urban areas and that urban poverty has characteristics quite distinct from rural poverty. Although the World Bank has many urban experts, it still produces poverty estimates based on a single poverty line of US$1 a day in the belief that rural households need the same income to avoid deprivation as those in major cities.

Some argue that support for urban development will simply exacerbate urban problems 'because it will encourage more migrants to move there'. Others cling to the idea that migrants are attracted by the bright city lights despite 30 years of evidence showing rural to urban flows are logical and planned responses to changing economic circumstances.

It makes no sense to develop stand-alone 'urban' and 'rural' policies. Successful urban centres often began as market towns in high-value agricultural areas. Many rural households derive a good proportion of their income from remittances of migrant relatives working in urban centres. In many low-income nations, incomes from smallholder agriculture have been steadily declining since the 1980s. For these households remittances have become a lifeline. In many rural settlements farming is no longer the main source of income and non-farm activities are gaining importance. Some take place within rural communities but most are concentrated in local urban centres. Mobility is essential in many rural people's livelihoods; they can commute to towns for work while still residing - and often farming - in rural areas where living costs are lower.

Buenos Aires

9 10

IIED 36pp Report a/w 1/28/05 3:12 pm Page 13

a new urban agenda

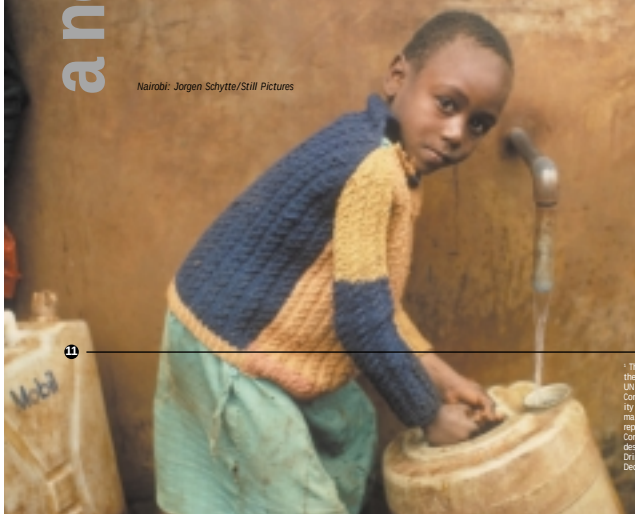
1972: ONLY ONE EARTH

The need to address both urban and rural problems in Africa, Asia and Latin America was recognized in the book *Only One Earth: Care and Maintenance of a Small Planet*, written in 1971-2 by IIED's President, Barbara Ward and the Nobel laureate René Dubos. This was prepared for the 1972 UN Conference on the Human Environment in Stockholm.

Only One Earth was one of the best selling books on the environment in the 1970s. It was unusual because it combined environmental issues with concerns for human development and social justice. It also contained what was later adopted by the Brundtland Commission as the defining goal of sustainable development. Its prologue states: "the charge of the United Nations to the Stockholm Conference was to clearly define what should be done to maintain the earth as a place suitable for human life not only now but also for future generations" (page 25).

After the success of *Only One Earth*, the Canadian government asked Barbara Ward in 1976 to write a comparable book on human settlements for Habitat, the UN Conference on Human Settlements. Entitled *The Home of Man*, this covered the rapid growth of cities in Africa, Asia and Latin America and the growing proportion of city populations living in squatter settlements. It also highlighted the inadequate provision of water and sanitation and demanded from governments and international agencies a greater priority in addressing this challenge.[1]

The Argentine urban specialist Jorgé E. Hardoy advised Barbara Ward on the book's preparation. Writing from the Institute he had founded in Argentina, the Centro de Estudios Urbanos y Regionales (Centre for Urban and Regional Studies or CEUR), he highlighted issues that more than two decades later were to dominate international concerns. Above all, he stressed the importance of developing more accountable, effective, democratic urban governments and more 'bottom-up' urban approaches that supported the actions of the urban poor and their organizations. These issues have become so central to the discussion of urban development that their importance now seems self evident. But 30 years ago few people talked about things like 'good local governance'.



Nairobi: Jorgen Schytte/Still Pictures

1977: THE HUMAN SETTLEMENTS PROGRAMME

Our contact with Jorgé Hardoy was strengthened when he accepted IIED's invitation to come to the UN Habitat Conference in 1976. He also took part in The Vancouver Symposium, a small group of urban specialists invited by IIED to meet just before the UN meeting to define the priorities the Conference should tackle. Barbara Ward presented these priorities to the official Conference - a measure of how highly regarded she was, since very few 'non-governmental' people were invited to address the plenary of these large governmental conferences.[2] After this Conference, Jorgé Hardoy was unable to return to Argentina[3] and he accepted IIED's invitation to develop a Human Settlements Programme in London. The term 'human settlements' may sound clumsy but it was chosen as a term that covered both rural and urban settlements.

The new Programme set a precedent for IIED by working through partnerships with institutions in Africa, Asia and Latin America. Initially teams based in the Sudan, Kenya, Argentina and India evaluated how far governments were following up the recommendations they had formally endorsed at the 1976 Habitat Conference. Assessments for 31 nations were prepared, covering trends in housing, basic services and other human settlements issues.[4] Meanwhile, staff at IIED began to monitor the allocations made by aid agencies and development banks to various projects: water supply, sanitation, slum and squatter upgrading, primary health care, education, and other schemes designed to bring direct benefits to low-income groups.[5] Although many development specialists talked of 'urban bias', there was little evidence of any such bias favouring low-income urban dwellers. Early funding for the Programme came from the Canadian government; Barbara Ward received an enthusiastic response from Canadian Prime Minister Pierre Trudeau to her request for support.

Right: Retiro Ville 31, Buenos Aires
Top: 1985. Middle and bottom right: 2005

[1] This received enthusiastic support from the Canadian Government and from the UN Secretariat that organized the Conference. The need for a greater priority to water and sanitation was then formally endorsed by the 132 governments represented at the 1976 Habitat Conference and contributed to the 1980s designation as the International Drinking Water Supply and Sanitation Decade by the UN General Assembly.

