Community Finance in Five Asian Countries

A final report on the study, prepared by the Asian Coalition for Housing Rights • June 2017

A study carried out by 5 national groups in the ACHR network, with support from the Rockefeller Foundation

This report presents the findings of a two-year study of community finance systems that are operated by the urban poor in five Asian countries, with support from their partner organizations. These five groups are the principal national urban poor organizations in their respective countries, and their community savings and funds - and other community-driven development initiatives - have all grown to national scale.

The study was conceived as an opportunity to look in more detail at the different models of community finance these important groups have developed, in their very different given national contexts, and to compare their various aspects, draw out some key elements and lessons and see how these people-driven finance systems can be strengthened and brought into the formal finance and development structures in their countries.

Asian Coalition for Housing Rights

In a world where the power of money has never before held sway so thoroughly over so many aspects of our lives, more and more capital - and the power that goes with it - is accumulating in fewer and fewer hands. As that happens, fewer hands are setting the agenda, making the plans and determining what shape development for everyone else will take. As a result, disparities are widening, poverty is increasing, and more and more people are becoming victims, rather than beneficiaries, of a development process which is increasingly lopsided and top-down. This is especially true for the poor. Half a billion people now live in urban slums in Asia, and their numbers are increasing. The conventional systems of finance - both public and private - are not reaching these families, and without access to loans, the poor have little power to address their various needs, and little choice but to be shunted this way and that by the larger forces that determine so many things about their lives and environments. What little formal finance has reached the poor, through government programs and microcredit schemes, has followed the top-down and individualized mode of conventional banking and given the poor little power to work out more comprehensive solutions as a group. The poor find themselves in a finance vacuum.

And that is why the community savings and fund process in Asia has grown in the past three decades, from a few brave experiments into a large movement, in both urban and rural communities across Asia. Community savings and funds - which together we call *community finance* - have shown that it is possible to fill that vacuum, giving poor communities important financial tools to address both their individual and their shared community needs.

Community-managed savings and funds bring poor people together to design and manage a collective financial resource as a community, with lots of discussion, learning and friendliness. The small sums that poor people save together in groups, on a regular basis, with trust and discipline, grows into a much larger financial pool that gives them the power to do things they can't do on their own - things like housing, infrastructure improvements or community enterprises - and the freedom to manage those loans and financial inventions in their own ways. Community savings and funds give people access to much-needed loans for a variety of needs, on terms agreed to by all the members of the group, in a process that is quick, direct, flexible and unbureaucratic. They give poor communities the confidence to look forward and direct their own development proactively, crafting concrete solutions to problems they face, starting right away - no need to wait for anybody else's permission. And as their membership and collective financial strength grow, poor communities' power to negotiate with the state, landowners, professionals and finance providers also grows. In these ways, community savings and funds are tools that empower communities to directly address the larger structural imbalances in their cities from the bottom-up, by taking concrete action to make their lives better in concrete ways.

"Nobody ever told us how to do this"

"In Sri Lanka, we are strong now, but we have been practicing our savings for 28 years. Nobody ever told us how to do this. Nobody gave us lessons. We set our own rules and made our own savings and loan system. We made a lot of mistakes along the way, and we have learned from those mistakes. But now we have many sisters and brothers doing savings in Asia. We have a lot of examples to learn from, a lot of groups in a lot of countries who are happy to help us learn how to do the correct thing." *(Anoma Jayasinghe, Women's Coop, speaking in the August 2016 meeting in Bangkok)*

Community savings and funds emerged as powerful community development tools, in a context and at a time when most countries in Asia had no solution for housing the poor, no policies to address urban poverty at scale, and no mechanisms to get finance to the poor. Savings and funds were key elements in a shift in Asia's community movement: away from confronting the state or asking the government to deliver the solution, and towards an alternative system where people deliver the solution themselves.

1 The challenge now is the **city fund**

When we talk about community finance, the first layer is the small loan funds that people manage within their community savings groups. These savings groups build people's confidence, management skills and collective strength, at the same time they build a community's own internal fund, which allows them to start doing concrete things to address their immediate needs. In most cases, these scattered savings groups link together into networks and federations at various scales, to share experiences and help each other. Later on - or sometimes at the same time - these networks of savings groups develop larger city-level and national-level development funds or cooperatives, which take different forms and happen in different ways. This is the second layer of community finance, and it provides extra finance which expands people's ability to create, to develop things, to negotiate and to speed up and scale up their problem-solving initiatives.

This study focuses on the second layer - the community development funds (CDFs). Why? Because this layer shows great promise to bridge the enormous gap between the development systems of the informal poor and the formal world. And because more understanding is needed to inform interventions to strengthen and expand this layer, which can unlock the development force in poor communities in several ways:

- **Links savings groups into a larger whole.** When savings groups operate in isolation, without any support or linkages, they can be very fragile and prey to problems of corruption or domineering leadership. Or they can stagnate into narrow loan-giving operations. A city-level CDF links scattered savings groups into a larger whole and provides a horizontal support system and a cross-checking mechanism, which both strengthens the individual savings groups and protects individual members.
- **Enlarges the financial pool and scales up possibilities.** Community development funds add an important layer to people's collective finance systems, allowing them to gather their own funds into a larger financial pool and also to mobilize additional funds from outside sources. With larger loans and increased financial dynamism, this larger financial pool can energize the community savings groups to be more active, and to expand the range of what communities and members can do to address their development needs.
- **Bridges people's process and city structures.** The larger citywide scale of a CDF makes for greater visibility and acceptance of community-driven development, and can provide a platform for collaboration, allowing poor people's organizations to work together as full development partners, with the administrative and political institutions in their cities or districts. And as the collective resources in the CDF grow and as people demonstrate what they can do with those resources, poor communities will have stronger negotiating power around the big structural issues like land, infrastructure, employment, regulations and other city development issues.
- **Works on the national level also.** City-level CDFs can also link together and form another community finance mechanism at national level, which provides an even larger financial resource and gives community networks even stronger negotiation power, especially with central government agencies and development institutions.

And they can get started in different ways

In some countries, like Sri Lanka and the Philippines, the CDFs have been built from the ground, from people first gathering together their own small group savings, and those savings into larger finance pools at city level - often with NGO support. But in other countries, key national institutions like CODI or Grameen Bank have played an active role in supporting the initial formation of savings groups and community networks, and then used finance mechanisms to expand the range of development initiatives those poor communities and networks and communities can undertake.

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About the **TEAMS** who carried out the study

Carrying out this community finance study involved a big team effort by both the community groups and their partner organizations in the five countries that took part in the study, and by the team at the ACHR secretariat in Bangkok which helped coordinate the study and prepare the reports.

- **CAMBODIA:** The study was carried out by members of the Community Savings Network Cambodia in 19 cities and districts, with support from the CDF Foundation in Phnom Penh.
- **NEPAL:** The Nepal study was carried out by the members of 20 Women's Savings Cooperatives across the country, with support from the NGO Lumanti.
- **PHILIPPINES:** The Philippines study was carried out by members of the Homeless People's Federation in 11 cities, with support from the federation's NGO partner PACSII, in Quezon City.
- **SRI LANKA:** The study in Sri Lanka was done by members of the Women's Coop branches in several cities, with support from the Colombo-based NGO Sevanatha and CLAF-Net.
- **THAILAND:** The Thai study was carried out by members of the national Urban Community Network, with support from ACHR and CODI.
- **ACHR:** The team at the ACHR secretariat that coordinated and documented the community finance study included Nutta Ratanachaichan, Johanna Brugman, Natvipa Chalitanon, Somsook Boonyabancha, Somporn Boonyabancha, Pakorn Chalitanon and Thomas Kerr.

What makes it **"community"** finance?

What makes community finance different from other finance systems, like banking or microcredit? Groups in different countries have developed different models of community savings and funds, according to very different contexts and histories, but several principles are common - principles which have been distilled through practice, adjusted, refined and passed around over the years across Asia's community movement:

1 **It has to be collective.** People may be poor as individuals, but they become richer and stronger when they pool their resources and do things together as a group - richer not only in finance, but in knowledge, ideas, social support, protection and negotiating clout. The same holds true for finance. For the capitalist sector, access to finance means individual access. But for the poor, access to finance has to go with a collective process. The two things go together, because collective is the real wealth of the people.

2 **Communities own it.** In other finance systems that reach down to poor communities, people are only the recipients of funds which come from outside, and must follow rules set outside. With community savings and funds, on the other hand, people own the funds, and the money stays in the community, in the network and in the CDF. Even when external capital is added, communities own the fund and own the system by which the fund operates. So their relationship to that finance changes fundamentally.

3 **Bottom-up, not top-down.** Most of the structures on our post colonial, post-feudal societies come from a top-down way of thinking and follow a top-down design of all the rules and systems. But community finance is a tool for a bottom-up development system, which is built from each member, and where the people who contribute to the funds come first, and their lives and needs determine the form. The structures of community finance are decentralized, and decisions are made from small to big, from members to small groups to community to branch and to city.

4 **It has to meet real needs.** Poverty has many dimensions, and the needs in poor settlements are many - both individual needs and community needs. So community finance systems have to be flexible and creative in how they respond to those needs, and that means the group has to keep discussing their system and adjusting the rules, loan terms and criteria to better meet those real needs.

5 **There should be maximum interaction.** Coming together for meetings is more than just an opportunity to transact savings and loan business. By bringing people together regularly, to share, to learn, to help each other and to decide all sorts of things together, savings groups and community funds are mechanisms that build a community's social capital at the same time they build its financial capital. They are isolation-busters, relationship-strengtheners, collaboration-boosters and community-builders.

6 **Working with others.** Community savings and funds can bring big improvements in people's lives, but as long as they work on their own, there will be limits to what poor communities can achieve. Community finance systems can build a friendly bridge between a people's development process and the larger systems in a city. By collaborating with local governments and other development actors, through the proactive mechanisms of community finance, poor communities in a city can learn, cultivate allies, build trust, get help, tap outside capital, access subsidies and get land and support for housing and infrastructure.

7 **It has to touch the structures of the city.** Community finance systems aim higher than just a little economic upliftment for a few poor families. The goal is transformation in the lives and settlements and economic well-being of all the poor, so they can live well and fully, as equally recognized citizens. But poor people can't do that on their own, no matter how strong their organizations are. They need to find ways of taking full part in - and transforming - the larger structures that determine how a city develops. Community finance can help them do that by increasing their negotiating power, scaling up their development possibilities and making them viable and proactive development partners.

8 **Some legal status helps.** Most aspects of poor people's lives are informal and illegal - including most of their savings groups, networks and communal funds. That informality gives them a freedom to innovate and tailor their systems to suit their lives. But informality can also isolate and hold them up, when they start negotiating with the formal world, looking for resources, buying land, getting water connections, accessing loans and building houses. Then, a little legal status can be helpful, and the key challenge is how these community finance systems can be institutionalized in innovative ways, to allow them to bridge the formal structures, but still accommodate the messy realities of poor people's lives.

9 **It has to keep growing.** Community savings and funds should always be growing - growing in the amounts of money in the funds, growing in the numbers of members and in the liveliness of participation, growing in the variety of activities being supported and growing in the connections and partnerships being fostered. Growing is an important sign of health in community finance systems, and when they stop growing in any of these ways, or start shrinking, it's a sign of serious problems that need working on.

"There is a lot of talk about democracy in Asian countries now, but we still don't know what that really means. Casting a ballot once a year and handing control over your life to some politician? Community finance is a democracy that ordinary people on the ground can be part of right now. Community savings and funds open space for poor people, who are powerless by themselves, to come together, think together and use their collective resources and group power to do whatever they think is important to do. That is democracy."

(Somsook Boonyabancha)

2 The role of **supporters** in community finance

National support groups and NGOs

Afghanistan: Cooperation for Reconstruction of Afghanistan; **Bangladesh:** POCAA, UPPR, BRAC University; **Cambodia:** USG, UPDF (later Community Development Foundation); **China:** Tibet Heritage Fund; **Fiji:** PCN; **India:** SPARC, Hunnarshala, Leh Old Town Initiative; **Indonesia:** Urban Poor Consortium, Uplink, Arkom-Jogja; **Japan:** ACHR-Japan; **Lao PDR:** CDEC; **Malaysia:** Think City, Penang Heritage Trust; **Mongolia:** UDRC and CHRD; **Myanmar:** Women for the World; **Nepal:** Lumanti; **Pakistan:** OPP-RTI, TTRC and the network of NGOs in the OPP family; **Philippines:** VMSDFI, PACSII, UPA, FDUP, TAO-Filipinas; **Sri Lanka:** Sevanatha; **South Korea:** Asian Bridge; **Thailand:** CODI; **Vietnam:** ACVN, ENDA-Vietnam.

Community-driven finance systems don't happen by themselves. The community savings and funds described in this report have all required strategic intervention at various stages of their growth, and all have been buttressed by understanding and professional support from their local partner NGOs, from their sister networks in other countries, from ACHR's regional support programs (*see next page*) and from international donors. A people-driven community development process as complex and as important as collectively-managed savings and funds needs sustained nurturing, balancing and support if it is to grow, develop capacities, correct its mistakes, adjust itself to local realities and become an accepted part of the local system. The support system for Asia's community finance movement has worked on several levels:

NATIONAL: Partner NGOs in countries across Asia (*see box at left*) have played an important role in supporting community-driven development: helping poor communities link together, form their groups and build their organizations and networks. Later on, community people themselves can take over more and more this basic groundwork and run their own systems, but the linkages and ongoing support their partner NGOs provide help make people's development systems richer, stronger and more diverse.

REGIONAL: Since 1989, ACHR has been a key regional supporter of Asia's community finance movement. Some key ACHR programs (*see next page*) have helped support, strengthen and scale up community savings and fund activities through workshops, exchange learning, help starting community savings in new countries (Cambodia, Vietnam, Lao PDR, Nepal, Myanmar, Mongolia, Fiji, Korea, Indonesia and Pakistan), capacity building and seed funds for city-level and national funds in 19 countries. ACHR has also supported citywide upgrading using CDFs as financial tools. As a regional platform for learning between countries, ACHR has helped the key groups in different countries to adjust and refine their process and diversify their activities to include things like community welfare and revolving fund loans for upgrading.

INTERNATIONAL: International donors and development institutions such as MISEREOR, IIED, DFID-UK, Homeless International, the Selavip Foundation, the Rausing Trust and the Bill & Melinda Gates Foundation have all supported the growth of community finance systems in Asia at different stages.

Eight **TIPS** for supporters of community-driven finance:

The right kind of support is crucial if community people and their organizations and networks are to cultivate the capacity to manage their own community finance systems well and scale them up. These tips for support organizations draw on three decades of accumulated wisdom supporting community-driven development across Asia:

1. **Trust the poor.** It's important to keep reminding ourselves that the poor have good reasons for doing things the way they do. If we believe in their potential to become the key change makers in addressing urban poverty, their supporters must understand their history and respect their ideas, their survival strategies and their ways of doing things.

2. **Get the money into people's hands.** A good support group will work with people to work out all the details and equip them to manage the process themselves. Then the budget can be passed to the community account, perhaps in installments, so the community can manage it together, implement their projects, reflect together and then move on to the next stage. Compare that with most development interventions, where the agency sets all the rules and procedures, holds the money and decides how it will be spent.

3. **Grow together.** Problems often arise when supporters run way ahead of people in their thinking and developing of things, and end up controlling the process too much, so the people stop growing. It's important for supporters and community people to grow together.

4. **Find fresh, creative ways** to support poor communities' growth and unlock their development force. Don't look to conventional top-down project management or heavily bureaucratic government and administrative models, which are real community-breakers.

5. **Make sure people own it.** It's crucial to be a supporter or a facilitator and not a controller or owner of community development projects. Let the poor feel pride and ownership of a development which comes from their own ideas is their own achievement.

6. **Use projects as change-making interventions.** Use concrete projects as the most potent capacity-building, and make growth in people your target, instead of specific project outcomes. If projects are planned well, they can contribute to the growth of people's organizations and their funding systems at the same time. When supporters concentrate on how a project or a finance system builds people's strength, empowerment, participation, equity and self-confidence, then the project outcomes will zoom off the charts.

7. **Use finance as a tool.** Every aspect of how community finance systems are managed and operated can become tools to strengthen poor communities' organizations, make them more equitable, more inclusive, more effective and more likely to grow and last.

8. **Don't speak for people.** A good support organization can help link communities with other sources of knowledge, other resources, other development actors and other structures, so the poor have a broader space to learn, to speak for themselves and to forge their own collaborations directly, without the need for an intermediary.

ACHR programs of support for community finance

Since it began in 1988, ACHR has played a key role in building the community finance movement in Asia. In 1989, ACHR organized the "Asian People's Dialogue", where Asian groups gathered in Seoul, Korea to give their support to urban poor communities who were experiencing huge evictions. At the end of that meeting, it was decided that instead of fighting against bad government solutions to urban poor housing, which seldom fit with what the poor want, the coalition would focus its work on finding solutions to eviction that are driven by poor communities themselves. Community-managed savings and funds was one key process ACHR decided to support and strengthen, and over the years, ACHR programs have played a big role in that work:

1 TAP PROGRAM (1993-2000) The TAP Program, which was funded by DFID-UK, helped build a new Asia-wide learning and support system for Asia's poor community organizations and their partner NGOs. TAP helped urban poor groups learn from their peers in other countries by supporting regional workshops focusing on specific innovative national initiatives, exchange visits within and between countries and advisory visits, and supported the expenses in setting up community savings in many countries.

2 REGIONAL URBAN POOR FUND PROGRAM (2003-2006) This Misereor-supported program's diverse activities included setting up or expanding community savings and fund activities (in new countries like Fiji and Mongolia, and in already-active countries like Nepal, Cambodia, Philippines, Lao PDR, Vietnam and Sri Lanka), adding seed capital to existing and new funds and providing revolving loan funds for small-scale community infrastructure improvements in several countries (this "small projects" strategy was later scaled up in the ACCA Program). This important regional intervention helped to spread out and diversify the community fund concept - in its many variations - around the Asia region, and laid the groundwork for the much larger ACCA program which followed.

3 ACCA PROGRAM (2008-2014) The ACCA Program, which was funded by the Bill & Melinda Gates Foundation (via IIED), was designed to support a region-wide process of citywide and community-driven slum upgrading in Asian cities. The program used community finance and community-managed funds as important tools to help people plan and undertake a variety of community-driven development projects, at citywide scale. Built into ACCA's package of finance tools for each city were funds to set up or strengthen city-level community development funds, which then financed the projects communities designed and built, to address their most urgent housing and infrastructure needs. By the end of the program, 2,139 small upgrading projects and 146 big housing projects had been completed, in 215 cities, and 136 city-based CDFs had been set up and were in full operation. These CDFs linked together savings groups with about 400,000 members and $34 million in collective savings. As part of the ACCA Program, a regional revolving loan fund was also established, to channel additional loan funds to urgent projects, and that fund has so far financed $337,000 worth of group housing loans, in five countries, benefiting 405 households.

COMMUNITY FINANCE IN ASIA (as of November 2014)

Summary of community savings and community funds in cities supported by the ACCA Program, at the end of the Program *(all figures in US$)*

	SAVINGS				CITY-BASED COMMUNITY FUNDS					
	# cities with savings	*# savings groups*	*# savings members*	*Total savings*	*# city funds*	*Funds from ACCA*	*Funds from communities*	*Funds from government*	*Funds from other sources*	*Total capital in funds*
1. CAMBODIA	28	372	14,304	589,508	23 funds	511,500	131,674	2,300	2,000	647,474
2. INDONESIA	13	176	2,853	77,218	4 funds	120,000	23,000	201,800	36,000	380,000
3. NEPAL	17	552	13,450	1,958,186	7 funds	275,000	6,200	96,992	16,974	395,166
4. MYANMAR	8	113	3,826	262,231	4 funds	256,206	34,736	0	700	291,642
5. SOUTH KOREA	4	4	115	25,242	0 funds	0	0	0	0	0
6. PHILIPPINES	24	569	22,016	757,091	15 funds	671,000	81,560	4,631	624	757,815
7. VIETNAM	17	2,518	46,649	3,596,233	17 funds	549,210	1,513	61,466	250,959	863,148
8. SRI LANKA	12	1,044	11,716	3,871,029	0 funds	0	0	0	0	0
9. MONGOLIA	19	341	7,478	107,555	15 funds	61,647	16,721	15,084	9,075	102,527
10. FIJI ISLANDS	12	395	39,565	245,220	12 funds	458,000	245,200	480,000	120,000	1,303,200
11. THAILAND	9	108	17,074	2,093,111	7 funds	163,000	761,754	976,725	3,000	1,904,479
12. INDIA	2	131	1,794	84,652	1 fund	60,000	57,007	0	1,600	118,607
13. LAO PDR	26	567	96,941	17,568,951	26 funds	510,000	13,859,752	16,750	21,507	14,408,009
14. PAKISTAN	6	160	3,806	73,880	0 funds	0	0	0	0	0
15. CHINA	0	0	0	0	0 funds	0	0	0	0	0
16. JAPAN	0	0	0	0	0 funds	0	0	0	0	0
17. BANGLADESH	5	4,264	117,102	2,629,959	5 funds	165,000	43,299	275,265	0	483,564
18. MALAYSIA	0	0	0	0	0 funds	0	0	0	0	0
19. AFGHANISTAN	4	25	997	4,505	0 funds	0	0	0	0	0
TOTAL	206 cities	11,339 groups	399,686 members	$33,944,572 total savings	136 funds	$3,800,563 *(18%)*	$15,262,416 *(70%)*	$2,131,013 *(10%)*	$462,439 *(2%)*	$21,656,431 *(100%)*

3 A community finance **timeline** in Asia

1976

Grameen Bank is launched in Bangladesh, as a new kind of credit-delivery system providing micro-loans to "solidarity groups" of rural poor women for livelihood and housing.

1985

Savings starts in India, among some of Bombay's poorest women living in footpath slums in Byculla, with support from the NGO SPARC. They call themselves Mahila Milan.

1987

Savings starts in Thailand, in rural communities initially, under a program by the government's Community Development Department. Later, communities take over and the savings process spreads to national scale.

1988: ACHR is formed. A year later, at the Asian People's Dialogue in Seoul, groups agree to focus ACHR's support work on people-driven solutions to eviction, including community savings and funds.

1989

Regional savings and credit meeting in Bombay. Hosted by SPARC and Mahila Milan, this is the first Asia-wide exchange of poor

women involved in savings and credit, the first regional acknowledgment of savings and credit as a key community mobilizing tool.

Savings starts in Sri Lanka. Women's Bank *(Kantha Bankuwa)* launches its first three women's savings groups in Colombo slums.

1992

The Urban Community Development Office (later CODI) is set up by the Thai government, with a $50 million national loan fund, to boost a process of integrated community-driven development by urban poor communities themselves, through savings groups and networks.

1993

Savings starts in Cambodia. NSDF, Mahila Milan and ACHR help survey Phnom Penh's riverside squatters and start the country's first savings groups.

Lumanti formed in Nepal. First ACHR links with poor communities and professionals in Kathmandu Nepal. Lumanti is established as local NGO and begins work in squatter areas.

1994

Savings starts in Lao PDR. Thai and Indian community members visit canal-side squatter settlements in Vientiane; help start the first savings and credit groups, as part of a UN-Habitat project.

Community Workshop in Sri Lanka, hosted by Women's Bank and Sevanatha, with mixed community and NGO teams from 8 Asian countries and South Africa. The learning focuses on community savings and credit.

1995

Savings starts in the Philippines, in the community of garbage pickers living around the garbage dump in Payatas, with support from a Vincentian parish priest. Over the next year, NSDF and Mahila Milan help transform the micro-credit style project in Payatas into a federation linking community savings with land and housing issues.

1996

Shack Dwellers International (SDI) is formed in South Africa, when grassroots groups from Asia, Africa and South America gather and make community savings and credit a key mechanism of the community-driven development it promotes around Africa.

1997

Savings starts in Nepal, in a few squatter settlements in Kathmandu, with support from the new NGO Lumanti.

Second network of women's savings groups starts in Sri Lanka. An off-shoot of Women's Bank, the Women's Development Bank Federation (WDBF) follows the same organizational structure and expands to several cities in southwestern Sri Lanka.

1998

Urban Poor Development Fund (UPDF) set up in Cambodia, as a joint venture of ACHR, the Phnom Penh Municipality and the community savings network, and makes its first collective housing loan to the city's first community-managed housing relocation project.

First prahok loans made by UPDF in Cambodia to a network of riverside communities in Phnom Penh, to make traditional Khmer fermented fish. These loans are repeated yearly, with 100% repayment, for the next 18 years.

1999

First community-managed welfare funds set up in Thailand, with support from UCDO, allowing poor communities to take care of their own vulnerable members. Expanding and strengthening these community welfare systems becomes a key part of Thailand's community movement and UCDO's support.

Nirman Fund set up in India, by SPARC and NSDF, to channel loans and bridge financing to the Indian federation's many housing and toilet projects around the country.

2000

Savings starts in Lao PDR, in three districts of the capital city of Vientiane, with support from the Lao Women's Union, the Thai community networks, CODI and ACHR.

CODI formed in Thailand. UCDO merges with the Rural Fund to form the Community Organizations Development Institute, a public organization which supports the country's community movement, with a revolving fund as the organization's core tool.

Urban Poor Development Fund established in the Philippines, to be a financial umbrella for the growing number of city-based revolving loan funds being managed by the Homeless People's Federation.

Savings network established in 8 cities in Vietnam, as a collaboration between ACHR, UNDP and the city governments to help existing women's savings groups link together and establish CDFs in each city.

2001

Savings groups in Nepal link together and begin formally registering themselves as area-based cooperatives under the Cooperative Act.

2002

Savings starts in Indonesia, in several cities, after groups from Asia and South Africa gather in Jakarta for the Asian People's Dialogue 2 and encourage Indonesians to save.

18 Community Development Funds now active in 8 Asian countries, with cumulative loans of US$55 million to 2.5 million poor community beneficiaries.

Mortuary fund launched in the Philippines, by the Homeless People's Federation, which pays for the funerals of savings group members and their immediate family members.

2003

ACHR's Regional Urban Poor Fund Program starts, gives big boost to savings and community funds in many Asian countries.

2004

Urban Community Support Fund launched in Kathmandu, in collaboration with Lumanti, ACHR, SDI and the Mayor of Kathmandu. Nepal's first collaborative, city-based CDF gives first loan to the housing relocation project in Kirtipur.

The Asian tsunami makes people-driven disaster rehabilitation a new element in Asia's community development movement and brings a big expansion of savings groups and community funds in tsunami-hit Sri Lanka and Thailand, as tools to bring affected communities into the center of their own rebuilding.

2005

Savings starts in Mongolia, with help from Thai community leaders and ACHR. With support from two local NGOs, the Urban Development Resource Center and the Center for Housing Rights and Development, the savings quickly grows to 88 groups in 14 towns by 2007.

