

**Public Goods from Private Infrastructure Projects in Poor Neighborhoods  
of the Buenos Aires Metropolitan Region.**  
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**ABSTRACT:**

*A large proportion of the neighborhoods in the outer “second belt” of Buenos Aires’ metropolitan area suffer from high levels of poverty. This poverty conditions the relationship between the supply of resources (as represented by the state and private firms) and demand (neighbors and community members). Lack of market information increases investment risk and tends to raise the premium that a company will need to receive before operating in the area. As a result, there is a general lack of companies willing to do business with these families – community members representing the base of the economic pyramid – and neighbors find it equally difficult to acquire credit. We also have to take into account the difficulties in organization experienced by the neighbors, many of whom tried to overcome their problems alone and were unable to achieve the kind of status that could make them economic agents in the market.*

*We believe that a successful strategy for moving these families out of poverty involves rebuilding the ties that bind the resources to the community members. We propose to do this through the creation of a common mobilizing event capable of letting investors decrease their risk-premium while also allowing the neighbors to better organize in order to save money and fulfill their financial obligations.*

*Since 2000, we have started a new improvement program in five neighborhoods in the Cuartel Five area (Moreno county), building natural gas lines as well as the corresponding home connections. This project has its base in the community management of a trust fund financed by FONCAP and the World Bank, with the repayment of the loan being financed by the gains from fuel substitution. With a net investment of \$ 1,720,000, the program benefits around 3,600 families.*

*This investment allowed for the creation of 70,000 meters of external piping and 2,600 internal home connections in four years. Savings from fuel substitution have cut costs by a factor of four, as each neighbor now spends approximately \$45 as opposed to \$200. After the initial investments are repaid, this saving has a direct impact on family budgets.*

*It is estimated that the savings generated will increase real family incomes in the neighborhood by a full seven percent<sup>3</sup>. The project also has an important impact on health and wellness by decreasing respiratory diseases and increasing the quality of cooked food.*

*Aside from the infrastructure, this methodology leaves a capacity for increased social capital through the renewing of trust among neighbors (bonding social capital) and with outside actors (linking social capital ). In order for this capacity to be utilized, new instruments are required to organize demand (neighbors committees) and supply (trust funds).*

*We are trying to scale this experience by repeating the model in another five areas like this one, working together with the gas company, banks, and other players. We are also trying to use the social capital created to help the new neighbors organization to solve other problems as water supply and the sanitation services.*

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<sup>3</sup> Based on an annual income of \$441,000

## ***Poverty and Deficit of Access to Basic Services in Loteos Populares***

The impetus for urban conglomeration in Gran Buenos Aires (the greater Buenos Aires area), a process that began during the post-war era, can be found in the import-substitution process. The development of small and medium-sized industry in the areas surrounding the city, a high level of immigration from the provinces and neighboring countries, and the nationalization of rails were all reasons for an enormous land rush, resulting in the population of areas that had gone largely uninhabited up until then. Between 1947 and 1960, the population of the localities bordering the city grew by more than two million inhabitants, but in a more or less chaotic manner, without any sort of plan for organizing and distributing land.

The majority of the families found a solution to their need for living space in what were referred to as “*loteos populares*,” where parcels of land were granted without any type of infrastructure or service. This permitted the working class, who lacked access to credit, to become property owners. The lots themselves were bought through a company who managed both the legal procedures of parceling the land through the government as well as the financing of the clients, to whom they sold the lots using multiple installment payment plans. Thus, the city grew under a system of self-construction, with families using the larger part of their savings and free time for the construction of their own dwellings.

This forms a stark contrast to the formal system of home ownership, in which the family buys land on credit, immediately receives the deed to the property, begins construction, and then, at last, moves into the home. In the case of our target area, the system could be called, instead, the “popular system” of home ownership, in which the family buys the land on a payment plan, moves in at the same time that they begin construction, and almost never receives the actual deed. Because of this, the construction process for lower-income neighborhoods is slow, taking up practically all of the savings and time available to the families and freezing their most important asset—their housing. Without a deed to formally certify their property rights, the families remain automatically marginalized by the formal system of credit, where a property title serves as the most basic requirement.

The residents have been the primary builders of the neighborhoods, as developers have not taken on the task of investing in infrastructure or services. The state has been slow to react to the situation, making the minimum contributions possible. As a result, a large portion of the population live in disenfranchised areas defined by large deficits in infrastructure. They are plagued by health problems and pollution due to lack of clean water and sewage facilities; inaccessibility due to lack of paved roads; safety issues resulting from lack of public lighting; nutritional problems caused by lack of natural gas networks; and diseconomies of scale, since residents are forced to pursue more expensive alternatives to make up for the deficit.

