A CRITICAL ANALYSIS OF THE ROLE AND OBJECTIVES OF MULTILATERAL INTERNATIONAL AID AGENCIES IN THE PROVISION OF SELF HELP HOUSING IN DEVELOPING COUNTRIES
THE CASE OF THE WORLD BANK

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August, 1991
To have the opportunity to pursue this study, many people made sacrifices and contributions making it possible. I would therefore like to take this opportunity to thank those who have helped me. Without their assistance this publication would not have been possible to complete.

I would like to thank Norman, Judy and Wendy Small, Geoffrey Izenberg, Polly and Anne, Nihal Perera, Gavin Wyngaard and especially Thea Weisdorf for their unwavering support, love and friendship. Chengiah Ragaven for his assistance which enabled me to pursue this study.

I would also like to thank all the students and staff at the DPU, who helped to create a friendly and open atmosphere during my studies. The many seminars, lectures, debates and late night discussions all helped tremendously to understand and clarify many issues and concepts vital to this study.

I would especially like to thank Ronaldo Ramirez, who supervised this research. He was always available for consultation, patiently answering my many questions. His skill to push me to the limits of my ability, contributed greatly in raising the quality of this work.

Charles Small
Oxford, 1991
# A Critical Analysis of the Role and Objectives of Multilateral International Aid Agencies in the Provision of Self Help Housing in Developing Countries

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I. Introduction

The purpose of this paper is to examine the role and objectives of multilateral international aid agencies in the provision of self-help housing in developing countries. The largest and most influential of the multilateral aid agencies in this domain is the World Bank (Donelson, Hardoy and Schkolnik 1986). Using the World Bank as a case study, this paper will assess the various issues and debates surrounding this topic.

The thesis of this paper is that the World Bank's major function is to mobilise international capital, so as to stimulate its flow to new markets in developing countries, while acting to safeguard the interests of this investment. It is the contention of this paper that the specific role and objectives of the World Bank in the provision of self help housing will vary, according to the particular conditions of specific social formations in which it operates at the project level. The paper will address the nature of the World Bank and multilateral international aid in general with regard to the provision of self-help housing. This topic is of the utmost importance since - in the field of development - various interests look to the World Bank to provide the solution to the severe shortage and the poor condition of housing stock in developing countries.

Multilateral international aid agencies, particularly the World Bank, have been influential in the advocacy and implementation of self-help housing in developing countries. Prior to the early 1960s, the majority of developing countries employed a conventional approach to housing policies. This approach was encouraged and supported by many of the major international aid agencies. In the field of housing, a conventional approach entailed a fully built and serviced housing unit. These state supported projects produced housing units that were intended for the middle and upper-income groups (Williams 1984). This approach was designed to stimulate the construction sector and related areas through domestic public spending, as well as foreign capital investment (Williams 1984). By the early 1970s it became clear to the governments of developing countries, the international aid agencies, and leading economists, that this approach had failed.

The major reason for its failure was the fact that only a small percentage of the population benefited. During this period, little had been done to satisfy the needs of the vastly increasing number of urban poor and homeless (Williams 1984). The large disparities between rich and poor within the urban centres could no longer be ignored, as the potential for the eruption of social unrest grew. An increasing percentage of the urban population was being left out of formal market activities and the "development process". According to a conservative estimate by the World Bank in 1972, 200 million urban people in developing countries were living in inadequate housing (Donelson, Hardoy and Satterthwaite 1986). Thus social and political stability was threatened throughout many developing countries.

In the early 1970s low cost self help housing became the most widely used form of housing policy. The self help approach to housing was designed and intended to reach a large proportion of the population - specifically the urban poor. Through the lowering of standards, the use of labour provided freely by the beneficiaries and the use of unserviced plots costs were considerably reduced, making housing more accessible to the poor. The World Bank claimed that through this approach housing could reach down to the poorest 20 per cent of the population (Burgess 1985). The major force involved in the implementation and advocacy of the self help housing approach in the early 1970s comprised the multilateral international aid agencies. During the 1970s these agencies
allocated on average $3,041 million (US) annually, with the World Bank providing the greatest share (Satterthwaite 1986). While the governments of developing countries lack the necessary resources to house many of the urban poor, for fundamental reasons they must house a significant proportion so as to increase the efficiency of the reproduction of the labour force and make the existing social formation produce more effectively. These factors have direct bearing on the conditions of political and social stability within developing countries, making them dependent on aid agencies to bring about the necessary social improvements. Due to the fact that multilateral aid agencies possess the financial resources that the developing countries lack and desperately need, the aid agencies can demand strict adherence to the guidelines and ideology embedded in their self help housing policy.

In light of the important role which the multilateral international aid agencies play in the provision of self help housing, it is important to determine their overall role and objectives. This paper will explore the various issues and debates inherent in the topic by providing an historical overview of international aid, and its involvement in the provision of self help housing. Then it will assess the magnitude and structure of multilateral aid, with emphasis on the World Bank. A theoretical analysis of the provision of self help housing by multilateral international aid agencies will be followed by case studies of the provision of self help housing as implemented by the World Bank in El Salvador and in Kenya which illustrate - on a practical level - the role and objectives of the World Bank. The paper will determine whether the World Bank is in fact primarily a mobiliser of international capital and if and how it acts to safeguard the interests of foreign capital investment in developing countries. Analysis of case studies will determine whether the specific role and objectives of the World Bank, in the provision of self help housing at the project level, varies with the conditions of the specific social formation in which it operates. If this is so, the relationship of interests tied to foreign capital investments which the World Bank "apparently" stimulates and protects, will be assessed.
II. International Aid: 
Its Involvement in Housing and Urban Settlement

1. An Historical Overview of International Aid

International aid for the provision of housing is a relatively new area in the field of development programmes, undertaken by aid agencies. The first assistance programme was carried out by the United States Agency for International Development (USAID), a bilateral agency based in the United States. It established a housing guarantee fund in the early 1960s to stimulate private American investments in developing countries - principally in Latin America and the Caribbean (Williams 1984). The objectives of the programme, according to Williams, were primarily designed to assist upper middle and upper income households in the construction of luxurious, conventional housing units. The private investment on which the project was founded was intended to stimulate the construction sector of the recipient country.

During the mid 1960s international aid was beginning to be used to improve urban infrastructure. However, very little attention was given directly to the needs of the rapidly increasing number of urban poor (Williams 1984). International aid programmes that were, and still are, financed from the capital of wealthy, industrially advanced nations, had a particular approach and ultimately, particular objectives. The fundamental reason for the agencies not directly assisting the urban poor was due to the economic philosophy incorporated by the major bilateral and multinational aid agencies. This philosophy tended to polarise sectors of economic activity into two groups: those in the modern sector, which were termed "productive", and the remainder including housing in the traditional or informal sector which were labelled "consumptive" (Williams 1984). The consumptive sectors of economic activity were not considered worthy aid recipients. The argument went that consumptive sectors simply consumed capital and therefore did not create profit. It was thought that by investing and stimulating the "productive" sectors of the economy the concept of "trickle down effect" would ensure that the overall condition of the economy would improve, which would eventually result in the long term improvement of the consumptive sectors of the economy (Donelson, Hardoy and Schkolnik 1986).

In the early 1970s the perspective utilized throughout the 1960s was considerably modified. The alterations resulted in increased levels of investment in urban shelter. There was a directive that encouraged institutional changes in the related areas of land tenure, financing and community participation (Williams 1984). The change of perspective can be explained in light of various factors that had a profound affect on the economies of developing countries. One such factor was the increasing speed and extent of urban growth, and the subsequent expansion of slum and squatter settlements (Williams 1984). A second factor was the increasing gap between the rich and the expanding poor in developing countries. It became apparent by the early 1970s that the rich and poor of developing countries were not simply divided between the rich in the urban areas and the poor in rural areas, but that large disparities existed within the urban areas themselves. The extent of these disparities were such that the social formations of developing countries were threatened. The economic systems were in difficulty, as an increasingly larger portion of the population was left out of formal market activities (Williams). This led to political and social volatility and it became clear that the conventional growth policies used by the international aid agencies in the 1960s were inadequate to deal with the issues.
The latter part of the 1960s and early 1970s witnessed significant developments in the understanding of the social and economic process of urbanisation and specifically the issue of housing. The philosophical approaches formulated by John Turner, Charles Abrams and others, documented the success of low income people in building their own housing and operating within the informal sector despite opposition from governments, showing the poor were central rather than marginal to the urban economy (Williams 1984). It was argued that aid should be directed away from costly housing projects, such as fully serviced conventional housing with high production costs, towards elements such as infrastructure, the provision of construction materials and technical advice, and the regularisation of tenure. This approach was designed, according to Turner and Abrams, to reach a wider proportion of the population and stimulate their participation and investment in housing (Ward 1982).