CLAFNet Fund established in Sri Lanka, as a collaboration between ACHR, Women's Bank and Sevanatha, giving livelihood and house repair loans to tsunami-hit communities initially. Later, with capital grants from ACHR and other donors, CLAFNet expands to provide loans for housing and other purposes, mostly to Women's Bank members around the country.

2006

Savings starts in Fiji, in the face of growing evictions in Suva, with support from the NGO ECREA. A year later, 30 communities with savings groups establish the People's Community Network, which later expands (with support from ACCA) to 12 towns in Fiji.

2007

Community savings in 12 Asian countries tops US$ 66 million, with about two million savings group members, in 600 cities.

The savings network in Vietnam partners with the Association of Cities of Vietnam to expand the savings and CDF process to many more cities. By 2014, there are 50,000 savings members and CDFs in 17 cities.

Women's savings and credit cooperatives in 23 cities in Nepal link together nationally as the Community Women's Forum, which is officially registered with the government in 2010.

2008

First ACHR visit to Fiji brings new substance to the young community savings process there.

ACHR launches ACCA Program, which promotes a process of citywide slum upgrading, using savings and community funds as tools. 136 city-based funds are seeded in 12 countries in the next 6 years.

2009

After Typhoon Ketsana hits the Philippines, the Homeless People's Federation sets up a house-material loan fund for affected families, managed by the savings groups. Becomes a model for repair funds in other disaster-hit areas.

Savings starts in Korea, in four informal "vinyl house" communities in Seoul, with support from savings leaders from the Philippines and Thailand. But the savings process stagnates.

Savings starts in Bhuj, India, in the city's poorest slum communities, which had been leveled by the earthquake eight years before.

Savings starts in Myanmar, in rural communities destroyed by Cyclone Nargis; later spreads to squatter settlements in Yangon and other cities, supported by Women for the World.

2010

ACCA Regional Loan Fund set up, as an experiment in flexible region-wide lending to community projects. The fund channels bulk loans to country groups, mostly for housing.

First two CDFs set up in Thailand, in Chum Phae and Bangkok's Bang Khen District, with ACCA support, soon followed by other cities.

2011

Community savings in 14 Asian countries slides to US$ 59 million, with about 850,000 members, in 751 cities. City-based community development funds are now active in 107 Asian cities, with $31 million in lending capital.

2012

Savings starts in Pakistan, with support from the Orangi Pilot Project and savings group leaders from Nepal and India. Expands in two years to 160 groups, with 4,000 members.

Savings starts in Kabul, Afghanistan, with support from ACCA and the local NGO CRA. Savings expands to six other cities over the next two years, with men and women saving in separate savings groups.

Urban Poor Coalition Asia (UPCA) launched in the Philippines, and the coalition collects cash contributions of $5,622 from the 18 country groups present to seed the coalition's own regional loan fund, managed by community networks themselves, with support from ACHR.

First commercial bank loans to poor communities in Nepal. Women's Savings Cooperatives negotiate the housing loans, with support from the Municipal governments, Lumanti and with guarantee funds from CLIFF. Repayment is 100% and the process expands.

First city-based community development fund in Bangladesh, set up in the city of Gopalganj, and the fund's first loan supports the development of housing and infrastructure in the city's first slum relocation project.

2014

Savings starts in Bangladesh, in the city of Jhenidah, under a collective, community-based model, with support from community architects from BRAC University.

City-based CDFs active in 136 Asian cities receiving support from ACCA Program, with $22 million in lending capital. National CDFs are active in 7 countries.

UPDF decentralizes in Cambodia, with part of its $2 million capital divided among the 24 city and province-based CDFs around the country, and part kept in the new national Community Development Foundation (CDF) and part returned to the Phnom Penh Municipality.

4 What community finance can DO . . .

SMALL BUSINESSES ▶

Since Women's Coop started tracking loans in 2004, 145,000 poor women have borrowed $105 million to start small businesses and increase their family's income - recycling, vegetable vending, small shops, bicycle repair, beauty salons. Every bit of that money has come from their own savings and every bit paid back. And that only includes larger loans from the branches, not the thousands of smaller loans made internally within the savings groups, which are not tracked.

EARTHQUAKE HOUSING ▶

Government response to the 2015 earthquake in Nepal was slow. But the Cooperatives quickly used their women-led group savings model to organize 2,000 of the poorest affected families into savings groups, first to build temporary shelters from salvaged materials. Then, with funds saved from government shelter support, they set up funds to give quick, easy, low-interest loans to women to immediately start reviving their destroyed livelihoods and start earning again.

TRANSPORT LOANS ▶

Motorcycle taxis are a lifeline in Thai cities, carrying passengers and goods along inside lanes and through jammed traffic for a small fare. But they are often exploited by mafia and victimized by informal money lenders. The motorcycle taxi group in Bangkok's Bang Khen District has it's own savings groups, organized in different lanes, and all of them are supported by the District CDF with low-interest group loans to develop their transport businesses and buy motorcycles.

INSURANCE FUNDS ▶

The Philippines Homeless People's Federation runs a Mortuary Fund, which covers the heavy expense of funerals. Savings group members deposit just one Peso per month, per family member (with a 24-months advance deposit required) to be eligible for 10,000 Pesos ($200) in funeral expenses if someone dies. In a country with so many typhoons, earthquakes, landslides and volcano eruptions, this savings-based fund tops the federation's self-help welfare programs.

CITYWIDE UPGRADING ▶

Community finance systems have played an enormous role in channeling housing and land loans, infrastructure subsidies and small grants to poor communities across Asia, enabling them to plan and carry out projects to upgrade their housing and basic services like roads, drains, water supply, street lights and playgrounds. In the five study countries only, 2,346 informal settlements have been upgraded and 166,540 poor households have got secure land and housing.

TOILET LOANS ▶

Many families in Nepal's urban slums still do not have access to a safe, clean working toilet. This lack is especially hard on women, who suffer much greater consequences of harassment and health problems when forced to answer nature's call out in the open. It's no surprise then that 870 women in the 20 Women's Savings Cooperatives in the Nepal study have so far taken low-interest loans of about $65 each ($59,345 total) to construct toilets in their own houses.

GROUP ENTERPRISES

When community groups start managing money together and discover many benefits in their group power, other collaborative ideas invariably pop up. The community network in the Thai city of Chum Phae has been especially resourceful in using its savings groups and its city fund to finance several innovative community enterprises, including a community rice farm run by the elderly group and a community enterprise which produces bottled drinking water and sells it at a discount to community members, to reduce their household expenses.

FISH LOANS

The savings network in Phnom Penh's Roessei Keo District has managed a yearly cycle of loans from their district CDF to families in 21 riverside settlements, to buy the fish and materials to make the traditional Khmer fermented fish, *prahok*, which they sell at a guaranteed profit a few months later, when the *prahok* matures. Instead of giving individual loans, though, the women manage the loans collectively, to strengthen the community process. Since 1998, 5,033 poor families have taken $1.2 million in *prahok* loans, and every cent has been repaid.

ACCESS BANK LOANS

Commercial banks in Nepal are supposed to devote at least 5% of their loans to the "deprived sector", but almost never do. The Women's Cooperative in Pokhara took advantage of this rule and teamed up with their municipality and Lumanti to negotiate the country's first-ever wholesale housing loan from a bank to a poor community. The 100% and timely loan repayments showed the bank that poor women were credit-worthy after all, and loans in three other cities followed. So far, 756 poor families have got housing loans totaling $2.3 million.

POST-WAR REVIVAL

After Sri Lanka's long civil war ended in 2009, traumatized survivors began returning to the war-torn north, where they found their houses and communities in ruins and had no means of earning. In 2010, Women's Coop leaders began setting up savings groups in these areas. In the confusion of overlapping aid agendas, the self-managed women's savings process flourished, and besides starting small businesses to support their families, the women worked with NGOs to construct tube wells and toilets and begin rebuilding their houses.

HOUSE REPAIR LOANS

After Typhoon Ketsana ravaged the Philippines in 2009, the Homeless People's Federation savings groups surveyed the affected communities, determined who needed what, and used a $20,000 grant from ACCA to purchase materials together, in bulk, and managed the reconstruction collectively, as community loans, which were repaid into a special Typhoon house repair loan fund. The loans were repaid so quickly that they were able to revolve the funds three times, to help 450 families to rebuild.

LEVERAGE FREE LAND

The Community Savings Network in Cambodia takes the prize for using small collective resources to leverage the most free government land. During the ACCA Program, for example, the community networks planned 19 housing projects around the country, and in 15 of those projects, they were able to use $525,000 in ACCA funds to persuade the government to give free land worth twenty times that amount ($8.6 million), which provided housing and secure land tenure to 3,407 poor families.

5 How the **study** in five countries was carried out

(*All figures in US$*)

Another study done by **people**

Most of the work on this community finance study - organizing meetings, filling out questionnaires, talking to people, gathering information - was done by community members of the savings networks in the five study countries, with support from their partner organizations (*see page* 2).

This follows on the heels of another ACHR study on poverty lines, which was also carried out by community people themselves, in these same five countries. This study adds to a growing body of analysis and reflection on different aspects of poverty - and solutions to poverty - by the poor themselves. The rationale in both studies was the same: just as the people who experience poverty are the real "experts" to study and define its characteristics and levels, so too are the people who manage and use Asia's community funds the real "experts" to examine and evaluate the progress of those community finance systems.

The community finance study is an opportunity for these community researchers - and the urban poor community organizations they are part of - to collectively examine the finance systems they manage, document the knowledge that already exists, and open up new areas of exploration and to adjust, refine and scale up those community finance systems, so they can become even stronger tools to support their development initiatives of all sorts.

For nearly three decades, ACHR has been promoting and strengthening community finance systems across Asia as essential communal organizing mechanisms within poor communities and their networks. The citywide development process, which has also been supported by ACHR programs, has used flexible finance as the key tool to strengthen partnership among community networks, local authorities and other civil groups. This work has now reached such a scale that a pause is in order, to take stock of what have been happening around people-driven finance systems in Asia and what the next steps should be. With that in mind, this study was undertaken, with the following objectives:

- To gather detailed information about people-driven finance systems in several countries (their structures, magnitude, impact, developments, benefits and problems) which can be useful for policy-makers, development agencies, academics and poor communities themselves.
- To build the capacities of poor communities and their support organizations to better understand their community finance systems (by studying their own systems and learning about those in other countries) and to make those finance systems stronger and more effective as they move forward.
- To increase understanding among stakeholders in the formal and regulated financial systems about the vital role of informal financial systems in supporting the lives and self-development initiatives of the poor, where formal financial resources are still largely inaccessible.
- To find new ways to link these community finance systems (particularly CDFs) with larger-scale formal finance, so that the community-driven development these CDFs now support can scale up.

The selection of the five countries which took part in the study (Cambodia, Nepal, Philippines, Sri Lanka and Thailand) came after extensive discussions in regional meetings and with the consent of other groups in the Asia region. Several points were considered in selecting the study countries: the community finance systems there should be operating at a country-wide scale and should have CDFs operating in many cities; some citywide upgrading or housing development should have been implemented already, using those CDFs as the financial mechanism; and the models in the five countries should show a variety of strategies and organizational and partnership models, to demonstrate different community finance possibilities. During various stages of the study process outlined below, groups from other countries were invited to meetings, to learn, to share and to compare the study findings with their experience of community finance in their countries.

STEP 1: First meeting in Phnom Penh, Cambodia

The study began with a meeting in Phnom Penh (mid 2015), to bring together representatives of the five study countries to discuss the objectives, purpose and methodology of the study and agree how to proceed. Study teams in each country were set up, as well as a core team to coordinate the study at the ACHR secretariat. Teams from six other countries also joined this meeting as observers.

STEP 2: Second meeting in Jakarta, Indonesia

In this second meeting in Jakarta (October 2015), the five country teams made presentations about the finance context in their countries and their progress on the study so far. During the meeting, a detailed survey questionnaire was drafted and finalized, which would help standardize the information all the teams would be gathering about their CDFs back home, through surveys in the chosen cities.

STEP 3: Third meeting in Bangkok, Thailand

In August 2016, a group of 40 community leaders and representatives from their support NGOs (from the 5 study countries + 7 other countries) gathered in Bangkok. The five groups were then finishing up their surveys and finalizing their documentation of the community finance systems in their countries. The five teams presented their work on the study so far and a lively discussion followed about the themes, lessons and comparative points that have come up in the study, and about how to ensure community-driven finance continues to grow and to be a vital part of the Asia's community movement.

STEP 4: Preparing the final reports

Between August and November 2016, the country teams finished their surveys and reports and sent drafts to ACHR. Some gaps in the information were identified and filled in. Between November 2016 and February 2017, the core team distilled key points from the five countries and prepared a draft final report, to submit first to the study advisors, and then to the Rockefeller Foundation in May 2017.

The **scale** of community finance in the 5 study countries

(All figures in US$; "hh" = households)	CAMBODIA	NEPAL	PHILIPPINES	SRI LANKA	THAILAND	TOTAL
COMMUNITY SAVINGS AND CREDIT						
Total urban population	3.41 million	5.51 million	48.48 million	3.86 million	35.50 million	**96.76 million**
Date community finance began	1993	1997	1995	1989	1987	
# savings groups	453	1,354	360	7,620	1,903	**11,690 groups**
# savings members	19,118	29,816	8,679	80,020	850,000	**987,633 mem**
# of cities and towns with savings	48	23	20	69	345	**505 cities**
Total amount of savings	$621,395	$6 million	$250,645	$13.4 million	$102 million	**$122.3 mil.**
CITY-LEVEL COMMUNITY DEVELOPMENT FUNDS						
# of CDFs	40	29	20	277	116	**482 CDFs**
Total capital in CDFs	2,834,328	5,031,632	1,941,235	13,404,109	6,059,352	**$29,270,656**
• capital from communities	210,432	5,031,632	973	13,404,109	3,511,191	$22,158,337
• capital from government	64,115	0	86,887	0	2,358,639	$2,509,641
• capital from other sources	2,559,781	0	1,853,375	0	189,522	$4,602,678
Total loans for land & housing	1,998,100 (4,850 hh)	5,782,383 (8,870 hh)	1,212,065 (1,187 hh)	204.68m (81,573 hh)	7,804,805 (9,226 hh)	**$221.5m** (105,706 hh)
Total loans for livelihood	638,478 (5,482 hh)	9,154,110 (30,968 hh)	15,000 (107 hh)	103.31m (144,227 hh)	69,628 (639 hh)	**$113.19m** (181,423 hh)
Total loans for other purposes	0 (0 hh)	3,425,901 (17,770 hh)	354,710 (3,910 hh)	139.82m (216,089 hh)	167,861 (5,006 hh)	**$143.77m** (242,775 hh)
Total loans	2,636,578 (10,322 hh)	18,362,394 (57,608 hh)	1,581,775 (5,104 hh)	447.8m (441,889 hh)	8,042,294 (14,871 hh)	**$478.42m** (529,794 hh)
Grants for various purposes	841,000 (42,770 hh)	15,000 (162 hh)	183,541 (600 hh)	0 (0 hh)	1,034,200 (9,771 hh)	**$2,073,741** (53,503 hh)
NATIONAL FUNDS						
Total capital in national funds	$2.8m	51,168	701,150	733,159	205.28m	**$209.6m**
• capital from communities	222,530	31,168	184,277	0	4.8m	**$5.24m**
• capital from government	15,250	0	329,308	0	200.48m	**$200.8m**
• capital from other sources	1,562,781	20,000	187,564	733,159	0	**$2.5m**
Total loans for land & housing	1,823,100 (4,850 hh)	120,000 (450 hh)	191,031 (1,203 hh)	1,176,933 (1,313 hh)	171m (150,048 hh)	**$174.3m** (157,864 hh)
Total loans for livelihood	589,613 (5,482 hh)	35,000 (750 hh)	56,968 (215 hh)	404,625 (2,655 hh)	16m (50,000 hh)	**$17.1m** (59,102 hh)
Total loans for other purposes	6,210 (826 hh)	36,750 (300 hh)	67,285 (579 hh)	53,830 (277 hh)	18m (15,000 hh)	**$18.2m** (16,982 hh)
Total loans from national funds	2,418,923 (11,158 hh)	191,750 (15,000 hh)	315,284 (1,997 hh)	1,635,388 (4,245 hh)	205m (215,048 hh)	**$209.6m** (247,448 hh)
ACHIEVEMENTS OF THESE COMMUNITY FINANCE SYSTEMS						
# communities mobilized and active	372	1,354	360	2,700	1,903	**6,689 coms**
# cities with gov-people collaboration	28	23	20	69	345	**485 cities**
# families got secure land	7,549	1,633	8,216	980	101,224	**119,602 hh**
# housing projects on gov. land	27	8	11	0	896	**942 projects**
# households got secure gov. land	7,128	795	1,428	0	46,050	**55,401 hh**
# households got new/repaired houses	10,441	9,845	3,028	82,886	103,876	**210,076 hh**
# communities fully or partly upgraded	263	92	110	71	1,949	**4,485 coms**
# households w/ improved infrastructure	65,069	16,997	15,105	6,229	103,331	**206,731 hh**

6 Community finance systems in **Cambodia**

Community finance in **CAMBODIA =**

SAVINGS GROUPS
- 453 savings groups in 40 cities
- 19,118 saving members
- $621,395 in total savings
- Savings started in 1993

+

CITY FUNDS
- 40 city development funds
- in 32 cities and provinces
- $2.83 million in lending capital
- First city fund started in 2006

+

NATIONAL FUND
- Community Development Fund Foundation (formerly UPDF)
- $2.8 million in lending capital
- Started in 1998

THE STUDY :

The community finance study in Cambodia was carried out by the Community Savings Network of Cambodia (CSNC), between May and June 2016, with support from the Community Development Foundation (CDF) and Johanna Brugman. The surveys and information gathering focused on 19 of the total 23 CDFs so far in Cambodia. The CDFs in the study link savings groups in a variety of contituencies: of the 19 CDFs in the study, nine are provincial-level CDFs, four are city-level CDFs and six are district-level CDFs.

Besides the summary of the Cambodian study presented in these six pages, more details about various aspects of the Cambodian community finance story are highlighted in later parts of the report:

- Strong mothers (Pg. 58)
- Post-fire rebuilding (Pg. 61)
- Prahok loans (Pg. 64)

CONTEXT: It's hard to imagine a more difficult context than the one in which Cambodia's community finance movement began, in the early 1990s. Decades of war, political upheaval, genocide and unspeakable hardship had torn communities apart, scattered people across the country, obliterated their links with the past and almost halved the population by starvation, disease, killing and aerial bombing. Cities like Phnom Penh were in ruins, institutions were destroyed and most of the country's professionals had fled the country or been killed. But as a nascent democracy was established and money began to trickle into the free-wheeling urban economy, poor migrants and survivors were drawn to the city for jobs in the new factories, on the construction sites and in the service and tourism sectors. For the poor, the city was a place of hope and opportunity, but when it came to finding a place to live, most had no option but to occupy abandoned buildings or build shacks in the informal settlements that quickly mushroomed around the city.

EVICTIONS: It wasn't long before the city's rebuilding clashed with these informal occupations and large evictions began in earnest - and continue today. Cambodia had no formal support systems for the poor then - no housing agencies, no legislative mechanisms for regularizing informal settlements or providing resettlement in cases of eviction, no programs to provide basic services or support people's efforts to improve conditions in their settlements, no housing finance of any sort. Because they had survived so much, the city's poor were very strong, but this strength was atomized and they had no links, no organizations or support systems of their own. There were NGOs and aid agencies, but most of them operated in the welfare mode, and nobody was touching the issues of housing, land or access to finance.

ACHR INTERVENTION: In 1993, ACHR was invited by DFID-UK to make a study of the evictions, and so was drawn into Cambodia's difficult urban poor situation from the beginning. With support from ACHR, groups from India and Thailand came to Phnom Penh to meet with people in informal settlements, understand their situation, share experiences from other countries and suggest some practical things poor communities facing eviction could do to work towards secure housing. Exchange visits were organized, in which mixed groups of community leaders, key government officers and support NGOs traveled together to India and Thailand, where they learned about community savings, people-driven housing initiatives, partnerships and funds. Soon, the first community savings groups were set up in squatter settlements in one riverside ward. The process expanded and by 1995, the savings groups established the first citywide community network, called the Solidarity for the Urban Poor Federation (SUPF).

FIRST CDF IN PHNOM PENH: Armed with this new energy and these new ideas from India and Thailand, the Phnom Penh Municipality signed an MOU in 1998 with ACHR and the new community savings network, to work together to address the problems of urban poor housing in the city. As part of the MOU, Cambodia's first CDF was set up - the Urban Poor Development Fund (UPDF). The idea was to create a revolving loan fund which would provide soft loans to poor communities (and later to community networks) for their housing, infrastructure and livelihood initiatives, through their savings groups, and to use the fund as a mechanism to facilitate collaboration and strengthen the capacities of the growing community movement. The fund was governed by a mixed board (which included a majority of community leaders from the savings network, with representatives from the Municipality, ACHR, NGOs and other development agencies) and managed by a small staff, with as little bureaucracy and as much flexibility as possible.

FIRST HOUSING PROJECT: The new fund's first housing loan went to a community of 129 roadside squatters facing eviction. The Akphivat Mean Cheay housing project was training for everyone involved, and was the city's first chance to see how effectively poor communities can plan and undertake a voluntary resettlement process which works for everyone. The project was inaugurated by the Prime Minister on April 20, 2000 and made a strategic first case for the UPDF because of the collaboration it involved: the new land was chosen by the community, purchased by the Municipality and developed by the UNCHS Project, according to layout plans the community drew up with young architects from the Urban Resource Center. The District Chief helped negotiate, UPDF provided loans, the community built their own houses and the savings network turned each step of the process into training for communities across the city. Each family borrowed $400, which was enough to build the basic brick core house they designed with the URC. The savings group managed the loan repayments, which were collected daily, weekly or monthly, depending on people's earning, with 20% of the repayment going into mandatory saving, as a pad against any repayment problems. The community then repaid the UPDF monthly. The housing project at Akphivat Mean Cheay set a precedent and 107 other collaborative projects followed, which till now have provided 4,783 families with secure land and housing.

A full **support system** for the urban poor . . .

Apart it's crucial role as a provider of flexible, accessible finance for housing, the UPDF has given loans for land, income generation, group enterprises, agriculture and transport businesses, and provided grants for welfare, infrastructure upgrading and housing of the poorest community members. Other community activities the UPDF has supported include community savings, community surveys, settlement mapping, land searching, affordable house design, low-cost building materials manufacturing, exchange visits and training and involvement of community architects. Some of UPDF's achievements, 1998 - 2014:

- **Housing:** $1.8 million in housing loans to 4,783 households in 108 poor communities.
- **Land:** $5,388 in land purchase loans to 67 households in four new communities.
- **Livelihood:** $589,613 in income generation loans to 5,482 households in 397 communities.
- **Emergencies:** $2,517 in emergency loans to 211 households in five communities.
- **Environment:** $11,975 in environmental improvement grants to 20 communities (1,560 hh).
- **Infrastructure:** $477,318 in upgrading grants to 109 communities (11,591 households).

By following a strategy of cooperation rather than confrontation, the community savings network and the UPDF/CDF have been successful at building productive and ongoing working relationships with government agencies and other development stakeholders at all levels, across Cambodia. When the new Department of Housing held its first housing forum in 2016, this was the CBO/NGO alliance invited to present its people-driven, citywide and partnership-based approach to solving the country's urban poor housing problems.

SOME PROGRESS ON THE POLICY SIDE: In the two decades since that first CDF was set up, the growing strength and scale of the community-driven development process in Cambodia has been able to help bring about some positive changes in government policies and institutions. The 2001 Land Law and the 2003 Social Land Concession Decree are policy changes which help make free public land available to poor communities for housing - both *in-situ* upgrading and resettlement. In May 2003, during the UPDF's fifth anniversary celebrations, which showcased a broad range of community upgrading projects financed by grants from the UPDF, Prime Minister Hun Sen announced a policy to support the upgrading of "100 Slums every year" in the city. In May 2010, the Cambodian government issued "Circular No. 3: Resolution of of temporary settlements on State land in urban areas", a progressive housing policy based largely on the work of the UPDF and the CDF network, with inputs from ACHR. The policy focused on community-driven, collaborative and citywide slum upgrading, in partnership with urban poor communities, with *in-situ* slum upgrading as the first housing redevelopment option, and relocation within the city to free government land only in cases where *in-situ* upgrading is not possible. In 2014, the General Department of Housing was formed under the Ministry of Land Management and Construction and the country's first National Housing Policy was developed - with substantial inputs from UPDF and ACHR - to guide the provision of housing to low-income and urban poor groups in Cambodia.

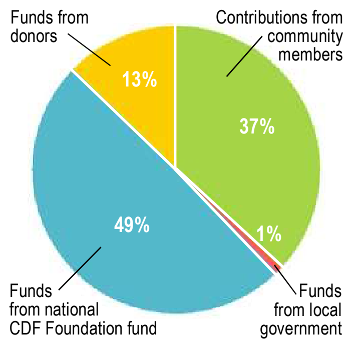
STILL NOT MUCH FINANCE FOR THE POOR: Besides the community savings groups and CDFs described in this study, though, there still aren't many finance options for the poor in Cambodia. Loans from commercial banks come at high interest and with difficult conditions that exclude all but a fraction of poor borrowers. Money lenders are much more accessible and have few conditions, but those loans come at ruinously high interest rates of 60 - 240% and end up blighting people's lives. There are 46 for-profit micro-finance institutions operating in Cambodia now, which play a role in providing loans to individual urban poor borrowers for livelihood and housing needs, but the interest rates are very high and houses of micro-loan defaulters are sometimes seized. Some NGOs and international NGOs provide loans and grants for services and housing in urban poor settlements, mostly via individualized micro loan schemes.

UPDF BECOMES COMMUNITY DEVELOPMENT FOUNDATION: In 2013, the new governor of Phnom Penh initiated a new policy of providing free houses to the urban poor in a program that was driven by private sector developers. As part of this policy shift, the Municipality's support for UPDF and for its programs of community-driven savings and loans was withdrawn, and a portion of the UPDF's loan capital (including all the funds that had come from the Municipality and the Prime Minister's monthly contributions) reverted to the Phnom Penh Municipality. But most of the UPDF capital (about $2.8 million), which had come from donors and ACHR's various programs, was still there, and it was used to start a new organization which would support the urban poor across the country. In 2014, this new organization was registered under the Ministry of Interior and called the Community Development Foundation (CDF), and in this new guise, the CDF continues to receive strong support from ACHR.