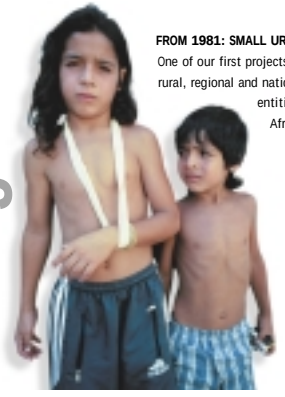
[2] The Vancouver Symposium was also held to help draw the attention of the world's press to the Conference. It received considerable press coverage and prominence at the Conference itself - helped by the fact that the Symposium included some of the most famous "global" thinkers of that era – not only Barbara Ward but also Margaret Mead, Maurice Strong and Buckminster Fuller.

[3] In 1976, Argentina was in the midst of one of its most tragic political episodes, as the military government detained and murdered thousands of its citizens without charges and without trial. Jorgé Hardoy had already had problems with the Argentine government. In 1976, when he went to renew his passport, he was seized and detained without trial and without charges. Only after a flood of protests to the Argentine government from academics from around the world through phone-calls, telegrams and telexes was he released. When in Vancouver, Jorgé Hardoy received advice that his life would be in danger if he returned to Argentina after the Conference. His wife and children also left Argentina and joined him in England; many other members of his institute, CEUR, also had to leave Argentina.

[4] The findings from this work were summarized in the book *Squatter Citizen: Life in the Urban Third World* – Jorge E. Hardoy and David Satterthwaite, Earthscan,1989.

[5] Much of this work was done in collaboration with Yves Cabannes who at that time worked with French NGO GRET. Yves Cabannes remained a key partner and advisor to the Programme when he moved to work with community groups in North-East Brazil and later came to head the UN Urban Management Programme for Latin America and the Caribbean; he now teaches at Harvard University.

IIED 36pp Report a/w 1/28/05 3:12 pm Page 15



FROM 1981: SMALL URBAN CENTRES AND RURAL-URBAN LINKAGES

One of our first projects looked at the role of small and intermediate urban centres in rural, regional and national development. The need for more attention to smaller urban entities is now recognized as vital. Most of the urban populations in Africa, Asia and Latin America do not live in large cities and the number of people lacking adequate housing, infrastructure and services is usually higher in smaller urban centres. But in the early 1980s it was difficult to convince funding agencies about this. IIED's work also stressed the importance of understanding rural-urban linkages, since the economy of most smaller urban communities relies on demand from rural producers and consumers as well as economic linkage with rural production. But winning support for this approach proved difficult; few international institutions wanted to fund urban research and institutions that funded rural studies were reluctant to back anything with urban components.

HOUSING AND HEALTH

In the early 1980s IIED began work on the multiple links between housing conditions and health in informal settlements. Because 'urban' issues were ignored by most development professionals, little attention was paid to health problems in the squatter settlements that housed between 30 and 60 per cent of the population in most cities in low and middle-income nations. IIED's efforts led to good working relations with the World Health Organization (WHO) and the London School of Hygiene and Tropical Medicine.[6] The head of IIED's partner institution in Nigeria, Tade Akin Aina, came to spend 1989 at IIED, working on housing and health and the links between sustainable development and cities.[7]

PARTNERSHIPS AND NETWORKS

IIED's Human Settlements Programme was unusual compared to most research programmes in Europe and North America. First, much of the funding it raised went to the research partners, with only a small staff based at IIED. Second, the intention from the outset was to increase the capacity and influence of the partners - the Institute for Development Studies in Mysore, CEUR (Centro de Estudios Urbanos y Regionales) in Buenos Aires, the University of Khartoum and the University of Lagos. Each partner was helped to develop its own publication programme in the languages of its region.

The long term goal was that each institution should develop its own collaborative research programme with other institutions in the region. A third innovation was the Programme's stress on collaborative research. The intention of having teams in Latin America, Asia, Africa and the Arab World was not to compare national and regional experiences as to consider a set of common issues and concerns being addressed by governments in ways rooted in very different political, economic, social and ecological circumstances. Although initially the Programme concentrated on research, from the early 1980s it began to link research with action.

All four of the partner teams sought to:

- provide technical and legal advice to those living in illegal settlements
- address housing and health problems
- document health problems in illegal settlements

This combination of research and action had become common practice in Latin America and parts of Asia during the 1970s but was rare among researchers working on development issues based in Europe and North America.

13

Retiro Ville 31, Buenos Aries

14

Cebu City kids, Manila, The Phillipines

[6] A summary of IIED's work on housing and health was published in the book *The Poor Die Young: Housing and Health in Third World Cities* (Earthscan, 1990) prepared with Sandy Cairncross from the London School of Hygiene and Tropical Medicine who later joined IIED's Board.

[7] He is now with the Ford Foundation but remains on the Editorial Board of our journal *Environment and Urbanization*.

iied-américa latina

In 1979 Jorgé Hardoy returned to Argentina and founded what began as the Latin American office of IIED. Argentina was still under military dictatorship. The level of repression had reduced, although Jorgé Hardoy was still not permitted to teach. No official institution in Argentina could offer him work - something that was to change when Argentina returned to democratic rule in 1983. Political circumstances later allowed the emergence of an independent Argentine-registered foundation, IIED-América Latina.

Hardoy's return to Latin America led to major expansion in research undertaken in the region.[8] A Latin America wide annual seminar programme helped promote new ideas among hundreds of young researchers and NGO staff. At this time, such discussions were rarely possible within Universities and government research institutes because of military dictatorships. This programme – often ten or more seminars a year - was organized with a great range of partners, including DESCO in Peru, SUR in Chile and CIUDAD in Ecuador.

These seminars had several important characteristics. As well as being organized with other institutions, they also gave young researchers the chance to participate and present papers. As seminar papers were published, this also gave many researchers their first opportunity to publish, and created a new literature on urban issues. The programme also stimulated interest in new themes by having a series of seminars on topics such as "Small and intermediate urban centres", "rethinking the Latin American city", "housing and health" and "natural disasters". Hardoy's particular interest and expertise in urban history[9] also led to a series of seminars and publications on different aspects of Latin America's urban legacy, shedding new light on contemporary urban problems. It also encouraged research on how to protect the rich heritage of many of the region's inner cities without displacing low income groups who so often concentrate there. This seminar programme brought a whole new generation of Latin American researchers and activists into debates about housing and urban policy. Many joined the region's most influential NGOs. Others went into national and municipal government or back to the universities, when their countries returned to democracy.

During the 1980s and early 1990s the Human Settlements Programme was jointly managed by IIED in London and Buenos Aires. IIED-América Latina also developed direct support to the improvement of housing conditions and basic services in informal settlements (directed by Ana Hardoy)[10] and a programme of training workshops and seminars for NGOs and municipal authorities.