All of these factors, the various socio-economic problems, and the new framework offered by Turner and Abrams, had a strong influence on the policy makers of the international aid agencies, especially the World Bank and other multilateral and bilateral aid agencies (Williams 1984). The World Bank reviewed and initiated studies which confirmed the extensive economic contributions of the poor, and described the positive effects which improved health and legal security could have on productivity and the mobilisation of savings for investments in housing (Williams 1984).

2. The Magnitude and Structure of International Aid

The involvement of the World Bank in urbanisation started in 1972. In the early 1970s the World Bank funded many site and service projects (Hardoy and Satterthwaite 1983). These endeavours were based on a 1972 World Bank special report on urbanisation, which suggested that shanty towns should not be eliminated. The World Bank then shifted its interest and assistance to the upgrading of existing shelter and settlements (Hardoy and Satterthwaite 1983). It also incorporated into its programmes the regularisation of land tenure systems in squatter settlements, and initiatives to generate employment through credits to small business and artisans (Hardoy and Satterthwaite 1983). By 1973 fifteen multilateral aid agencies had followed this new approach (Hardoy and Satterthwaite 1983).

This stress on upgrading incorporated new concepts and laid the foundations for the implementation of future projects. The endeavours of the World Bank were based on the concept of a "direct attack" on poverty. Much effort was made to define a "target population", so that projects would benefit a focused group or a specific segment of the urban poor (Williams 1984). Analysis was carried out by economists on income levels and their distribution, and on the costs of necessities such as food, water and shelter. A level of "absolute poverty" was defined, as the point at which the costs of necessities were not covered by income. Once identified the target groups became those living in conditions of absolute or "relative poverty" (Williams 1984). The multilateral international aid agencies - led by the World Bank - adopted the concepts of "cost recovery" and "affordability", which became fundamental to the deployment of aid (Burgess 1982). These concepts eliminated subsidies by the state in the provision of self help housing, and the beneficiaries were those people who could afford to pay back all loans within the specific framework of the housing project. These concepts adopted by the World Bank mark a fundamental deviation from self help housing as conceived by Turner and Abrams.
The total annual international aid designated to the area of shelter for the years 1980 to 1984, was $3,041 million (US) (Satterthwaite 1986). Of this aid (see diagram one) only three multilateral agencies contributed more than $100 million (US) directly to shelter (Donelson, Hardoy and Schkolnik 1986). Most aid - 67% of the total - went towards the improvement of the water supply, sanitation and solid waste disposal. Housing, urban and community development represents the remainder (Satterthwaite 1986). Rarely does aid from multilateral or bilateral agencies go directly to building material industries, other than occasionally to cement factories (Satterthwaite 1986).

There are four widely used methods for project implementation adopted by the major multilateral and bilateral aid agencies, which are clearly illustrated in diagram two. There have been several trends in the support given by multilateral aid agencies for housing assistance. The multilateral and bilateral aid agencies focused on shelter such as slum or squatter upgrading and site and service projects during the early 1970s. The agencies then shifted emphasis to multi-sectoral, city-wide, or multi-city projects at the national level. Therefore, a one project loan was allocated to several cities and regions, and contained components for shelter, water supply, sanitation, community services, markets and transportation (Satterthwaite 1986).

An example of this type of project took place in Colombia in 1980. Colombia received $24 million (US) from the World Bank group, of which $18 million (US) was in concessional terms from the Inter-American Development bank. The funds were allocated to water supply, sanitation, transportation upgrading, and site and service schemes for shelter (Blitzer, Hardoy and Satterthwaite 1983). This approach was complex and required many resources, large capital and various types of technical services and advisers, and could therefore only be carried out by the large aid agencies. The aid agencies with relatively small budgets were unable to participate as the scale of intervention was beyond their limited capacities (Satterthwaite 1986).

Another approach has been the more recent trend of urban management. This increased national or municipal authorities’ capacity to implement and play a greater role in the Aid agencies’ multi-sectoral programmes. It was also designed to improve cost recovery of loans, tax collection and maintenance of infrastructure (Satterthwaite 1986). For example, the International Bank for Reconstruction and Development committed $24.1 million US to area development, slum upgrading and sanitation in ten cities in Madhya, Pradesa, India Donelson, Hardoy and Satterthwaite 1986. An integral component of the loan programme was to strengthen national, state and municipal institutions involved in policy planning and implementation of urban development projects.

Recently aid agencies, namely the World Bank, have supported projects to improve land registration records in order to legalise and regulate squatter settlements and to improve the fiscal base of city authorities (Satterthwaite 1986). The World Bank’s advocacy of using taxation and charges levied on land increases the efficiency of loan repayments, and introduces the commercialisation of land (private property) to developing countries. Thus, the World Bank establishes cheap and well located land for housing projects (Satterthwaite 1986).

In the early 1980s a trend implemented by the bilateral aid agencies became established. The bilateral aid agencies began to funnel part of their overall official development assistance through private voluntary organisations (PVOS). Agencies such as USAID, BMZ (West Germany) and CIDA (Canada) are sending considerable funds through private organisations. PVOS involvement is
orientated towards water supply and sanitation rather than directly to housing and urban and community development (Satterthwaite 1986). Inevitably, since the mid 1980s less support has been given directly to housing. Funding has been diverted to the support of infrastructure projects (Satterthwaite 1986).

3. The World Bank

The World Bank is the largest and most influential aid agency (Donelson, Hardoy and Schkolnik 1986). The World Bank group consists of the International Bank for Reconstruction and Development (IBRD) and its two affiliates, the International Finance Corporation (IFC) and the International Development Association (IDA). The IBRD came into existence on 25 June 1946, the World Bank Group and the IFS in 1956, and the IDA in 1960 (Donelson, Hardoy and Schkolnik 1986).

To be eligible for membership a country must join the International Monetary Fund. In June 1978 the World Bank had 120 members. The voting power of individual members is directly linked to the size of their subscription to the Bank (Donelson, Hardoy and Schkolnik 1986). The United States of America is the largest shareholder with 20.3% of the total voting power. Other large shareholders are Canada, France, West Germany, Japan and the United Kingdom. Combined, these six countries have 49.6% of the total voting power (Donelson, Hardoy and Schkolnik 1986).

The World Bank Group was created as a new type of international investment institution to lend from its own capital. The capital is provided by its members and from the mobilisation of private capital. The central role of the Bank was to be a generator of capital (Nabudere 1977). It is clear, in the official policy of the Bank, that its role was not so much that of provider but rather facilitator or bridge through which private capital could move internationally. The capital is provided by the major member countries, with the vast majority derived from the United States (Nabudere 1977). It is for this reason that there was initial opposition to the creation of the World Bank by the United States private banks. However, after intervention by the US Treasury the World Bank was, according to Henry Morgenthau (the secretary of the Treasury) "created not to supersede private banks" (Nabudere 1977). Because of this stipulation American banks backed the creation, thereby ensuring the survival of the World Bank.