The Community Development Foundation, which is managed by a mixed board of community leaders and representatives from government, NGOs and other stakeholders, has signed an MOU to collaborate with the Ministry of Land Management and Construction and ACHR. Besides channeling bulk loans and grants for housing, land, community infrastructure, livelihood and other purposes to the CDFs around the country, the Community Development Foundation has teams in charge of finance and auditing, community support, media and community architects to support the community process in various ways - including sometimes acting as a bridge between poor communities and their local authorities. Poor communities can now access loans of various sizes and for various needs from three sources: from their own community savings groups, from their local CDFs and from the national fund (through their local CDFs). As part of the new arrangement, some of that capital stayed in the national CDF in Phnom Penh, and some was distributed among the 39 provincial CDFs which were by then operating in cities and districts around the country.

6

CAPITAL in the 19 CDFs



TOTAL CAPITAL	$1,459,856	
• from communities	$539,485	(37%)
• from local gov.	$11,879	(1%)
• from national CDF	$723,292	(50%)
• from donor funds	$185,200	(12%)

40 LOCAL CDFs ACROSS CAMBODIA NOW: Though it operated under an MOU with the Phnom Penh Municipality, the UPDF continued to support the savings and community process as it spread from Phnom Penh to other parts of the country. In 2006, the first provincial-level CDF was established in the northern Banteay Meanchey Province, as a joint venture of the community savings network, the provincial authorities and ACHR. More CDFs followed, and these local funds link poor community savings groups in a variety of constituencies - within a single city or urban district or across an entire province. By 2014, there were 40 CDFs around Cambodia (linked to 453 community savings groups, with 19,118 members), offering communities access to larger loans for more substantial projects like housing, land acquisition and livelihood, as well as grants for welfare and upgrading projects. These CDFs also provide a conduit for additional finance and special programs to assist poor communities (like ACCA and Decent Poor) from the national CDF Fund, with which they are all closely tied.

SURVEY COVERED 19 OF THESE CDFS: The CDF study survey was conducted in May and June 2016, and covered 19 of the total 40 local CDFs around Cambodia so far. The study was launched with a national workshop in Phnom Penh in March 2016, where the study's objectives were introduced and discussed among savings and CDF network leaders from around the country. After the workshop, a standardized survey form was drafted by the CDF Foundation and circulated among the network leaders for their feedback. The collaborative survey process that followed was led by community leaders on the CDF committees in each of the 19 constituencies, in partnership with the CDF Foundation. In the first part of the survey, detailed information was collected about the CDFs, and the second part focused on the community saving groups linked to the CDFs in each constituency.

CDF CAPITAL: To help the new CDFs develop their managerial and lending capacities, the UPDF began channeling capital seed grants and bulk loans to them, to support livelihood, upgrading and housing projects developed by communities. Savings groups also began contributing regular shares (most savings members contribute $1 per year to their CDF) and depositing part of their collective savings in the CDF (like a bank), so the capital continues to grow. Of the $1.5 million total lending capital in the 19 surveyed CDFs, more than a third (37%) came from community contributions and savings deposits, while 62% came from the national CDF Fund and donors (ACHR, ACCA, Selavip, Misereor).

LOANS: The CDFs provide flexible, accessible finance to communities with established saving groups, and allows them to think bigger and take on projects their small savings pools couldn't finance. Borrowers must be active members of savings groups, and many CDFs require them to have saved a certain time or amount before taking a loan and be shareholders in the CDF. Most loans from the 19 surveyed CDFs were for housing, land and income generation, and most are given as collective loans to community savings groups, which pass the loans on to members and manage the repayments collectively. Only some livelihood and toilet-building loans are made directly to savings group members. When possible, the community loans come directly from the CDF's own capital, but when the needs are too big (as for larger housing projects or upgrading grants), the CDFs can request loans from the national CDF Foundation to on-lend to communities. All of the CDFs on-lend loans from the national CDF at higher interest rates, and use the added margins to support their operations and build up their funds.

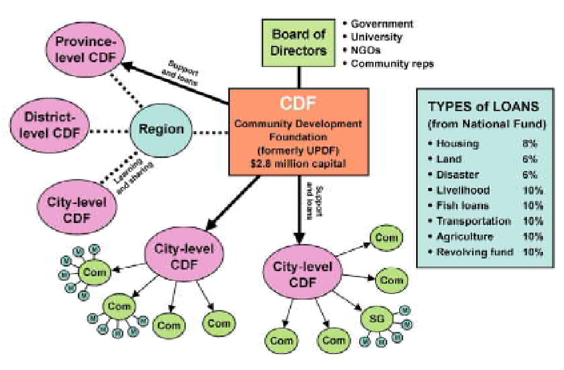
CREATIVE USE OF INTEREST RATES: All of the CDFs in the study have found creative ways of using the interest earned on loans to finance various activities, at various levels, and to make their finance systems more self-sustaining. In Cambodia, each CDF is free to determine its own loan terms, set its own interest rates and decide how the interest earned on loans will be used. The CDF in Battambang, for example, charges communities 12% on loans of all types. When they get bulk housing loans from the national CDF fund at 8%, they on-lend to the community housing projects in the city at 12%. Half of the income from that 4% margin stays in the community (to fund its own activities) and half goes back into the CDF, to pay for network activities and accounting or to add to the loan capital.

LOAN TYPES AND TERMS IN THE 19 CDFs IN THE STUDY

(all figures in US$)

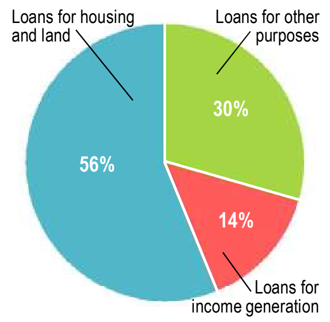
	From national CDF (through local CDFs)				**From local CDFs** (bulk loans to savings groups)			
Type of loan	*Loan ceiling per member*	*Interest rate*	*Loan term*	*Total amount loaned (US$)*	*Loan ceiling per member*	*Interest rate*	*Loan term*	*Total amount loaned (US$)*
New housing construction	1,500	8%	5 yrs	1,823,100 (4,850 hh)	1,000-1,500	6 - 12%	3 - 5 yrs	687,823 (975 hh)
Housing improvement	1,000	8%	3 yrs		1,000-1,500	6 - 12%	3 - 5 yrs	
Land purchase	800	5%	3 yrs		1,000-1,500	6 - 12%	3 - 5 yrs	
Post disaster housing	1,500	6%	3 yrs		200-1,000	5 - 12%	5 yrs	
Income generation	250	10%	1 yr	589,613 (5,482 hh)	100-800	4 - 24%	6 mo-1 yr	174,498 (2,191 hh)
Prahok making (fish)	500	10%	1 yr		100-800	4 - 24%	6 mo-1 yr	
Transport enterprises	875	10%	1 yr		100-800	4 - 24%	6 mo-1 yr	
Agriculture, animal raising	250	10%	1 yr		100-800	4 - 24%	6 mo-1 yr	
Other emergencies, welfare	100	10%	1 yr	6,210 (826 hh)	50-500	6 - 12%	1-2 yrs	361,480 (835 hh)
TOTAL	*Figures for bulk loans to all 40 local CDFs, from the national CDF fund*			**$2,418,923 (11,158 hh)**	*Figures only for loans to communities from the 19 local CDFs in the study*			**$1,223,801 (4,001 hh)**

STRUCTURE: Community Finance in Cambodia

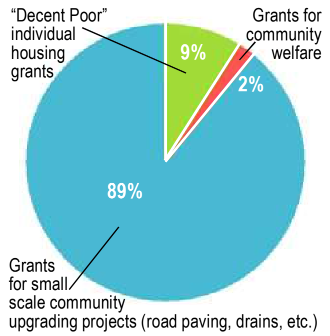


■ **MANAGEMENT:** The CDFs are all supported by the national fund, but each operates independently and sets its own system, rules, lending priorities, loan terms and activities. All the CDFs are managed by committees and each network determines the composition of its CDF committee. All the committees comprise a majority of community savings group leaders, but many also include other local actors. Roessei Keo District makes a point of ensuring that 70% of the CDF committee members are women, while in Banteay Meanchay, the committee is chaired by the mayor. The committees meet at least monthly to transact loans and grants, collect repayments and monitor CDF finances. The CDF committees play a proactive role in supporting the broader community development process in their cities, and go around regularly to visit projects, help negotiate in eviction crises and act as a bridge between the poor communities and the local government structures. The CDFs' overheads and activities are funded by modest grants from the national CDF Foundation and from a portion of the interest earned on loans.

LOANS from the 19 CDFs



GRANTS from the 19 CDFs



■ **DECISION-MAKING:** Besides being vital sources of finance, the CDFs act as collaborative decision-making platforms where needs and projects are discussed and weighed collectively, opening up the decision-making to both communities and other stakeholders in the city. Decisions are made at three levels: savings groups discuss and agree to their members' loan and grant requests before presenting them in bulk proposals to the CDF. Then the CDF committee reviews and agrees to the loans and grants, or sends them back for clarification. When the funds are coming from the national CDF Foundation and not directly from the local CDF capital, the loan and grant proposals are then forwarded, in bulk packages, to the national fund, where the governing board discusses them and agrees, or sends them back with questions.

■ **COLLABORATION:** One of the striking successes of the Cambodian CDF process has been the degree to which collaboration between poor communities and their local and national governments has become a feature of how the CDFs operate, and how the community-led process has tackled the larger structural issues around land and housing. Many CDFs bring this collaborative spirit into their management committees, which include local government officials and sometimes other supportive local actors, like NGOs, architects, university faculty or civil society representatives. These efforts to build partnership have paid big dividends in the form of government contributions to CDF capital, free space in city halls for CDF offices, infrastructure investments and free government land for community housing projects.

■ **ACCA PROGRAM BOOSTS CDFs:** The community-driven process and the CDFs in Cambodia both got a big shot in the arm in 2008, when ACHR's ACCA Program was launched. ACCA promoted a people-driven and citywide slum upgrading process in countries around Asia by channeling grant funds to the local CDFs, to finance a variety of community-planned housing and settlement upgrading projects. ACCA projects in 28 cities around Cambodia took off, and in many of those cities, the networks were able to use the modest grant funds to strengthen their CDFs and leverage big support from their local governments. Between 2008 and 2014 alone, local governments gave free land worth $8.6 million for 15 of the 19 ACCA-supported housing projects around the country, which permanently housed 3,407 poor families.

CAMBODIA: 19 CDFs IN THE STUDY

(all figures in US$)

			LOANS				GRANTS			
CDF	*Date started*	*Scale of CDF*	*Housing loans*	*Livelihood loans*	*Other loans*	*TOTAL loans*	*Welfare grants*	*Upgrading grants*	*Decent Poor grants*	*TOTAL grants*
1. Pailin	2010	City	0	7,800	0	7,800	460	15,000	1,000	16,460
2. Battambang	2002	Province	0	17,500	0	17,500	290	5,000	2,500	7,790
3. Siem Reap	2002	City	38,390	0	0	38,390	0	37,500	2,000	39,500
4. Banlung District	2010	District	30,000	0	0	30,000	26	10,000	2,000	12,026
5. Banteay Meanchey	2006	Province	108,624	32,500	0	141,124	1,726	34,708	2,500	38,934
6. Kep	2010	City	16,139	5,000	0	21,139	150	15,000	2,000	17,150
7. Koh Kong	2007	Province	51,500	30,000	0	81,500	1,375	17,500	1,000	19,875
8. Kampong Cham	2007	Province	50,320	30,000	0	80,320	328	15,000	1,000	16,328
9. Prey Nub District	2014	District	0	0	0	0	25	5,000	0	5,025
10. Sihanoukville	2005	Province	8,665	19,250	0	27,915	0	20,000	2,000	22,000
11. Santuk District	2015	District	3,000	250	0	3,250	205	900	525	1,630
12. Steung Sen	2015	City	34,500	4,150	0	38,650	336	8,000	1,540	9,876
13. Kampong Svay District	2015	District	2,500	1,000	0	3,500	63	3,750	500	4,313
14. Kampong Thom	2011	Province	0	0	0	0	400	0	0	400
15. Roessei Keo Dist. PNH	1998	District	247,500	0	361,480	608,980	400	10,258	2,000	12,658
16. Sen Sok District, PNH	2012	District	21,925	2,048	0	23,973	0	0	0	0
17. Mondolkiri	2011	Province	0	0	0	0	0	15,000	1,000	16,000
18. Svay Rieng	2005	Province	31,260	0	0	31,260	345	13,433	2,000	15,770
19. Oddar Meanchey	2005	Province	43,500	25,000	0	68,500	81	25,000	2,000	27,081
TOTAL 19 CDFs in the study			$687,823 (975 hh)	$174,498 (2,191 hh)	$361,480 (835 hh)	$1,223,801 (4,001 hh)	$6,210 (826 hh)	$251,049 (32,562 hh)	$25,565 (53 hh)	$282,816 (33,441 hh)

6

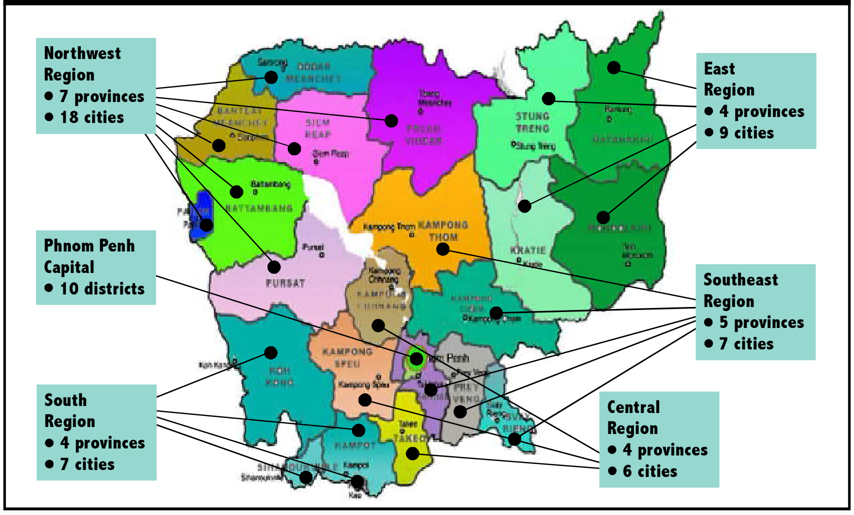
■ **SAVINGS IN CAMBODIA:** Since the first savings groups were started in 1994, community savings has been a key strategy in the process of mobilizing people in poor communities all over Cambodia to come together, look at problems they face and begin building a collective resource and a collective process to tackle those problems. All the savings groups link together into citywide networks, with their local CDF acting as the key financial and organizational linking mechanism. These city-level networks then link together within six regions, and nationally under the Community Savings Network Cambodia (CSNC). There is a great deal of exchange between savings groups and cities, and a lot of mutual support. 236 savings groups were surveyed as part of the study, all of them linked to the 19 CDFs in the study.

■ **HOW THE SAVINGS WORKS:** Savings groups in Cambodia are "area-based" - each community has its own community-wide savings group. There is no maximum size, and so some groups can get quite big, with up to 300 members in larger settlements. Each savings group sets its own rules and loan system (loan priorities, loan amounts, interest rates and repayment terms) for its internal saving and lending, and each group is managed by a committee drawn from savings members. Decisions are made collectively within the groups, usually during savings meetings. Most savings groups that were surveyed meet once a month, and they save, transact loans and discuss community matters during the meetings. At other times, members can drop off their savings deposits and loan repayments at the treasurer's house, where money that isn't circulating in loans is kept in a locked box (the key to which is kept by another committee member). Most groups allow members to save whatever amounts they can afford, but loan amounts are often tied to how much a member has saved, or how regularly she saves. People take loans for livelihood, agriculture, animal-raising, fisheries, transport businesses, housing, land, toilets, water supply, health needs, emergencies and post-disaster housing repairs. Most of the savings groups keep some of the savings money in the community, for their internal lending, and deposit part in the CDF, where savings members can save in a five special savings funds: revolving fund, development fund, welfare fund, contributor fund and shareholder fund. When loan needs within the group are too big for their internal pool of collective savings, the loan requests are collected into a package and sent as a bulk community loan proposal to the CDF. Most of the city networks organize their own community savings management committees (at city or district level), to provide support to the savings groups and to organize monitoring and auditing of the community savings groups by their peers in the community network.

SAVINGS IN 19 CITIES *(Figures in US$)*

CDF Constituency	*# savings groups*	*# savings members*	*Total savings*
1. Pailin	5	281	16,570
2. Battambang	15	2,183	5,490
3. Siem Reap	11	118	663
4. Banlung District	9	329	24,647
5. Banteay Meanchey	27	975	27,226
6. Kep	9	210	16,133
7. Koh Kong	9	545	89,665
8. Kampong Cham	5	216	18,075
9. Prey Nub District	2	80	625
10. Sihanoukville	12	237	16,505
11. Santuk District	17	616	91,885
12. Steung Sen	7	176	40,145
13. Kampong Svay Dist.	3	87	3,128
14. Kampong Thom	7	879	102,578
15. Roessei Keo D. PNH	36	1,507	9,241
16. Sen Sok D. PNH	16	923	64,890
17. Mondolkiri	8	175	3,500
18. Svay Rieng	9	217	7,495
19. Oddar Meanchey	11	222	4,530
TOTAL	**218 groups**	**9,976 members**	**$542,991 savings**

Community Savings & CDF Network in Cambodia



Troubles of **balance** in the community finance system . . .

Of the 218 savings groups surveyed for the study, over a third (81 groups) have become inactive, because of problems of trust and loan repayment. Loan repayment has become a big problem for all the community-managed finance systems in Cambodia. The 19 CDFs that took part in the study reported loan default rates of at least 20% and as high as 60%, and these mounting unpaid loans have slowed down the CDF activities considerably. The reasons behind this repayment crisis and the savings stagnation were a point of much discussion during the August 2016 meeting in Bangkok. One theory was that too much external grant-funded activities being managed by the CDFs had upset the balance in the people's process. Those outside grant funds gave the city networks and their local CDFs powerful tools to negotiate with the city, but that tended to concentrate more of the decision-making power with network leaders, while it drained away power from the savings group members, who are the real owners of the CDF, but who became passive recipients of those grant-funded projects. *(more on this point on page 58)*

CAMBODIA: Community finance at work

The Roessei Keo network used a $3,000 upgrading grant from the CDF to widen and pave the walkways that pass through six adjacent riverside communities, using bamboo-reinforced concrete and community labor. The ward authorities contributed $20,000 of construction materials and 76 families along the way gave up strips of their land to make room.

1 THE CDF IN ROESSEI KEO DISTRICT: The riverside district of Roessei Keo, in Phnom Penh, continues to have one of the strongest and most strongly women-led community finance systems in Cambodia. Their pioneering district-level CDF was set up just a year after the UPDF, according to a system worked out by the communities themselves and managed by a committee of savings leaders. Communities put 60% of their collective savings into the CDF and keep the other 40% in their savings group funds, for smaller and immediate loan needs. The CDF pays 4% interest to communities for the money kept in the CDF. Every month, they have district-wide meetings and make decisions together on loan applications from the CDF, which meet needs too large for the savings groups. Loans from the CDF are made only on the "group basis" to communities, not to individuals. When the CDF loans to communities, individual borrowers repay at 12% annual interest. Of that 12% interest income, 2% stays in the community-level loan fund, 1% is kept for community-level management expenses, 4% is added to the district-level CDF capital, 2% goes into their special district-level welfare fund and 3% supports district-level management and activities.

- **Prahok loans:** Since 1998, the CDF has given bulk loans totalling $1.2 million, in an annual cycle, to 5,033 families in 21 riverside settlements, to make the traditional Khmer fermented fish, *prahok*, which they sell at a big profit a few months later, when the *prahok* matures. Every cent has been repaid and profits of $3-5 million have gone into the pockets of savings group members. *(more prahok loan details on page 64)*

- **Welfare funds:** All savings members have access to welfare assistance from a district-level welfare fund that is partly financed by a portion of the interest earned on loans from the CDF, and many also have access to their community-level welfare funds. This pioneering welfare system was developed entirely by the people, and came out of the closeness that was built through the *prahok*-making loans process

- **Rebuilding after fire:** In 2010, after a big fire tore through several riverside communities and destroyed 452 houses, the savings network worked with ward and district officials to survey affected families and negotiate for support and temporary housing materials from the local authorities and NGOs. Later, the CDF gave low-interest loans to 157 families to rebuild their houses (using capital from ACCA). Ward and district authorities chipped in with budgets to pave roads and install drainage systems.

The community process in Banteay Meanchey has had a strong and supportive partner in the energetic Mr. Oum Reatrey, who was first the Governor of Serey Sophoan and later the provincial governor.

2 THE CDF IN BANTEY MEANCHEAY PROVINCE: The city of Serey Sophoan makes a vivid illustration of how readily conflicts between a city's development needs and its poorer citizens' land and housing needs can be resolved when the poor and the city authorities work closely together, and when there is a CDF to support that collaboration. Banteay Meanchey Province (of which Serey Sophoan is the capital city) was the first in Cambodia to test the province-level CDF concept, in which different actors contribute to the fund and use it as a mechanism to link all the poor communities in Serey Sophoan and other towns and enable them to work with their municipal and provincial authorities and other stakeholders to craft win-win solutions to their problems of land, housing, basic services and livelihood, with support from the CDF. The Banteay Meanchey CDF was launched in 2006, just one year after savings began there, under an MOU between the provincial governor, the Ministry of Women's Affairs, UPDF and ACHR, and is managed by a committee of 31 community savings leaders from around the province, in close collaboration with local government officials, who act as advisors. In 11 years, the CDF has notched up some major achievements:

- **Housing:** 166 households got housing loans of $113,250 (at 6%, repay in 3 years) in two housing projects (one big on-site inner-city upgrading and one smaller nearby relocation) in which 417 families got permanent secure land tenure on land provided free by the provincial government.

- **Toilets:** 100 families got loans of $1,400 (at 6%, repay in 1 year) to build simple household pit latrines.

- **Livelihood:** 134 families got loans of $8,400 (at 12%, repayable in 1 year) for starting small businesses, opening community shops, growing vegetables for market, rearing animals and farming fish.

- **Upgrading:** The CDF stretched $20,000 ACCA funds of to give small infrastructure improvement grants to 15 communities in Serey Sophoan to pave roads, lay drains, fill low-lying land and build common wells. These projects were topped up by $60,000 of funds and donated materials from the municipality.

3 FREE GOVERNMENT LAND FOR HOUSING: In 14 housing projects so far, communities in Cambodia have been able to leverage free land worth over $25 million from the government, which has provided permanent, secure land for housing 4,797 families around the country. Many communities who did small upgrading projects (financed by grants from the CDFs, with ACCA funds), used improvements to their roads, drains and water supply systems to bolster their negotiations for secure tenure - and many have gotten it. Getting free land from the government has become a strategic direction for the people's movement in Cambodia, and the CDFs have played a big role in unlocking that land. The CDFs act as a bridge between the poor communities and the local authorities, and even if the capital is very modest, they give communities a powerful bargaining chip when they negotiate for free land. Before, cities invariably said no, there is no land for the poor. But after some breakthrough projects in Phnom Penh and the later ACCA projects, municipal and provincial authorities are now providing free land for housing the poor in many cities.

7 Community finance systems in **Nepal**

Community finance in NEPAL =

SAVINGS GROUPS
- 1,354 groups in 23 cities
- 29,816 saving members
- $6 million in total savings
- Savings started in 1997

+

CITY FUNDS (set 1)
- 29 Women's S&C Cooperatives
- in 23 cities and towns
- $5 million in lending capital
- First co-op started in 2000

+

CITY FUNDS (set 2)
- 5 Urban Comm. Support Funds
- Work with local govs in 5 cities
- $300,000 in lending capital
- First UCSF started in 2004

+

NATIONAL FUND
- Community Women's Forum (CWF) National Fund
- $51,000 in lending capital
- CWF Fund started in 2011

THE STUDY :

The study in Nepal was carried out by the Community Women's Forum (CWF), the national network of women's savings and credit cooperatives, with support from the NGO Lumanti, and focused on 20 of the total 29 women's savings co-ops in Nepal. Besides the summary of the Nepal study presented in these six pages, more details about various aspects of the Nepal community finance story are highlighted in later parts of the report:

- Savings and women (Pg. 40)
- Earthquake rebuilding (Pg. 61)
- Welfare funds (Pg. 62)
- Toilet-building loans (Pg. 64)
- "Easy loan" steps (Pg. 66)
- Loans from banks (Pg. 69)

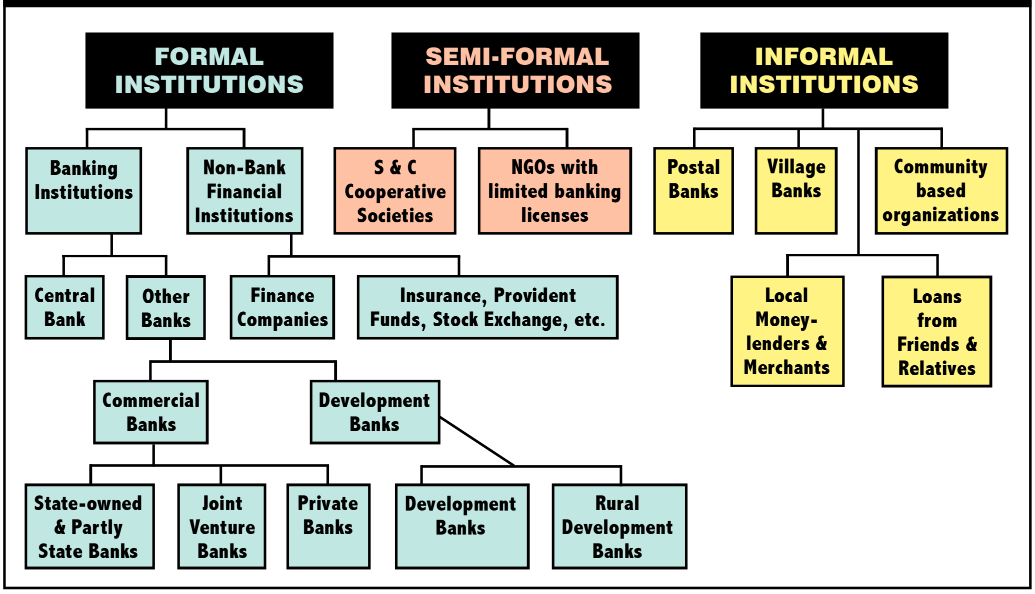
CONTEXT IN NEPAL: Nepal often figures on lists of the world's poorest and least developed countries. Between a quarter and a half of its 31 million occupants live in poverty, depending on which metric you use to measure access to nutrition, health care, housing, education and employment. It's position in the lap of the Himalayan mountains makes for some spectacular scenery, but also leaves the country vulnerable to devastating earthquakes and to the affects of climate change, both of which continue to drive poor migrants out of earthquake-hit and drought-ridden rural areas that are still untouched by any kind of modern development. Matters were made much worse by the long civil war, which further blighted the lives of rural Nepalis and stalled the country's development. And even after the war ended in 2006, and the Maoists took power, Nepal has continued to experience political upheavals and stagnation.