Barrio San Jorge
Santa Rosa Street
Buenos Aires

"We are from Argentina, more precisely from Barrio San Jorge in San Fernando. Our names are Susana Carlino and Rosa Montoya To get in touch with IIED was like magic, like meeting our fairy god-mother. We started to meet, discuss and work together, seeking ways to improve our quality of life. In 1991 we created a cooperative that we called Our Land. We did and still do many things together with IIED. Encouraged by the Human Settlement Program we managed to install a water and sanitation network and undertake many other activities so as to improve our barrio. We are very grateful to IIED."

Susana Carlino and Rosa Montoya,
Argentina

"Working with Jorgé Hardoy and IIED imprinted another dimension to our work in poverty alleviation and sustainable development. The local government is the one nearest to the people and the one that knows best the local territory. In order to create the conditions for social inclusion and equity we learned to think the city as a whole, to plan urban infrastructure and publics work according to social needs and the potential of the local communities."

Osvaldo Amieiro
Intendente de San Fernando
(Mayor of San Fernando)

[8] Usually organized with the Latin American Social Science Research Council and often with the Inter-American Planning Society.

[9] See for instance Hardoy, Jorge E. (1999), *Ciudades Precolombinas*, Ediciones Infinito, Buenos Aires, 498 pages.

[10] See Hardoy, Ana, Jorge E. Hardoy and Ricardo Schusterman, "Building community organization: the history of a squatter settlement and its own organizations in Buenos Aires", *Environment and Urbanization*, Vol. 3, No. 2, October 1991, pp. 104-120 and Schusterman, Ricardo and Ana Hardoy (1997), "Reconstructing social capital in a poor urban settlement: the Integrated Improvement Programme, Barrio San Jorge", Environment and Urbanization, Vol.9, No.1, April, pp. 91-119.

IIED 36pp Report a/w 1/28/05 3:12 pm Page 19

our current urban work

WATER AND SANITATION

IIED has long documented the serious inadequacies in the provision of water and sanitation.[11] Three other aspects are key:

1. *The gap between international thinking on water and local realities*. International debate stresses fresh water shortage as the main reason for poor provision for water and sanitation. But in most cities these problems have little or nothing to do with overall water shortages
2. *Limits to privatisation*. In the 1990s, water privatisation was heavily promoted by many international agencies. Yet, experience has shown neither public nor private utilities are well suited to serving most low-income households[12]
3. *Partnerships between civil society organizations and local governments*. There are good examples of how to address lack of water and sanitation for low-income households. See, for instance, the Orangi Pilot Project in Karachi and many other cities in Pakistan; the community-designed toilets in Pune and Mumbai in India; and case studies from Guatemala City, Luanda in Angola and Moreno, a poor peripheral municipality in Buenos Aires

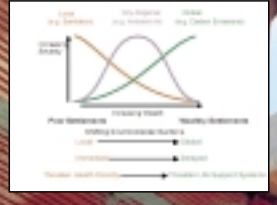


Figure 3: Environmental transitions: as urban wealth grows, problems become global

ENVIRONMENTAL TRANSITIONS

From the early 1980s IIED urged governments and international agencies to pay more attention to urban environmental problems, especially those contributing to poor health and high levels of infant and child mortality. From 1992 onwards we also sought to define how urban policy could meet sustainable development goals.[13] A key aim was to achieve better synergy between the 'brown agenda' that focuses on environmental health and the 'green agenda' focused on ecological sustainability.[14] We also supported work on innovative Local Agenda 21s in Africa, Asia and Latin America[15] and worked alongside a number of agencies on urban environmental policy issues. These include WHO, UNICEF, UN-Habitat, Sida, Danida and DFID. IIED also helped develop the OECD Development Assistance Committee's Reference Manual on Urban Environmental Policy.

Environmental problems tend to change as cities get bigger and wealthier and their governments become more effective. Figure 3 illustrates some of the 'environmental transitions' that occur as urban centres become better off. For instance, while the quality of sanitation improves, air quality initially deteriorates as industrial activity grows and the number of motor vehicles increases; it subsequently improves. But, as the third curve shows, while local problems may decline, the contribution to global warming increases. In other words, there is a shift in burdens from the local to the global environment and from those that threaten local health directly to those that threaten global life support systems.[16]

Hardoy New Housing Project, Buenos Aires

[11] See the report prepared by IIED for UN-Habitat in 2003, *Water and Sanitation in the World's Cities: Local Action for Global Goals*, Earthscan Publications, London, 274 pages.
[12] Budds, Jessica and Gordon McGranahan (2003), "Are the debates on water privatization missing the point? Experiences from Africa, Asia and Latin America", *Environment and Urbanization*, Vol. 15, No. 2, pages 87-114.
[13] Within the book Environmental Problems in Third World Cities and developing this over time with four special issues of the journal Environment and Urbanization and an Earthscan Reader devoted to the theme of sustainable cities

[14] These are described and discussed in two Earthscan books to which Programme staff contributed: Hardoy, J. E., D. Mitlin and D. Satterthwaite (2001), *Environmental Problems in an Urbanizing World: Supporting local solutions to city problems in Africa, Asia and Latin America*, Earthscan, London; and McGranahan, G., P. Jacobi, J. Songsore, C. Surjadi and M. Kjellén (2001), *The Citizens at Risk: From Urban Sanitation to Sustainable Cities*, Earthscan, London.
[15] See the working paper series on these that are available on www.iied.org/urban/index.html
[16] Work on this includes including a book prepared with the Institute of Advanced Studies at the United Nations University in Tokyo, entitled *Scaling the Urban Environmental Challenge: From the local to the global and back* and the contribution of IIED staff to the chapter on urban systems in the Millennium Ecosystem Assessment.

IIED 36pp Report a/w 1/28/05 3:13 pm Page 21

RURAL-URBAN LINKAGES

IIED's work on rural-urban linkages is based on the obvious but forgotten point that interactions between cities and countryside affect the development of both. This interaction is a critical influence on rural livelihoods, rural resource use and management of water, soil and forests. Yet most governments and international agencies still have institutional structures that treat 'rural' and 'urban' development separately. Cecilia Tacoli joined IIED in 1996 to work on this issue with partner institutions in Tanzania, Mali, India, Nigeria and Vietnam.