The International Bank for Reconstruction and Development (IBRD) was first established with its only source of funding being contributions given by member governments. Since the early 1960s the IBRD’s main source of capital has been largely dependent on the sale of bonds in the international capital markets (Donelson, Hardoy and Schkolink 1986). The International Finance Corporation (IFC) is funded by, and engages only with the private sector in industrially orientated projects. The International Development Association (IDA) operates in the same sectors as the IBRD, and is the soft loan affiliate of the World Bank group (Donelson, Hardoy and Schkolnik 1986). IDA funding has been obtained from various sources. They include initial subscription fees and replenishment fees - provided by the wealthier member countries - contributions and transfers of income from the World Bank and the IDA’s own accumulated income (Donelson, Hardoy and Schkolnik 1986). The World Bank group lends to governments of member countries, or to public or private organisations which have the ability to obtain the guarantee of the member governments where the project is located (Donelson, Hardoy and Schkolnik 1986).
The World Bank's loans were not supposed to be tied to a particular country's goods. However, contrary to its own principles, the World Bank has encouraged the combination of long term bilateral development funds alongside its own funds (Babudere 1977). In this case, the World Bank does not object to the loan from a particular country being tied to the sale of its goods, since funds come from the United States and other major advanced capitalist countries, and non-discrimination enables multilateral competitive bidding (Nabudere 1977).

During the first six years of operation - 1947 to 1952 - World Bank lendings reached $1412.1 million, an average of $235.4 million per year (Donelson, Hardoy and Schkolnik 1986). Most of this capital was directed to the construction of electric power plants in European countries. Loans for railway systems, agriculture and industry absorbed a large portion of the total investment. The World Bank expanded its endeavours into lending for educational projects in 1963, and for tourism in 1970 (Donelson, Hardoy and Schkolnik 1986). The World Bank, amongst all the multilateral lending and technical assistance agencies, engages in many types of projects and programmes that have direct and indirect bearing on human settlements. Diagram number 3 illustrates the distribution of loans, according to category and region between 1971 to 1978. This diagram gives a clear indication of the resources committed to the area of human settlement by the World Bank. This is of particular relevance to this paper, since the two case studies of the provisions of self help housing to be analysed later occurred within the described time period.
### Diagram 3: Regional Distribution of World Bank - Human Settlement Loans 1971-1978

(in millions of US$)

<table>
<thead>
<tr>
<th>Region</th>
<th>Urbanisation*</th>
<th>Water and Waste</th>
<th>Building Materials</th>
<th>Telecommunications</th>
<th>Electrification</th>
<th>Infrastructure</th>
<th>Tourism</th>
<th>Education and Health</th>
<th>Technical Assistance and Studies</th>
<th>Other</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Africa</td>
<td>177.7</td>
<td>218.0</td>
<td>60.0</td>
<td>-</td>
<td>10.0</td>
<td>181.2</td>
<td>27.3</td>
<td>522.0</td>
<td>2.9</td>
<td>12.0</td>
<td>1211.1</td>
</tr>
<tr>
<td>Latin America and Caribbean</td>
<td>240.6</td>
<td>595.2</td>
<td>-</td>
<td>-</td>
<td>171.0</td>
<td>210.0</td>
<td>135.0</td>
<td>174.8</td>
<td>1.2</td>
<td>41.3</td>
<td>1571.1</td>
</tr>
<tr>
<td>N Africa and Middle East</td>
<td>92.0</td>
<td>440.5</td>
<td>86.0</td>
<td>36.0</td>
<td>48.0</td>
<td>319.3</td>
<td>61.0</td>
<td>276.5</td>
<td>6.2</td>
<td>26.3</td>
<td>1391.8</td>
</tr>
<tr>
<td>Asia and the Pacific</td>
<td>339.8</td>
<td>361.1</td>
<td>-</td>
<td>-</td>
<td>207.0</td>
<td>245.8</td>
<td>71.2</td>
<td>372.9</td>
<td>3.4</td>
<td>137.0</td>
<td>1738.2</td>
</tr>
<tr>
<td>Europe</td>
<td>-</td>
<td>230.0</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>102.5</td>
<td>10.0</td>
<td>243.8</td>
<td>-</td>
<td>-</td>
<td>586.3</td>
</tr>
<tr>
<td>Totals</td>
<td>850.1m</td>
<td>1846.8</td>
<td>146.0</td>
<td>36.0</td>
<td>436.0</td>
<td>1058.8</td>
<td>304.5</td>
<td>1590.0</td>
<td>13.7</td>
<td>216.6</td>
<td>6498.5</td>
</tr>
</tbody>
</table>

* Includes shelter and urban transport
III. The Provision of Self Help Housing

A Theoretical Analysis:
The Role and Objectives of the State and the World Bank

1. State Intervention: Housing as a Social Policy

The Marxist perspective of the state takes issue with the claim by liberal theories, that the state itself represents the general interest of the entire society (Burgess 1985). On the contrary, it views the state as an instrument of class domination. The capitalist state is identified as an instrument and expression of the capitalist mode of production, that acts in the interest of the dominant class (Burgess 1985). Thus, the interest of the capitalist state is inherently antagonistic to the interests of the subordinate classes. The dominant class comprises fractions which constitute the capitalist class. It is this class that has a great level of influence on state policies with regard to various issues (Castells 1978).

This theory of the state also takes issue with the functionalist claim that the state is separate from society. The state, the law, and all institutions, ideas and values, according to Marxist theory, operate at the political and ideological level and are subject to the law governing the development of the capitalist mode of production (Burgess 1985). Castells argues that state sponsored policies act as an instrument of ideological formation of interests of classes, fractions and groups, so as to develop the capacities for social integration to the maximum. It is this factor which is viewed to be the primary function of the dominant, or "capitalist" ideology (Castells 1978). The fundamental function of the capitalist state is to maintain the consolidation of social formation, under conditions that secure the reproduction of the mode of production. At the same time it must ensure the domination of the ruling classes, over the ruled classes, while conciliating the contradictions between and within the fractions of the social classes. In so doing the capitalist state secures the overall conditions for the reproduction of capital in general (Pradilla 1979).

Social policies, such as self help housing, are an attempt by the state to transform social contradictions between the social classes. Social conflicts arise from exploitation in production and its own reproduction. Social policies are a response to this conflict, even if displaced in respect to the original focus of the latter (Topalov 1985). The capitalist state supports class rule not solely by repression, but also by setting up the institutional and political bases of social consent (Topalov 1985). Through social policies the state actually appeases at least some of the ruled class, expanding its influence and at the same time modifying organised social movements, culture and ideology (Topalov 1985). The regulating function of social policies may, at times, be counteracted by the more immediate needs of capital accumulation, often by the specific requisites of the capital tied to a dominant fraction of the capitalist class (Topalov 1985).

Social policies result from an historical process characterised by social conflict between the ruling class and the ruled class, as well as particular fractions within each. These conflicts between social groups express, and at the same time transform the contradictions of the capitalist social structure itself (Topalov 1985). Social classes are contradictory social places, defined by social structure. Power can then be defined as the capacity of one class to realise its interests. In a capitalist system interests are realised at the expense of the other groups of classes within the social structure (Pickvance 1982).
In a capitalist state the capitalist or ruling class is comprised of many fractions and contradictory interests (Altvater 1978). According to Altvater the concept of the existence of capital does not suspend the actions and existence of many fractions of capitalists which stand in antagonism to each other. These antagonisms are not suspended by competition, nor are they attributable to competition, or to the logic of the "market" in which they appear, nor is it possible for the capitalist state to eliminate them (Altvater 1978). The state does not replace competition, but rather, runs alongside it. Thus, the establishment of a society fragmented into individual interests is only made historically possible by the fact that the state secures the foundation of its existence. In essence, this means that capital requires a special institution which is not subject to the constraints facing individual capitalists, and which can act in the interest of capital in general (Jessop 1982).

Under the conditions of a capitalist mode of production, labour power is a commodity. It is the sole commodity that practically all members of society possess. Members of society are pressed to sell their labour power to an employer in order to survive (Pickvance 1982). From the global point of view wages are paid to reproduce labour power. Non labourers pay via wage labour for the reproduction of present conditions, which also enables the next generation of workers to be reared by wage earners (Pickvance 1982). The reproduction of labourers is a necessary condition of the reproduction of their labour power as a commodity.

According to the labour theory of value, the value of any commodity is equal to the value of the labour power, or the "socially" necessary labour time embodied within the production of the commodity. Only a labourer contributes to surplus value. Socially necessary labour time refers to the time an average skilled labourer, using average techniques, takes to produce a commodity (Pickvance 1982). From a theoretical perspective the accumulation process implies the permanent reproduction of the mode of production; the mode of production being the productive forces and the relations of production (Preteceille 1978).