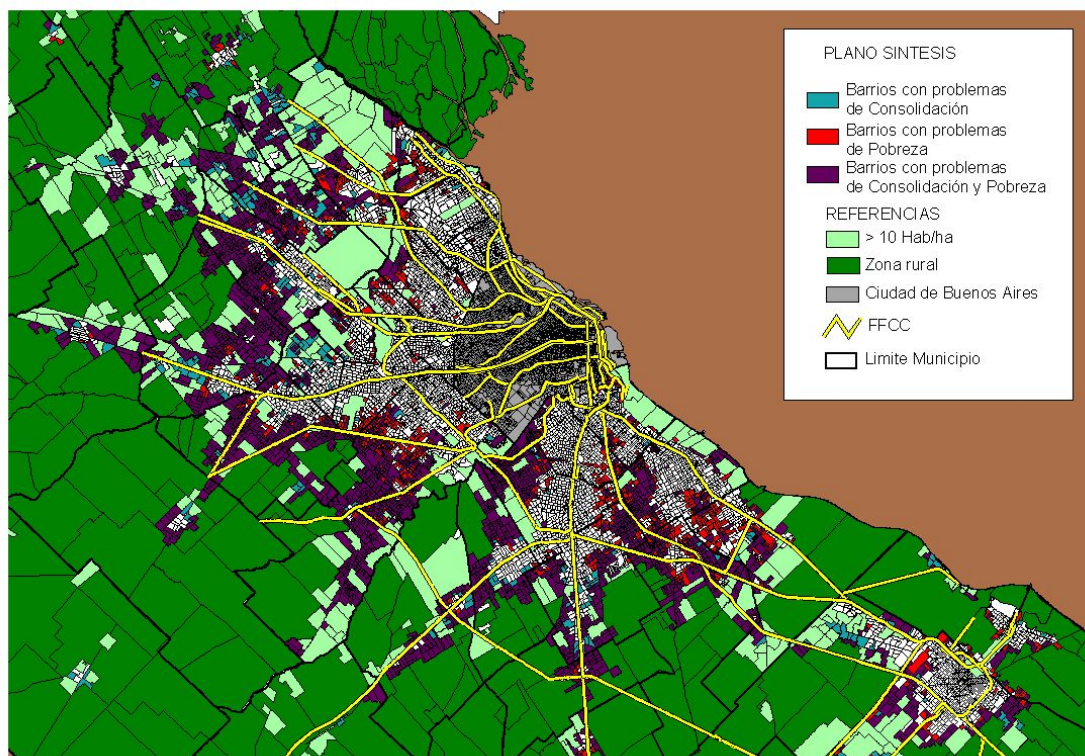
Problems with the urban consolidation of an area always correspond to the poverty of the area’s inhabitants. A lack of social capital causes companies to avoid investing in these neighborhoods. Since they remain unaware or unsure of the resident’s abilities to pay, they fear that these potential clients will not keep making payments for the resources that they consume. The state, for its part, has not promoted integral policies that would concentrate on the problem as a whole. Lastly, the residents have not managed to organize themselves in such a manner as to attract the investment of companies that have not traditionally considered them as part of their market. Lack of infrastructure and poverty impact property value in a negative manner, augmenting the toxic effects of this vicious cycle.

The absence of infrastructure is strongly linked to poverty, enough so the latter can be considered as a function of the former. Because of this, infrastructure can also be seen as a way of stimulating development. The problem of infrastructure deficit is generally accompanied by other problems of a social nature, leading to the development of critical areas that require programs to improve the quality of life within the community.

We are accustomed to measuring infrastructure deficit and poverty based on number of homes. Although this method of quantification yields objective data, it does not take into account the territorial impact and the external influences, be they negative or positive, of whether a resident's home has access to infrastructure or not.

In our most recent studies<sup>4</sup>, we have examined the neighborhoods (also referred to as "survey areas") as units of analysis, demonstrating that there exists a strong correlation (0.72) between neighborhoods with problems related to well being (health, education, land titling, employment, savings capacity) and neighborhoods with infrastructure deficit (running water, sewers, natural gas, and paved roads). In the Buenos Aires Metropolitan Region, there are more than two million inhabitants who live in neighborhoods that suffer from both problems.

**Figure 1.** Neighbourhoods with development problems in Buenos Aires



Infrastructure and wealth condition deficit: 1,519 survey areas (16.53 percent). Population localized in affected neighborhoods: 2,056,943 inhabitants (20.8 percent). Estimated area: 415.8 square kilometers (23.92 percent)

### **The result of a marginalizing socio-territorial configuration**

<sup>4</sup> GOYTHIA – LANFRANCHI, Informal neighborhoods in Buenos Aires Metropolitan Region: Understanding the effects on land regulation on the welfare of the poor. 4<sup>th</sup> Urban Research Symposium, World Bank, 2007.