For most of the poorest groups, local rural-urban linkages, investment patterns and population movements are more important than global linkages, foreign direct investment and international migration. Isolated rural settlements that cannot tap local markets will not benefit from expanding global markets. In addition, rural-urban linkages are often central to the livelihoods of low-income households. On the one hand rural dwellers rely on urban-based non-farm jobs and remittances from migrant relatives, while on the other, urban dwellers often take seasonal farm jobs and have help from rural relatives in looking after children and family property.

Rural-urban interactions link across space - flows of people, goods, money, information and wastes – and between sectors - agriculture, services and manufacturing. They also include 'rural' activities taking place in towns such as urban farming. Meanwhile, some activities often classified as 'urban', like manufacturing and services, actually take place in rural settlements.

IIED has sought to:

- *improve understanding of changing rural-urban relations* and how these affect the livelihoods of low-income and vulnerable groups in urban and rural settlements
- *support local governments and institutions* to maximise opportunities for poverty reduction and regional development afforded by rural-urban linkages
- *help develop dialogue between national and local government* to ensure better integration between macro-economic and sectoral policies, and local initiatives

Figure 4: The rural-urban continuum

RURAL		URBAN
Livelihoods drawn from crop cultivation, livestock, forestry or fishing. Access to natural capital is key		**Livelihoods** drawn from labour markets and making and selling goods and services
Access to land for housing and building materials not generally a problem		**Access to land for housing** difficult and expensive; housing and land markets highly commercialized
More distant from government as regulator and provider of services	Rural-urban inter-face	**More vulnerable to 'bad' governance** due to proximity
Access to infrastructure and services limited because of distance, low density and limited ability to pay		**Access to infrastructure and services** difficult for low-income groups because of high prices, 'illegal' status of homes and poor governance
Fewer opportunities for earning cash, more self-provisioning. Greater reliance on weather conditions		**Greater reliance on cash** for access to food, water, sanitation, employment and disposal of waste
Natural capital provides livelihood assets, livestock and farmland as the principal forms of wealth		**The house is an economic resource** providing space for production, access to income-earning opportunities
Urban characteristics in rural locations are associated with prosperous tourist sites, mining areas, high value crops and areas with diverse non-farm production and strong links to cities ...		Rural characteristics exist in urban locations, such as urban agriculture, 'village' enclaves in the centre of town, access to land for housing through non-monetary traditional forms...

Note: Figure 4 outlines typical 'rural' and 'urban' characteristics. The peri-urban fringe generally has a mix of rural and urban characteristics with many opportunities for better incomes, such as urban demand for high value horticultural and livestock produce and non-farm employment. But there are many risks of marginalisation for vulnerable residents and transfers of environmental costs from cities to their peripheries. Various agencies including DFID, Danida and the World Bank have drawn on IIED's work on rural-urban linkages in their publications or training seminars.

Inset: Market, Manila
Below: Market, Cape Verde.
Wolfgang Schmidt/Still Pictures

IIED 36pp Report a/w 1/28/05 3:13 pm Page 23

our current work

Cebu City, Manila, The Phillipines

Figure 5: Multiple causes of urban poverty

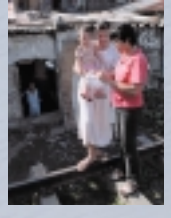
POVERTY REDUCTION

Poverty is not easy to measure. It generally has many dimensions and diverse causes (see Fig 5). Some dimensions such as inadequate food intake can be quantified. Others such as no protection from the law and homes at risk from eviction are less easy to measure

Our work on poverty reflects four main concerns:

• *The scale and depth of urban poverty are greatly under-estimated by governments and international agencies.* Most statistics are based on an income that allows individuals or households to meet what experts define as 'their needs', such as a 'minimum food basket' with a small addition for non-food needs. In urban areas, this method is seriously flawed because of the high cost of non-food essentials (housing, health care, water and transport).[17] IIED's work includes a review of Poverty Reduction Strategy Papers and how they address urban poverty[18]

• *Defining poverty based only on a 'poverty line' income misses many aspects of poverty* - and obscures many of the means by which poverty can be reduced. Poverty lines do not identify who is lacking adequate water and sanitation, secure accommodation and health care, whether people can afford to keep children at school and who is protected by the rule of law and gets access to citizen rights and entitlements



• *There is considerable scope for addressing non-income aspects of poverty using local resources*, especially where local governments work with organizations of the urban poor. Improved provision of water, sanitation and health care reduces income lost to illness and injury, while better quality housing provides space for income-earning at home[19]

• *Urban poverty can be reduced through direct support to community-based action*, especially where organizations of the urban poor can negotiate partnerships with local government[20]

The Programme's work has long included an interest in children and cities. Work on this began in the mid 1980s in IIED-América Latina. In 1996 the Programme produced *The Environment for Children* for UNICEF. In 1999 it published *Cities for Children* with Sheridan Bartlett (later managing editor of IIED's journal *Environment and Urbanization*.) This focused on the potential role of city authorities in meeting the priorities of children and youth.

HOUSING FINANCE

The work of SPARC in India, the Asian Coalition for Housing Rights in Thailand, the Orangi Pilot Project in Pakistan and People's Dialogue for Land and Shelter in South Africa has shown the importance of community-based savings and credit schemes. These schemes help low income households to organize, save and develop their own housing and basic services. Our work in this area - developed by Diana Mitlin - includes *Hi-Fi News*, a newsletter that circulates among a large network of institutions interested in community-based finance systems. Other activities have included a study of credit programmes for housing development,[21] a special issue of *Environment and Urbanization* on this theme, case studies by the Orangi Pilot Project and the Urban Poor Associates, Philippines and a series of seminars.

[17] Satterthwaite, David (2004), *The Under-estimation of Urban Poverty in Low and Middle-Income Nations*, IIED Working Paper 14 on Poverty Reduction in Urban Areas, IIED,69 pages, available from www.iied.org/urban/index.html

[18] Mitlin 2004, op. cit, available from www.iied.org/urban/index.html

[19] There are a series of working papers on poverty reduction in urban areas - see www.iied.org/urban/index.html

[20] Mitlin, Diana and David Satterthwaite (editors) (2004), *Empowering Squatter Citizen; Local Government, Civil Society and Urban Poverty Reduction*, Earthscan Publications, London, 320 pages.