The socially necessary level of subsistence is not historically given, but is - according to Marx - "continually advancing in fits and starts" through class struggle (Pickvance 1982). However, the state's intervention in the domain of collective consumption - as a response to the labourers' demand - tends to be displaced and reshaped, according to the dominant interests of the capitalist class (Preteceille 1978). According to Castells, collective goods are characterised by the type of capital invested into the "good" which is ultimately determined by the relation of profit derived from the production of the good (Castells 1978). This perspective deviates from the liberal economic view in that collective goods are characterised by the fact that they are not governed directly by supply and demand (Castells 1978). Examples of these types of collective goods are housing and public transportation. Thus, according to Castells, a definition of a collective good depends upon the intention with which it is produced. We are faced with the phenomenon that goods such as housing move between categories. This is a function of the capital investment cycle, and the supply created by demand (Castells 1978). The state's intervention in the domain of collective consumption is implemented in terms of capitalist class economic interests and the search for social control (Preteceille 1978).

According to Castells, the intervention of the state is functional and necessary to the monopolies, even though it is often implemented in opposition to various fractions of capital interests (Castells 1978). State intervention becomes necessary in order to control sectors and services which are not
profitable from the perspective of capital, yet essential for the functioning of economic activity or for the appeasement of social conflicts (Castells 1978). Such is the history of housing in all countries which have employed public housing policies. The intervention of the state assures the necessary reproduction of labour power at the lowest possible level. This in turn lowers wages while also easing demands. Public investment is a fundamental form of the "devaluation of social capital". By investing at a loss the state upholds the general rate of profit of the private sector, in spite of the lowering of profit relative to social capital as a whole (Castells 1978). Thus, state intervention favours private capital and is an essential part of the survival of the system. State intervention in this domain is always carried out in conjunction with private capital by making a sector of the economy profitable and transferring it afterwards to the private sector, while, in the meantime, the intervention of the state fills economic holes (Castells 1978).

Recently much attention has been given to the research and analysis of collective consumption as provided by the state. It is seen as one of the central elements in the economic, social and ideological process and consequent urbanisation (Preteceille 1978). An issue of debate has been the interpretation of state intervention in terms of a strategy of social control. Given this debate, it appears that the link between production and consumption and the concept of the reproduction of labour power is a fundamental element within the content of the capitalist mode of production (Preteceille 1978).

2. The Provision of Self Help Housing: A Theoretical Analysis of the Role and Objectives of the World Bank

The housing problem in developing countries can be understood as a product of capitalist development at a global level (Burgess 1985). The conditions of capitalist development create the structural source of the housing problem, as well as the urban problem. This is manifested in developing countries when the capitalist mode of production enters the countryside, and in turn leads to the expulsion of the peasantry to the urban centre (Burgess 1985). Industrial development, which for the most part leads to the destruction of labour intensive industry, accompanied by high levels of dependency for developing countries, on foreign financial capital, has contributed to the severe housing problem in developing countries (Burgess 1985). More specifically, the determining elements of the housing problem are directly related to the structural limitations of the capitalist mode of production itself. It is through the examination of these structural limitations, and the assessment of the role and objectives of the World Bank, that the contention of the paper will be established.

A fundamental aspect of the housing problem can be located in the fact that a housing unit in a capitalist society has status as a commodity (Pradilla 1976). In social formations where the dominant mode of production is capitalist, housing - like practically all objects - is produced by human labour and fulfils two needs. Firstly, it is useful in terms of satisfying individual or collective needs, which justifies its production. Secondly, it is bought and sold in the market and possesses an exchange value and is thus a commodity (Pradilla 1976). The housing unit is the material base of individual and social activities. It plays a crucial role in the maintenance and expansion of the reproduction of labour power (Pradilla 1976).

Under conditions of capitalism most commodities are produced by labourers with the exchange
occurring through the market (Burgess 1982). Self help housing as a commodity differs from other housing commodities, as it is constructed primarily for the producer rather than for exchange (Burgess 1982). In this form, the social agent who produces and consumes the housing unit is the same person. The consumer carries out production by investing a period of personal labour time, resulting in the extension of that person's work day beyond the necessary level for subsistence (Pradilla 1976). Theoretically, commodities are always exchanged at their real value which implies that commodities are exchanged according to the amount of socially necessary labour time that enters into their production. However, in the case of self help housing, if the labour time in the production of the commodity is of low productivity or below the socially necessary conditions of production, the commodity is exchanged according to the real value of similar commodities that are produced according to the average conditions of production. The individual that produced the commodity using more time can claim the real value of the commodity on the market, yet won’t be able to claim all the labour time invested in the production of the commodity. Thus in self help housing the producer cannot exchange the housing unit on the market, and be adequately rewarded for his/her labour. In self help housing a portion of the unavailable yet necessary income in wage terms is substituted by the producers own labour (Harms 1982). The state can ultimately introduce self help housing as an instrument to reduce public expenditure on housing, shifting the cost of reproduction of labour power from the "socially produced surplus" to individual labourers (Harms 1982). It is the contention of this paper self help housing does in fact lower the value of labour power in the sphere of the reproduction of labour power.

The largest and most influential multilateral international aid agency in the provision of self help housing in developing countries is the World Bank (Burgess 1985). The housing unit in itself plays a fundamental role in the capitalist system, providing the material base for individual and social activities, as well as a crucial role in the maintenance and expansion of the reproduction of labour power (Pradilla 1976). Self help housing performs an important function in the capitalist mode of production by providing cheaply the basic housing necessary for the labour force and the industrial reserve army (Burgess 1985). If the major objective of the World Bank is to stimulate the flow of foreign investment, its sponsorship of self help housing, which lowers the value of labour power in the reproduction of the labour force, certainly benefits the private capital invested, by providing a housed labour force and reserve army at low cost.

Housing plays a major role in determining the reproduction cost of labour, as established by Engels (Burgess 1985). More recently, world system theorists have recognised the difference in the cost of the reproduction of labour power between the economics of the core and the periphery. Accordingly, the World Bank plays a central role in determining the cost of the reproduction of labour power in the periphery or developing countries (Burgess 1985).

The absence of government subsidies, a criterion for World Bank assistance, combined with wages paid to urban workers in the formal sector, are often insufficient to permit access to formal market channels for land and housing (Burgess 1985). It is argued by Portes and Walton that the use of informal labour permits the continuation of a system where wage scales have no relationship to the level of cost in regulated housing markets, thereby shifting essential elements of the reproduction cost to the informal sector (Portes and Walton 1981). Portes and Walton conclude that squatter settlements and illegal settlement subdivisions give labourers and families access to land, and enable them to engage in subsistence activities, which gives the family an extended budget as the house
becomes a place of work for subsidiary economic activities (Burgess 1985). This provides the spatial and social context for the formal and informal economic activities to create networks of exchange and mutual support which permits the simultaneous reproduction of different segments of the working classes. The benefits of this particular situation are appropriated by capital in the form of lower wages (Burgess 1985). Ultimately foreign investors such as the World Bank undoubtedly benefit.

Portes and Walton in their assessment of periphery countries conclude that the principal mechanism of holding down wages in the periphery countries' capitalist sector is directly related to the existence of the urban informal sector. They regard the informal sector as a permanent structural feature of the process of accumulation in the periphery (Burgess 1985). Accordingly, they conclude that in the periphery the informal sector is not destroyed by the advance of capitalism, but rather continuously reproduced. This is a result of the way in which the peripheral economies are incorporated into the worldwide structure of accumulation (Portes and Walton 1981). Direct subsidies of reproduction by informal to formal sector are also indirect subsidies to the core's national capital and thus a means to defend the rate of profit on a world scale (Burgess 1985).

Though Portes and Walton do not directly deal with the specifics of the provision of self help in developing countries the framework of the world political economy approach to the study of urbanisation does provide an insight into the issue (Armstrong and McGee 1985). Based upon Portes and Walton's analysis, it is argued that international sponsorship of self help housing is part of a strategy to ensure that housing and the reproduction costs of labour power in the formal economy of peripheral countries are kept low (Burgess 1985). Developing nations provide the world economic system with abundant and cheap labour. The World Bank funds self help projects throughout the developing world, which promotes a relationship between the distribution of aid and the core interests of recipient countries (Burgess 1985).