All these factors have caused cities in Nepal - and especially the Kathmandu Valley - to swell in all directions in unplanned development, with only the most haphazard infrastructure. For most poor migrants from rural areas, the only housing option is in slums, on bits of vacant government or privately-owned land, where conditions are bad and most build their own houses with bamboo, plastic sheets and recycled bricks. Because they occupy land informally and because many have no citizenship papers, the poor in Nepal's cities cannot access basic services like municipal water supply and electricity, and the threat of eviction looms. Nepal's caste system makes the poor from lower castes even more vulnerable and isolated.

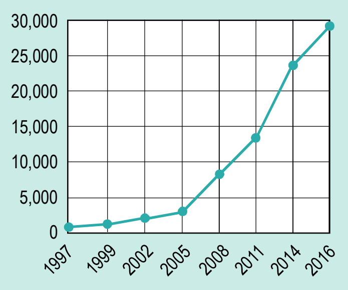
GOVERNMENT INVOLVEMENT: There are a variety of government organizations dealing with issues of urban development, housing, poverty reduction and socio-economic development in Nepal, at the national level (the National Planning Commission, the Ministry of Urban Development, the Department of Urban Development and Building Construction, and the Ministry of Local Development) and at the local level (municipalities and district-level Development Committees). In recent years, efforts have been made to bring the participation of women, the poor and lower caste people into the process of mainstream planning and development, through collaborative Ward-level Citizens Forums, and the women's savings and credit cooperatives in many wards have become active in these forums. But when it comes to addressing the lack of affordable housing for the poor, the government has continued to follow its 1996 Shelter Policy, which relies on the private sector to fill the housing demand gap. As a result, the supply of cheap, substandard rental rooms is growing, but slums are growing much faster.

FINANCE SYSTEMS IN NEPAL: Despite being a small and low-income country, Nepal has a fairly diverse financial system. Besides the country's central Nepal Rastra Bank, there are 30 commercial banks, 84 development banks, 53 finance companies and 37 microfinance banks operating in Nepal. There are also semi-formal financial institutions that are licensed by the central bank to operate limited banking transactions, and these include 16 savings and credit cooperatives and 30 NGOs which implement microfinance programs. In addition, there are about 14,000 community-based organizations (which includes the Women's Savings and Credit Cooperatives described in this report), village banks and postal banks which mostly serve poor people - and particularly women - in remote and hilly rural areas.

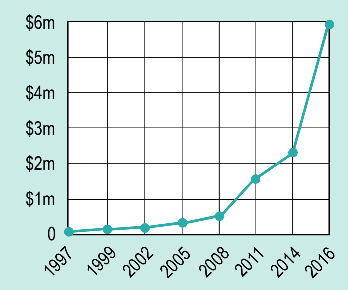
Financial systems in NEPAL



SAVINGS MEMBERSHIP



TOTAL SAVINGS (in US$ millions)



SAVINGS STARTS IN 1997: In 1993, the Kathmandu-based NGO Lumanti was set up to support urban poor community development processes, first in Kathmandu, and later in cities across the country. With supportive links and exposure to community finance experiences in other parts of Asia, through the ACHR network, Lumanti helped set up of Nepal's first savings and credit groups in 1997, in three poor settlements in Kathmandu, where the women began saving just five rupees per month in a common loan fund. This was at a time when many people living in slums and squatter settlements were perpetually indebted to informal money lenders, who offered accessible loans, but at ruinous interest rates. These pioneering savings groups provided more than just a source of affordable credit - they were a means of building women's confidence, economic self-reliance and collective strength. The savings process in Nepal spread quickly, and was bolstered by exchange visits with the Mahila Milan women's savings collectives in India, as well as community-driven savings initiatives in Thailand, Cambodia, Philippines and other places. By 2016, there were 1,354 savings groups in cities around Nepal, with 30,000 members and collective savings of $6 million - most of which is in constant circulation in loans.

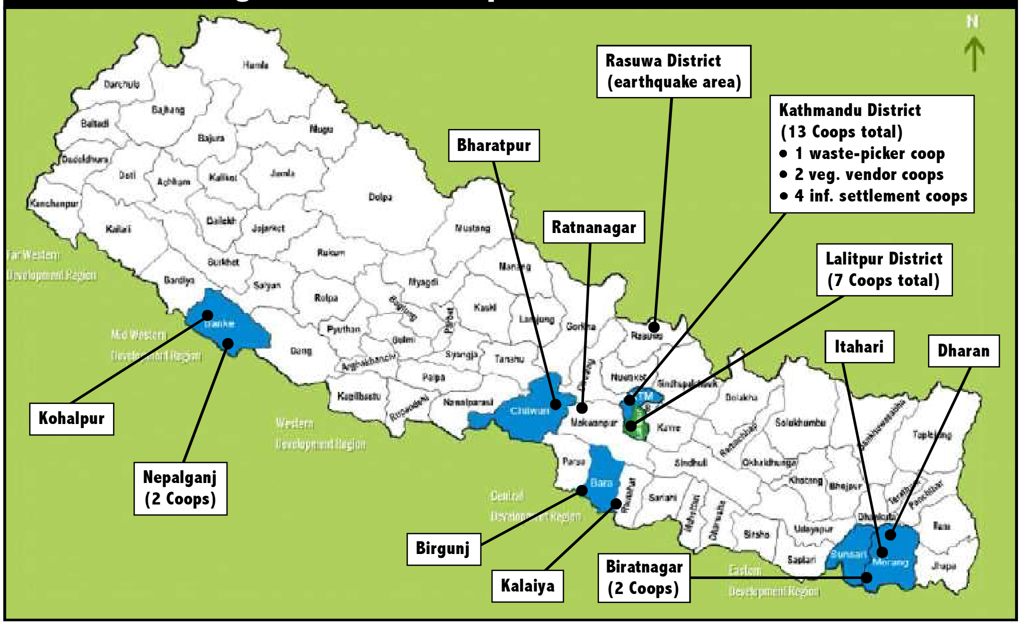
COOPERATIVES: The first community savings groups were completely informal, but later, as the savings process expanded, the collective savings pool grew and a variety of community-led activities took off. The women began to discuss the need for a structure which would give their savings and credit process a more solid legal status. The cooperative structure seemed to offer the most advantages, without compromising the informality of the community process. Under the government's 1991 Cooperative Act, women savings group members within five adjoining wards can form a cooperative - a formal mechanism to legally provide financial services and social support to its members, who are also shareholders in the cooperative, for purposes of economic empowerment and poverty reduction. The Pragati Mahila Savings and Credit Cooperative in Kathmandu was the first to be officially registered with the government's district-level Cooperative Division in 2000, and others soon followed.

The cooperatives gave the savings groups a mechanism to pool their savings and contributions in larger cooperative funds, which allowed their members to think more creatively about how to address their various needs and finance larger projects, like housing, settlement upgrading, group enterprises, welfare and larger livelihood initiatives. The cooperative mechanism also brought greater operating efficiencies to the savings movement and made it more self-sustaining - and even profitable. The savings and credit cooperative process grew quickly, and in 2006 began expanding to cities outside of the Kathmandu Valley. By 2015, there were 29 cooperatives registered in 23 cities around the country, with 30,000 members and combined lending capital of $5 million - 100% of which comes from their poor women members.

COMMUNITY WOMEN'S FORUM: Since 2007, the cooperatives across the country have been linking together as a network and supporting each other with peer-to-peer learning and some inter-lending between cooperatives. In 2010, they formalized this linking and officially registered the Community Women's Forum (CWF), as a national umbrella organization for the savings and credit cooperatives around Nepal. The CWF provides technical support and training to new and existing cooperatives and helps facilitate loans between cooperatives. All of the CWF's activities are funded by yearly contributions from members of the 29 cooperatives. Since 2011, the CWF has managed its own national fund. A $20,000 grant from ACCA to support the community-managed upgrading of historic towns in the Kathmandu Valley has also been added to the CWF capital, but is managed as a separate fund. The modest $52,000 lending capital in the fund so far has been vigorously revolving, and $191,750 has been given in loans for housing, land, upgrading, livelihood and other purposes since the fund was launched.

Nepal's 29 savings and credit cooperatives are built on the strength of some 30,000 working women like this, whose combined savings have created self-help loan funds with over $6 million in lending capital, all of it circulating in loans.

Women's Savings and Credit Cooperatives in NEPAL



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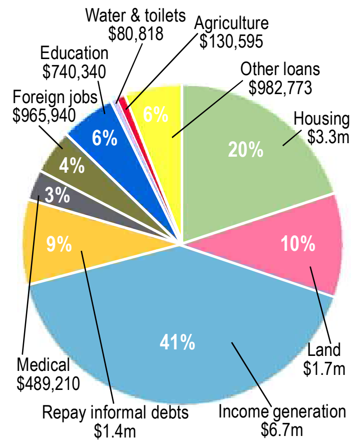
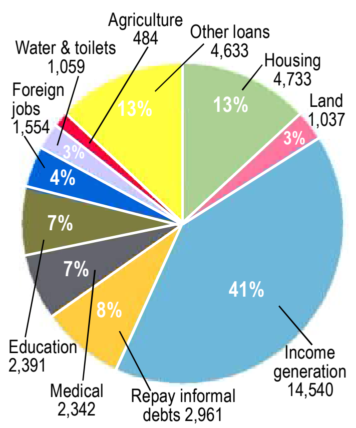
LOANS from 22 Cooperatives
- sorted by the amounts loaned



LOANS from 22 Cooperatives
- sorted by the number of loans



100% self-supported: *All loans, activities, horizontal support, meetings, travel and training are supported by the members of the women's cooperatives themselves. As one leader put it, "We are fully empowered to sustain ourselves."*

20 COOPERATIVES IN THE STUDY: The community finance study in Nepal was carried out by members of the Community Women's Forum, with support from their NGO partner Lumanti. The study focused on the women's savings and credit cooperatives, which have become the key people-driven financial organizations for the urban poor in Nepal. The study specifically set out to analyze the effectiveness of the cooperatives in empowering women and mobilizing finance for various kinds of community-driven development, and to explore opportunities for future expansion. 20 cooperatives were chosen to be surveyed (from 11 cities in all 4 regions). Focus group discussions with each cooperative were organized, to gather information about the history, working mechanisms, effectiveness and opportunities, and key cooperative members were interviewed. Workshops were then held in each region (central, eastern, western and Kathmandu Valley regions) to disseminate the study findings and continue discussions with the larger cooperative membership, before preparing the final study report.

COOPERATIVE MANAGEMENT: The formal status that comes with government registration means that the cooperatives must follow certain rules and procedures set by the government. Each cooperative is run by an elected executive board, drawn from representatives from the savings groups, with elections every two years. Under the board, there are three sub-committees: the education sub-committee (responsible for savings training and outreach), the accounting sub-committee (responsible for all the account-keeping) and the loan sub-committee (which decides on loans and manages repayments). Every year, each cooperative has a general assembly, where the board reports to the members on the cooperative's progress and activities, and new plans are discussed. Each cooperative has an office somewhere in the community, which is accessible to all the group members.

SAVINGS IN THE COOPERATIVE: A savings group typically has 10 to 40 members who live in the same community or in nearby communities. In large communities, there will be several savings groups. The groups meet once a month to collect savings and loan repayments and discuss new loan requests. Most women in the cooperatives save monthly; only the members of the vegetable vendors' cooperatives save daily, since their earning is daily. The meetings are also important opportunities for the women to discuss community issues, share problems, build solidarity and develop solutions as a group. All the savings is kept in the cooperative, not in the savings group. One member of each savings group is chosen to be the coordinator, who carries the savings, loan repayments and new loan requests to the cooperative and acts as a bridge between the group and the cooperative.

Beyond these organizational structures imposed by the Cooperative Act, each cooperative is free to set its own savings and loan rules, loan terms and procedures. All the cooperatives are 100% women-led; some men are members, but none are in decision-making positions. Most cooperatives require members to save at least 100 rupees ($1) per month, but women with better incomes in big cities like Kathmandu save 500-1,000 rupees ($5-10) per month. Most coops offer five types of savings to members:

- **Compulsory savings:** The mandatory monthly savings of at least 50 rupees (50 cents) per member, which cannot be withdrawn for at least three years, earns an annual interest of 8%.
- **Optional savings:** Requires making a deposit of at least 500 rupees ($5), which can be withdrawn at any time and earns 7% annual interest.
- **Piggy-bank savings:** Minimum monthly saving of 30 rupees ($30 cents), earns 5% interest and can be withdrawn only after saving for one year. (120 rupees is the one-time charge for the piggy bank.)
- **Children's savings:** This is the savings scheme for children under 13 years of age, who save a minimum of 20 rupees ($20 cents) per month, on the 15th day of each month, earning 8% interest.
- **Fixed savings:** Allows family members of cooperative members to save, with a minimum deposit of 10,000 rupees ($100). Earns 7% interest for a 6-month deposit and 10% for 3-year deposits.

20 COOPERATIVES in the study *(US$)*

SAVINGS LINKED TO 20 CO-OPS

Total number of members	17,203 members
Number of savings groups	1,099 groups
Total savings	$6.75 million

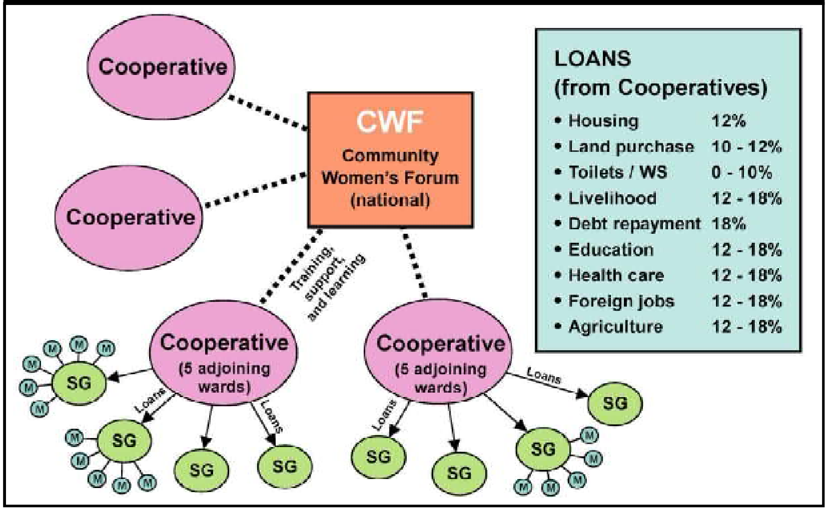
CAPITAL IN 20 CO-OPS

Total lending capital (100% from community shares and savings)	$6.75 million

LOANS FROM 20 CO-OPS

Housing and land	$5.0 million (5,770 hh)
Income generation	$6.7 million (14,540 hh)
Foreign employment	$0.97 million (1,554 hh)
Repay informal debts	$1.4 million (2,961 hh)
Education	$0.74 million (2,391 hh)
Other purposes	$1.86 million (8,548 hh)
TOTAL loans	**$16.9 million (35,764 hh)**

STRUCTURE: Community Finance in Nepal



NEPAL: 20 Savings & Credit Cooperatives in the study (US$)

Name of Cooperative	City	When started	# of members	Total savings	Loans outstanding
1. Prerana Mahila Utthana Coop	Inyatole, Kathmandu	2005	551	241,038	160,000
2. Thankot Mahila Jagarun Coop	Thankot, Kathmandu	2006	1,782	658,112	612,114
3. Basobasa Mahila Coop	Kohalpur	2006	2,443	397,001	349,703
4. Dibya Jyoti Mahila Ekata Coop	Dharan	2006	1,222	293,902	317,234
5. Shree Ganesh Mahila Coop	Thabo, Lalitpur	2006	620	104,119	104,119
6. Shree Junelee Mahila Coop	Tokha, Kathmandu	2007	564	106,340	76,586
7. Panga Mahila Coop	Kirtipur, Kathmandu	2007	758	2,109,351	187,056
8. Shree Amardeep Mahila Coop	Bharatpur	2007	1,602	602,350	724,354
9. Khokana Mahila Coop	Khokana, Lalitpur	2007	584	123,052	101,440
10. Heli Chu Coop	Seto Gumba, Kathmandu	2007	204	26,865	28,881
11. Nawa-Astha Uttan Kosh Coop	Lalitpur	2007	435	303,136	495,548
12. Bishnu Devi Mahila Coop	Machagaon, Kathmandu	2008	857	263,632	327,000
13. Shree Mahila Byawasayi Coop	Kalimati, Kathmandu	2008	453	819,260	800,998
14. Thecho Mahila Jagaran Coop	Thecho, Lalitpur	2008	1,984	332,610	752,434
15. Samjhana Mahila Coop	Biratnagar	2009	415	50,008	65,858
16. Didi Bahani Coop	Sanugaon, Lalitpur	2009	654	116,804	99,192
17. Samuhika Mahila Coop	Nepalganj	2011	93	3,425	2,066
18. Akriti Mahila Coop	Ratnanagar	2012	565	48,847	52,705
19. Deepshikha Mahila Coop	Kalaiya	2012	733	30,394	63,036
20. Samyukta Jagaran Coop	Teku, Kathmandu	2012	684	119,285	50,471
20 Cooperatives			**17,203 members**	**$6,749,531 savings**	**$5,370,724 in loans**

The Panga Municipality has supported the women's cooperative there by providing training to members on various aspects of income generation and running small businesses such as bakeries, salons, soap and detergent making units and grocery shops. Cooperative members have also been trained and mentored by the Business Service Centre in Panga, in all aspects of entrepreneurship, from conceptualizing to startup to production. The cooperative now has 850 members and a loan capital of 200 lakh rupees ($200,000), and is dreaming about running home-stay enterprises in their historic Newari town, in the Kathmandu Valley.

LOANS FROM THE COOPERATIVES: Loans are provided only through the cooperatives, not by the savings groups, and the lending capital comes entirely from women's savings - no outside money at all. Loan decisions are made by the cooperative's loan committee, but only after the savings group approves each loan request and three members guarantee it. Each cooperative sets its own loan terms and interest rates (which vary from 10 to 18% - *see diagram on previous page*). Most require members to have saved for six months or a year before taking loans, and repayment terms are determined flexibly, according to loan size and the member's situation. Usually the loans must be guaranteed by two other members of the savings group. Loans are given for housing, land, livelihood, education, emergency needs, foreign employment, health, toilet construction, utility connections and paying off informal debts. Most loans are individual, but some loans go to groups for housing resettlement projects or collective enterprises. The cooperatives all follow up with borrowers after the loan has been disbursed, to make sure the loan is used properly and to help the members if repayment problems arise. Repayment is about 100%.

BOOSTING INCOMES: More than half the amount loaned from the 20 surveyed cooperatives ($6 million) has gone for income generation loans. 12,020 women have received loans from the cooperatives to start their own small enterprises and revamp their already established business to sell vegetables, prepared food or handicrafts or to open beauty shops or tailoring businesses. 442 of these women took loans to improve their agricultural businesses, using the loans to purchase seeds, dig irrigation canals, compost manure, purchase farm-vehicles or raise animals for the market. 837 of the women took loans from the cooperative to pay the fees and travel costs of family members who had the opportunity to work abroad (Nepal is a big exporter of labor to the middle east). Many of these women have taken advantage of training workshops organized by the local government and other agencies to help them launch many kinds of small businesses, manage finances and increase productivity and earning. This added economic power has given poor women living in very difficult circumstances greater economic independence and bargaining power and more influence in their household and community-level decision making processes.

SPECIAL COOPERATIVE FUNDS: Besides their principal revolving loan funds for their members, most of the cooperatives also manage a variety of special funds, including:

- **Disaster management funds**, to respond to possible disasters such as landslides or fires. During the earthquake, several cooperatives used these funds to provide relief support in the earthquake hit communities, both in and outside their areas. Each member contributes 100-200 rupees ($1-2) per year.
- **Welfare funds** started in 2014, with seed funds from ACCA, which provide grants to cooperative members for funerals, births, surgery and hospitalization. Each member contributes 100 -200 rupees ($1-2) per year. 17 of the cooperatives now have welfare funds, with $30,0125 of funds in them.
- **Community development funds** give grants for small-scale common infrastructure projects like paving, drainage and water supply systems (financed by 10% of the cooperative's interest income).
- **Bad debt funds:** Another 10% of the income earned on interest from various kinds of loans from the cooperative is set aside in a special fund to cover late payments and loan defaults.

"Membership in the cooperative gave me courage and brought out the entrepreneur in me. I borrowed 10,000 rupees ($100) and started making dolls to sell in the market. Later I began rearing animals and now own a small restaurant also. I have been able to repay my loan to the cooperative and own businesses with a yearly turnover of eight lakh rupees ($8,000). I no longer need to rely on my husband's financial support. I am a self-made woman, and I am very proud of it."

(Ranjeeta Katwal, a founding member of the Dibyajyoti Mahila Ekata S&C Cooperative, in Dharan)

7

“The institutional arrangement of the community finance systems in Nepal is quite interesting. Their coops act as a legal umbrella and link all the small saving groups. Then they have the Community Women’s Forum, which acts as a national network for cooperation among the coops and for larger negotiations. Then, at the city level, they have also set up urban community support funds, as another joint funding system to link the people’s cooperatives with the city and other funding sources - including our ACCA funding, which is also put here. I feel it is quite interesting and very creative.”

(Somsook Boonyabancha)

Looking at two cooperatives from the INSIDE . . .

As part of the CDF study process in Nepal, the survey teams interviewed ten of the savings group leaders who had been central in the process of forming their S&C cooperatives. A few excerpts:

1 Amardeep Mahila Utthan Cooperative, Bharatpur:

In the beginning we didn’t understand the concept of saving. It was only through membership in the cooperative that we understood how our ten rupees could grow and how poor women like us could access funds to buy land, build homes, send our children to school and for higher studies. Amardeep’s priority is providing loans for house construction, as homes are important for the safety, education and health of our children. But we also give loans for education, training and community projects to improve water supply and sanitation. When we repay loans in installments, it makes it easier on our pockets and doesn’t feel so painful. Even in our wildest dreams, we never thought that our cooperative would eventually have 45 groups under its umbrella, with 1,593 members and a capital of 8 Crore rupees ($800,000). Now our priority is to establish a more positive working partnership with the local government. *(Kusum GC, chairperson)*

2 Shree Mahila Tarkari Cooperative, Kathmandu:

All the stalls in the wholesale vegetable markets were registered in men’s names, even though many of us vendors were women. We wanted to start our own businesses, but needed money to buy supplies, and nobody would give us credit. It was difficult to start saving, as we were all poor, but 12 of us got together, formed a group and began saving a few rupees every day. Slowly other women in the market joined us. Later, when we decided to register as a cooperative, it was difficult, since we didn’t own our vegetable stalls and had no citizenship papers. But with help from Lumanti and the CWF, we got our papers, and our registration came through. The cooperative gives loans for businesses, land, housing, education and medical treatment. Now 60 of our members have their own houses, and 32 members are making a new housing project on their own land, with support from Lumanti and CWF. *(Tara Devi Magar, member)*

“Some of our members’ male relatives have been very supportive of us and have encouraged their female family members to join our group and to be involved in our activities.” (Sarala KC, coop member)

URBAN COMMUNITY SUPPORT FUNDS: In 2004, a settlement along the Vishnumati River was evicted to make way for a road-building project. In a city where evictions happened all the time, that was nothing unusual. But this eviction sparked a new collaborative housing solution, in which 44 of the evicted families formed a savings group, found inexpensive agricultural land in Kirtipur and then planned and built their own two-story brick row-houses on that land. The land and housing loans were financed by a new Urban Community Support Fund (UCSF), which was set up as a collaboration between the women’s savings cooperatives, the Kathmandu Municipality, Lumanti, ACHR and SDI. The idea was to create a new financial tool specifically for informal communities in Kathmandu, which would channel soft loans and grants directly to community savings groups, to address their housing, land, infrastructure and other needs.

This was the first UCSF, and several others followed, adding a more collaborative and more city-oriented finance mechanism to the menu for Nepal’s urban poor. Some UCSFs have floundered in the country’s volatile political environment, but UCSFs in five cities are still going strong. These funds got a big shot in the arm from ACHR’s ACCA Program, whose funds for citywide slum upgrading projects were used to seed or to strengthen these city funds. The UCSFs have primarily been used to assist urban poor communities facing eviction and involuntary resettlement, and they are jointly managed by the cooperatives, local community organizations and the municipalities, with the idea of addressing problems of housing and land in more collaborative ways. The capital in these pioneering UCSFs has combined funds from the local governments and the savings cooperatives, with donor funds from ACHR, ACCA and SDI.

Urban Community Support Funds *(all figures in US$)*

City	Date set up	Housing loans	Toilet loans	Tubewell loans	Livelihood loans	Total loans
KATHMANDU	2004	200,000 (44 hh)	0 (0 hh)	0 (0 hh)	0 (0 hh)	200,000 (44 hh)
BIRGUNJ	2009	5,000 (10 hh)	2,000 (200 hh)	8,000 (40 hh)	3,000 (10 hh)	18,000 (260 hh)
DHARAN	2010	28,000 (31 hh)	5,000 (174 hh)	0 (0 hh)	0 (0 hh)	33,000 (205 hh)
KALAIYA	2011	30,000 (20 hh)	11,770 (98 hh)	5,400 (54 hh)	2,500 (5 hh)	49,670 (177 hh)
RATNANAGAR	2012	31,300 (31 hh)	0 (0 hh)	0 (0 hh)	0 (0 hh)	31,300 (31 hh)
TOTAL		**$294,300 (136 hh)**	**$18,770 (472 hh)**	**$13,400 (94 hh)**	**$5,500 (15 hh)**	**$331,970 (717 hh)**

NEPAL: Community finance at work

1 LEVERAGING HOUSING LOANS FROM COMMERCIAL BANKS: In 2012, Lumanti and the savings cooperative in the city of Pokhara worked with the local government to convince a commercial bank to give loans to poor women who were members of the cooperative for their housing. They used funds from CLIFF as a guarantee fund, and repayment was 100%. Soon, similar loans were negotiated with a bank in the city of Lekhnath, with a lower guarantee fund. Now five commercial banks in Nepal are giving wholesale loans to women's cooperatives for their housing and slum upgrading projects, and the banks have found their best and most regularly-repaying customers yet. *(more details on page 69)*

2 GROUP ENTERPRISES: The Samyukta Saphai Jagaran Cooperative, in Kathmandu, brings together women who earn their living as waste-pickers and live in squatter settlements around the city's big waste-dumping site. They used a group livelihood loan from the cooperative to start their own enterprise to sort, buy and sell recyclable waste. To support their efforts, members of two nearby cooperatives - the Thankot Mahila Jagaran and the Thecho Mahila Jagaran Cooperatives - go door-to-door in their communities, one day every month, to collect recyclable waste (plastic, tin, paper, cloth) to sell to their friends in the Samyukta Saphai Jagaran cooperative. The cooperatives use the small money they earn selling these recyclables to partly finance the construction of much-needed community toilets. The women's waste-collecting enterprise comes with a truck, weighs the materials and buys them at fair price, sorts them and then sells them on to factories. In another project, the women in the Thankot Mahila Jagaran Cooperative, in the historic town of Thankot, used a 100,000 rupee ($1,000) loan from the cooperative to start a collective soap-making factory, which is still functioning, still making a profit for the women partners in the enterprise.