Lack of access to education, to credit, to healthcare, to basic services—in short, to the wide array of opportunities that normally come part and parcel with modern city life—results in the marginalization an enormous group of residents. These individuals find themselves stranded, living in an area dislocated from the rest of mainstream society. Moreover, the few channels of communication and interaction with society that they possess are plagued by a deep sense of distrust.

The problem is not that these sectors are completely deprived of resources. Rather, it is an issue of inequality and immobility. The alternatives available for other social groups to improve their living conditions are missing here. The absence of credit and failure of external businesses to penetrate into the zone set the standard for this area—a standard of deficit and deprivation.

There exists a definite demand for goods and services. These sectors possess an income, made visible, for example, in the investment realized in housing. However, there is no supply to match its counterpart. The source of this problem can be found in, among other things, the absence of conditions used to create and enforce reliability in the relationship between suppliers and their potential clients. More specifically, what is missing is the rule of law, the presence of which regulates potential conflict and breaches of contract, and consequently, makes alternative markets viable.

Deciles	Income (AR \$) (Poverty line = \$ 790)
1	162
2	468
3	661
4	842
5	988
6	1199
7	1478
8	1772
9	2239
10	3612

**Table 1.** Household income as declared by families living in the area of Fundación Pro Vivienda Social’s gas projects. Local Development Observatory. (Universidad Di Tella – FPVS). November de 2006.

### Collective Action as Change

Attempting to alter this unfortunate reality is a tremendous undertaking. To effect change requires a complicated series of actions and achievements. It is not simply a matter of making effective and wise investments in disadvantaged areas. Rather, it also depends on the rebuilding of the contracts that bind the government to its citizens, private firms to this particular sector, and citizens to their fellow citizens. The first two bonds are particularly salient, as the presence of more influential, large-scale actors will provide individuals with a framework within which they can construct stable and steady ways of life, in contrast to the uncertainty and volatility that characterize their current situation. The organizational ability of all of parties involved is a

critical factor in determining whether or not they will succeed or fail in their efforts to effect change.

The process through which development is achieved depends on the tools that an individual or social group has at their disposal. These processes are heavily impacted by two factors: the desire of the subject or group that motivates his/her or their action, and the cognitive framework that the subject uses when relating himself to the outside world.

Desire serves as an impetus for goal setting. It is the motor that drives action. Meanwhile, the cognitive framework, generally derived from on cultural standards, conditions the way in which the subject will act in facing reality, articulating between desire and determined social practices. Therefore, acting to transform a social reality requires a goal that joins, in the correct manner, the desire of the actor with an adequate framework within which to work.

Reality, naturally, does not carry the same weight across all social strata. Depending on the resources upon which an individual relies (capital, education, relationships, organizational capacity, or the power of social pressure, among others), he or she can interact with reality and achieve different levels of success. Ultimately, it easier for those with more resources at hand to overcome the challenges presented by the world.

In the most disadvantaged sectors, people must also struggle against the inertia brought about by sustained negative experience. We, in turn, must work to overcome disorganization, distrust, and egoism, in order to surmount the inherent challenges posed to any form progress or development. In short, all parties involved must work to achieving genuine “collective action,” if we want to be able to unite resources and efforts in the most organized and efficient manner.

We must also secure financial viability for these projects, which is a difficult task, as capital does not typically reach these niches of society, due to traditional conceptions of impracticality, which are reinforced by the disinterest of the state.

When attempting a transformation of an existing situation, one must be able to first attract the desire of those involved, then generate organization and vision simultaneously in order to unite goals, and finally, join the work of different actors in a collective capable of organizing and pushing together towards the same goal.

The key to achieving all of this is picking up on desire with sufficient importance and widespread appeal needed to catalyze the collective action of the group involved, and integrating into it the different parties needed to reach the ultimate objective.

### **The mobilizing event as a catalyst for the wills of supply and demand**

All at-need communities possess a countless amount of needs that encompass a wide and diverse spectrum of issues. If the deficits create a negative living situation for the subject, the subject will learn to reconcile his desire with reality in a different manner. He or she will tend to project their current situation upon their vision of the future, creating a bleak outlook that stifles any sort of ambition or hope. Therefore, a shared desire that causes a group of individuals to identify with one another and unite in pursuit of a common goal constitutes a qualitative change in their situation; in this context, they are lifted out of their resignation and placed in a pro-active social network based on shared desire.