[21] The findings were published in Arrossi, Silvina and others (1994), Funding Community Initiatives, Earthscan, London

IIED 36pp Report a/w 1/28/05 3:13 pm Page 25

research to action

MAXIMISING OUR VOICE

How can we make sure our findings influence professionals and politicians, governments and international agencies? Publishing in even the best known academic journals is no solution since most have limited circulation outside Europe and North America due to high subscription costs. The Human Settlements Programme looked for new ways to reach a wider audience. Our first journal, *Medio Ambiente y Urbanizacion*, was started in 1982 by IIED's Latin American office in association with the Latin American Social Science Research Council. This journal kept the growing network of people involved in urban research in touch with each other and reached a growing readership across Latin America. It has developed into one of the region's most widely read journals, with over 60 issues now published.[22]

> *"I use* Environment and Urbanization *constantly for teaching and research. It is the most reliable source for how conditions are changing and how people are helping shape the new settlements of an urbanising world. I have learnt a huge amount from it."*
>
> Professor Anne Power, Department of Social Policy, London School of Economics

> *"A magnificent, thorough, and well edited journal, that has no peer"*
>
> Len Duhl, Professor of Public Health, University of California at Berkeley

The success of this journal in Latin America encouraged IIED to set up a sister journal in English in 1989 - *Environment and Urbanization*. From the outset, this was different from other professional journals. First, it took measures to ensure most authors were from Africa, Asia and Latin America rather than academics from Europe and North America. Second, it encouraged practitioners to write about their experience. Third, it promoted wide circulation in Africa, Asia and Latin America by allowing any NGO, teaching or training institution in low and middle-income nations to receive it free of charge. In addition, most of its back-issues are available cost-free on the web. Fourth, it allowed authors to submit papers in French, Spanish and Portuguese as well as English and paid for translation if accepted for publication.

> *"*Environment and Urbanization *is where I go to find out what's happening in urban development. As the sole journal which provides a platform for the public sector, the academic community, the corporate world and the non-government, it's a one-stop shop and essential reading for anyone involved in the field."*
>
> Tova Solo, The World Bank

Environment and Urbanization has become one of the most widely cited journals in its field. It provides key texts for post-graduate and professional training programmes. But, it could not have achieved this without the help of a network of researchers and NGOs and the support of the Swedish International Development Cooperation Agency (Sida), who helped fund the journal's launch. Sida and the Royal Danish Ministry of Foreign Affairs (DANIDA) allow over 1600 training institutions and NGOs in Africa,Asia and Latin America to receive the journal without charge. The UK Department for International Development supports the preparation of five page summaries of each issue for staff of governments and international agencies too busy to read the complete journal.

New Housing at Babong Siligan Housing Project, Manila, The Phillipines

research influencing action

We have two book series, one in English with 11 books published by Earthscan– see below; the other with 20 books in Spanish is published by IIED-América Latina.[23] The decision to publish research findings through commercial publishers was to make these more widely available. Earthscan is one of the largest publishers in the environment and development field and also seeks to keep down the price of its books.
There are also four working-paper series on:

* Water and sanitation
* Rural-urban linkages
* Urban poverty reduction
* Local Agenda 21s

One difficulty we face is how to get wide dissemination in countries where few people can afford to pay in foreign currency. Distributing publications is also expensive. The internet provides a partial solution, so the Programme makes all its working papers available at no charge on its web-site.[24] Our website and the many issues of *Environment and Urbanization* available free on the web have proved very popular. More than 100,000 downloads of programme publications take place each year. The Programme still has a large publications programme in print; thousands of NGOs and teaching and training institutions in Africa, Asia and Latin America value the printed publications because it is difficult for them to access these through the web.

We also recognize that preparing key documents for international agencies ensures a wider circulation of research findings – as in the drafting of the urban chapter for Our Common Future (the report of the World Commission on Environment and Development) in 1987 and other widely distributed publications for the World Health Organization, the UN Human Settlements Programme and the OECD.[25] Each of these documents drew on the work and advice of a large network of individuals. We also contributed to the work of the Inter-Governmental Panel on Climate Change (IPCC), the Millennium Project Taskforce, the Millennium Assessment and the US National Academy of Science's study *Cities Transformed*.[26]

RESEARCH PARTNERSHIPS

For any research institution based in Europe, collaboration with southern partners transforms the nature of the work. IIED's work is less on primary research and more on development of activities with partners, raising finance, spreading new ideas, methodologies and concepts from one country or region to the next and dissemination of findings. The decision to support teams in Africa, Asia and Latin America stemmed from recognising that external agencies often misunderstand conditions on the ground and distort local priorities. Involving local NGOs and drawing on local expertise has become far more common since the mid 1980s. Most "development research" from funding institutions in Europe and North America usually meant relying on researchers from these regions. But there are many advantages to delegating the direction and management of research to local groups. First, local research groups have an understanding of local context essential for effective research on human settlements. It is rare for external researchers to develop a deep understanding of that context; most cannot even speak the local languages. Simplistic understandings of cities lead to simplistic recommendations that may be given more weight than they deserve merely because they come from 'international experts'. Second, most local research groups are committed to their locality, building local knowledge and developing local networks. The work they do is more accessible to other local researchers and groups. Research outputs are disseminated through many informal routes and can be easily integrated with local NGO activity.

INFLUENCING OTHER AGENDAS

IIED's work with teams in Africa, Asia and Latin America has created two other opportunities. The first was to respond to requests from international agencies for overview studies, each focusing on a different aspect of the urban environment. These include *Environmental Problems in Third World Cities* in 1992 and *The Environment for Children* (prepared at the request of UNICEF) in 1996. The second is to help agencies as they develop their own urban programmes, such as Sida, DFID, DANIDA WaterAid and many other international agencies.

> *"An important contribution to the kind of authoritative exchange of information and experience that all those involved in the field, particularly in respect of the Third World, will find useful"*
>
> Maurice Strong, Secretary General, UN Earth Summit (1992) and UN Conference on the Human Environment (1972).

[22] Available on-line at http://www.ingentaselect.com/03267857/
[23] http://www.iied-al.org.ar/
[24] http://www.iied.org/urban/index.html
[25] This included the drafting of the book *Our Planet, Our Health* working with the World Health Organization's International Commission on Environment and Health in 1992, preparing *An Urbanizing World: Global Report on Human Settlements 1996* (Oxford University Press, 1996) for the UN Centre for Human Settlements and helping to prepare *Shaping the Urban Environment in the 21st Century: From Understanding to Action* for the Development Assistance Committee of the Organization for Economic Cooperation and Development in 2000.
[26] Montgomery, Mark R., Richard Stren, Barney Cohen and Holly E. Reed (editors) (2003), *Cities Transformed; Demographic Change and its Implications in the Developing World*, The National Academy Press (North America)/Earthscan (Europe), Washington DC, 518 pages.