3 FREE LAND FOR HOUSING: In several cities in Nepal now, there have been some striking changes in how local governments perceive the poor communities within their constituencies, and the activities of the women's savings cooperatives have played a big part in this. These changes have been manifested in cash contributions to city funds, increasingly fruitful collaboration with the cooperatives on livelihood training and infrastructure upgrading, and providing free land for housing in several collaborative and pioneering community-initiated housing projects - many of which were leveraged by the availability of housing loans from the women's savings cooperatives and UCSFs (using partly ACCA funds). These free-government-land projects include the on-site upgrading of the Salyani community (31 households) in Bharatpur, on land owned by the Forestry Department; the on-site upgrading of the Ekta Nagar community (320 households displaced by the civil war) in Kohalpur, on free government land; and the relocation housing project at Dome Tole (55 low-caste municipal sweepers) in Biratnagar, to land provided free by the municipality.

4 HISTORIC PRESERVATION BY PEOPLE: The Kathmandu Valley is facing all the usual modern problems that go with too-fast development. But it still has many beautiful historic Newari farming towns, where the buildings and public spaces look much as they've done for centuries, even though the farms are mostly gone. While Kathmandu's palaces and temples are the target of international preservation efforts, these old towns, with their mostly poor residents, quietly deteriorate. With a $40,000 grant from ACCA, the women's cooperative in the historic town of Thecho began giving small loans to their members to repair their old, dilapidated (but historic) houses, to make them more earthquake safe and to add new rooms and toilets. They also used a $15,000 grant from ACCA to finance projects in 19 communities to upgrade public spaces, and to leverage additional funds for preservation from the communities and local government. The process spread to nine other old towns in the valley, and later, the ACCA funds were merged with other contributions from the cooperatives to establish a special fund for upgrading the houses and public spaces in these old towns. The fund is now being managed by the Community Women's Forum, as part of its national fund, which they set up in 2011. So far, the fund as given $191,031 in quickly-revolving housing improvement loans to 1,203 savings members in these historic towns to make improvements to their houses.

5 WELFARE FUNDS: Few of Nepal's urban poor can access the government's welfare programs, and without any formal welfare support, the poor have developed their own informal support systems to help each other when needs arise. Some of the women's savings cooperatives established their own welfare funds, using a portion of their savings or funds collected specifically for welfare. These pioneering groups set their own rules for how to manage their welfare funds. In the city of Dharan, for example, the cooperative mobilized over $1,000 for its welfare fund and uses it to provide benefits to members for births, deaths, illnesses and medical emergencies, according to a few simple criteria they decided upon themselves. To boost this grassroots welfare process in as many cities as possible, the national CWF network used a $16,000 grant from ACCA to give small seed grants ($800 per coop) to help cooperatives launch new welfare funds or strengthen funds they were already running. Leaders from 17 cooperatives around the country gathered in Kathmandu to share ideas about managing community welfare programs and the first batch of welfare grants was handed over. In most cooperatives, members now contribute one or two dollars a year to the welfare fund, which give benefits for medical emergencies, disability, surgery and death. The 17 cooperatives in the study reported a total of $30,0125 in their welfare funds so far. *(more details on page 62)*

8 Community finance systems in **Philippines**

Community finance in **PHILIPPINES =**

SAVINGS GROUPS
- 360 savings groups in 20 cities
- 8,679 saving members
- $250,645 in total savings
- Savings started in 1995

+

CITY FUNDS
- 14 city development funds
- Covering 20 cities and towns
- $1.94 million in lending capital
- First city fund started in 2000

+

NATIONAL FUND
- National Urban Poor Development Fund (UPDF)
- $701,150 in lending capital
- Started in 2000

THE STUDY :

The community finance study in the Philippines was carried out by the Homeless People's Federation Philippines (HPFP) in 14 cities, where 46 communities participated in the survey. PACSII, the federation's NGO partner, provided technical and documentation support.

Besides the summary of the Philippines study presented in these six pages, more details about various aspects of the Philippines community finance story are highlighted in later parts of the report:

- Funeral welfare funds (Pg. 8)
- Crisis into learning (Pg. 55)
- Disaster funds (Pg. 61)

CONTEXT IN THE PHILIPPINES: Almost half of the 101 million inhabitants of the Philippines live in cities now, and the country is urbanizing very fast. People are flocking to urban centers like Metro Manila, Davao, Caloocan, Cebu and Iloilo looking for better opportunities, and demands for housing are soaring far beyond supply. The lack of decent, affordable, accessible urban housing means that millions of poor families have no option but to live in informal settlements, where conditions are as squalid and crowded and insecure as anywhere in Asia, and evictions are happening all over the place. The government estimates that in Metro Manila alone, 2.7 million people (600,000 families) live in slums.

This is a country which should be able to solve these housing problems in no time at all. The Philippines has progressive social housing policies, a National Housing Authority, a Housing and Urban Development Coordinating Council, shelter task forces, anti-poverty commissions, social development departments and a bewildering array of resolutions, presidential proclamations, acts and national programs to help the poor acquire secure land and houses. There is a Social Housing Finance Corporation, which offers a variety of subsidized housing loan programs and whose well-resourced Community Mortgage Program has provided loans to poor communities to buy land since 1988 - a program that was recently revamped to make it more flexible and more locally-controlled. Besides these state-driven housing and poverty initiatives, the Philippines has a thriving culture of NGOs, activists, church-based charities and voluntary organizations, as well as a great overlapping array of people's organizations, community-based networks, federations and coalitions. Add to this the Philippines' population of smart, capable, well-educated, multi-lingual people, and a big, fertile and gorgeous country whose environment is abundant in every imaginable way.

Yet despite the existence of this bounty and all these government policies, institutions and budgets, the problems of land and housing for the poor keep getting worse. Land negotiations and applications for loans or permissions languish in bureaucracy for decades, and even when poor communities do manage to acquire some land, they continue living on it for generations in dilapidated housing, without basic infrastructure. There have been some breakthroughs which show new possibilities, but for the most part, all these solution-finding mechanisms are failing to unlock the powerful development force that exists in poor communities, to plan and implement their own practical housing solutions. And finance has been a big part of the problem. It is in this difficult context that the community-managed savings and development funds of the Philippines Homeless People's Federation (HPFP) is showning new light and new possibilities.

Savings starts around a **garbage dump** . . .

The federation's community finance movement had its humble beginnings in Barangay Payatas in Quezon City, one of Metro Manila's largest and most densely-packed squatter settlements. The mountainous garbage dump at the center of Payatas brings disease, pollution and danger, but also provides income for the thousands of women, men and children who survive by gathering, sorting and selling its recyclable waste. In 1993, these families, who are among the country's poorest, organized themselves into the Payatas Scavengers Association, and with support from Father Norberto Carcellar and his church-based NGO VMSDFI, began working on many fronts to create collective, holistic solutions to the many problems they face, and to build a better and more secure future.

The savings scheme they started in 1995 followed the Grameen model, with individual micro-loans, but it required a lot of staff to do all the screening, organizing, monitoring and collecting of loans, and wasn't so successful. In a 1997 exchange trip to India, organized by ACHR, community leaders from Payatas learned from the Mahila Milan about a different savings model, in which communities borrow from their own collective savings and manage the loans and savings themselves, in area-based collectives. In the Indian system, the savings was used more strategically to bring poor women together and build their organization to tackle many issues. After that, the first daily savings group was launched in Payatas, and within two years, there were 540 savings groups around Payatas, with 5,300 members. Loans from their collective savings funds were small, but they allowed the scavengers to finance small recycling and vending businesses, boost their incomes, break their reliance on money-lenders and develop the collective financial and organizational capacity to eventually build their own housing projects.

SAVINGS SPREADS AROUND THE COUNTRY: The savings process which began in Payatas quickly spread to other cities around Metro Manila and around the country, through exchanges, gatherings and savings orientations, and in 1995, the growing number of cities with savings groups decided to join together and launched the Homeless People's Federation Philippines. There are now federation-linked savings groups in 20 cities, in five regions of the country (Metro Manila, Bicol, Central Visayas, Western Visayas and Mindanao), with 8,679 members and combined savings of about $250,000.

MAKING SAVINGS GROUPS INTO LEGAL ENTITIES: As early as 1998, many of the communities in Payatas doing savings found themselves threatened with eviction, and felt the need to focus their efforts on finding ways to collectively buy land for secure, permanent housing. But to buy land together, as a community, people needed to have a legal status which the informal savings groups didn't give them. In the Philippines, a community that doesn't have land yet can register with the government as a Community Association (CA), and a community that does have land, or is in the process of buying it, can register as a Home Owners Association (HOA). So the savings groups in the federation - particularly those facing land insecurity - began to register themselves as community associations and home owners associations, and those associations took over management of the savings, with some government rules.

A savings process that has to keep questioning and **adjusting** itself :

As the process spread across the country, the savings movement has had its ups and downs, and the federation continues to question, discuss and and make adjustments to their savings system.

1 In the model they first borrowed from India, savings groups in different communities in one area would bring all their savings to one central place, which they called the area resource centers (ARCs). The ARCs managed the loans and accounts, not the savings groups. In that system, they found, the ARCs become very strong, while the savings groups had little power and were not building any financial strength or management systems of their own, as communities.

2 After a lot of reflection and discussion, the federation decided to switch to a more community-centered and area-based savings system, in which there is one savings group per community, and each group could have as few as nine and as many as 345 members, depending on how big the settlement is. In this system, the communities network together, but most of the savings is kept in the group, in the community, for its own internal lending, and each group sets its own saving system (saving daily, weekly or monthly, according to members' earning patterns) and its own loan terms and criteria. Most groups try to keep the savings and loans easy and flexible, though, with just a few rules, and most discourage savings from being withdrawn: if a member needs money, she takes a loan.

3 Now, faced with declining savings membership and increasing loan defaults, the federation is revising its savings system again. To encourage more participation and spread out the responsibilities more evenly, they are borrowing strategies from Women's Coop in Sri Lanka, with smaller savings sub-groups of seven to ten members, and a system of "everyone being a leader", in which every single savings member takes responsibility for coordinating some key aspect of the community's development process, such as land acquisition, livelihood, auditing, housing, health, education or children.

COMMUNITY SAVINGS IN THE PHILIPPINES

Started	1995
Savings groups	360
Members	8,679
Total savings	$250,645
Number of cities	33

FOUR KINDS OF SAVING: Most HPFP communities implement four types of savings:

- **GROUP FUND SAVINGS:** This is the saving that makes a community's own internal loan fund. Some groups set their own minimum savings requirements (ranging from 20 to 600 Pesos per month), but most allow members to save whatever they can, usually once a month. Some communities in the process of repaying land or housing loans impose a penalty if the compulsory savings isn't met.
- **CDF SAVINGS:** Members also save a certain amount (for example 10 Pesos per month) in their city development fund, which provides larger loans for housing, land, upgrading and other purposes.
- **NATIONAL UPDF SAVINGS:** All savings members contribute regularly (20-100 Pesos per month) to the federation's national Urban Poor Development Fund, to which national and local government agencies and donors also contribute, to support community projects involving land purchase, site development, housing construction and basic infrastructure. These savings cannot be withdrawn, but work as a kind of informal collateral when a community wants to request a loan from the UPDF.
- **WELFARE FUND SAVINGS:** This is each member's daily or monthly contribution to a city-level fund, which gives grants for welfare needs like surgeries, deaths, disasters or education needs.

LOANS FROM SAVINGS GROUPS: Members borrow from their savings groups for emergencies, livelihood, consumer purchases, to pay legal fees or various other purposes. Loan amounts, loan terms and loan ceilings vary from city to city and savings group to savings group, but usually depend on a member having actively saved for a certain time (usually six months) and having saved a certain amount (half the proposed loan amount, for example) before she can take a loan. In Mandaue, the minimum loan amount is 500 Pesos ($10), and in Valenzuela, the maximum loan amount is 7,000 Pesos ($140). Interest rates vary between 12% and 24% for different loan purposes - higher for livelihood loans.

8

14 City Funds in the PHILIPPINES

(The figures below are for whole country: including the eight CDFs included in the study, plus six others)

CAPITAL IN 14 CDFS

- Members $973 (0%)
- Local govmt. $86,887 (5%)
- From donors $1.85m (95%)
- TOTAL $1.94 million

LOANS FROM 14 CDFS

- Housing and Land loans
  $1.21m (1,187 hh)
- Income generation loans
  $15,000 (107 hh)
- Upgrading other loans
  $354,710 (3,910 hh)
- TOTAL loans from 14 CDFs
  $1.58 million (5,104 hh)

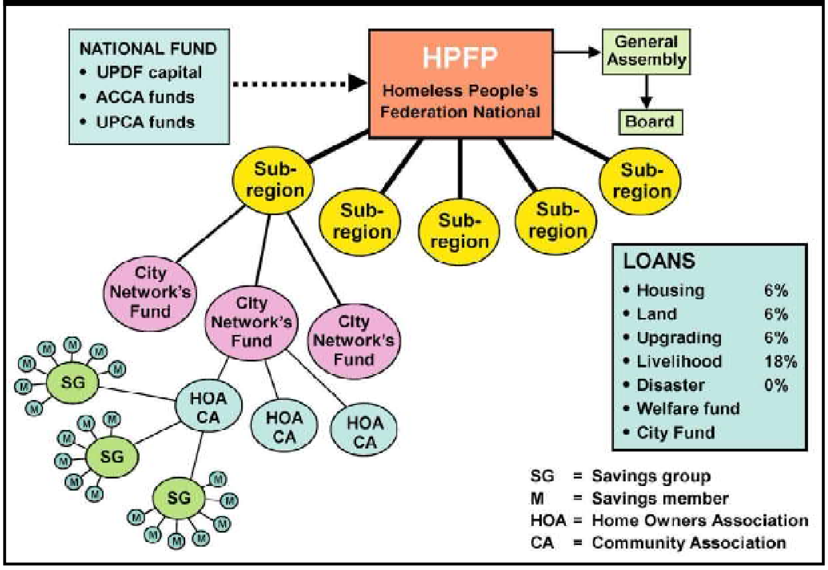
CDF STUDY IN 12 CITIES: The CDF study in the Philippines documented the experiences and features of the community savings and community fund activities of the Homeless People's Federation Philippines. The study particularly focused on how savings and loans are administered, how external funds are used and what have been the impacts of these community-managed finance systems. A total number of 46 HPFP-linked savings groups took part in the survey (chosen for their active savings program), in 12 cities in five regions: in the National Capital Region (Quezon City, Valenzuela, Muntinlupa), the Bicol Region (Guinobatan, Camalig, Daraga, Labo), the Central Visayas region (Mandaue, Talisay, Consolacion), and the Western Visayas Region (Iloilo). Community members and federation leaders at the regional area resource centers coordinated the survey process and gathered the information in the communities.

NATIONAL FUND AND CITY FUNDS GROW TOGETHER: Since 1997, the savings groups in different cities had been making loans to each other informally, when opportunities to buy land came up and the communities didn't have enough savings for the down payments, and no credit options but informal money lenders. The Urban Poor Development Fund (UPDF) was launched in 2000 to facilitate this between-city lending and to provide a national umbrella for the growing number of informal city-based revolving loan funds which were being setting up, to provide low-interest loans to savings groups in that city for land acquisition, housing, infrastructure and bridge-financing for slow-moving government finance schemes. The UPDF is managed by a mixed board of federation leaders from the regions and staff from PACSII, the federation's NGO partner. There are now 14 city-based funds around the country. When the national and city funds were starting, the federation kept experimenting with different structures and lending arrangements. But everyone agreed that the funds at both city and national level would be savings-based, that all the federation members would contribute to them, and that they would be used for all the various needs of the urban poor communities - but most urgently for loans for land, housing and livelihood.

CITY FUNDS: The eight city funds that were part of the study were established primarily for land and housing, and have used most of their modest lending capital to help communities buy land or build housing. But some have also given loans for upgrading, livelihood and other purposes. All eight CDFs are managed and self-audited by committees of leaders drawn from the member savings groups (mostly women). The CDF committees meet monthly and receive support from the federation's regional ARCs. All the savings group members contribute to their CDFs, with certain monthly savings and/or shares (10-50 Pesos per month), but most of the lending capital in the CDFs comes from donor funds (especially ACCA). So far, none of the CDFs in the study have been able yet to link to the formal financial system and tap the lion's share of capital in the private sector banks or finance institutions.

SYSTEMS: Each CDF is free to set its own system of terms, procedures and repayment schedules, but the rule that communities must save to take loans from the CDF is universal. The CDFs give loans for land, housing, upgrading, livelihood and other purposes, in bulk, at 6-36%, to member communities, but loan terms vary from city to city: 10-15 years to repay housing and land loans, and 1-5 years for upgrading loans. The city funds have given communities an important tool to meet real needs, with as much flexibility and as little bureaucracy as possible. The CDFs have helped finance land acquisition, housing improvements and a variety of small common infrastructure projects in communities. In the process, they have improved financial management skills, strengthened community bonds and boosted women's status.

STRUCTURE: Community Finance in Philippines



LOANS from 8 of the CDFs in the study *(This is just a sample of some loans from these city funds, not the totals)* *(all figures in US$)*

		LAND			HOUSING			UPGRADING			LIVELIHOOD		
CDF	*Started*	*Amount*	*# loans*	*Interest*	*Amount*	*# loans*	*Interest*	*Amount*	*# loans*	*Interest*	*Amount*	*# loans*	*Interest*
1. QUEZON CITY	2002	9,100	(51 hh)	6%	5,535	(29 hh)	6%	4,240	(17 hh)	6%	0	(0 hh)	0%
2. VALENZUELA	2010	30,000	(350 hh)	6%	0	(0 hh)	0%	0	(0 hh)	0%	0	(0 hh)	0%
3. MUNTINLUPA	2005	0	(0 hh)	0%	23,834	(300 hh)	3%	0	(0 hh)	0%	0	(0 hh)	0%
4. BICOL	2007	69,907	(512 hh)	6%	0	(0 hh)	0%	0	(0 hh)	0%	0	(0 hh)	0%
5. DAVAO	2002	14,200	(21 hh)	36%	0	(0 hh)	0%	5,800	(238 hh)	12%	12,300	(168 hh)	36%
6. ILOILO	1997	0	(0 hh)	0%	0	(0 hh)	0%	0	(0 hh)	0%	344	(9 hh)	60%
7. TALISAY	2003	0	(0 hh)	0%	0	(0 hh)	0%	3,000	(30 hh)	6%	0	(0 hh)	0%
8. MANDAUE	1997	0	(0 hh)	0%	190,000	(157 hh)	6%	0	(0 hh)	0%	0	(0 hh)	0%
TOTAL		**$123,207 (934 households)**			**$219,369 (486 households)**			**$13,040 (285 households)**			**$12,644 (177 households)**		

■ **ACCA BOOSTS CITY FUNDS:** The ACCA funds for housing and upgrading projects in the Philippines (about $1.4 million) mostly went through these city funds, and gave a big boost to both the development process and to the CDFs in those cities. The city funds could channel these donor funds quickly to communities for their urgent housing and upgrading projects, and this has made the city funds a more popular loan source than the national UPDF (which also manages donor funds from CLIFF, SDI and UPFI), but which is seen as being slower and more heavy with rules and procedures. Originally, the idea was that the ACCA funds for each city would stay in that city's CDF. But many of the city funds are now facing serious loan repayment problems, and so the federation is now considering letting the ACCA funds revolve in the city for five years, and then bringing them into the national UPDF, as a way to keep the city funds from becoming too isolated, and to strengthen the federation's national platform and support role.

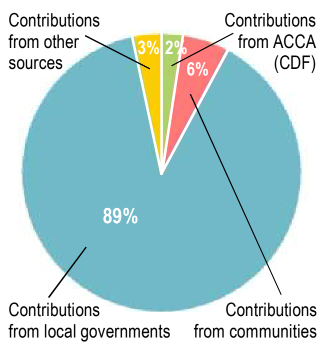
■ **SAVINGS AND LOAN REPAYMENT PROBLEMS:** Many of the CDFs in the study report growing problems of stagnating savings participation and loan repayment problems. Of the 360 communities in the HPFP now, almost half are no longer saving. At the same time, bad loan percentages of 25% to 99% were reported in the community savings groups that took part in the CDF survey. In discussions which took place during the study, some community people and federation leaders agreed that savings has lost its meaning as a vital and communal self-support mechanism within poor communities and has become just another formality communities must undergo to access loans from the CDF. Another theory that was discussed blamed the decline on aging community and federation leaders and the absence of a younger generation of committed, energetic community leaders. So part of the federation's "house-keeping" has been broadening participation and bringing back the idea of regular communal savings as the fundamental building block of a strong, community-driven development movement.

Community funds and **SHELTER** for the urban poor in the Philippines :

The HPFP's local and national community funds have financed many land acquisition, housing and infrastructure upgrading projects around the country, since the federation's first community housing project for 520 scavanger families was launched in Payatas, in 1998, in the Golden Shower Community. Gathering cumulative figures on all these projects was not part of the CDF study. But the shelter projects financed by the ACCA Program alone (all channeled through the local CDFs) give a good idea of how far poor communities can stretch small resources, and how much land, materials, assistance and other resources they can leverage when they design and implement their own housing solutions and have control over the funds.

LAND ACQUISITION AND HOUSING

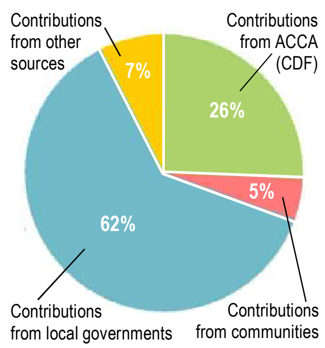
Housing projects supported by ACCA were implemented in 20 communities around the country, with 11,797 families benefitting. Nine of the projects were on the same site, and ten of the projects were on land given free by the government, where 7,676 families got permanent secure land.



VALUE OF 20 PROJECTS	$34,457,374	
• from communities	$1,778,156	(6%)
• from local gov.	$27,910,322	(89%)
• from ACCA	$769,989	(2%)
• from other sources	$998,907	(3%)

UPGRADING COMMON INFRASTRUCTURE

Small projects to upgrade common infrastructure were implemented in 111 communities in 19 cities, with 15,072 families benefitting. The projects included paved walkways, drainage lines, electricity connections, bridges, communal toilets, land-filling, site development, street lights, dikes and sea-walls.



VALUE OF 111 PROJECTS	$1,042,219	
• from communities	$50,000	(5%)
• from local gov.	$645,338	(62%)
• from ACHR/ACCA	$269,150	(26%)
• from other sources	$77,731	(7%)

A note on government contributions coming so **late** :

Besides the ACCA-supported projects above, communities have negotiated to get free government land for several other large federation housing projects in Mandaue, Davao and other cities. The availability of housing finance from their CDFs - even if the funds were modest - made a powerful bargaining chip in these land negotiations with local government agencies. But even so, the communities in the survey all complained of government involvement in their community-initiated projects in mapping, housing and upgrading as being too slow to recognize people's capacity to solve big problems. If government assistance did come, it often came only after the projects had been completed, and there are many examples of this in Valenzuela, Muntinlupa, Davao, Iloilo and Mandaue. They felt this showed that the local authorities had to see something happening first, in order to be motivated to invest in supporting or expanding the projects.

8

IMPACTS AND CHALLENGES OF THE CDFS: In all of the communities that took part in the study, there were lively discussions about what impacts their CDFs have had in their communities and cities. Even though many of the CDFs that started years ago have weakened, due to diminishing savings and loan repayment problems, the communities recognized that there have been many positive impacts. Besides providing accessible, flexible loans for land and housing to many poor families, the CDFs have enabled communities to upgrade their environment and make urgently-needed improvements to common infrastructure like paved walkways, water supply systems, street lights and drainage. In the process of planning and building these improvements, community members have developed technical skills, made new friends, linked with their local government officers and boosted their collective community spirit and confidence to solve problems themselves. Everyone agreed that the CDFs represent an important financial support system for poor communities, which addresses their most urgent needs (secure land, housing, livelihood, health and education). And most agreed that the problems the CDFs are facing now can be overcome by focusing on a few very practical things, to improve the operation of the CDFs in the future:

- **More leaders:** Cultivate more leaders to share the responsibilities, and include as many young people as possible, so a new generation of committed community leaders can carry the process forward.
- **More activities:** Organize more frequent and regular meetings, and more varied community activities, to go along with the savings and lending, to build participation, financial discipline and social bonding.
- **Broader participation in managing CDFs:** Strengthen the financial systems with greater transparency, more participation and more efficient and sustainable loan collection systems.
- **Clearer policies:** Define all the policies, terms, procedures and criteria more clearly and transparently, and then follow them consistently, so members know what's possible and what their responsibilities are.

The role of the CDFs in the federation's response to **DISASTERS** :

The Philippines faces just about every kind of natural and man-made disaster on the list: earthquakes, volcano eruptions, landslides, floods, fires and upwards of one hundred typhoons a year. These calamities cause suffering and loss for everybody, but they disproportionately affect the poorest and most vulnerable communities, who tend to live in the most dangerous and disaster-prone locations, and whose lack of resources, insurance or land title make it more difficult for them to rebuild their lives, houses and livelihoods after disasters hit. Especially when these disasters keep happening, one after another.

For the Homeless People's Federation, post-disaster rehabilitation and pre-disaster surveying and planning - by the affected communities themselves - has been a central focus of their work all along. Since 1999, the federation has been surveying communities in high-risk zones (where most of its member communities are located), and intervening in disaster situations, helping the survivors to come together, start saving, build their own funds, link with the larger funds that the federation manages, negotiate with local governments and develop their own solutions to the crises. Access to quick, flexible finance, through CDFs of various sorts, has played a crucial role in these community-driven responses to disasters:

1 **Payatas Garbage Slide in July 2000.** 250 scavengers were killed by the slide and 2,000 families were subsequently evicted from the danger zone around the mountainous garbage dump. This was the federation's first serious disaster, and it responded with relief activities, dialogue with government about finding long-term solutions to housing of poor families in danger zones and the first community-planned housing relocation projects for evicted scavengers, financed by loans from the new UPDF.