The provision of self help housing by the World Bank also promotes industrial forms of production (Pradilla 1976). The World Bank has as its goal the production, consumption and exchange of housing entirely through the mechanisms of the market, and the capitalist mode of production (Pradilla 1976). Self help housing programmes involve the consumption of commodities, the generation and appropriation of rent, the payment of interest to financial capital, and the fixing of prices, as does the private sector (Burgess 1985). Self help housing programmes permit the maximum amount of participation by various fractions of capital. The World Bank clearly creates new markets and stimulates ones that are dormant. The use of the self help approach can be seen to introduce and implement the logic of the market forces to a segment of the population which it was unable to reach previously. Thus, the major objective of the World Bank to stimulate foreign capital investment is realised.

Once foreign capital investments are in place the World Bank then seeks to safeguard the interests of those investments. Nissen's study of multilateral international aid offers a pertinent perspective. He concludes that the fundamental objective of aid agencies is the maintenance and economic stability of pro-western governments and existing trade and investment stabilisation (Nissen 1974). It would logically follow that aid acts not only to mobilise foreign capital investment in developing countries but plays an active role in ensuring economic and social stability. This in turn safeguards the interests of foreign capital investments.
Self help housing programmes that are initiated and controlled by the state or by external multilateral international aid agencies (under specific political conditions, especially as "collective" self help programmes) can be viewed as part of the class struggle (Harms 1982). The self help programme can be used to increase integration into the existing social order, and to strengthen the capitalist mode of production and its domination (Harms 1982). Self help programmes can be established to introduce some reforms to social formation and expand the social control of the state (Harms 1982). This perspective is consistent with the role of state intervention in the sphere of collective goods, outlined by Castells, as previously noted.

Castells argues that the state's intervention in the domain of collective consumption as a response to labourers' demands tends to be displaced and reshaped according to the dominant interest of the capitalist class (Castells 1978). The state's intervention in the domain of collective consumption is implemented not only to further the economic interests of the capitalist class, but also to enhance social control (Preteceille 1978). This contributes to the maintenance of economic stability and existing trade and investment stabilisation. Accordingly to various authors such as Nabudere (1977), Nissen (1974), and Wall (1973), all conclude that the World Bank not only supports "pro-western" countries, but that multilateral international aid in general was conceived to contain the expansion of socialist states (Nabudere 1977): further evidence that the World Bank does safeguard foreign capital investments once they have been mobilised to the developing countries.
IV. The Provision of Self Help Housing in El Salvador
   The Case of the World Bank

1. El Salvador: The Social Formation

For the last century economic and political power in El Salvador has been concentrated amongst an oligarchy that has the claim to be perhaps the smallest, most omnipotent and reactionary in the world (Dunkerley 1983). In the early part of the twentieth century it consisted of fourteen core families. In recent years there exist approximately 65 families in all who control life in El Salvador. In 1974, 67 family firms exported coffee on a commercial level, while an inner group of 37 family enterprises dominated the production of coffee, sugar and cotton (Dunkerley 1983).

The key to the formation of the aristocracy and consequently the social structure of El Salvador lies in coffee. It was the introduction of this plant and its status as the region's leading export crop in the mid nineteenth century that ended El Salvador's relative isolation in the world economic system. This ended the feudal, pre-capitalist economic relations that had endured since the arrival of the Spanish (Dunkerley 1983). Though this is a point of controversy and of debate it is clear that the production of coffee greatly affected and transformed the social formation of El Salvador. Coffee became the key component upon which the economic model of import substitution, and consequently the present class structure is based (Dunkerley 1983).

El Salvador as a state is one of the poorest and most densely populated. It possesses one of the most distorted and inequitable systems of social, political and economic organisation in Latin America (Dunkerley 1983), and has the dubious distinction of having the oldest continuous sequence of military rule in Latin America. The military has governed directly since 1931, enforcing the interests of a small group of elites.

In 1881 and 1882 the Salvadorean state controlled by the agricultural-based oligarchy, issued a series of decree laws that profoundly affected the country's social structure (North 1985). The new legal order recognised only private property, abolishing the peasantry's traditional form of land ownership; the "ejidos" and "tierras comunales" (North 1985). The abolition of common lands as a legally recognised form of property eventually meant the dispossession of homes and means of livelihood for the peasantry. Over 30 per cent of El Salvador's entire land area and much more of the fertile land was taken over by the oligarchy that gained political power in the 1870s (North 1985).

Following the Second World War the mechanisation of export production severely reduced the amount of labourers needed on the estates controlled by the oligarchy. By the 1970s the majority of El Salvadorans had insufficient access to land, housing and employment. In the urban areas the capital-intensive industrialisation in the 1950s and 1960s increasingly came under the control of United States based multinational corporations (North 1985). They failed to provide sufficient employment opportunities. Thus the poor and unemployed drifted to the rapidly expanding shanty towns and cities (North 1985).

The few who controlled the means of production grew excessively wealthy. The pursuit of economic gains on the part of the oligarchy and its resistance to socio-economic reforms led to the
social and political catastrophe of a full-scale civil war. The military, which consistently enforced the interests of the oligarchy, developed into a repressive caste which closed off the possibilities of democratic, political openings (North 1985).

2. The Case of the Fundasal Site and Service Housing Programme

El Salvador has faced the shelter problem by creating a series of institutions and financial systems. These schemes that promoted the construction of conventional housing were failures. Most of the housing was consumed by a small group of Salvadoran society. A major problem that has hindered any improvement of shelter in El Salvador is the government's unwillingness or inability to face the urban land supply problem (Browning 1971). Urban areas - which have mostly developed close to the coffee plantation's fertile land - are owned by members of the oligarchy who are opposed to any type of land reforms (Browning 1983). The impact of this on shelter, infrastructure and services has greatly contributed to the serious socio-economic problems of El Salvador (Browning 1983).

Since the inception of its first pilot project in one of El Salvador's squatter areas in 1969, the shelter programmes of the Fundacion Salvadoria de Desarrollo y Vivienda Minima (which will be referred to as Fundasal) have based their endeavours on the precepts of community participation, progressive shelter construction and financial accessibility or affordability and cost recovery to the low income population (Bamberger and Deneke 1984). Fundasal is a non-profit making private Salvadoran foundation. It operates on a scale that has usually been the domain of national governments and has been active in six of Salvador's major urban areas (Deneke and Silva 1982). By the late 1970s Fundasal produced approximately 1400 housing units per year. 7000 units were completed by 1975 and 1989 which represented nearly half of the total annual production of housing units in Salvador's urban areas (Bamberger and Deneke 1984).

The magnitude of Fundasal's project was such that they can be seen as taking up what would normally be the responsibility of the government. The Salvadoran government's inability to address the shelter problem through a conventional approach created a vacuum which Fundasal attempted to fill. The urgency of the housing problem and other socio-economic issues that Fundasal addressed, posed a threat to the stability of El Salvador's social formation and to the oligarchy, who were staunch supporters and protectors of American interests and policies in the Central American region.

Fundasal enlisted strong support from multilateral aid agencies. Among this support the largest of the contributors was the World Bank with two loans as well as several grants. It was the first non-conventional housing project the World Bank had ever participated in (Bamberger and Deneke 1984). And it was the first time in history that multilateral international aid agencies had funded a private organisation to such a large extent. Though the relationship between Fundasal and the multilateral international aid agencies and the World Bank has not been adequately covered in the literature, it is fair to say that each organisation had interests in addressing the serious socio-economic problems in order to maintain stability in El Salvador and the region. At the time the socio-economic conditions were very volatile.

The Fundasal site and service project intended that self help housing would benefit the poorest 50 per cent of people in the urban areas. The target population were those families which fell between
the 17th and 65th percentiles on the national urban income distribution curve (Bamberger and Deneke 1984). However, aside from the provision of housing, the Fundasal project - with World Bank support - embarked on a much more profound, all encompassing project that had not been previously attempted.