Consequently, in order to effect communal change, a *mobilizing event must be identified*. It must be an event capable of using a sufficiently widespread desire to motivate the members of a community to offer their resources (time, organization, savings) in the pursuit of a common objective. At the same time, this mobilizing event must generate interest on the part of the

parties in control of the supply (the state and private companies), encouraging them to invest financial resources in the realization of the goal.

Therefore, a negative situation, in which each individual finds himself or herself defined by a series of deficits, can be made into a positive situation, with the desire for improvement serving to unite the members of a community under a common banner. In light of this, it is the mobilizing event that emerges as the key to shattering the inertia that paralyzes marginalized communities.

A unifying desire can be found in something as large-scale as widespread infrastructure improvement, or in something as simple a project geared toward the reclamation of green space. There is no set formula for identifying the correct objective for a given situation, but whatever it may be, it certainly must constitute a goal with sufficient appeal so as to spur the community to planned and directed action in pursuit of its realization. As a result of said action, both “bonding social capital,” which refers to the ability for relationship building amongst peers, and “linking social capital,” which refers to the ability for relationship building between varying social actors, are developed and fortified.

Ultimately, the most salient aspect of the “mobilizing event,” is not found in the objective, in and of itself. Rather, it is the change in the community relations and attitudes that stands out as the truly significant byproduct of the process. In order to achieve the end goal, community members must drop their attitude of passivity, assume risks, and take charge of their ability to influence and transform reality. Even after the project has been completed, it leaves the community with an imbedded capacity for social capital, which, in turn, will allow them to continue making progress towards other goals.

### **Case Study: Fideicomiso Redes Solidarias (FRS)**

Since 1996, Fundación Pro Vivienda Social (FPVS) has pursued the task of promoting housing solutions in low income through microcredit solidarity groups. The program “Solidarios” grants microcredit loans for the improvement of family housing. These loans are solicited by groups of families filing jointly and as such create a united group of co-signers for the total amount granted. This method of housing improvement is useful in sectors where traditional credit systems provide only marginal support and families can only count on gradual savings to improve their situation.

However, these social ties, along with the confidence that exists between neighbors and families, can generate the necessary conditions for a self-sustaining credit system that functions normally and permits the entrance of credit into previously excluded sectors.

In this case, home improvement functioned as a “mobilizing event,” permitting FPVS to integrate itself into the community and better understand the depth of the issues faced by these sectors. This understanding further improved the tools and processes the foundation uses in its work. In addition, this understanding has also given the local community a greater say in the direction of the overall improvement process. Feedback from the community was a driving force behind the foundation’s next step.

In 1999, FPVS conducted a survey of the needs and concerns of residents in the “Cuartel Five” area, eventually reaching the conclusion that the neighbors would be interested in exploring alternative solutions to the problems presented by lack of infrastructure and access to services. After weighing a variety of options, the group decided to focus on natural gas.

Among other reasons, the decision to focus on natural gas owed much to the fact that gas lines will literally pay for themselves over time by giving the neighbors the ability to switch to a much cheaper fuel source. Natural gas delivered through pipes is four to eight times less expensive than gas from a portable petroleum tank (the traditional means of energy consumption), and is even more economical when compared with firewood or other oil derivatives.

Therefore, in the year 2000, the foundation and its constituents began the task of bringing gas lines to the area of Cuartel Five, Moreno, just as the economic crisis began to set in and spread throughout the country. This completely adverse context was the framework in which the majority of the project was designed and implemented, which despite the crisis was able to succeed and complete its mission.

At the time of the project's launch, the support of the World Bank was of crucial importance. At the end of 2001, the project was presented in the "Development Marketplace Competition" along with over 2,000 other projects from around the world. Fundación Pro Vivienda Social was to be awarded the prize of 250,000 USD. Apart from the money, which was put toward the creation of the gas lines, FPVS also gained recognition and legitimacy with respect to the municipality, local businesses, and community members.

Argentine regulations state that the company that distributes gas, Gas Natural BAN, is not obligated to expand its network of gas lines, as the cost of infrastructure expansion is not included in the (also regulated) price of gas. The traditional method of gas-network expansion is through an arrangement between the municipal government and a gas-line construction company, which agrees to pay for the new lines due to a payment it will receive from the government after the taxes on the line are paid. This system fails to work in poorer areas, where construction companies are uncertain as to whether the taxes will be paid and they will be able to recover their costs.

Putting aside the traditional method, FPVS decided to try out a new model. The foundation proposed to demonstrate that the members of these communities were in fact credit-worthy as they already consumed gas and even paid for it at a higher price than those who were connected to the lines. The task that remained was to bring this understanding to the community and demonstrate the aforementioned points.