2 **Landslide in Leyte in 2006**, in which the federation worked with landslide survivors, local governments and other NGOs in Guinsaugon to construct transit housing for 150 families.

3 **Typhoon Reming and volcano eruption in Bicol in 2006**, which left a thousand people dead and thousands permanently displaced from their houses and land. The federation worked with affected communities to acquire alternative safer land and to develop new communities and housing there, with financing from the local CDFs which were set up as part of the rehabilitation process.

4 **Typhoon Frank in Iloilo in 2008.** After providing emergency relief help and surveying affected communities, the HPFP built a 62-unit transit housing project in Iloilo for riverside families whose houses were washed away in floods during the typhoon. The federation also worked closely with the city to use municipal relocation sites developed for other purposes to build permanent housing for hundreds of the flood-affected families, some with housing loans from the already-established CDF in Iloilo.

5 **Typhoon Ketsana in Luzon in 2009.** The federation set up a special house repair loan fund for typhoon victims, which gave house repair loans only to communities, which surveyed the affected households, determined who needed what and then bought the materials together, in bulk, and managed the construction collectively. These small loans were repaid so quickly that the funds revolved three times, and the original $20,000 capital from ACCA allowed 450 households to get house repair loans totaling US$ 61,303, in 23 communities in the three worst-hit areas of Luzon and Metro Manila.

PHILIPPINES: Community finance at work




1 BLENDING FINANCE FROM MANY SOURCES: In a country where land and construction costs escalate almost daily, and where government finance for poor people's housing is hard to get, extremely slow-moving and never enough for both land and houses, the financial challenges of actually completing a community housing project are daunting. The Homeless People's Federation has become adept at using people's modest savings and CDF capital to leverage a package of financial resources from different sources. The several large and complex housing projects they have completed this way have become vivid illustrations of what people's power, collaboration and a little financial broad-mindedness can achieve. The on-site reconstruction of the Lower Tipolo Community (LTHAI) in Mandaue, with 269 families, makes a good example of this finance blending. Savings started in LTHAI in 1996, and in 2001 they registered themselves as a legal homeowners association. In 2007, after a fire destroyed the entire community, the people decided that instead of just reconstructing their shacks in the same place, they would use the fire as an opportunity to start from scratch and completely rebuild their settlement in a proper way. Their redevelopment started in July 2007, and that's when the virtuosic finance blending and leveraging began:

- **LAND** was provided free by the municipal government, as a social housing site, with community land title.
- **LANDFILLING** was done by the people, using their own savings, labor and a $83,350 loan from the UPDF.
- **HOUSING DESIGN:** A tight row-house subdivision plan and a low-cost 2-story "starter" house design were developed by the people, with help from the TAMPEII community architects and a grant from CLIFF.
- **LABOR AND MATERIALS:** To reduce the cost of the houses, community members provided all the unskilled labor and manufactured all the compressed earth blocks that were used to build the houses.
- **INFRASTRUCTURE** was financed by a grant from CLIFF, with technical support from the local government.
- **HOUSING LOANS** came as a $255,000 grant from SDI's Urban Poor Fund International, to the national UPDF, which on-lent the money to the community ($1,000 per house), at 6%, and will revolve in the Mandaue CDF. Medical students at a nearby university donated the funds to complete five of the houses.
- **ROOFING LOANS:** As the project slowly progressed and construction costs rose, the $1,000 from the SDI loan was no longer enough to finish the core house, so the federation borrowed another $45,000 from the ACHR Regional Loan Fund (at 4%, repayable in 5 years) to put the roofs on the last 84 houses.

2 CITYWIDE UPGRADING FUND IN ILOILO: If they are set up and managed creatively, even a very modest community fund can have a profound impact on how poor communities relate with each other, and with their city. The upgrading fund in Iloilo makes a good example. With a small ACHR grant of $30,000, a process began in 2006 whereby ten small pilot upgrading projects were planned and implemented by people in poor communities around the city. The idea of the intervention was not simply to finance a few small improvements to common infrastructure in the city's informal settlements, but to use the projects to strengthen the collaboration between all the urban poor groups and associations, to build people's confidence, to develop citywide strategies for determining upgrading priorities and to strengthen the partnership between the poor and the city government, using the small projects to negotiate further improvements from the city. This experiment inspired the ACCA small upgrading projects that followed, and was a kind of citywide upgrading test-run for both ACHR and for the Homeless People's Federation.

ACHR originally intended that the money would go as grants to communities, but the federation was firm in rejecting the idea of "free money" as creating dependency and inequities, and opted instead to use the money as a special revolving loan fund for small upgrading projects. A community could borrow a maximum of 140,000 Pesos ($3,000), and the rule was that the funds were only for construction materials - the labor had to be provided free by the community members. The loans had to be repaid in three years, at no interest, to the special citywide upgrading fund, which continues to be managed by the citywide alliance of community federations in Iloilo. In a very short time, communities were able to implement many badly-needed projects, in close working partnership with the other people's federations, and with good support from the mayor, the local government and the Iloilo Urban Poor Affairs Office. Four years later, as a result of this community-led and partnership-based upgrading process, more than a third of the 14,000 urban poor households in the city had gotten secure land tenure. A few examples from the first round of the fund's upgrading projects:

- **STREET LIGHTING** at the Albacia community (57 families), cost $1,200. Later, the people formed a legal home owners association, paved the muddy walkways in their community and are now in the process of buying the land they have been squatting on for decades, with loans from the government's CMP.
- **BAMBOO WALKWAY** in the municipal relocation Project 5, at Barangay Sooc (207 families), cost $895. Instead of waiting for the government to build roads in this often-flooded community, they built this beautiful raised walkway, which persuaded the city to lay proper concrete roads and drains three years later.
- **EARTH DIKE + PERIMETER WALL** at Kabalaka (72 families), cost $2,900. This was the federation's first land acquisition project in Iloilo, financed by an early "inter-lending" loan from the UPDF, and their first experiment with lowering as much as possible the cost of constructing simple 2-story row-houses.




9 Community finance systems in Sri Lanka

Community finance in SRI LANKA =

SAVINGS GROUPS
- 7,620 groups in 69 cities
- 80,020 saving members
- $13.4 million in total savings
- Savings started in 1989

+

CITY FUNDS
- 40 Women's Coop Branches
- in 69 cities and towns
- $13.4 million in lending capital
- First branch started in 1989

+

NATIONAL FUND
- Community Livelihood Action Facility Network (CLAF-Net)
- $733,159 in lending capital
- Started in 2005

THE STUDY :

The community finance study in Sri Lanka was carried out by members of Women's Coop, with support from the Colombo-based NGO Sevanatha. The study focused on 185 WB branches, but figures were gathered for all 277 branches around Sri Lanka. Besides the summary of the Sri Lanka study presented here, more details about various aspects of Sri Lanka's community finance story are highlighted in later parts of the report:

- Lots of women (Pg. 50)
- "They are so rich" (Pg. 54)
- Looking after others (Pg. 59)
- High interest rates (Pg. 67)

A HISTORY OF PROGRESSIVE HOUSING POLICIES: Like it's bigger neighbors, the island nation of Sri Lanka, with a population of 21 million people, is urbanizing fast, and poor migrants seeking opportunities are pouring into cities, where problems of housing and slums persist. After Sri Lanka won its full independence in 1973, following three centuries of colonial rule, the new republic became, for a while, an incubator for some of Asia's most progressive and pro-poor housing policies. Policies were enacted in the early 1970s to control rents and to enable poor tenants to become owners of their housing. The Local Authority Housing Act of 1979 empowered towns and cities to issue house ownership to poor families living in municipal houses and on municipal land, and to provide basic services to poor settlements. The National Housing Development Authority (NHDA) was set up in 1979 and launched a number of housing programs for poor families. In the early 1980s, the Urban Basic Services Program (UBSP) set up Community Development Councils (CDCs) in urban poor settlements, to plan and carry out a variety of projects to address problems the communities faced, through a system of "community contracts." The communities would plan the projects and carry out the work themselves, then the government would reimburse them for the work, according to certain fixed rates for roads, drains, toilets and water supply systems. For the government, this was a way to spread scarce development resources over a wider area, and for communities it was a chance to upgrade their settlements and generate some employment locally in the process. This same system of CDCs and community contracts was put to use in the Million Houses Program, which the NHDA launched in 1985. In this program, the state changed its approach from providing housing to being facilitator of a housing process in which poor people in rural and urban areas built their own housing, and the government supported them with soft loans and technical assistance.

EVERYTHING BUT LAND TENURE: Most of the poor settlements in Colombo and other cities by the end of the 1990s were partly or fully upgraded under the UBSP and Million Houses Program, but in most, the land tenure remained insecure. In the late 1990s, the government began shifting to a strategy of demolishing inner-city settlements, turning over the land to developers and resettling the people in high-rise buildings whose construction was cross-subsidized by the private sector profits from redevelopment of the former slums. Now that the country's long civil war is over and Sri Lanka's long-delayed urban development is moving into high gear, the economic pressure on urban land is making the government more amenable to this kind of top-down solution, and the specter of large scale evictions is looming.

COMMUNITY FINANCE IN SRI LANKA: Sri Lanka also has a history of some quite progressive community finance programs, driven by the government. The British introduced community-based Thrift and Credit Cooperative Societies (TCCSs), mostly in rural areas, in which people gave micro loans to each other from their pooled savings. After independence, as part of its focus on alleviating poverty in rural areas, the government greatly expanded and federated this system of TCCSs (there are 8,500 today), and later introduced "Samurdhi Bank Societies", which also operated in rural areas, but with more government control. In urban areas, some banks and finance companies have dabbled in micro-finance lending to the poor, but follow conventional banking procedures and come with high interest rates.

WOMEN'S COOP: It wasn't until the last years of the Million Houses Program that a truly community-managed finance program emerged in Sri Lanka, in the first Women's Bank savings groups. It all began in 1989 when nine poor women in a Colombo slum came together, with support from a community activist named Nandasiri Gamage, and began their collective loan fund with a capital of 45 Rupees (US 30 cents). At first, their savings program was supported by the NHDA, but when the agency's leadership became too heavy-handed and authoritative, the growing network of women's savings groups decided to break away and manage their program independently. In 1990, the women decided to formalize their savings program by registering it with the government as a district-level cooperative society. Two years later, as the savings process spread to towns and cities outside Colombo, Women's Bank upgraded their registration to a national level cooperative federation, and were re-christened as Women's Development Services Cooperative Society - or Women's Co-op, for short.

SMALL GROUPS: In the Women's Coop system, the basic unit is the small savings group of 5-15 members, who live near each other and meet every week to save and transact loans. If the group grows larger than the 15-member limit, it divides like an amoeba and forms two groups. The idea of these small groups is to keep them to a manageable size, so everyone can agree, everyone can take part and nobody has too much burden. As Anoma Jayasinghe, a former WC Finance Secretary put it, "Five to fifteen members is a good number for sitting together and discussing; if you have more than that, it becomes difficult to make decisions." She also explained that the groups are not only for savings and loans. "All problems and issues come to the savings group. We help each other in every way; we're like a family. When someone in a member's family dies or is sick, her other group members come and cook for her visitors."

277 CDFs in the study *(figures in US$)*

SAVINGS LINKED TO 277 BRANCHES

● Total number of members	80,020 members
● Number of savings groups	7,620 groups (in 69 towns & cities)
● Total savings	$13.4 million (2.01 billion rupees)

CAPITAL IN 277 BRANCHES

● From member savings	$13.2 million (100%)

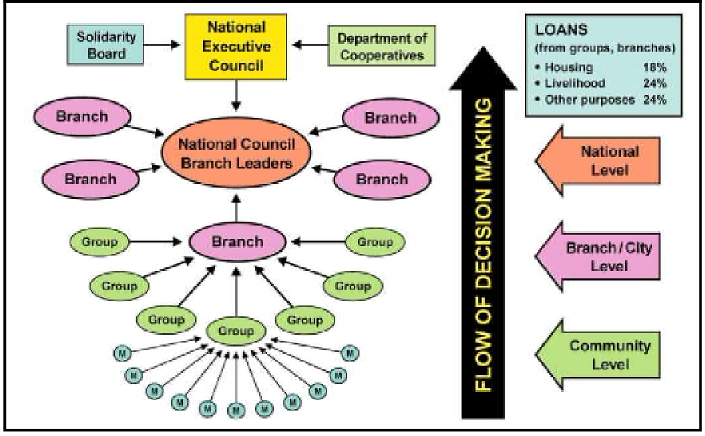
LOANS FROM 277 BRANCHES *(2004-2015)*

● Housing and land	(18% interest)	$204.7 million	(81,573 hh)
● Income generation	(24% interest)	$103.3 million	(144,227 hh)
● Other purposes	(24% interest)	$139.8 million	(206,089 hh)
TOTAL LOANS		**$447.8 million**	**(441,889 hh)**

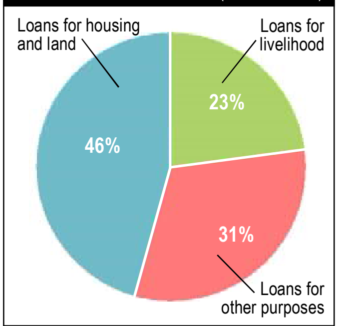
GRANTS FROM 277 BRANCHES

● Welfare + insurance	$365,280	(528 hh)

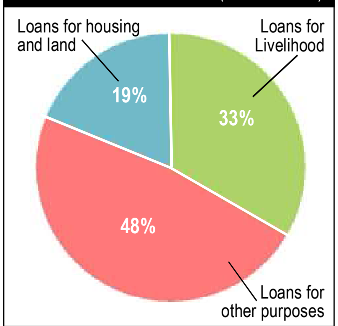
SRI LANKA: Structure of Women's Coop



LOAN AMOUNTS (277 branches)



LOAN NUMBERS (277 branches)



BRANCHES WORK LIKE CDFS: 8-30 of these small savings groups then form a primary branch. In smaller towns, there may be only one branch, but in larger cities, there will be several branches. When a branch gets larger than 300 members, it will divide and make two branches. Each savings group chooses a leader to represent it at the branch level, and these group leaders elect the branch management committee from among themselves, and that committee takes decisions about branch-level loans and other matters. The savings groups keep some of their savings in the group, for their own small internal loans, but save larger amounts at the branch level, which functions like a larger CDF for its members. The branches also manage a variety of welfare and health programs *(see page 33)*, funded completely by members. Both small groups and branches have complete decision-making power over the money kept at their level, and no money leaves the city. Group leaders are also tasked with looking after other groups, and that develops friendly links between groups and makes it easy to monitor progress from the grassroots level. The national executive council, which is funded by small monthly contributions from members, provides direction and support, sets policies and innovates with new programs. It also provides advisory services on housing, tenure, education and other issues. All the national-level leaders are elected by the members and have a tenure of only two years. Usually, the old leaders are voted back every two years, but the crucial point of the short tenure is "to keep the leaders responsible."

SAVINGS AND LOANS: Women's Coop members do seven types of savings, all of which earn interest, and also contribute regularly to five special funds. Members take loans to meet a variety of needs (education, emergencies, housing improvements, service connections or consumer purchases), but the overwhelming majority of loans are for livelihood, to improve the women's incomes and boost their families' economic position. Loans for all purposes are made to individual members, only very seldom to groups. There are standard policies throughout the country on loan terms and ceilings, which are determined by an individual member's savings record, according to a staged lending system in which members can take progressively larger and larger loans each time they pay back the last one.

Why such HIGH interest rates?

Women's Coop members pay 24% interest on all loans except for housing loans, which are given at 18%. To many community savers in other countries, those rates seem very high. But the women are fiercely proud of their system and quick to point out that all that interest goes right back into the group or the branch-level loan fund, where it brings more benefit to more members, finances many of their programs and allows them to remain an independent and self-sustaining national support system for the country's poor women. And that 24% is still much lower than the interest rates charged by informal money lenders in Sri Lanka (120 - 240%), which used to be the women's only credit option.

Seven types of SAVINGS available to members and friends:

1. **Compulsory savings:** Each member must save at least 5 rupees per week, at the weekly meeting.
2. **Member savings:** Members can save any amount they like, and this saving earns 6% interest.
3. **Children's savings:** To motivate children to save, for their own school needs and treats.
4. **Non-member savings:** Branches also accept savings from non-members and pay 6% interest.
5. **Fixed-term deposits:** Open to both members and non-members, earning a higher interest.
6. **Society savings:** Welfare societies and community organizations can save with Women's Coop.
7. **Shares:** Members pay 3 rupees/mo (to the branch) & 1 rupee/month (to national Women's Coop).

Members also contribute to five special FUNDS: *(See page 33 for details)*

1. **Life Insurance Fund:** Members who make a one-time deposit of $110 to this national-level fund will qualify for $3,000 in benefits when a member or her spouse dies.
2. **Health Fund:** All members can get health care and hospitalization benefits paid by their national and branch-level health funds, and can also access care directly from WC clinics and hospitals.
3. **Welfare Fund:** The various welfare programs for members are paid for by this fund.
4. **Rescue Fund:** This fund (also called the "Security Fund") covers losses to the branch, and is financed by a percentage of income earned on interest from loans from the branch.
5. **City Development Fund:** This fund, established in 2012, during the ACCA Program, finances various development activities in communities where members live - improvements which benefit both members and non-members. Each branch allocates $1 per member per year to this fund.

9

100% SELF-FUNDED: All of the Women's Coop's operations, overheads and activities - and all it's lending capital - are funded by its members. Every month, each member pays one rupee for national coordination and three rupees to support branch-level activities. With 80,000 members, that means about 1.3 million Rupees ($8,500) each month for national coordination and branch activities. Each branch also sets aside 1.5% of its interest income for training the "educated daughters" of members to be auditors, as rigorous auditing of accounts is a monthly ritual at both branch and national levels.

National **CLAF-NET** fund adds more citywide aspects to WB's work . . .

During the course of the first small upgrading projects in the city of Moratuwa, financed by the CLAF-Net fund, the mayor helped to negotiate for 488 poor families in eight settlements to be granted freehold titles to their land. "This was the first time we have been able to give title deeds to shanty dwellers in Moratuwa," Mayor Samanlal Fernando said. "We don't have control over a lot of the land in the city, which is under the control of various central government agencies. But if we have the people's support, our negotiations with the central government are stronger."

The Women's Coop's membership-based structure has been very effective at improving the lives and economic position of its individual members, but less able to deal with larger settlement-wide and citywide problems of land, housing and access to basic services. In the last 13 years, though, the Women's Coop has been able to reach out and complement its 100% people-owned and member-based development program with a more citywide perspective and more collaborative activities in the cities where it operates, through its close working partnership with the national CLAF-Net Fund.

The Community Livelihood Action Facility Network (CLAF-Net) is a national revolving loan fund that was set up after the 2004 tsunami, with seed capital from ACHR, as a collaboration between Women's Coop, Sevanatha, and other local NGOs. The independent fund is managed by a steering committee which includes representatives from WC, Sevanatha and other community organizations. Initially, the fund provided individual loans to savings members in tsunami-affected communities, to restore livelihoods and repair damaged houses. Then, between 2009 and 2014, CLAF-Net's capacities were greatly expanded when the ACCA funds for Sri Lanka (about $1 million) were added to the fund's lending capital and given out in loans for various purposes, mainly to WC members around Sri Lanka.

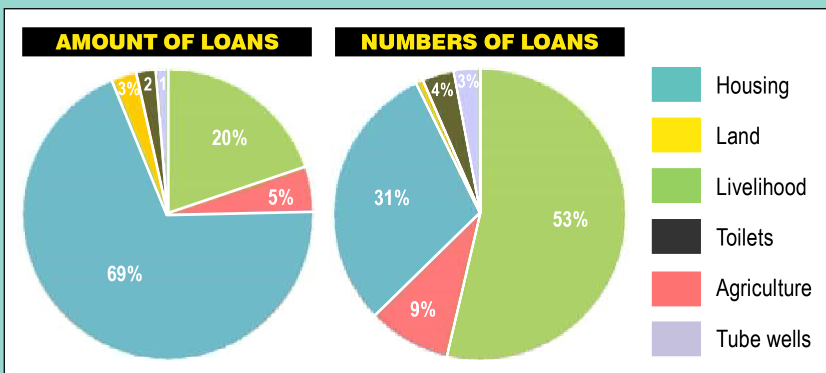
To address those larger, more structural problems in the ACCA cities, CLAF-Net worked with WC to develop a more citywide and more collaborative process, with more emphasis on building working partnerships between the local authorities, local NGOs, Women's Coop and the local communities, which they called the Urban Settlement Upgrading Program. In each new city, Women's Coop initiates savings in as many settlements as possible, right away, and a joint process to survey and map all the communities and vacant land in the city begins, with community members taking the lead. A citywide slum profile is prepared and then presented and discussed with the mayor and council members. This detailed information about slums in the city is then used as the starting point for a process of participatory citywide prioritizing of problems, citywide planning and action by the communities, with CLAF-Net and Women's Coop providing guidance, technical support and flexible finance from two sources.

In some cities, collaborative City Development Committees have been set up, with the local authorities, community leaders, Women's Coop representatives and other actors, which now meet regularly to discuss and tackle key issues of concern to the poor in the city. In several cities, these collaborations have led to some striking breakthroughs. In the town of Nuwara Eliya, for example, in the tea-growing central highlands, most of the town's 32 slum settlements now have savings groups, and several have been upgraded. The mayor chairs the joint city development committee, which meets once a month and has become the key platform for discussing and jointly addressing land and housing issues of the poor. The mayor has regularly taken the communities' side in these meetings and helped negotiate with other national land-owning agencies for secure tenure in several settlements, and municipal staff now routinely join Women's Coop leaders when they start savings groups in new areas.

Although it operates as an independent fund and continues to partner with other organizations, most of CLAF-Net's loans have gone to Women's Coop members who meet their internal lending criteria. Loans of up to $1,670 are given for housing, land, toilets and livelihood, at 8% interest (members pay 12%, and WB keeps the 4% margin for its activities), and repayable in 18 to 36 months, through the savings groups and branches. CLAF-Net now meets most of its staff, overheads and outreach expenses through the interest earned on loans, making it another example of a self-sustaining institution.

CAPITAL IN THE CLAF-NET FUND

• Total capital	$733,159 (100% donor funds)	
LOANS FROM THE FUND *(2005-2016)*		
• Housing	$1.13 million	(1,297 hh)
• Land	$47,143	(16 hh)
• Livelihood	$326,507	(2,270 hh)
• Agriculture	$78,118	(385 hh)
• Tube wells	$18,338	(120 hh)
TOTAL LOANS	**$1.64 million**	**(4,245 hh)**
GRANTS FROM THE FUND		
• Total grants	$230,446	(mostly ACCA)



SRI LANKA: Community finance at work

1 HEALTH AND INSURANCE PROGRAMS: Welfare is an important part of the package of programs and services available to Women's Coop members. Each branch runs its own welfare scheme, funded from part of the interest generated on loans from the branch, which provides for funerals, births and eye-glasses. Benefits are set by each branch and are scaled to the amount of the branch's savings. Older branches with more money tend to give higher benefits. In one branch, for example, members get $250 for a death in the family, $30 for a birth and $30 for eyeglasses. Each branch also manages its own self-funded health care fund, in which members can deposit a certain lump sum every year, or every five years, to qualify for benefits. Most branches offer different levels of membership: one level pays for the whole family's full medical treatment and hospitalization, one level pays only for the member and her spouse, and one level only provides a subsidy. Some branches also run their own small health clinics. The Women's Coop also runs a national health program, with their own hospital and mobile health clinics. All these facilities are free for members, and all the nurses in the hospitals and clinics are daughters of members. Another national program offers life insurance, and pays $3,000 to the family if a member dies. To join the scheme, members pay a one-time deposit of 17,500 Rupees ($110), which is kept in a separate account, and loaned out at interest. The interest income provides the insurance benefits. Husbands of members get the same benefits, and if the husband and wife both die, the insurance pays double to their surviving family.

2 EVERY MEMBER IS A LEADER: The Women's Coop has found an interesting way of ensuring 100% participation - not just in savings, but in many aspects of development in the communities where WB members live. All women in each savings group are responsible for specific development issues, in a program they call "Every member is a leader." The subjects are finance, auditing, health, education, culture and media, welfare, housing, agriculture, disaster management, children and entrepreneurship. The leaders from each subject, from all the savings groups in a branch, meet regularly and select an "action committee" of five women, which meets once a week and manages all sorts of activities in the community. Leaders from each action committee then select a secretary, who represents that subject on the branch-level executive committee, which in turn selects leaders from each subject to represent the branch on the national councils - of which there are eleven: one for each development subject. These issue-based sub-networks are how new programs get developed within Women's Coop, and how information about them gets quickly disseminated, and needs quickly get addressed. When Women's Coop has big anniversary celebrations, the members of each subject group wear the same color saree and sit together in their hundreds, in carefully-arranged rows, so the stadiums where they gather look like rainbows - organized rainbows of women!

3 COMMUNITY FINANCE AND THE TSUNAMI: Soon after the 2004 tsunami destroyed 80% of Sri Lanka's coastal communities and left 40,000 dead and a million homeless, the Women's Bank decided that the best way to help people get back on their feet was to give them loans to rebuild their livelihoods and houses as soon as possible. They stood by their group-based savings and loan system as an effective and self-sustaining development mechanism, even in a catastrophic situation like this one. But to make it easier for tsunami-hit members to borrow, they relaxed their membership and borrowing rules and set up a special emergency loan fund for housing, land acquisition and income-generation (with an initial capital of about $185,000 from Selavip, ACHR and WC members). A few days after the tsunami, 150 enthusiastic national WC leaders divided themselves into teams and travelled to the most devastated coastal areas to get the affected families to link together into groups and start saving, and then channeled loans from the emergency fund to these new groups, to start small businesses and rebuild houses. Besides money from these external funds, WC branches in Colombo also made loans to newer tsunami-hit branches from their own considerable savings, and this inter-group lending became a pattern that continues today. By November 2006, WC was working in 117 tsunami-hit villages in nine districts, with 7,000 new savings members in 65 new branches, who had saved $195,000 and taken $570,000 in loans. At a time when so many people were still languishing in squalid relief camps, or waiting for government compensation, these loans from Women's Coop were probably responsible for the greatest amount of housing reconstruction going on in the country.

Conditions in resettlement camps like this one in Mannar are bad, and WB savings groups are using CLAF-Net loans to build toilets and tube-wells.