Fundasal lobbied the government for permission to utilise lower standards of water supply, plot size, and land use (Bamberger and Deneke 1984). This enabled the project to lower its costs, and make the package of housing units and services more affordable for the target population (Bamberger and Deneke 1984). By the mid 1970s a typical unit was being offered with twenty year financing at about 6.5 per cent interest for the purchase of a serviced plot. With twelve year financing at eight per cent, a material loan to complete the construction of a basic living unit was granted (Bamberger and Deneke 1984). The average costs for the families which participated were approximately $2000 US for mortgage payments and material loans. The average family invested about $1000 US of its own resources to purchase additional materials, or to pay for labour (Bamberger and Deneke 1984). Fundasal estimated that the units produced were approximately half the cost of the cheapest conventional housing unit ever produced by the Salvadorean government. In the mid 1970s the cheapest housing unit cost the user approximately $4000 US (Bamberger and Deneke 1984).

It should be noted that Fundasal's shelter programme was not intended to address the entire housing needs of low income groups. It was designed to illustrate how the site and services approach, with family and community participation, was an effective alternative to the failed conventional approach. The objective was to meet one third of the demand of low income housing (Bamberger and Deneke 1984). In essence, it attempted to overhaul the Salvadorean social formation.

3. A Critical Analysis of the Role and Objectives of the World Bank within the Context of the Fundasal Site and Service Project

One of Fundasal's major objectives was its advocacy of land reform. Due to structural obstacles in the Salvadorean social formation this task seemed quite impossible. Fundasal observed that many of the low income families were paying excessive prices for rooms or unserviced plots in quasi-legal subdivisions of land (Bamberger and Deneke 1984). Fundasal, in its project, offered land tenure. It also advocated that the government should adopt a clear policy of land tenure so as to help ease land constraints that directly affected housing problems (Bamberger and Deneke 1984). A serious hindrance to the production of new housing is constraints on land (Deneke and Silva 1982). The major urban areas of Salvador have been established close to the fertile lands of the plantations (Bamberger and Deneke 1984). The plantations - which attract migration - created a demand for housing and land in the area. The unwillingness of the oligarchy to relinquish control over land had created severe shortages (North 1985). Since 1881 land has been a key element of the agriculture-based oligarchical reign of power in El Salvador since socio-economic and political power is based upon the control and exploitation of the land.

Between 1961 and 1971 the number of families possessing less than two hectares of land grew by 37,194, and those with no land grew by 81,657 (Browning 1983). The proportion of the landless population grew immensely, from 12 per cent in 1961 to 29 per cent in 1971, and to 41 per cent in 1975 (Browning 1983). It is estimated that the wealthiest ten per cent of Salvadoreans controlled 80
per cent of the entire land mass of El Salvador. The poorest ten per cent of Salvadoreans owned less than one per cent of the land (Deneke and Silva 1982). Coffee exports accounted for more than 65 per cent of El Salvador's entire export production (Dunkerley 1983). The oligarchy had much to protect when repelling any infringement on their land, and therefore their power. Another example of the way in which land is distributed can be examined by the number of squatter settlements in Salvador. Only 4.1 per cent of Salvadoreans live in squatter settlements (Bamberger and Deneke 1984). Often illegal land invasions have been met with violent repression, carried out by the military under the orders of the oligarchy (White 1975). Illegal settlements, which do exist, only exist with the permission of the land owners. Illegal settlements in El Salvador range from poor settlements to luxurious upper class residential suburbs (White 1975). Therefore, in El Salvador it is not illegality which deprives security of tenure, but the intentions of land owners (White 1975).

During the period of the Fundasal project there existed an informal mechanism that, in effect, accommodated the inequalities of land distribution. Members of the oligarchy allowed small land owners or entrepreneurs to charge rent to illegal squatters. Though there was no land tenure this provided a service, contributing to the reproduction of the oligarchy controlled social formation. In support of a legislative land policy Fundasal advocated the formalisation of land distribution which would have undoubtedly resulted in a major confrontation of power interests.

During the 1960s and 1970s the influential Catholic Church and the Christian Democratic Party - with the backing of various United States government administrations - fought for land reform legislation. There was mass support for this from the El Salvadorean people (Dunkerley 1983). The fight for reform can be seen as the starting point of the civil war and the complete breakdown of the existing social formation (North 1985).

The question arises, why would the World Bank seem to oppose and confront the oligarchy? Historically the oligarchy had been a staunch supporter and protector of American policies in the Central American region, as well as being receptive to foreign capital investments and generally "pro western". On the surface this would seem to contradict the conclusion reached in section III of this paper. However, this is not the case.

Within the social formation of El Salvador there existed inherent structural limitations to the growth and expansion of the capitalist system. These structural obstacles were so great that the social formation was unable to reproduce itself. This was clearly manifested throughout Salvadorean society. Land, controlled by the oligarchy, and on which it depended for its power, led to the severe housing crisis. Only 14 per cent of the labour force were steadily employed (Dunkerley 1983). In the mid 1970s during the time of the World Bank funded site and service project eight per cent of the population received 50 per cent of the national income. 92 per cent of the Salvadoreans shared the remaining 50 per cent (Dunkerley 1983). Nearly one-third of the population lived on $5 US per month and 58 per cent existed on less that $10 US per month (Dunkerley 1983). Malnutrition and a high infant mortality rate of 57 per thousand live births made Salvadoreans one of the most impoverished peoples in the world (Deneke and Silva 1982). Not only was capital expansion impossible under the existing economic model, but social and political unrest grew, creating a situation in which foreign capital investment interests that did exist were threatened by the volatile situation. It is within this context that the World Bank can be seen to have operated within El Salvador. The World Bank clearly attempted to bring about reforms so as to safeguard foreign
capital investment interests and create new markets attracting further foreign investments. According to the world systems perspective this would seem quite plausible.

According to Braunmuhl, for example, an international system is not the sum of many states but rather consists of many nation states. The world market is organised with many national economies as integral components (Braunmuhl 1978). The internationalisation of capital accumulation cannot be understood as an external factor affecting the actions of the nation state, but must be conceived as a process taking effect within the national economy as part of the world market (Braunmuhl 1978).

In light of Braunmuhl's perspective, and according to Altvater, in a capitalist state the ruling class comprises many factions and contradictory interests (Altvater 1978). The Christian Democratic Party for example was founded in the early 1960s by middle class urban professionals (North 1985). It developed a mass grassroots following and was supported by the influential church. Its leadership consisted of conservative, anti-communist "businessmen" who opposed military violence (North 1985). Thus it offered El Salvador a potentially different dominant capitalist fraction. The fact that the United States government and the World Bank support major reforms in the economic model employed in the social formation of El Salvador indicates a direct challenge to the "failing" Salvadorian dominant capitalist class - the oligarchy.

As stated by Pradilla, self help housing is designed to promote the production, exchange and consumption of industrially produced materials (Pradilla 1976). Self help housing projects provide the maximum participation of various fractions of capital tied to housing and urban development (Burgess 1985). In so doing they benefit the "urban professional class". In the Fundasal self help housing project the demand for greater access to land and to legislate land reform was in direct opposition to the oligarchy and represents a clash of interests by two fractions of the "capitalist" class. According to Altvater this type of clash is quite a common occurrence within a capitalist state.