IIED 36pp Report a/w 1/28/05 3:13 pm Page 27

working with activists

WORKING WITH ACTIVISTS

Cities are the result of diverse investments of capital, expertise and time by individuals, households, communities, voluntary organizations and NGOs, as well as government and the private sector. Many of the most effective schemes to improve housing conditions among low-income groups have come from local NGOs or community organizations. Yet in most cities these efforts have long been ignored and are often constrained by unnecessary government regulation. This was a central theme of the Earthscan books *Squatter Citizen* in 1989 and *Empowering Squatter Citizen* in 2004.

During the late 1980s two changes helped reinforce our focus on community development. The first was the setting up of the community-development team in IIED-América Latina by Ana Hardoy. Initially this worked in Barrio San Jorgé, an informal settlement on the edge of Buenos Aires, and later spread to many other low-income settlements. This offered direct, hands-on support to community-based organizations to help them negotiate with external agencies for services and land. The team fed ideas back to researchers and acted as a 'reality-check' on the relevance of research in other areas. The second change was the Programme's expansion to include activist NGOs who worked directly with urban poor groups.

This shift in approach brought many insights into how external agencies can support participatory, community-driven development. Apart from IIED-América Latina, other key NGOs have helped reshape the Programme's work:

- the Indian NGO SPARC and its work with co-operatives of women pavement dwellers, Mahila Milan and the National Slum Dwellers Federation
- the People's Dialogue on Land and Shelter in South Africa and its partner the South African Homeless People's Federation
- the Asian Coalition for Housing Rights with its secretariat in Bangkok
- the Orangi Pilot Project in Pakistan

Our collaboration has led to two new areas: the documentation of work by urban poor and homeless federations (see Box 1) and support to these federations to help international funding organisations find better ways to support community-driven development.

Left: Laying sewage pipes, Swaziland
Ron Giling/Still Pictures

work of the federations

Box 1: Federations of the urban poor and homeless [27]

One of the most significant developments within urban areas over the last two decades is the emergence of federations formed by the urban poor and homeless. In 11 nations, federations have developed, learning from each other and following similar methodologies – and similar federations are developing in many other nations. The federations have at their base community-managed savings and credit groups (formed mostly by women) that provide their members with quick-disbursing emergency loans. These savings groups and the larger federations to which they belong also assist members to secure land tenure, obtain access to basic services and develop upgrading programmes or new-house programmes.

Some of the older federations have improved housing and access to basic services for hundreds of thousands or millions of people. They have also changed the policies of city and national governments. In Cambodia and Thailand, federations are working with national and city government to bring significant improvements to the lives of slum dwellers on a national scale. In India, the federations changed the way city and national governments support improved provision for toilets and washing facilities for slum dwellers. In Namibia, Zimbabwe and the Philippines, federations changed the way that city governments work with the urban poor in developing land for housing and providing infrastructure. The federations have also formed an international umbrella organization, Slum/Shack Dwellers International, to support new federations and represent all federations in discussions with international agencies.

The savings groups that are the foundation of all the federations have high standards in regard to internal democracy, participation, inclusion and accountability to their members. The federations and their savings groups strive to ensure that the solutions they design, promote and build serve the poorest groups and those facing discrimination, while keeping down unit costs so limited resources go further. Federation housing programmes are typically much less costly than conventional government programmes and many recover their costs.

The federations' programmes for upgrading or new housing are not to replace government but to demonstrate what can be achieved through federation-government partnerships. These new ways of "doing development" allow community organizations to show government what they can do – and how much more could be achieved if official resources supported people's efforts. Since each federation has hundreds or thousands of savings groups, these partnerships could support very large scale programmes.

These federations work closely with local support NGOs. The federations provide a political dynamic and legitimacy whilst the NGOs build technical credibility. The savings groups change social relations inside communities and support them in trying out new initiatives to address their problems. When these initiatives succeed, other savings groups learn from them; in all the federations, there are many community-to-community exchanges. Solutions spread from group to group – and much larger scale success is possible if governments support them.

The Human Settlements Programme has drawn on the work of many outside practitioners, especially from local government. Partnerships with IDEA in Manizales, Colombia, Ecociudad in Peru and India's Centre for Science and Environment have been particularly important. Together with local partners we have documented innovative local 'Agenda 21s' and other environmental action plans developed by local authorities and local NGOs. These include case studies in Manizales, Ilo and Chimbote in Peru, Durban in South Africa, Jinja in Uganda, Penang in Malaysia, Surabaya in Indonesia and Rufisque in Senegal.

[27] http://www.sdinet.org/ for more details.

IIED 36pp Report a/w 1/28/05 3:13 pm Page 29

grassroots programmes

SUPPORTING GRASSROOTS PROGRAMMES

Most international agencies have difficulty funding community projects directly. Many such agencies recognize the importance of a strong and innovative civil society for development (especially grassroots organizations) but they have not changed their funding mechanisms in response to this. In 1989 we put forward the idea that international agencies should set up decentralized funds in the cities of low and middle-income nations. These could fund a wide range of initiatives in each city and create new standards for accessibility and accountability. This concept was promoted through various publications and workshops for the staff of international agencies and indeed several of them have adopted the idea.

IIED has never considered itself as being in the funding business. But in 2001 the Sigrid Rausing Trust asked us to consider managing a fund to enable grassroots organizations in urban areas to buy land for housing. At that time, IIED was already helping Shack/Slum Dwellers International (SDI) to strengthen its networks with local exchanges and specific international events. An initial grant to IIED from the Trust together with additional funding from the UK Lotteries Board and the Allachy Trust has raised some £2 million to help tens of thousands of low-income households buy land for housing or secure rights over land they already occupy. Despite its small scale – with grants typical between £10,000 and £20,000 - this experience shows the value of having external funding available at short notice to support community-driven innovations. The external funding can also be used to leverage resources from local governments or other agencies. Small grants can go a long way when combined with communities' own resources and capacities and local government support. The projects supported can also set precedents that help persuade local governments to support community-driven processes. We are monitoring this work and hope to learn lessons about how international funding can support such local processes.