As such, FPVS created a new model for access to services (in this case for access to gas), in which the neighbors became the initiators of the project, with the construction company being contracted by a neighborhood board and the and the government serving as a facilitator through the revision and approval of the construction agreement.

The gas-network expansion plan proposed to bring gas to five neighborhoods in Cuartel Five, a zone located on the fringe of the city, covering an area of 518 acres and over 4,000 lots and housing some twenty-thousand people at the start of the project.

The choice of these neighborhoods took three main factors into consideration. First, technical feasibility: the chosen area had to have relatively easy access to the previously existing main gas line. Secondly, the area should have a high concentration of clients in FPVS's microcredit program, cutting down on promotion costs and taking advantage of neighbors who had already had experience with the organization (20 percent in this case). Finally, the area needed to have a local "strategic partner" that the people counted on and that would be interested in helping families gain access to services.

This strategic partner turned out to be *Asociación Mutual El Colmenar*, an organization which was started in 1990 with the aim of addressing the public transport needs of the people of

Cuartel Five, who at the time had no way of accessing the local municipality, some seventeen kilometers away. Since then El Colmenar's fleet of busses has grown to transport over 12,000 passengers daily. In addition, it has also taken up other community activities and serves as a reference point for the area. The active participation of El Colmenar was of tremendous importance in achieving the local support necessary for the development of the project.

With respect to investments for the advancement of the project, FPVS secured the support of FONCAP, the Argentine entity in charge of state-supported funding. FONCAP is made up of representative from both the public and private sectors (51 percent private sector), and designated three million pesos (approx. one million USD) for the execution of the project.

The multinational corporation involved in the distribution of gas in the area, Gas Natural BAN (headquartered in Cataluña, Spain), received the initiative with interest but remained skeptical, as Buenos Aires had never experienced the construction of public works under community management on such a large scale. For its part, local government remained distant at first, but later cooperated with the initiative on the approval of work permits. At times, this sort of neighborhood proposal can be interpreted by local administrators as a potential loss of power or area of influence, instead of been seen as a political opportunity.

It was vitally important to demonstrate that these families were permitted to organize themselves to face such an ambitious task. For this reason, and with the aim of increasing the "social capital" existing among the community members, the project created an advisory board of local organizations. It was also important to involve the neighbors in the task of the project's promotion, in order to achieve the required number of "adherents" to the proposal. Over the course of two years, 43 out of the 87 organizations existing in these communities were concentrated in a new participation structure, dubbed "Comunidad Organizada" by the neighbors. Made up of its own representatives, Comunidad Organizada formed a commission that actively participates in promotion and regularly collaborated on the management of the project.



**Figure 2.**  
Some of the early members of  
Comunidad Organizada

The role of FPVS, and manager of the project, was to facilitate the collaboration such that the diverse interests of the families, local government, and those of the construction and gas companies could all work toward a common goal. It must be emphasized that the true role of NGOs, in regard to public interests, is to help to give “form” to the informal sector, to represent those who cannot obtain proper guarantees, and to generate confidence among the entities involved.

The clear and transparent management of resources is a fundamental issue. After an in-depth study of the distinct measures that could be adopted to meet the needs of the project, the decision was made to create a “Fideicomiso” (similar in translation to “foundation” or “trust fund”), which in Argentina are primarily applied to real-estate developments. The group believed that a Fideicomiso would be the best way for the resources, which would come from many different places, would be clearly visible as they came together for the same purpose. Moreover, this structure permitted the community members who were beneficiaries to appropriate the funds and the surplus, leaving open the possibility that the neighbors could utilize the Fideicomiso again for future development projects in the area.

In this way, “Fideicomiso Redes Solidarias” (FRS) was created. Through the “adhesion” (compliance to the plan) of the neighbors, the project members were able to lower their future payments through the difference between tanked gas and gas coming from pipes, with some of the savings then being put toward the recovery of the investment required for the infrastructure and domestic connections.

The aforementioned instrument of promotion and participation, *Comunidad Organizada*, was the fundamental puzzle piece in achieving the required level of adhesion to justify the installation of the lines. This system was also accompanied by a new sub-level of management known as *la manzana organizada* or “organized block” in which each block of lots also served as an organizational unit. In this way, every interested family could personally be in charge of inciting their closest neighbors – those within their own block – to comply with the program in order to achieve the required 70 percent to guarantee the project’s sustainability.