"To say that the state expresses the average interests of capital does not mean that it does so in an uncontradictory manner. For the concept of the average existence of capital does not suspend the action and existence of the many individual capitals which, as such, stand in antagonism to each other." (Altvater 1978)

Altvater goes on to write: "These antagonisms between the various fractions of the capitalist class are not suspended by competition, nor can the state within the capitalist system hope to eliminate them." (Altvater 1978)

As assessed in section III, an aspect of social policies in the domain of the provision of collective consumption is implemented in terms of the capitalist class economic interests, and in terms of its search for social control (Preteceille 1978). According to Castells, the intervention in this domain is functional and necessary to the monopolies even though it is often implemented in opposition to various fractions of capital interests (Castells 1978). Intervention is an essential element of the capitalist mode of production for the functioning of economic activity or for the appeasement of social conflicts (Castells 1978). Thus, the fact that a major objective of the Fundasal project was to organise "community governments" can be seen to maximise a specific type of social control which directly challenges the oligarchy. The community government was designed to enter into socio-economic negotiations, creating awareness to further the beneficiary's own aspirations (Bamberger and Deneke 1984).
When taking into account the social formation of El Salvador - as controlled by the oligarchy - historically there had been practically no place for community groups. In the squatter settlements of El Salvador, and in the country at large, very little political organisation and relatively little organisation of any sort was permitted (White 1975). This contrasts with the involved organisational activities reported from squatter settlements elsewhere in Latin America, mainly Chile and Peru (White 1975). One of the reasons for this phenomenon is that in most of the settlements of El Salvador the squatters are permitted to stay with the land owner's consent by means of a verbal agreement. The agreement takes place only after the housing structure is erected (White 1975).

Thus, in most cases the impoverished squatter will try to ensure a good relationship with the land owner so as to avoid eviction. It has often been found that squatters will support the political interests of the land owner because if they did not an eviction would surely follow (White 1975). It has also been found that the majority of inhabitants who settle for any length of time are at least three months behind with rent. This situation is preferred by land owners as it gives them additional legal arguments should they wish to raze the settlement (White 1975). In none of the squatter settlements, or in the luxurious illegal settlements, do land owners have to treat the inhabitants as permanent inhabitants under Salvadorean law (White 1975). If a landlord has an opportunity to make money through speculative means he is able to raze the settlements (White 1975).

Clearly the Fundasal project - funded by the World Bank - confronted and challenged the agrarian-based economic model used in El Salvador which entrenched power with the oligarchy. During the time of the Fundasal project the social formation was unable to reproduce itself efficiently. Fundasal attempted to reform the economic structures of El Salvador to bring about the elimination of obstacles inherent in the oligarchy-controlled system. In so doing, Fundasal attempted to bring about social and economic stability as well as economic growth. It is the contention of this paper that the World Bank tried to stimulate the flow of capital to El Salvador by attempting to eliminate structural obstacles and creating new markets ripe for foreign investment. It also safeguarded the interests of foreign capital investments as well as the interests of western countries by attempting to defuse the volatile social conditions.
V. The Provision of Self Help Housing in Kenya
The Case of the World Bank

1. Kenya: The Social Formation

The term "socialism", like the term "democracy", has positive connotations. This is especially true within former colonies which have experienced struggles and exploitation perpetuated by the leading capitalist powers of the time. The Kenyan government, on the whole, has little sympathy for socialist notions of democracy, social equity and public ownership of the means of production. However, it does consider itself "African Socialist" (Sandbrook 1975). Despite these contradictory notions Kenya is led by a government that pursues purely capitalistic development strategies. Such strategies are based on the conception of development as maximising production rather than ensuring equity. This perspective adheres to the notion that development can be stimulated by the profit motive, and the associated institution of private property (Sandbrook 1975). This view inherently results in a reliance upon foreign capital and official incentives for both indigenous entrepreneurship and an open market economy, with easy access to foreign investment. The post-colonial state in Kenya has been dominated by the hegemonic fraction of indigenous capital. The apparatus and functions of the state have been realigned since 1963 to foster the development of this class (Swainson 1980).

It should be taken into account that this type of development strategy results in disparities within the social structure of Kenyan society, leading to regional and class divisions; to mention but two examples. This is illustrated by the fact that in 1969 the wealthiest two per cent of the population consumed 44.3 per cent of the total national income, while the poorest five per cent consumed only 1.2 per cent of the total income (Killick 1976). Nairobi accounted for 79.9 per cent of all recorded wage employment in 1974. It is evident that there is a centralisation of wealth and power in Kenya throughout the entire society with Nairobi emerging as the most highly developed region, and Nyanza Western and North Eastern provinces as relatively underdeveloped (Killick 1976).

This strategy has resulted in steady economic growth since Kenya received independence in 1963. The average rate of growth has been approximately 6.5 per cent in real terms (Sandbrook 1975). Yet in an overall analysis it is evident that Kenya has become a dependent capitalist economy with uncertain prospects for continued growth in the future. Kenya's dependency in economic terms derives from its reliance upon the influx of foreign resources of both capital and skilled labour from several advanced capitalist countries (Sandbrook 1975). This dependency is critical to the health of Kenya's economy as trade is concentrated with only a select few advanced industrialised states. Kenya in its trade relations supplies primary products, - coffee and tea consist of half of Kenya's exports - in exchange for manufactured goods (Sandbrook 1975). Foreign influence is considerable (Sandbrook 1975). Foreign aid accounted for 95 per cent of development expenditures in 1964-65 although it decreased to 39 per cent in 1969-70, and to 37 per cent in 1971-72 (Sandbrook 1975). The Kenyan government has entrenched incentives to attract foreign investment within its own legislation. The Foreign Investment Protection Act of 1964 guarantees freedom of repatriation of profits, interest and repayment on foreign loan capital and abjures expropriation without good cause. This legislation in effect constitutes a Bill of Rights and Freedoms for foreign investors (Sandbrook 1975).
2. The Case of the Provision of Self Help Housing by The World Bank in the Kenyan Context

In Kenya, settlements that are above the population of 2,000 are considered to be urban (Chana 1984). According to 1979 census estimates, approximately two million, or 12 per cent of the population were considered to be urban (Chana 1984). The majority of the urban population is concentrated in two major urban areas. They are Nairobi and Mombasa. In 1979 Nairobi accounted for approximately 45 per cent of the urban population of Kenya (Chana 1984). Large increases in the population of Nairobi and Mombasa were due to rural-urban migration, which was the major cause of the urban shelter problem. Thus, the implementation of an urban housing policy in Kenya focuses upon the two major urban areas, Nairobi and Mombasa (Chana 1984). These two cities are the centre of economic, social and political power. Nairobi is the administrative centre of government at both the national and international level (Chana 1984) and was originally conceived as a "European" city by British colonialists. Africans were permitted access to Nairobi only to perform minimal labour. Thus Nairobi was systematically zoned according to race in the urban plans of 1905, 1927, and 1948 (Amis 1984). The result in Nairobi, as in other urban centres of Kenya, was unequal land distribution and severe land-supply restrictions for housing in which the majority of Kenyans were adversely affected (Amis 1984). The result has been a large squatter settlement population. Unauthorised housing in 1970 in Nairobi accounted for more than 40 per cent of the housing stock (World Bank 1980). However, 76 per cent of the labour force was employed in the modern sector, 12 per cent in the informal sector, and 12 per cent unaccounted for (World Bank 1980). These statistics shed light on the provision of World Bank sponsored self help housing in Kenya. The Kenyan social formation is fundamentally different from that of El Salvador. In El Salvador, for example, only 14 per cent of the labour force work in the formal market economy (Dunkerley 1983).

In 1964 the Kenyan government commissioned a United Nations mission to investigate the serious housing shortages in the major urban areas. It was invited to make recommendations on housing policies on both short and long-term bases. This resulted in the publication of Sessional Paper number 5 of 1966-67. Kenyan housing policies have been based upon this sessional paper ever since (Stern 1981). The Kenyan government, to all intents and purposes, adopted the same perspective as espoused by the World Bank. It advocated the lowering of standards, the lowering of costs, the use of informal labour in the construction process to reduce costs still further, and a complete overhaul of the Kenyan government's institutionalised housing authorities. This prepared the ground for the World Bank and other multilateral international aid agencies to fund and participate in housing projects in Kenya (Chana 1984).

The first project sponsored by an international aid agency in the provision of self help housing was undertaken by USAID - a bilateral aid agency. The project, which began in the early 1970s, marked the turning point of housing policies in Kenya (Chana 1984). It was the first self help housing scheme in Kenya. Prior to this project, housing policies were geared to the upper income population. The office of Housing Investment Guarantee Programme (HIG) set up by the government concentrated its efforts on housing for the population below the middle income as the intended target group (Chana 1984).