Right: Schoolgirls, Payatas dump site, Manila, The Phillipines

tomorrow's challenges

Looking ahead, perhaps our greatest challenge is to ensure the needed changes in institutional structures within governments and international agencies to make them far more effective in addressing the problems that our research has highlighted and more accountable to low-income groups. By 2005, many positive changes were underway that were not there or hardly present when the Human Settlements Programme began:

- Federations of the urban poor are emerging in an increasing number of countries to demonstrate cheaper, more participatory ways to address poverty and homelessness
- Many local NGOs have learnt to work with urban poor groups in ways that are equitable, participatory and accountable, often developing new models for working with local government
- Many local governments have become more democratic and effective
- More international agencies have developed urban programmes and recognized the need to support accountable local institutions. The Cities Alliance, formed by the World Bank and the UN Human Settlements Programme backed by many OECD nations should bring more coherence and greater impact
- Many national governments and international agencies have been persuaded to recognise rural-urban linkages as a key mechanism for reducing poverty and accelerating economic development. This shift away from the false rural-urban dichotomy reflects renewed interest in decentralised government as the best means to support local development

As yet, these and other successes are not slowing the growth in urban poverty in most nations. Most governments and international agencies show little capacity to address this massive challenge. Promises made in the 1970s by governments and international agencies to transform the provision of water and sanitation to both rural and urban areas have not been met. Will further promises made during the 1990s, to halve poverty by 2015, suffer the same fate? Urban policies and levels of practical commitment by international agencies still fall far short of ever-growing needs.

We have the precedents to show how urban poverty can be reduced (most of them developed by urban poor groups themselves) and how urban governments can integrate environmental concerns into their development plans (including meeting global as well as local environmental responsibilities). The challenge now is to get national governments and international agencies to change their institutional structures and funding mechanisms to act on these.

IIED 36pp Report a/w 1/28/05 3:13 pm Page 31

programme highlights 2004

BIODIVERSITY AND LIVELIHOODS GROUP

Policies and laws that protect community rights over traditional knowledge are usually designed by 'experts' with little input from the people they seek to protect. We have started new work to explore the needs and perspectives of these customary legal systems. In May 2004 we held a planning workshop with partners from India, China, Peru, Panama and Kenya. Our discussions emphasised the need to strengthen customary institutions and traditional knowledge systems on the ground while arguing for protection of this knowledge at local, national and international levels. We plan studies on genetic resources of particular commercial and scientific interest – traditional rice, maize and potato varieties, as well as medicinal plants. We also launched a new International Poverty and Conservation Learning Group at the World Conservation Congress in November 2004.

CLIMATE CHANGE PROGRAMME

Climate change experts rarely talk to development people and vice versa. So in 2004 we helped establish the NGO Group on Climate Change and Development, which brings together green NGOs such as Greenpeace, WWF and Friends of the Earth with major development players like Oxfam, Christian Aid and Action Aid. Together with the New Economics Foundation we prepared a joint publication, *Up in Smoke*, which launched in October 2004 with much media attention. It highlighted the fact that climate change impacts are becoming visible around the world and already damaging the incomes and livelihoods of the poor in developing countries. We call for much stronger action to reduce greenhouse gas emissions and support adaptation in developing countries. We also focus on strengthening capacity for adaptation to climate change amongst least developed countries (LDCs). Training workshops were held for LDC climate change negotiators at the ninth and tenth conferences of parties (COP9 and COP10 held in Milan and Buenos Aires respectively) of the UN Framework Convention on Climate Change (UNFCCC).

COMMUNICATIONS

While many of IIED's programmes have cross-cutting elements Communications is unique in the way it works across the Institute providing support for external and internal communication. To date, one of IIED's main communications tools has been the Internet and we are committed to making available online as much of our research as possible: nearly all of IIED's publications from the last five years are now available for download. Publications remain central to the communications work and a monthly e-mail bulletin goes out to more than 6000 subscribers listing all new titles along with an annual catalogue. Highlights in 2004 include our participation in a televised debate for TVE *Earth Report* broadcast on BBC World TV to 270 million homes and households worldwide; and the production of a range of new materials to be used to increase IIED's visibility at events and conferences like the IUCN event in Bangkok.

CORPORATE RESPONSIBILITY FOR ENVIRONMENT AND DEVELOPMENT

Over the past year we've continued to work on social responsibility and international standards focusing on small businesses in developing countries. Jointly with IIED's agricultural programme and the UK Department for International Development, we've embarked on a major project to find practical ways for supermarkets to develop export markets for small farmers.

A new project looks at negotiations between foreign investors and host country governments and how those investors can enhance their contribution to sustainable development. We are also studying the role investment promotion agencies can play in supporting responsible business practices. Over the next year we'll be asking "Is corporate social responsibility (CSR) at a crossroads?" As CSR comes under increasing pressure to deliver tangible benefits from an increasingly sceptical audience, we'll be engaging with a wide range of people to think strategically about different options.

DRYLANDS PROGRAMME

Many governments have been promoting decentralization. But local people must also develop the skills and confidence to seize the opportunities on offer for grassroots development. In partnership with civil society, local government, researchers and other actors in the Sahel we have been building these skills in two critical areas. First, local agreements for shared management of resources are powerful mechanisms to help rural people regulate the use of forests, water and land on which their livelihoods depend. Our regional conference triggered widespread interest in how these agreements offer ways to turn the rhetoric of decentralisation into reality. Second, we have been strengthening communities in Senegal and Niger to argue the case for pastoralism as an environmentally sustainable and economically viable land use system. After several years of development and testing a training course in Pulaar (a widely spoken pastoral language in the Sahel) on *Pastoralism in the Sahel* has been finalised by ARED, our partner in Senegal.

ENVIRONMENTAL ECONOMICS PROGRAMME

During 2004 we launched a new series on *Markets for Environmental Services*. These case studies, carried out with southern partners, focus on the social and poverty impacts of recent initiatives to develop markets and payments for ecosystem services. In March 2004 case study authors came together in a workshop in Quito to present their work to a regional audience and to discuss new ways forward.

Other recent work also includes a briefing paper for the CITES Secretariat on the efficiency and equity implications of using economic instruments for controlling wildlife trade. This involved a case study of sturgeon fisheries and the associated caviar trade in the Caspian Sea.

FORESTRY AND LAND USE PROGRAMME

Forestry experts are very good at saying what must be done to govern forests, but less good at how to achieve it. The Forest Governance Learning Group aims to help fill this gap. Since 2003 we have facilitated the Group, linking with a range of country-based and international partners. It focuses on practical solutions to problems of illegal forestry, heavy handed law enforcement and impacts on poor people. Groups in Mali, Niger, Ghana, Uganda, Mozambique, Malawi and South Africa are working to assess and design tactics for governments, based on their various experiences. Research and advocacy are being focussed on situations where forests and livelihoods are under pressure.