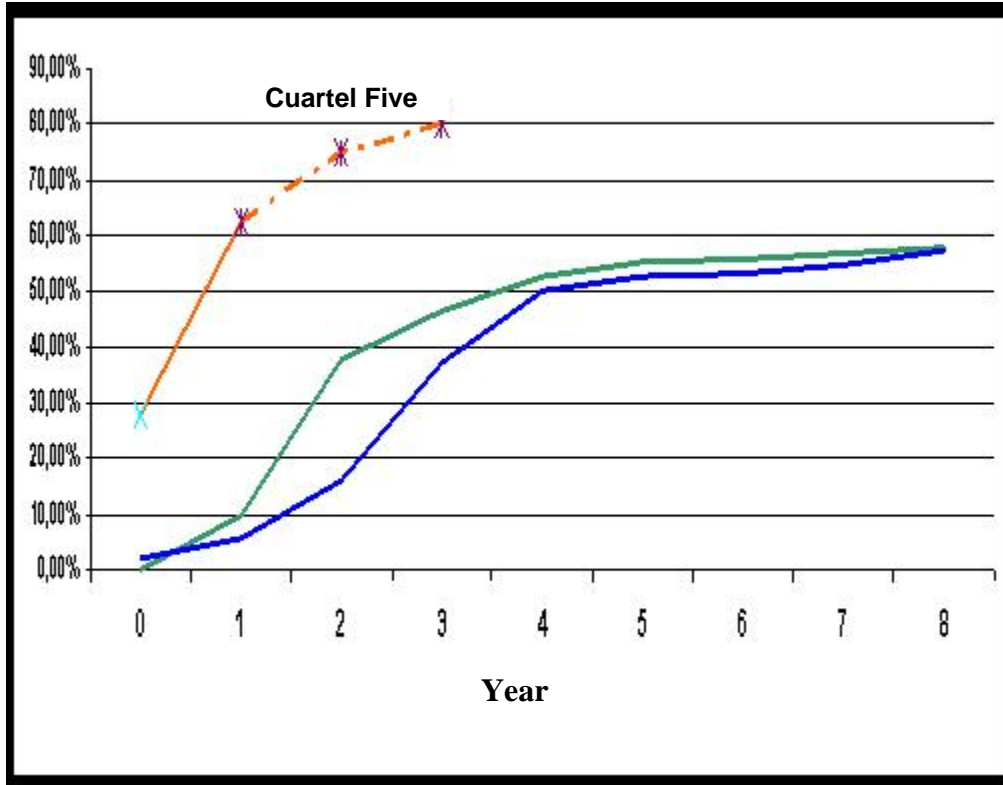
FRS was organized just months before one of the most severe economic crises in Argentina’s history, and despite all predictions to the contrary was able to weather the storm. The network of associations were put to the test during the crisis, and were not only concerned with the promotion of the project but also put their social capital to use in combating the nutrition and food emergency. To this end, they founded an agriculture school, where they planted more than 17,000 square meters of community gardens. In a matter of a few months, they were able to use these gardens to give meals to the children of the area. In addition, the neighborhood organizers dealt with the contracting of the work, allowing the school to hire approximately one hundred neighbors for the required manual labor.

August of 2003 saw the inauguration ceremony of the main gas line, with the nation’s president, the province’s governor, the mayor, and local functionaries all present. During the time of crisis, our little project represented the largest gasification work in the country.

In May of 2004, the first internal connections were inaugurated. FPVS had to organize a technical office that was in charge of constructing the over two thousand five hundred lines required to connect the main line with the individual houses. This happened because at the time, there were no firms interested in working in the area, and the individual gas-workers did not have the capacity to support that level of demand. Through economies of scale, the project was able to lower the total cost of installation by thirty percent.

As of today, the level of adhesion of the area has been more than satisfactory and stand right around the seventy percent required initially. According to Gas Natural BAN, the results from this method of demand organization have been much better than the traditional methods of sale when compared with other zones with similar characteristics.

Despite these achievements, there still remain some thirty percent of the neighbors without connections, but many of them require state subsidies in order to be able to manage the costs of the network. This is without a doubt a new challenge to overcome.