4 COMMUNITY FINANCE IN THE WAR-TORN NORTH: When Sri Lanka's long civil war finally ended in 2009, the north of the country, where the worst of the fighting took place, was in ruins, and traumatized residents (mostly ethnic Tamils) who'd been forced to flee into the jungle or to refugee camps, began to return to their bombed-out communities or to government resettlement camps, to start their lives again. But conditions in both old and new communities were very bad: no functioning government, no housing, water supply, electricity or sanitation. At the same time, a lot of government and aid-driven housing schemes were being implemented, but their selection criteria was so heavy with bureaucracy that the poorest families were being left out. Women's Coop, CLAF-Net and Sevanatha all saw an opportunity in war-affected cities like Kilinochchi, Mannar and Mullaitivu to work with the people and build new linkages and areas of work. So as they did in the tsunami-hit areas, the Women's Coop began setting up savings groups, and CLAF-Net followed up with loans to new WC members for livelihood, toilets, tube wells, house repairs and roads. The war-torn north has now seen a huge growth of Women's Coop savings groups.

10 Community finance systems in **Thailand**

CONTEXT IN THAILAND: The kingdom of Thailand, with its population of 68 million people, is one of the few countries in Asia that was never colonized. Since absolute monarchy ended in 1932, Thailand's periods of uneasy democracy have been interspersed with no less than 19 coups d'etat and stretches of military rule, which may partly explain the country's political system, which is still quite centralized. But all this political upheaval hasn't slowed down the country's rapid economic growth and urbanization, which began in the 1960s, peaked in the 1980s and continues today. For half a century now, Thailand's cities have drawn in millions of poor rural migrants looking for jobs and opportunity. But when it comes to finding housing, many can't afford anything in the formal market and make their homes as best they can in squatter settlements along highways, canals, railway lines and on leftover bits of public and private land, where living conditions are bad and development pressures make many vulnerable to eviction. By the end of the 1980s, nearly a quarter of Bangkok's population lived in some 1,500 slums around the city.

A LOT OF FUNDS IN THIS COUNTRY: During periods of democracy, Thailand's competing political parties have tended to compete for votes from the country's rural and urban poor with a variety of populist policies, including some which have channeled government budgets into a series of progressive public funds, which addressed a variety of rural and urban development needs in new, creative and decentralized ways: community funds, community health care funds, village funds, housing funds, rice guarantee funds. The strategy of using somewhat autonomous funds to address different development needs in more creative and sustainable ways, rather than the conventional state-driven programs and fiscal budgets, became a specialty in Thailand, and there has been a lot of experimentation with different kinds of funds - even during some of the interim coup d'etat administrations. Despite these progressive directions, though, the county's gap between rich and poor has continued to widen.

A RICH HISTORY OF COMMUNITY FINANCE: Thailand has a long and rich history of community finance systems that enable poor communities, in both rural and urban areas, to save together and access credit in different ways. Since the 1960s, self-managed credit unions and savings cooperatives have been active across the country. Likewise, self-run village banks, Buddhist savings groups and several national government programs to establish village funds have enabled poor families in rural communities to pool their resources and finance their own development initiatives, using both their own resources and government capital. For the urban poor, collective savings and funds were a strategy some scattered communities began to use when faced with the prospect of eviction. In 1987, an innovative scheme by the government's Community Development Department helped expand the urban community savings process, and although the scheme was top-heavy, many community leaders saw the potential in this finance system that they could control themselves, and the savings process kept adjusting itself and growing.

Community finance in THAILAND =

SAVINGS GROUPS
- 1,903 groups in 345 cities
- 850,000 saving members
- $102 million in total savings
- Savings started in 1987

+

CITY FUNDS
- 116 city development funds
- in 116 cities and towns
- $6.1 million
- First city fund started in 2008

+

NATIONAL FUND
- Community Organizations Development Institute (CODI)
- $200 million in lending capital
- Started in 1992

THE STUDY :

The community finance study in Thailand was carried out by the National Network of Urban Communities, with documentation and translation assistance from friends at ACHR. There are now 116 cities and urban districts in Thailand with their own city funds, but the network decided to focus the Thai study on 63 of the most active City Development Funds.

Besides the summary of the Thai study presented in these six pages, more details about various aspects of Thailand's community finance story have been highlighted in later parts of the report:

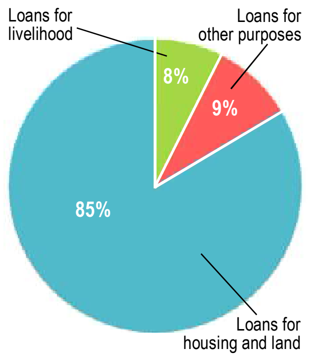
- Separate but together (Pg. 56)
- Top-scoring Thai CDFs (Pg. 60)
- Thai welfare funds (Pg. 63)
- On being essential (Pg. 65)
- Loans from banks (Pg. 69)
- Institutionalizing ideas (Pg. 70)

Everybody in these communities is **"in the boat"** . . .

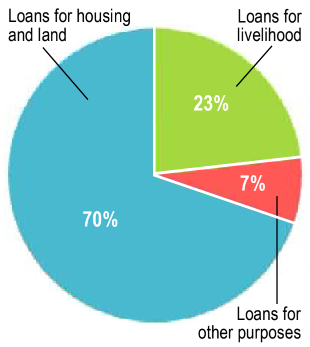
The procedures and organizational structures of Thailand's urban savings groups were developed as tools to strengthen the *whole community* as the primary unit of change. In order to address the structural problems of poverty, land and housing in more comprehensive and more citywide ways, the Thai community finance model also considers it crucial to link the community process with local governments and other key local actors in each city. In this "area-based" conception, a savings group is part of a citywide network, is based in one community and includes as many members of that community as possible in the process.

Savings is just one of many activities that community members can get involved in, and the goal of all those activities is the same: building up the community as a strong social support system and the main agent of change. The Thais speak of a poor community being like a boat, and are emphatic in considering everyone who lives in that community as being "in the boat", even if they may not participate initially. For the Thais, the skeptics, the fence-sitters and the trouble-makers are all part of the game - they're all in the boat. The doors to taking part stay open, and the goal remains to get everyone to join in, because the development is seen as necessarily community-wide and citywide. But because many communities are quite large (up to 500 members), the Thai savings groups usually divide themselves up into sub-groups of a more manageable ten or twenty neighboring households.

CODI: LOAN AMOUNTS



CODI: LOAN NUMBERS



UCDO: Then in 1992, the Urban Community Development Office (UCDO) was set up, as a special project of the National Housing Authority, to deal with poverty reduction and housing for the urban poor. Instead of being the solution-provider, though, UCDO set out to build capacities in poor communities so they could deliver the solutions themselves, and so began initiating collective savings and loan groups in poor communities on a national scale, strengthening people's organizations and encouraging collaboration with local government and other civic groups. UCDO's chief tool was another fund: the Urban Community Development Fund, which began with a capital of $36 million. UCDO gave bulk loans to communities for their housing and livelihood projects, and to expand the lending capacity of their internal community savings funds. A third of the members of UCDO's governing board were community leaders, and that made it the first government entity to institutionalize the involvement of the urban poor in directing policies that concern them. Besides offering credit, UCDO also supported the creation of area-based and issue-based community networks, at all levels, to link poor communities within cities, provinces and regions and create a people-driven system of horizontal learning and support within Thailand's community movement.

CODI: During the eight years of UCDO 's work, the community savings and network processes grew by leaps and bounds, and poor communities across the country became ever more actively involved in solving their own economic and social problems. In 2000, to better serve this growing community movement, UCDO was merged with the Rural Development Fund to become the Community Organizations Development Institute (CODI). As an autonomous entity, with a special status as an independent public organization (under the Ministry of Social Development and Human Security), CODI had greater freedom and flexibility than conventional government agencies, and could greatly expand the scope of its work, directly access public funds from annual fiscal budgets and partner with a greater variety of public and civil organizations. CODI's chief tool was flexible finance, which came from its revolving loan fund, which by 2015 had grown to $200 million. With this capital resource, CODI gives loans to communities and networks for housing and land, holistic development, community businesses and natural resource and environmental development projects. CODI also gives revolving fund loans to savings groups and CDFs to strengthen their financial capacity.

CAPITAL IN THE CODI FUND

- Total capital $200 million (100% gov. funds)

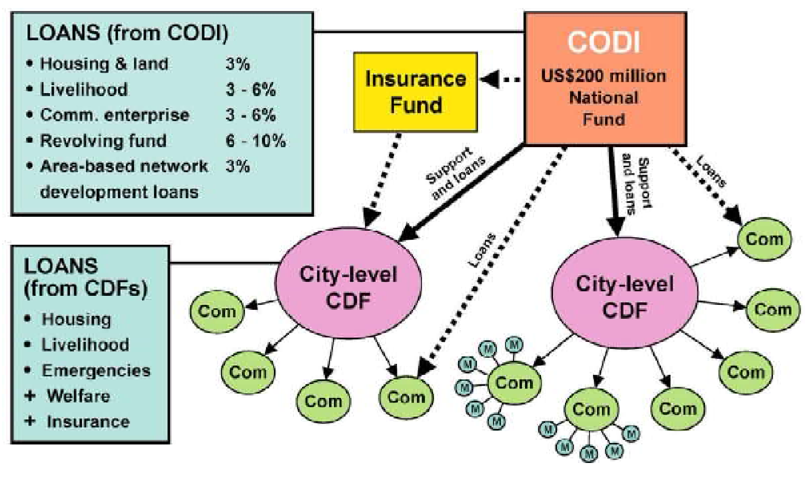
LOANS FROM CODI *(1992-2016)*

- Land and housing $171 million (150,048 hh)
- Livelihood $16 million (50,000 hh)
- Other purposes $18 million (15,000 hh)

GRANTS FROM CODI

- Baan Mankong $193 million (97,672 hh)
- Welfare $86 million (4.2 million hh)

STRUCTURE: National CODI Fund in Thailand



Community finance comes of age in the **Baan Mankong** program . . .

In 2003, the savings and credit process got a big boost when CODI's Baan Mankong Program was launched - a national housing program which channels government funds, in the form of infrastructure subsidies and soft housing and land loans directly to urban poor communities, which plan and carry out improvements to their housing, environment, basic infrastructure and tenure security and manage the budget themselves, in collaboration with their local governments and as part of citywide slum upgrading plans. The Baan Mankong Program required communities to organize savings groups and collectively save at least ten percent of the amount they propose to borrow from CODI for their housing project. The savings groups were also crucial financial management systems in these informal communities, which enabled them to collectively and transparently manage large, complex and sometimes arduous housing projects and project budgets - and later loan repayments.

In order to legally secure their tenure, through collective ownership or lease-hold of their land, most communities doing Baan Mankong projects register themselves with the government as cooperatives. The legal status and formal recognition that comes with being a cooperative means poor communities have to follow some cumbersome government rules and regulations and submit to yearly audits, but it also entitles them to technical assistance from various government agencies, and strengthens their organizational capacities.

BAAN MANKONG FIGURES *(2016)*

- **PROJECTS:** 1,903 communities (in 345 cities, in 76 provinces)
- **FAMILIES:** 97,672 households
- **GRANTS:** $193 million (for infrastructure development, housing subsidies, process support)
- **LOANS:** $178 million (to 35,169 households)

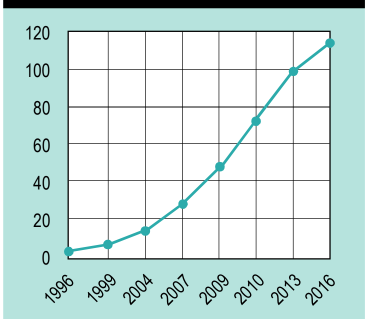
10

WHY THE NEED FOR CITY FUNDS? Thailand is the rare country with a strong and progressive national support system for its people-driven development movement, in the form of CODI. But one of the drawbacks of having a government organization like CODI, which offers such easily-accessible financial support for poor people's housing and other development initiatives, on such a wide scale, is that communities may start feeling a little complacent. By 2007, there were active community networks in most of the 300 or so cities then involved in the Baan Mankong Program, with several thousand communities linking together and doing many things together. But what these communities hadn't done was build any kind of development fund of their own, at city or district level, as so many other Asian cities (without CODIs) were trying to do. The community savings groups in those cities were still scattered, had no financial links with each other, and there were no city-based funds which mobilized people to put their community savings funds together or to establish their own financial mechanisms.

Then in 2008, CODI reached a difficult milestone when all the money in its $80 million revolving loan fund had been given out in loans to community housing projects. The well had run dry. Although it later managed to negotiate additional budget to supplement the fund, CODI still faced a big problem: the real scale of Thailand's national community housing and development was just too big for the CODI fund to finance alone. The funding crisis at CODI, which slowed down the national upgrading process for over a year, made community networks all over Thailand realize that even CODI - like all government programs and institutions - is vulnerable to the fickle whims of national politics, and that there are good reasons for communities and for networks to begin developing strong, independent financial mechanisms which they can control themselves, right there within their own constituencies. Several national meetings were convened to discuss this crisis and to begin exploring ways for networks and communities in each city to find ways to stand on their own feet, as much as possible. City-based community development funds, which link together all the savings groups and housing projects in one city (or within a workable constituency) are not just a way of making locally-controlled financial systems for the poor, but of pooling local resources, strengthening relations between the poor and their local governments, and pulling other poor communities in the area to join together and to start their upgrading process.

WELFARE IS THE STARTING POINT: For several years, many urban community networks around the country had been running their own community welfare funds, to which savings members contributed one baht a day, or 30 baht ($1) a month. Most urban poor community members cannot access any of the government's social welfare programs, and for them, these community-funded and community-managed funds provided badly-needed help in times of need, when there were births and illnesses and when someone died. In 2009, the government recognized the potential in this people-driven welfare movement and initiated a policy of supporting them, in which local governments would match the amount contributed by people, to double the funds' capacities. Apart from these welfare funds, some networks had set up other kinds of community funds for members to contribute to as well - housing savings funds, children's savings funds and environmental savings funds. All these funds gave community members more ways to save, more ways to participate, and more ways to build community-based systems for looking after their immediate needs, using their own pooled resources.

NUMBERS OF CITY FUNDS



FIRST CITY FUNDS SET UP IN 2009: The first city-based CDFs in Thailand were set up in 2009, by two pioneering community networks in the northeastern town of Chum Phae and in Bangkok's Bang Khen District, where the smaller funds these networks had already been running were brought together under one umbrella and topped-up with small capital seed grants of $30,000 each, from ACHR's ACCA Program. Five more CDFs followed in 2010, in Rangsit, Ubon Ratchatani, Hua Hin, Nakhon Sawan and Koh Khwang (also supported with ACCA seed grants of $20,000 each). From there, the city fund concept was taken up enthusiastically by community networks and spread across the country. CDFs are now fully functioning in 116 cities. Some of these CDFs emerged as expansions of already-established citywide welfare funds, and some were started by networks of experienced veterans of Baan Mankong housing projects. Most of the CDFs are area-based (covering communities in one city, urban district or province), but there are also a few issue-based networks (covering communities facing common problems of eviction, land tenure insecurity or homelessness) with their own CDFS.

A NEW TOOL FOR COMMUNITY NETWORKS: The CDFs are the most recent addition to Thailand's community finance portfolio, and they give the country's community-driven development movement a more autonomous and more city-oriented financial tool, and add a new dimension to the considerable support already available to communities from CODI. By linking community savings groups and various network funds in a city together, the CDFs give community networks more flexibility in how they respond to urgent needs within their city. These new city funds are not only providing housing and land loans (including loans to those who may not qualify for CODI loans), but also financing livelihood, welfare and disaster projects and supporting stateless persons. Besides making communities stronger and better able to determine their direction, the city funds are helping to strengthen their relationships and collaborations with local authorities, leading to a more citywide, more locally-driven, more long-term and more partnership-based process of solving problems of poverty in those cities. As one community leader put it, "These funds make us more independent, more strong. The government can't reject our proposals, because they are being financed by our own funds!"

63 CDFs in the study *(figures in US$)*

SAVINGS LINKED TO 63 CDFs

• Total number of members	66,755 members		
• Number of savings groups	596 groups		
• Total savings	$1.4 million		

CAPITAL IN 63 CDFs

• Member shares	$631,428	(19%)
• Member savings in CDF	$480,000	(15%)
• Welfare funds	$662,857	(20%)
• House insurance funds	$131,429	(4%)
• From CODI + other donors	$1.28 million	(39%)
• Interest income + other	$88,571	(3%)
TOTAL CAPITAL	**$3.27 million**	

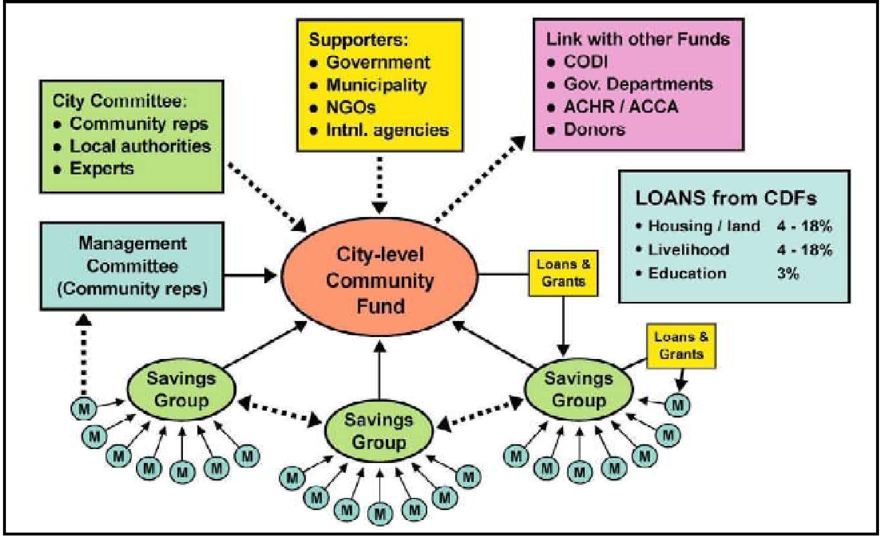
LOANS FROM 63 CDFs

• Housing	$4.2 million	(5,011 hh)
• Income generation	$69,628	(347 hh)
• Other purposes	$91,166	(2,719 hh)
• TOTAL loans	$4.36 million	(8,077 hh)

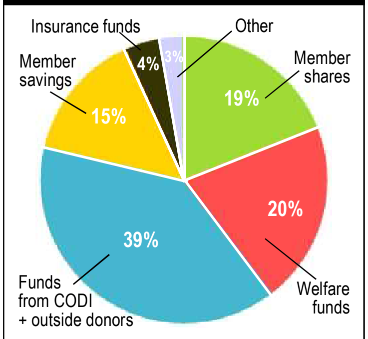
GRANTS FROM 63 CDFs

• Welfare	$561,678	(5,307 hh)

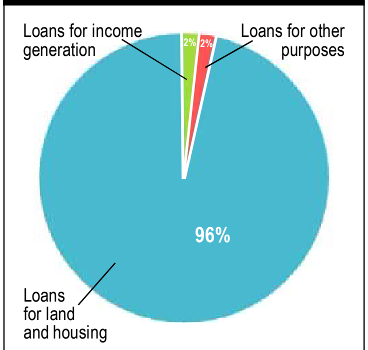
STRUCTURE: City-Level CDFs in Thailand



CAPITAL in the 63 CDFs



LOAN AMOUNTS in 63 CDFs



63 CDFS IN THE STUDY: The CDF study in Thailand was carried out by members of the national urban community network (NULICO - National Union of Low Income Community Organizations), with documentation and translation support from a team at ACHR. As part of the study in Thailand, 63 of the 116 city-based CDFs established so far were selected to be surveyed. The selection of the 63 CDFs was carefully made to demonstrate a variety of constituencies, management styles and partnership arrangements. A few of them were chosen to be studied in greater detail, as case studies.

TWO COMMITTEES: Each CDF is managed by a committee which includes community members and network representatives, and each CDF decides how to manage its operations. The CDF committee sets all the regulations for the city fund, including loan priorities and terms and accounting procedures, and usually set up sub-committees on housing, infrastructure, welfare, information and social issues. Most cities with active CDFs also establish a parallel city committee, which brings together community and network leaders with representatives from the local government, NGOs, universities and other stakeholders. The city committee and CDF committee work closely together, and both usually meet once or twice a month. This two-part structure expands opportunities for collaboration and understanding, while at the same time preserving community control over the funds. In these ways, the CDFs, which have no legal status as yet, are recognized and supported by the authorities.

NO FIXED RULES: There is no single template for the operation of a CDF in Thailand, where people tend to get itchy when rules and structures are imposed from outside. Each city network has complete freedom to decide how to manage, according to the needs and conditions of communities in that city. As a result, each CDF is a unique community institution: different sizes, different collections of funds, different loan terms, different projects, different committee compositions, different strategies for relating with local authorities. The CDFs give both loans and grants, for housing, land, welfare, income generation, community enterprise and other purposes. Each CDF sets its own interest rates on loans (between 4% and 18%), but all follow a system of using a portion of the interest income to finance their operations and network activities, to make themselves more self-sustaining.

Thai CDFs: Separate funds operating under one financial roof . . .

Most of the Thai CDFs are composed of several distinct funds, for specific purposes (such as housing, welfare, insurance, livelihood and upgrading), which have been brought together under the umbrella of one city-level CDF. In most, these funds are all kept financially separate, with separate community contributions, separate membership, separat accounts and audits, but managed by a single committee, made up of representatives from the communities and networks that are members of the CDF. The funds common to most of the CDFs are:

- **SAVINGS FUND:** Each community member of the CDF saves an agreed-upon portion of its internal savings in the CDF every month. The survey found that most communities save at least 15% of their savings (as a community, not individually) in the CDF, with amounts varying from $15 to $30 per month. Members also invest shares in their CDF. Because these shares can't be withdrawn, the fact that almost 20% of the total CDF capital comes from shares shows how much trust people have in their CDFs.
- **WELFARE FUND:** All the CDFs in the study have welfare funds, and most were seeded - and continue to be funded - by community members, who usually contribute one-baht-a-day (about $1 per month) to these funds, which provide a variety of benefits, "from birth to death." The government also contributes to these funds, through local authority matching grants.
- **HOUSING INSURANCE FUND:** Most communities that have completed Baan Mankong housing projects contribute to this special insurance fund (200 baht per year per family, of which half stays in the CDF and half goes into the national fund), which covers the housing loan repayments of families when a disaster strikes (floods, fires) or a bread-winner dies or gets sick, and the family can't make the payments and is in danger of losing their house. CODI also contributed the original $670,000 seed capital to start this insurance fund.

A few details about **three CDFs** in the study

1 **BANG KHEN DISTRICT:** This densely-packed inner city district in Bangkok has a community network with a long and distinguished history of community savings, sophisticated settlement surveying and mapping, analyzing of future development projects and their effect on poor communities in the district, yearly canal cleaning, and negotiating the country's first long-term collective land lease which is allowing 13 canal-side communities to undertake a huge project to rebuild 3,000 houses on the public land where they had been squatting. They launched their fund in 2009, with a grant of $30,000 from ACCA, $394,000 of their own savings and a $110,000 contribution from the district authority.

The Bang Khen District fund gives loans mostly for house construction and repairs, but also for livelihood, education, repaying informal debts and bridge financing for communities waiting for CODI loans. The fund loans only to communities (not to individuals), at 4% interest. Half the interest income goes back into the CDF, while a quarter goes into the district-wide welfare fund and another quarter supports network activities and operation costs. Communities add a 3% margin when they on-lend to members, so individual borrowers pay 7% interest on loans. Communities use that 3% margin to cover unsteady repayment problems and to support their own welfare funds and community activities. The fund also gives grants for environmental improvement projects. The fund is managed by a committee of network and community leaders, but works closely with the Bang Khen District's city committee, which has representatives from the Treasury Department, the Provincial Electricity Authority, the state-owned telecom company and the local police sitting on the committee with community and network leaders.

2 **CHUM PHAE:** This small manufacturing city in the rice-growing region of northeastern Thailand has attracted increasing numbers of poor rural migrants looking for work in the town's tapioca and gunny-sack factories, or in its sweat shops making shoes and clothing. Like bigger cities, Chum Phae has all the usual urbanization problems, though on a much smaller scale: rising land prices and housing costs and increasing commercial pressure on urban land - all leading to problems of eviction and a shortage of affordable housing. Since 2004, the town's strongly women-led community network has organized savings, carried out citywide surveys of slums and scattered squatters and room-renters, and worked with the local authorities, other stakeholders and CODI to develop citywide plans to construct a series of innovative and low-cost housing projects - some *in-situ* upgrading and some relocation to free government land. By 2005, some twelve housing projects had been finished, and Chum Phae is well on its way to becoming Thailand's first city to achieve 100% secure housing for all.

Besides housing, this network has done a lot of innovating: a children's savings scheme, a communal rice farm to support the elderly and almost 100% community membership in savings. The network's CDF, which was launched in 2009, gives loans mostly for land-buying and house construction and repair, but reserves 22% of the capital for loans for occupation, education and repaying informal debts. The fund's first loan went to a squatter community of 293 families to buy new land. The fund also gives grants to subsidize the house construction of extremely poor families, to enable them to join the upgrading projects in their communities. Members can borrow up to $4,500 for house construction or up to five times their "shares" in the fund, at 4% interest. Loans of up to five times their "shares" for income generation go at 6% and are repayable in five years. 35% of the interest earned on loans goes back into the fund, 25% into the citywide network welfare fund, 35% supports network activities and 5% goes back to members as a yearly dividend. The fund is managed by a committee of community and network leaders, with good support from the municipality and local architects and accountants.

3 **BANG BON DISTRICT:** This little district, out on the western edge of Bangkok, is one of the least urban of Bangkok's 50 districts, and is still famous for the mangos, coconuts, orchids and lotus flowers that are farmed here. The Bang Bon District community network launched its CDF in 2012, with a housing security fund that was tied to two communities that had completed Baan Mankong housing projects. Later, the communities felt the need for a welfare fund, which was then added to the CDF and played a big role in strengthening the fund and broadening its membership (which started with two communities and 245 members and has grown to 20 communities and 2,050 members). The CDF now has a capital of $53,000 (half in the housing fund and half in the welfare fund), which is not kept in the bank, but is in constant circulation in loans. The fund gives flexible, short-term loans of up to 20,000 baht ($570) for income generation and repaying informal debts, including one loan to start a community mushroom-growing enterprise in the Ekachai 13 community. Loans go only to community savings groups (not to individuals), which manage the loans and repayments. All loans from the CDF are given at 18%, and the communities add 6% on top of that, so individual borrowers pay 24%. Those interest rates seem high, in the Thai context, but the community members set that rate so that the fund will grow, and see the CDF as a sharing and learning supplement to the main financial mechanism, which is the community savings groups. The fund is managed by a committee which meets monthly (each time in a different community) and includes two revolving representatives from each of the 20 member communities.