The Dandora Community Development Project is an example of this new initiative. It took place on
a large scale. The project received Kenyan institutional priority from the national level of government and from the Nairobi City Council (Chana 1984). The project consisted of 6,000 serviced plots. It was funded by the World Bank and by the Kenyan government (Chana 1984). The target population, according to the World Bank, was the lowest 20th percentile on the national income distribution curve, or those earning between £14 sterling and £32 sterling. Before this project had been completed it was followed by another large scale housing project in Nairobi and Mombasa which was also funded by the World Bank, and consisted of 11,700 serviced sites, and the upgrading of 10,000 housing units (Chana 1984). A third massive project consisting of self help housing, community facilities, and employment creation schemes, was implemented in 38 cities in Kenya. This project was funded by the World Bank as well as other international aid agencies. Sponsorship by the World Bank in the three major urban areas has had a major impact on the labour force in Kenya. The labour force within the three major cities comprises the vast majority of Kenya's waged labourers: skilled, unskilled, and informal labour. The contribution of the urban centres to Kenya's economy, and ultimately to its gross national product, is paramount.

At the project level there existed serious hindrances to the project's total implementation (Chana 1984). Although the housing units were constructed and completed the financing by the government and the World Bank was insufficient to implement other aspects of the programme (Chana 1984). Community participation in the sites and service projects in Nairobi, Mombasa and Kisumu was either minimal or nonexistent (Chana 1984). This is in complete contrast to the Fundasal site and service project in which much emphasis had been placed upon community participation. Community participation at the planning and project preparation stages did not occur in the Kenyan projects. It was supposedly left to the elected local authority. But due to their lack of resources there had been no substantial participatory activities (Chana 1984). Basic services such as health care, refuse collection, education, markets and workshops, were not implemented to any degree (Chana 1984). This contradicted and ultimately undermined the basic precepts of the proposed self help site and service programme as planned at least in theory by the World Bank.

3. A Critical Analysis of the Role and Objectives of the World Bank within the Context of Kenya

The World Bank in its provision of self help housing in Kenya concentrated on the major urban areas of Nairobi and Mombasa. The three site and service projects were located within Nairobi itself, and Mombasa and Kisumu (Chana 1984). In Kenya the major corporations are located within the urban centres or their vicinities. The Kenyan labour force tends to be concentrated in urban centres. The Kenyan government's approach to development is based upon capitalist strategies. The fundamental aspect of this perspective is maximising production by stimulating the profit motive, and the institutionalisation of private property. This view has led to a dependence upon foreign capital investment and has succeeded in attracting more than fifty major multinational corporations (Swainson 1980). The multinational corporations exploit the abundant and cheap labour available in Kenya especially within the Nairobi area.

Large financial agencies such as the International Financial Corporation of the World Bank Group have been the main source of finance for Kenyan-based industry from 1970 onwards (Swainson 1980). It is these industries which ultimately benefit from the provision of self-help housing by the
World Bank. In Nairobi, for example, the majority of beneficiaries in the Dandora site are employees of central government, the banking industry, or multinational firms such as General Motors, Firestone Tyres, and Coca Cola. In Mombasa the beneficiaries are mostly employees of foreign-owned, "high class" tourist hotels, oil refineries, Associated Vehicle Assembly plant, Portland Cement, and other multinational corporations. In Kisumu the residents are largely employed by Kenya Breweries, the railway, banks, government ministries, and the manufacturing sector of the economy (Lumbasio 1987). Thus, by providing abundant housing close to multinational firms the World Bank in effect is creating a larger and more efficient labour force. A house is a prerequisite for a labourer to have access to employment in the formal sector (Burgess 1985). Intervention in the domain of collective goods is functional and necessary to the multinationals in order to assure the reproduction of labour power at the lowest possible level, and the lowering of direct wages (Castells 1978).

According to Portes and Walton, the lowering of the costs of reproduction of workers in periphery countries, such as Kenya, is directly advantageous to the economies of the core countries. The core countries benefit from low levels of reproduction of labour power. In light of the reproduction of labour power theory the self help housing projects lower the costs of the reproduction of labour and labour as a whole by reducing standards of the housing unit and costs (Burgess 1985). This incorporates part of the urban poor into the formal sector economy. Thus, self help housing provides a mechanism whereby the labour force and the industrial reserve army are provided with cheap housing so that a greater number of labourers can then participate in the formal economy. This keeps wages low as the reserve army is increased (Burgess 1985). This in turn will enable foreign capital interests - as in the case of Kenya - to expand operations and ultimately stimulate the flow of new investments. It will also attract new corporations to invest in Kenya, with the advantages of cheap and abundant labour.

Some believe that without any type of housing provision the costs of reproduction of labour would be even lower. This may be correct. However, based upon Portes' and Walton's analysis it is assumed that in periphery countries the informal sector is not destroyed by the advance of capitalism, but continuously reproduced. This is a result of the way in which it is incorporated into the world structure of accumulation (Portes and Walton 1981). Direct subsidies on the reproduction of labour in the informal sector are also indirect subsidies in the interests of the core's national capital and thus a method to defend the rate of profit on a world scale (Burgess 1985). Though Portes and Walton do not directly deal with self help housing, their analysis of the world political economy provides an insight into the issue.

The contention of this paper, that the World Bank will safeguard the interests of foreign capital investments, is clear. Unlike the El Salvador example, the provision of self help housing in Kenya did not include basic services nor any measures to ensure community participation. This can be viewed as lowering further the costs of reproduction of labour. The World Bank ensured that these costs would be even below the standards that self help housing espouses, at least in theory. By not providing basic services and the means of community participation the World Bank ensured the maximum appropriation of profits by foreign capital investment interests.
VI. Conclusion

As outlined in the introduction, the purpose of the paper has been to examine the role and objectives of multilateral international aid agencies in the provision of self help housing in developing countries. Using the example of the World Bank, the largest and most influential of the aid agencies in the domain of self help provision, analysis has been carried out at various levels of abstraction. The provision of self help housing by the World Bank is an important issue as the World Bank is perceived by many to represent the solution to the housing problem.

The thesis of the paper has been that the World Bank's major function is to mobilise international capital so as to stimulate the flow of that capital to new markets in developing countries. In light of the above the thesis stipulated that the World Bank will act to safeguard the interests of foreign capital investment. Another aspect of the thesis was that the World Bank, in the pursuit of its major objective, will - at the project level - vary its specific role and objectives according to the social formation in which it operates.

The first aspect of the thesis was explored and substantiated at the theoretical level. In a capitalist system it was determined that intervention in the domain of collective goods is always carried out in conjunction with the interest of private capital, and ultimately to its benefit. Intervention is an essential aspect of the survival and expansion of the capitalist system. It was concluded that the World Bank in its provision of self help housing does play a crucial role in stimulating the flow of capital to new markets in the developing countries. This can be achieved by various means. It can stimulate the construction sector and related sectors of the developing country's economy. It can also house a larger and more efficient labour force, contributing to the growth of foreign capital investment. In effect it can lower the costs of the reproduction of labour power under certain conditions, thus contributing to the appropriation of capital from the developing country's economy.

The provision of self help housing as a collective good can also have an effect upon integration and social control within the capitalist mode of production in developing countries, and the world economic system as a whole.

It is the contention of the paper that the World Bank does safeguard the interest of foreign capital investments in developing countries. At the theoretical level it was determined that social policies have the ability to create the conditions for integration and social control. This was implemented in both of the case studies as evaluated. In the case of Kenya, this had a direct bearing on the costs of the reproduction of labour power. In El Salvador, market forces were expanded in an attempt to stabilise a volatile socio-economic situation. In both cases, however, the interests of foreign capital investments clearly benefited.

The World Bank's role and objectives vary according to the specific conditions of the social formation in which it operates. This was clearly illustrated in the examination of the provision of self help housing in Kenya and in El Salvador. The World Bank attempted to reform the social formation by supporting the demands for land reform and the redistribution of wealth in the Salvadorean context. It sponsored community participation and community government to assist in the articulation of such demands. In the Kenyan context, however, the World Bank operated quite differently. The housing projects in Kenya ultimately resulted in unserviced plots and a lowering of the costs of the reproduction of labour power. Although the World Bank clearly did have different
roles and objectives within the two social formations, its overall and major objectives remained constant.
VII. References


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