Source: Gas Natural Ban Co.<sup>5</sup>

**Table 2: Percentage of adhesion levels related with projects years**

	PRIMAVERA NEIGHBORHOOD
	SAN MIGUEL NEIGHBORHOOD
	CUARTEL V NEIGHBORHOOD

### Measuring impact: The Observatory of Neighborhood Development

Lack of information distorts the market and increases the risk of investment. Many times, companies do not invest in the informal sector because of a lack of knowledge with respect to the capacity for savings of the families and their mechanisms for sale. With the goals measuring our projects' impact and of gaining a better understanding of our target population,

<sup>5</sup> The Expansion of Public Services into Poor Areas: The Case of Piped Gas in Cuartel V – Moreno .Marcelo Paladino and Lisandro Blas. A Conference on Global Poverty: Business Solutions and Approaches. Harvard Business School. 2005

we decided to develop an instrument for use in monitoring the Cuartel Five area. In order to move forward with this plan, we teamed up with the University Torcuato Di Tella's Masters in Urban Economics program, and as a result, we were able to obtain the first set of data quantifying that impact of our projects. More than 800 residents of the zone were interviewed, representing 10 percent of the target population. They were divided into variable and control groups. Some of the results were presented at the Fourth Urban Research Symposium, held in May of 2007 at the World Bank (Goythia-Lanfranchi). The collaboration between the Foundation and the University has illustrated the contribution that academia has to offer in terms of improving the quality of life of lower-income communities; in addition to enabling the fine-tuning of projects currently underway based on their research, it is also possible to discover problems and to search for the best possible options to solve them.

The results obtained through the Observatory's study prove that the impact on FRS's target population has been manifold. Amongst families who have been incorporated into the gas network, one can clearly see a positive impact on health, with a 30 percent decrease in the likelihood of contracting respiratory ailments. One must also consider the tremendous financial benefit of the project, as once initial work has been paid off, the fuel substitution results in a seven percent increase in total household income for each family. In turn, this money can be directly used to improve other aspects of their quality of life.

Additionally, the home improvements that come hand in hand with the installation of internal gas fixtures and connection to the gas network, increase property value, raising asking price by 10 percent, which in and of itself, serves as an incentive for the neighbors to invest in improvement projects.

In this sort of neighborhood, the cost of a house in the market is lower than the sum of all the elements invested on it. The neighbors who had gas lines installed expected to sell their houses at a price that would further multiply their investment with respect to others who chose not to invest.

Finally, there is a marked change in the perception of the residents. Not only do they appreciate the positive changes, such as hot water for bathing and cooking or increases in savings, but they also gain a better understanding of their prior situation, recognizing the negative event of marginalization and social inertia, along with their own ability to effect change. We were able to gauge the neighborhood children's perception of gas access through a drawing contest held in schools, a project that indicated that even the younger generations of residents show a great appreciation for the positive shift in standard of living brought about by gas.



**Figure 3.**

This drawing was made by a 10-year-old girl who attended school in Cuartel V area.

In more general terms, it is obvious that the projects have created jobs in the neighborhoods. Some are temporary, dealing with manual labor and the installation of infrastructure works, while others are permanent, thanks to the demand for new services related to natural gas or the increased income generated by savings. The multiplying effect that this has on finances puts more money into circulation within the community. We estimate an overall saving of 1,000,000 USD per year.

On an even broader level, the projects have also made a measurable impact on impact on businesses, uniting their experience with markets previously considered unviable or unviable for investment. Gas Natural Ban, for example, has now recognized these sectors for incorporation into their distribution network.

The task of gasification also broadens horizons and opens new doors. Having connected the neighborhood with other social networks, the project allows for the creation of trust-based relationships that enable private firms to think in terms of new business opportunities and residents to think of new possibilities for improving their standard of living. The company Ferrum/FV, a leader in bathroom and kitchen fixtures in Argentina, has been put in charge of the Technical Office, which supervises the installation of internal gas lines, and is currently studying financing options, together with the Foundation, in order to offer bathroom and kitchen improvement products in these sectors.

## **Findings**

Likely the most important development to come out of this project has been creation of *Comunidad Organizada*. Initially, we planned to organize some sort of entity to serve as a liaison between the project actors and the municipal government, for the sole purpose of providing the program with extra support. Eventually, however, this became an absolutely vital component of the project.

In an environment of widespread distrust, the promotion of this type of service is only considered trustworthy when it comes from a fellow neighbor (refer to the table indicating levels of trust). Also, the neighborhood organizers were extremely useful in covering post-sale services, such as the distribution of bills to houses and customer service/support, as the distributing company has not yet developed the processes needed to attend to this type of demand.

Even more important than these operational issues was the best discovery that empowered residents had found a channel in which they could continue pushing forward for progress. The consortium of neighbors eventually constituted a Public Services Cooperative, a formal entity that allows neighbors to manage funds and provides them with other types of advantages when dealing with state entities. In this way, neighbors continue to make use of the installed capacity for self-management and social capital generated by the work in community development.

These facts are a true testimony to the rebuilding of trust and social capital that has been achieved over a relatively short period of time. They position the organization as a legitimate actor with sufficient relevance and resources to face the tasks that have been posed by the project's organization as a cooperative.