Our *Power Tools* idea does not involve chainsaws. Instead it helps design tools so people excluded from decisions about natural resource governance can increase their political muscle. These tools are being developed by partners in Africa, Asia and Latin America. Examples include mapping of stakeholder influence, accessing public information, connecting communities to markets, legal literacy camps and improving the administration of forestry justice.

GLOBAL GOVERNANCE

Three broad activities have defined our work in this area in 2004. The first is retrospective: assessing what came out of the Johannesburg Summit and generating useful resources to help take forward the debate. The second is forward-looking: identifying openings for IIED and our partners to engage more effectively in multilateral processes. The third is strategic: finding ways to strengthen commitment to sustainable development from powerful institutions.

Southern Perspectives on the EU Sustainable Development Strategy has aimed to strengthen the EU's engagement with civil society in the developing world and improve mutual understanding of each others' perspectives. We have also generated key policy messages that can feed into decisions on sustainable development to make certain EU policy in this area more responsive to the priorities of Southern countries. In October 2004 we held a major event in Brussels to discuss issues raised by Southern actors with senior EC officials and member state representatives.

SUSTAINABLE AGRICULTURE AND RURAL LIVELIHOODS PROGRAMME

Food sold in supermarkets is produced and processed by workers from all over the world. Many of them face poor working conditions, low wages and little protection from exploitation. Our project *Race to the Top* brought together farming, conservation, labour, animal welfare and sustainable development organisations as well as the big UK supermarkets. It gathered data on a broad range of environmental, ethical and social indicators to compare supermarket performance. The lessons learnt from this multi-stakeholder process were published in 2004, along with case studies of best practice by supermarkets and their suppliers.

The 50th anniversary issue of *Participatory Learning and Action* took the theme of multi-stakeholder engagement in environment and development. This special collection of papers offers critical reflections on the recent history of participation, power and knowledge. Contributors to this landmark issue also identify newly emerging challenges for 'participation' in a variety of fields.

STRATEGIES, PLANNING AND ASSESSMENT

Strategies, Planning and Assessment (SPA) focuses on processes and tools for delivering sustainability. In the last year, SPA has supported work for the Development Assistance Committee of the Organisation for Economic o-operation and Development, and key parts of the UN system on Sustainable Development Strategies. We have built on experience of Caribbean and Small Island Developing States with integrated planning; and helped develop Yunnan Province's sustainable development action plan in China. Work in Europe has led to engagement with the UK government on the global dimensions of the UK's sustainable development strategy and advice to the French Government on a process for peer review of their sustainability strategy.

IIED 36pp Report a/w 1/28/05 3:14 pm Page 33

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IIED 36pp Report a/w 1/28/05 3:14 pm Page 35

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Payatas dump site, Manila, The Phillipines

auditors' statement

The Statement of Financial Activities and Balance Sheet are not the full statutory accounts but are a summary of the information which appears in the full accounts. The full accounts have been audited and given an unqualified opinion. The full accounts were approved by the Trustees on 17th September 2004 and a copy has been submitted to the Charity Commission and Registrar of Companies. These summarised accounts may not contain sufficient information to allow for a full understanding of the financial affairs of the Company. For further information the full annual accounts, including the auditors' report, which can be obtained from the Company's offices, should be consulted.

INDEPENDENT AUDITORS' STATEMENT TO THE TRUSTEES OF IIED

We have examined the summarised financial statements of the International Institute for Environment & Development.

Respective responsibilities of Trustees and Auditors

The Trustees are responsible for preparing the summarised financial statements in accordance with the recommendations of the charities' SORP. Our responsibility is to report to you our opinion on the consistency of the summarised financial statements and Trustees' Report. We also read the other information contained in the Trustees' Report and consider the implications for our report if we become aware of any apparent mis-statements or material inconsistencies with the summarised financial statements.

Basis of opinion

We conducted our work in accordance with Bulletin 1999/6 "The auditors' statement on the summary financial statements" issued by the Auditing Practices Board for use in the United Kingdom.

Opinion

In our opinion the summarised financial statements are consistent with the full financial statements and the Trustees' Annual Report of the International Institute for Environment & Development.

Kingston Smith, Chartered Accountants and Registered Auditors
Devonshire House, 60 Goswell Road, London EC1M 7AD

Income & Expenditure for Year Ended 31st March 2004

	£ *Unrestricted General*	£ *Unrestricted Designated*	£ *Restricted*	£ *2003/04 Totals* *	£ *2002/03 Totals*
Incoming Resources					
Government & Government Agencies	377,240	-	3,558,604	3,935,844	4,005,827
International & Multilateral Agencies	-	-	416,597	416,597	484,393
Foundations & NGOs	-	-	878,166	878,166	707,641
Corporate	-	-	217,154	217,154	295,363
Movements in Deferred Income	-	-	(469,242)	(469,242)	35,625
Investment Income	53,386	-	7,715	61,100	26,551
Trading Activities (Publishing)	74,160	-	-	74,160	76,692
Other	6,044	-	29,574	35,618	5,306
Total Incoming Resources	510,830	-	4,638,568	5,149,398	5,637,398
Resources Expended					
- Cost of generating funds					
Fundraising & Publicity	63,215	-	-	63,215	52,649
- Charitable Expenditure					
Payments to Partners	-	-	1,427,745	1,427,745	1,334,571
Programme Direct Costs	74,160	194,845	3,007,805	3,276,810	4,036,402
Support Costs	0	30,801	895,061	925,862	811,264
Management & Administration	156,232	0	0	156,232	52,542
Total Resources Expended	293,608	225,646	5,330,611	5,849,864	6,287,428
Net Income/(Expenditure) for the year before transfers	217,222	(225,646)	(692,042)	(700,466)	(650,030)
Transfer between Funds	(167,608)	167,608	-	-	-
Balance	49,615	(58,038)	(692,042)	(700,466)	(650,030)
Funds Brought Forward 1st April 2003	1,250,418	444,575	1,822,202	3,517,196	4,167,225
Funds as at 31st March 2004	1,300,033	386,537	1,130,160	2,816,730	3,517,195

* The decrease in Restricted funds reflects the deferral of income to future accounting periods where restrictions as to the timing of the use of funds amount to pre-conditions for entitlement.