## **Challenge #1: From Model to Prototype; Growing to Scale**

The foundation is currently working to acquire the financing necessary to be able to provide gas to some ten thousand families over the next four years. To that end we have been working from the beginning with the gas distribution company, where the president and commercial department have guaranteed the financing of the external lines. They now consider our model as a way to augment their client base, which despite the relatively low profit margin remains a good deal for the company.

The main challenge consists of finding a way to also involve a commercial bank in this type of project. The operation and financing of the internal lines could be the charge of firms such as Ferrum/FV, which are interested in opening up business relations with clients at “the base of the pyramid”. At the same time, neighbors with even less means could be eligible for state programs made to subsidize demand.

## **Challenge #2: From Development Project to Overall Integration with Local Development**

The second challenge for FPVS has to do with moving from the first “mobilizing event”, which in this case has been gas, to an overall plan of integrated participation with multiple mobilizing events that takes into account all of the needs of these neighborhoods and areas: water lines, sewers, garbage services, public spaces, paved roads and sidewalks, along with improvements in health, education, and business opportunities. This task cannot be accomplished without the active participation of the state, (at all levels of government) local and national businesses, and the taking into account of the resources of the neighbors themselves.

This plan could be the driving force that puts the actions of social agents in order and manifests itself in the creation of a new specific department, such as an “Office of Development” which could work to defend the interests of the plan beyond the duration of current public functionaries. Organized demand and coordinated supply should generate synergies capable of attracting investment and employment in these neighborhoods.

According to what we have seen so far, there are most than two million people who live in areas similar to the ones in which the foundation works. Solving this problem may seem impossible; however, we must also note that over 70 percent of that number are concentrated in twelve areas around the second outer belt of Buenos Aires. Therefore, the possibility of creating twelve agencies with a focus on uniting supply and demand similar to that of FPVS could be part of the solution.

## Some Conclusions

1. The issue of “barrios informales” (large informal areas) is a problem of great significance that is not giving the attention it deserves by the current political agenda.
2. The status of the “loteos populares”, groups of parcels without formal deeds or infrastructure, has been difficult to correct and fix.
3. There is a high correlation between poverty and lack of services. This means that in order to overcome poverty, people should have access to services; and at the same time, in order to offer these services to poorer areas it is necessary to work in a distinct (more personalized) manner from that which is offered in wealthier areas.
4. This problem affects 37 percent of the population of greater Buenos Aires, but if we attack the problem at key “strategic points”, we can fit almost 70 percent of the problem area into only 12 zones.
5. In order to achieve the legalization of property deeds, the consolidation of the neighborhoods, and the mitigation of poverty (leaving mechanisms to sustain wellbeing rather than a band-aid approach), it is necessary to rely on institutions that endure beyond the duration of political cycles, as this task requires a continuity beyond that which can be offered in a given term.
6. This is a metropolitan problem and issue. Due as much to its scale as its driving force (the increasing severity of poverty and the lack of any services in the fringe areas of the city’s outer belt), the participation of the province in conjunction with the municipality is fundamental.
7. There exists a significant lack of market research in this sector (this is one of the reasons we created the “Observatorio de Desarrollo Barrial”), making it very difficult to attract investment from the private sector.
8. In addition, these community members have extremely low social capital indexes and have been unable to organize to combat the problem.
9. Poverty is a complex and heterogeneous problem: in the very same neighborhood it is possible to find large gaps in income between the top and bottom deciles. Therefore, it is necessary to subsidize a portion of demand, but not all of it. One must search for mechanisms and tools that can leverage the savings capacity of the neighbors, which is currently spent on other goods.
10. The lack of formal property rights combined with the general lack of infrastructure generates a vicious cycle that causes local community members to lose money each time that they invest in their homes.
11. Community members do have the capacity to save, but as they are not integrated into the banking system and cannot capitalize on investments into their home (their principal spending activity), they instead spend money on nondurable goods and services such as DVDs and cable television – they deeply needs channels for saving and investment.
12. Through the Observatory, we have noted that upon being offered a channel for saving such as the gas lines, neighbors invested much more than their current consumption (signifying an untapped capacity for saving).
13. The coming together of these groups for the common cause of infrastructure should not be an end in and of itself, but rather a means to achieve a number of other objectives. These include better standards in property legalization, the mobilization of organizational capacity in the neighborhoods (generating social capital), the attraction of resources from the private

sector, and the reliance on the public sector to assist only that particular part of demand that cannot afford the costs of development.

14. It is vital to generate more mobilizing events that can bring to bear the resources of these low-income families (both organization and capacity to save) as well as the agents of supply (the state and businesses), in order to achieve a common goal.
15. The development of Social Capital is key to solving the problem.<sup>i</sup>

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