THAILAND: Community finance at work

1 CITYWIDE SLUM UPGRADING: Poor communities in 345 cities all over Thailand are now upgrading their housing, land tenure, environment and infrastructure through CODI's Baan Mankong citywide upgrading program. Almost 2,000 projects are already finished and hundreds are underway. In this national program, which channels infrastructure subsidies and soft housing and land loans directly to community cooperatives, people are the owners of the upgrading process. What tools create that ownership? Accessible, flexible finance that goes directly to communities is one, and the supporting partnership of community networks, local authorities and other local development actors is another. But one of the most important tools is the community savings group, which works as a binding mechanism in communities undertaking complex upgrading projects. In a society which is becoming ever more individualized, poor people on their own don't stand a chance. The collectivity of their communities is an important survival mechanism, which helps people meet needs and resolve problems they can't resolve individually. To strengthen this *collective force*, the Baan Mankong Program makes every aspect of the upgrading process collective, as much as possible. And the first step is a collective savings group - a requirement for joining the program and accessing CODI loans and subsidies, which have helped 97,672 families get secure land and housing so far.

2 POST DISASTER REHABILITATION: Sadly, Thailand continues to have a lot of disasters - floods, fires, landslides, storms - and community savings and funds play a big role in how the poorest affected communities deal with them. For people who have lost everything in a calamity, shelter, food and medicines are just one step in a long, difficult process of putting their lives, communities and survival systems back together again. Instead of waiting for a relief agency or government department to decide what they need and what they should do, many communities have found ways to conjure out of tragedy some opportunities, not only to rebuild their houses and revive their livelihoods, but to use their people power to make their lives, communities and tenure more secure, more healthy, more life-sustaining than before the disaster. The 2004 tsunami makes a good example. Here's the word of Maitree Jongkraijug, the Community Bank leader from the devastated Baan Nam Khem village: "Right away, those of us who were staying in the relief camp at Baan Nam Khem started working on longer-term issues of rebuilding our livelihoods. We started savings groups and set up a revolving loan fund - initially using some donor money but later using our own earnings - so that people who didn't have anything to do or any means of earning could start a variety of income generation projects. The savings groups were a very good starting point for people to collectively deal with problems of lost jobs, but also with problems of land and houses. The savings group gets traumatized people to start solving their problems right away, even when in this very bad situation, where they've lost everything."

3 COMMUNITY WELFARE: All 116 of the city funds in Thailand so far have special funds for welfare, and for some CDFs, welfare is their main project. Of the 63 CDFs in the study, welfare accounts for only 12% of the total CDF capital ($394,950), but it has benefited the greatest number of people (5,664 people). These welfare funds are the latest chapter in a long story of how Thailand's poor communities are keeping alive the country's very old culture of mutual assistance and finding ways to provide basic social safety net protection to their own most vulnerable members, through systems they develop and manage themselves. Community-based welfare started 12 years ago, when community networks around the country recognized a need, met nationally to discuss the issue and set welfare as an important point in their national agenda. The first welfare funds were started by poor communities themselves, with their own money, and communities across the country agreed that each member would contribute one baht a day ($1 per month) to their welfare funds - a sum everyone could afford. In 2005, CODI supported these efforts with seed grants to help set up subdistrict-level welfare funds which take care of everybody - covering such things as medicines, hospitalization, elderly, handicapped, scholarships, HIV and even schemes to promote good health. By 2007, community-driven welfare had become national policy and spread to all 76 provinces, and the welfare funds were getting matching grants from local authorities. When the CDFs started forming, it seemed natural to bring this community-managed welfare process under their umbrella. *(More on page 63)*

4 HOUSING INSURANCE: Since it was launched in 2003, CODI's Baan Mankong Program has helped 97,672 poor families get secure land and housing. All those houses were financed by loans from CODI, and with such a big scale, it's no surprise that some people have faced difficulties repaying their housing loans, when a bread-winner dies or gets sick, or when some disaster damages the house, leaving their family's tenure and housing in danger. So in 2010, a new scheme was launched in which networks of community borrowers around the country are the owners and operators of a national housing insurance fund. CODI seeded the fund with a $670,000 grant, and each family that takes out a housing or land loan from CODI contributes 200 Baht ($6) per year to the fund. Half the funds are kept at the national level, and half go into city-level housing security funds, which are managed by the urban community networks, under the umbrella of their CDFs. Now, if there are problems which prevent a community member from making loan repayments to the cooperative (like illness, loss of jobs, accidents, death or disasters), and if the community determines that nobody else in the family is earning enough to make the payment, then the insurance fund will cover the repayments, and keep the family in their house and in the community.

11 Comparing the five models of community **savings**

THE SAVINGS GROUP IS THE BASIC BUILDING BLOCK

The community finance systems in all five study countries were born - and continue to be grounded in - people-managed savings groups, where groups of poor people come together, save their money together and make decisions together about how to lend their pooled savings to each other, to meet various needs members cannot meet by themselves. These savings systems are all cousins: they grew up knowing each other, visiting each other, taking part in each other's milestones, helping each other through difficult times, learning from each other's innovations and breakthroughs and taking lessons from some of the same teachers. They are part of an Asia-wide network of community savings organizations that have been linking and supporting each other for over 25 years, with support from local NGOs and donor organizations. But circumstances in the five countries are quite different, and it's no surprise that each country's savings process has cultivated its own ways of doing things, its own culture and characteristics around the many things that are common. No one-size-fits-all for social movements in Asia. These variations and adaptations of the savings model add up to a very rich, very detailed textbook of possibilities and cautions.

MORE THAN JUST SAVINGS AND LOANS

Another common thread expressed in all the reports was the idea that these community finance systems - and particularly the savings groups - do much more than simply provide people access to a little finance to make their lives a little better. They bring together people who were otherwise isolated, vulnerable and powerless into a collective process which gives them the power to do things they could not do alone. The reports and testimonials all describe eloquently the way the savings groups bring many other benefits beyond the economic and physical ones of improved incomes or better living conditions: the savings groups bring warmth and security, they build friendships and mutual help, they unlock empathy and initiative, they boost self-confidence and pride, and they build stronger negotiating clout with the formal world. In these ways, the savings groups are a means of giving society's weakest members the power to make themselves strong, as a group, on their own terms and on their own steam.

Compare this with the formal sector finance offered by banks, whose systems are designed to suit the needs of the institutions and their higher-income clients, not the realities of the poor, whose low and irregular incomes and lack of legal addresses make them ineligible for almost any bank loans in these countries anyway. The formal finance sector's downmarket cousins - the microfinance institutions, which are designed to reach poorer clients - are likewise managed in ways that separate and isolate people as individual customers, eliminate horizontal bonds and collective action and rely only on relationships that are vertical ones, between the individual client and the finance provider.

The one finance system divides people and turns them into isolated consumers, while the other gathers them together as communities. Community finance unlocks their initiative, their creativity and their deep human impulse to look after each other and allows them to address urgent needs immediately and directly. These are not small distinctions, in the context of a world which is urbanizing so fast and in which the cultures of social interdependence which have sustained us humans for centuries are fast being replaced by a bleak era of individual everything, where it's each man for himself. It is these collective and transformative aspects which sets the community finance systems in this study most profoundly apart.

"Not only savings and loans! All problems and issues come to the savings group. We help each other in every way, because we are all close friends. When somebody in the family dies or is sick, her other group members come and cook for her family and visitors, help with the children. We're like a big family."

Anoma Jayasinghe, Women's Bank, speaking in the August 2016 meeting in Bangkok

"I never went outside my home . . ."

"The women who took part in the study all spoke about how savings and credit is not just about money. Savings brings together women who were struggling alone, in isolation. Nepali women often depend on men for their financial needs and have little power in their houses. The collective savings process gives them economic self-reliance and a more respected status in their families and communities. But it also creates bonds of friendship and mutual support." *(Lumanti Joshi, Lumanti NGO, speaking at the Bangkok meeting)*

"As a Muslim woman, I never went outside of my home. But after I became part of the cooperative and started saving, many things got better for my family. But also in my community, our cooperative has built toilets, run health camps, improved houses and persuaded the local government to contribute money to our development. We are people from all religions in this community, and we live in harmony, now, and share all religious festivals with equal zest." *(Momila Khatun Didi, Chairperson of the Ekata Sahakari Savings Cooperative in Birgunj, speaking during the community finance study in Nepal)*

> **One community dollar equals a thousand development dollars. Why? Because that community dollar represents the commitment of thousands of poor people to their own development. Without the direct commitment of a savings scheme, people can participate in any kind of development freebie that comes along. But when development comes from people's own savings, it's theirs, they own it. Without this, development and improvements have no meaning.**

Jockin Arputham, SDI / National Slum Dwellers Federation, India

NOT TO BE CONFUSED WITH MICROFINANCE

In all the reports and meetings, a bold red line was drawn separating these community savings groups and finance systems from microfinance, which is something quite different.

- **Community Savings:** In the community savings model, when a poor community or group of people start a savings group, they begin with the collective: they come together, they pool their own small earnings to create their own collective fund, and then they decide together how to use that collective fund to assist their members through the giving and repaying of loans for various purposes. As the savings continues and loans are repaid, their collective fund grows and the group's lending power increases. In the process, many other benefits of their coming together begin to manifest themselves, such as closer bonds of friendship and stronger capacities to resolve their own problems collectively, to take care of their weaker members, to manage finance equitably, to become managers of their own self-development support systems. In development terms, we could say that the group's collective *financial capital* is strengthening the group's *social capital* as it grows. The two sorts of capital grow together, and collectivity is the key to that growth.
- **Microfinance:** This collective aspect of community finance is crucial, but it is something that gets lost in microcredit, which now operates in such a big way all over the world. And the reason it is lost is because the microfinance systems' reliance on individual loans reproduces the basic vertical relationships of conventional banking, between a finance provider and an individual client borrower, usually without any savings component and often without any mechanism which brings borrowers together into some kind of peer group. That may be why microfinance is more acceptable to the formal finance systems, which flood these microfinance institutions with huge amounts of capital and reap huge profits from these individual micro-loan transactions; they see something they know.

In the more mature community savings systems, this social capital will continue to grow as the financial capital grows, but others may find themselves getting stuck in the cycle of lending and repaying. If they're not careful, the collective aspect can fade, their community savings groups can stop growing and start behaving more like another form those top-down, individualized banking or microcredit relationships we see all around us. In the study, there were some lively discussions on this danger, which threatens both well-running savings systems and those experiencing loan repayment problems. One of the interesting points raised in the August 2016 meeting in Bangkok was the way this fading of the collective aspect could happen in very well-running groups, content with their cycle of savings and loans, and in groups in crisis, with repayment problems. More on this later.

A word about COLLECTIVE WEALTH . . .

> We shouldn't go astray with the term *access to finance*. The capitalists look at access to finance as the key, but for them, access invariably means individual access. If our only goal is for the poor to get access to finance, as individuals, we're finished. Because people are poor only as individuals. And whenever people with very small resources are individualized, they become easy victims of the larger system, where competition is the rule and the richer always have a bigger say. The poor become much richer, though, when they do things together, through a collective process: richer not only in terms of their pooled finance, but in the putting together of their collective thoughts, ideas, protection, mutual support and negotiating clout. So the real wealth of poor people is their collective wealth. Access to finance has to go with this collective process and has to build on that collective wealth - the two things go together. *(Somsook Boonyabancha, ACHR)*

Numbers can be a sterile and cold-hearted means of conveying truths about a social change process as richly complex, as messily human and as ever changeful as community-managed savings and credit. But numbers can also be useful in showing us the scale of things and in laying bare some of the problems that may emerge. So for better or worse, here are the most recent numbers for the five community savings movements in this study.

COMMUNITY SAVINGS GROUPS IN 5 COUNTRIES

	Year savings started	*# of cities with savings*	*# of savings groups*	*# of savings members*	*Total amount of savings (US$)*
CAMBODIA	1993	48	453	19,118	$621,395
NEPAL	1997	23	1,354	29,816	$6 million
PHILIPPINES	1995	20	360	8,679	$250,645
SRI LANKA	1989	69	7,620	80,020	$13.4 million
THAILAND *(urban)*	1992	345	1,903	850,000	$102 million
TOTAL		**505 cities/towns**	**11,690 groups**	**987,633 members**	**$122.3 million in savings**

11

BOATS & CLUBS: HOW SAVINGS GROUPS LINK TOGETHER

The collectivity in the community finance systems can take different forms, with subtle variations in how people link together, save together and see their task together. In discussions during the August 2016 meeting in Bangkok, it became clear that one crucial distinction between these forms of collective finance was between models that are more *area-based* and models that are more *membership-based*. The point of comparing these approaches is not to judge one model as being better than another, but to examine them and see what are the advantages and repercussions of the two different structures.

1 AREA-BASED: The savings procedures and organizational structures in Thailand, Cambodia and the Philippines have been developed consciously as tools to strengthen the whole community as the primary unit of change. In order to address the structural problems of poverty and housing in more comprehensive and structural ways citywide, these community finance models also consider it crucial to link the community process with local governments and other key local actors. In these area-based systems, a savings group is usually based in one community and seeks to include as many members of that community as possible in the savings. In these systems, the benefits of the savings-group-led process (like land tenure, housing, infrastructure improvements and collaboration with local authorities) are more likely to be shared among all the community members, both savers and non-savers.

In Thailand, for example, the community-based savings and credit groups are just one of many activities that community members can get involved in, and the goal of all those activities is the same: building up the community as a strong social support unit and the main agent of change. The Thais often speak of a poor community being like a boat, and are emphatic in considering everyone who lives in that community as being "in the boat", even if they may not participate in the savings or other activities initially. In the Thai area-based thinking, the skeptics, the fence-sitters and the trouble-makers are all part of the game - they're all in the boat. The doors to taking part remain open, and the goal remains to get everyone to join in, because the development is seen by all as being necessarily community-wide and citywide. Nobody gets thrown overboard to the sharks in the Thai model. We see a similarly community-based concept of community finance in Cambodia and the Philippines - and to some extent in Nepal.

2 MEMBERSHIP-BASED: The more membership-based savings models we see in Sri Lanka and Nepal tend to be quite strong on delivering clearly-defined benefits individually to those who become members, with clearly-defined responsibilities for members. It's something like a club, where the terms of membership are unambiguous: you're in or out. Savings group members trust each other, though, and make decisions together, and this makes these member-based savings groups as strong as any others. The clarity about the benefits and responsibilities of membership may partly explain why the member-based savings models in this study have shown much greater and much more consistent growth, while membership in two of the three area-based models has shrunk.

COMPARING GROWTH IN SAVINGS MEMBERSHIP - 2007-2015

	MEMBER-BASED		AREA-BASED		
	SRI LANKA	**NEPAL**	**THAILAND**	**CAMBODIA**	**PHILIPPINES**
Membership in 2007	60,000	6,710	1.5 million	15,460	47,930
Membership in 2015	80,020	29,816	850,000	19,118	8,679
% Growth (2007-2015)	**+ 33%**	**+ 345%**	**- 43%**	**+ 24%**	**- 82%**

But because the group members may come from scattered areas, and because benefits flow only to members, the ability to address more structural community-wide and citywide issues like land tenure, housing and infrastructure may be weaker, and the visible evidence of development will be more uneven. This is reflected in the form that loans take. In Sri Lanka, for example, housing loans go to different persons here and there, following the pattern of savings group membership and individual capacity to repay, so we see one member's house beautifully rebuilt, with the dilapidated shacks of forty non-members or poorer members surrounding it. Compare that with the more area-based development we see in the countries like Thailand and Cambodia, where all the households in a community get improved together, and community-wide upgrading for everyone is both the goal and the outcome.

In the membership-based savings models, multiplying individual membership is seen as the means for multiplying the benefits of the individual development which the loans and various welfare and insurance programs support. On every exposure trip to Columbo, the question always asked is, "What about all those families in the community who are not Women's Coop members?" The answer is invariably "They can see what the benefits of membership have brought to us, and if they want those things, they can join." Rupa reports that many Women's Coop branches in smaller towns come closer to being community-wide, while in larger cities like Colombo, even after decades of presence, savings group members tend to comprise a small percentage of total households in the settlements. In the Kamakura settlement in Colombo, for example, Women's Coop has been active for almost two decades, yet even now, less than 5% of its 5,000 households are members, and the visible evidence of their development is hard to spot.

In practice, these differences between area and member-based get a little blurred. In both models, the goal is clearly to get as many families in as many communities as possible into the savings process, though the strategies to do that may differ. Area-based savings groups may use the promise of member-only benefits to entice non-members into joining the savings groups, while member-based savings groups may use similar tactics to expand membership within a particular community, and may find other ways outside of savings membership to address community-wide and citywide concerns. In some of the Sri Lankan cities supported by the ACCA Program, for example, like Nuwara Eliya and Moratuwa, local Women's Coop branches have worked with Sevanatha and local authorities to set up collaborative city committees which deal with issues of land tenure, eviction, basic services and housing on an ongoing basis. Through these efforts, the leadership of WC members has brought about some improvements for non-savers as well.

But in visible, measurable outcomes, the differences between the two models can be quite striking, and the subject of land tenure shows this most dramatically. In a member-based finance model like the Women's Coop in Sri Lanka, for example, only 1.2 households got secure land for every 100 savings members who got housing and land loans. In an area-based finance model like Cambodia's, however, 550 people got secure land for every 100 savings members who got housing and land loans.

COMPARING MEMBER BENEFITS TO COMMUNITY-WIDE BENEFITS

These figures include loans from the savings groups and through the savings groups from national and city funds	**MEMBER-BASED**		**AREA-BASED**		
	SRI LANKA *(2004-2015)*	**NEPAL** *(2002-2015)*	**THAILAND** *(1992-2015)*	**CAMBODIA** *(1998-2015)*	**PHILIPPINES** *(2000-2015)*
Members got housing/land loans	81,573	8,870	35,169	1,263	2,578
Got secure land (members + others)	980 families	877 fams.	97,672 fams.	6,945 fams.	8,216 fams.
Ratio member loans to secured land	**100:1.2**	**100:10**	**100:278**	**100:550**	**100:319**

BOTTOM-UP vs **TOP-DOWN** in people's savings

"Decentralized power makes everyone feel important, feel recognized, feel useful and needed. When you share leadership and share responsibility among all the members, there is no big burden for one person and everyone improves their skills. The quality of your work improves too."

Anoma Jayasinghe, Women's Coop, speaking in the August 2016 meeting in Bangkok

Most of the structures in our societies are steeped in top-down ways of thinking and fall into top-down patterns, whether it be governance, fiscal budgeting, banking, city management, employment or social structures. In most Asian minds, the collective memories of top-down colonial rule and feudalism are still fresh. Top-down is in the Asian DNA, and a lot of our social and political problems can trace their causes to this mind-set, which leaves so many without a voice, without power and without the belief that they can change anything. That old ghost is hard to evict. So when we set out to design structures for a more bottom-up development - like community savings - which give people on the ground the power to decide and do things, those old top-down patterns have a way of sneaking in and undermining the new freedom we're trying to unlock. This wrestling match between the new bottom-up and the old top-down is a theme that plays itself out, in different ways, in the history of all five community finance systems in this study.

All the savings groups have their roots in informal efforts by poor community members to come together, pool their money and use their pooled funds to address needs in ways they manage themselves. Community saving is fundamentally a bottom-up development system, a bottom-up democracy, because that money comes from every single member of that savings group. Every member has a stake, so every member should have equal power to see, to understand and to take part in everything having to do with how that money is managed and used. But the tendency is to borrow those old top-down organizational and power structures we know so well and drag them into the savings systems. We see it happening again and again: a leader is chosen and then starts lording it over members; a committee is elected and nobody knows what they're deciding; a representative council is formed and then imposes rules nobody wants. Gaps appear between those who provide the money and those who have power over it, and democracy slips so easily into dictatorship. When saving members don't understand or agree, or don't feel they have a say, or feel they're being pushed around, they may lose trust and react by undermining things or withdrawing, so all sorts of problems emerge, and their savings groups will stop growing.

One way to stop this from happening is to ensure everyone participates, everyone has a role. In Sri Lanka, the members of every Women's Coop savings group are leaders with responsibilities in specific subject areas - a system they call "Everyone is a Leader". Thailand's savings groups are embedded in a much larger set of community-based activities which give people many options to be involved and have a role. In Nepal, the savings groups do have their own activities, but their money is kept in the cooperative, not the group, and decisions are made by the cooperative committee, not the savings members. This has left many feeling luke-warm about their role, and in the study questionnaire, most rated participation in the cooperative only "medium." The savings networks in Cambodia and Philippines have likewise struggled over the years with structures that allow cliques of leaders or city-level committees or savings headquarters to dominate, and have had to keep adjusting their organizations to revive stagnating savings and loan repayment crisis and give back the power to the members. *(Somsook Boonyabancha)*

11 How the savings got started

Everyone knows that the particular qualities of a child's parents and home environment have a great bearing on what kind of person that child grows up to be. The same holds true for Asia's community savings movements, where variations in parentage and growing conditions have brought many variations. Here are a few notes on how these five savings models began their lives, drawn from the reports prepared for this study.

1 **CAMBODIA:** The savings process here began in a country still reeling from decades of war, where lots of terrible evictions were happening and there were no community organizations at all. In 1994, an ACHR exchange visit brought a team of poor squatters from Phnom Penh to Mumbai, to learn about the community saving movement of Mahila Milan. The first community savings groups where soon formed in the riverside squatter settlement of Basaac, in Phnom Penh, with support from ACHR and the Indian Slum Dwellers Federation. The savings process grew, and a citywide network of community saving groups was established the same year. Young professionals from the local Urban Resource Center and Urban Sector Group supported this community-driven process with enumeration, community mapping and house modeling. In 1998, the Urban Poor Development Fund was set up, and gave these savings groups new financial tools to think bigger and to implement the city's first community-managed housing and settlement upgrading projects, which showed an inexpensive and people-managed alternative to eviction.

2 **NEPAL:** Twenty years ago, many in Nepal's urban slums were chronically indebted to informal money lenders, whose loans at ruinous interest rates were people's only option. With support from the NGO Lumanti, the first women's savings groups were started in 1997, in three poor communities in Kathmandu, with the idea of providing not only a source of affordable credit, but a means of building women's confidence and economic self-reliance. Everyone agreed to save five rupees a month. After visiting savings groups in India and Thailand, the women began to see many new possibilities and the savings process spread rapidly, first in the Kathmandu Valley and then across Nepal. At first, the loans women took from their savings were small and mostly for meeting day-to-day and emergency needs. But as their savings grew, and as their economic position became more stable, the women began taking larger loans for income generation and housing improvements. In 1991, they began linking these informal savings groups into registered area-based savings and credit cooperatives, and in 2007 as the national-level Community Women's Forum.

3 **PHILIPPINES:** Savings started in 1995, in the sprawling slums surrounding Manila's main garbage dump at Payatas. But the individual micro-loan model they tried first wasn't successful because it required a lot of staff. In 1997, an ACHR exchange program to India showed them a different model, where communities borrow from their own collective savings and manage everything themselves, in area-based collectives. In this model, savings is a strategic process to bring poor women together and build their organization to tackle many issues. So they borrowed the Indian system of savings groups in different communities, where one leader goes door-to-door and collects all the members' savings each day, and brings them to the area resource centers. But this model didn't work either, because the ARCs became very strong, while the members had no power over the money and never built their financial strength as communities. So they switched to a more community-centered saving, where each community manages its own savings and loans, and links with others in city-wide federations, with common activities.

4 **SRI LANKA:** Sri Lanka's long history of government-run community-finance programs stretches back into British colonial times, but it wasn't until the last years of the Million Houses Program that a truly community-managed finance program emerged in the first Women's Bank community savings groups in Colombo, in 1987. At first, the savings program was supported by the National Housing Development Authority, but when the agency's leadership became too heavy-handed and authoritative, the growing network of women's savings groups decided to break away and manage their program independently. The structure they developed, of small, self-managed savings groups of 5-10 members, and larger branches of 8-35 groups, continues to this day. They decided to formalize their savings program in 1990 by registering with the government as a district-level cooperative society. Two years later, as the process spread to towns and cities outside Colombo, they upgraded their registration to a national level cooperative.

5 **THAILAND:** Thailand is the rare case where a rich variety of community savings processes has enjoyed active, sensitive and ample government support for many decades. For the urban poor, community savings started in 1987, under a scheme by the government's Community Development Department. When the UCDO (later CODI) was established in 1992, it energetically initiated and supported community-managed savings groups - and larger networks of savings groups - as the main strategy for building a community-driven development process in which poor people work out their own solutions to the serious problems they face. At first, these urban savings groups made only small loans from their own savings, but bulk loans from UCDO expanded their lending capacity. Then in 2003, Thailand's urban community savings process got another big boost when CODI's Baan Mankong Slum Upgrading Program was launched and required that communities doing upgrading projects organize savings groups to manage the housing projects.

In a community savings process, the DETAILS matter . . .

If the goal of a community savings process is to strengthen poor people - both as individuals and as communities - and to build collective capacities which help build truely bottom-up development systems, then we can ask how well do various aspect of the savings process do that? How can we develop the savings systems in such a way that the people who actually contribute to the growth of the system are the core of a new structure, and so that real power being with the people is part of the system's design? There is no single solution, and there is room for a great deal of creativity in how the details are designed to allow this bottom-up to flourish. When it comes to a bottom-up community savings process, the details matter. Let's take a look at how some of those details play out in the savings processes in the five study countries.

SAVINGS GROUP SIZE? All five countries have tackled the question of how big or how small an ideal savings group should be. For the Women's Coop, the answer is a small group of 5-15 members. If a group grows beyond 15, it divides like an amoeba and forms two groups. Anoma explains: "Five to fifteen is a good size for sitting together and discussing. If you have more than that, it is difficult to make decisions. And 8-35 groups form a branch. If the branch gets bigger than 300 members, or more than 30 groups, we form another branch. This is a manageable scale, for both group and branch size." The more area-based savings models have important strategic reasons for conceiving of savings groups that are community-wide, which means savings groups can grow very large and unwieldy. In Thailand and the Philippines, the community networks have answered this problem by dividing large communities into a number of savings sub-groups of 10-20 members who live close to each other. In Thailand, these sub-groups often operate as independent savings groups and do many other development activities also.

HOW OFTEN DO THEY MEET? All five countries recognize that the savings group meetings are much more than simply occasions to transact savings and loan business. Regular meetings are important opportunities to bring people together, share news and build their solidarity and social strength. Since the Women's Coop started in 1989, the weekly savings meeting has been the building block of their movement, and remains compulsory for all members. The more pluralistic savings systems in Thailand, Nepal, Cambodia and the Philippines have resisted setting strict rules, and let each savings group decide whether to meet weekly, monthly or twice-monthly. But almost all the groups meet at least once a month.

How is the savings collected?

The grandmothers of Asia's savings movement are the Mahila Milan in Bombay, who started their first savings groups among the city's poorest women living on the footpaths of Byculla. In their system, savings deposits were collected by the savings group leader, who stopped by the dwelling of every single member on her street. She collected those savings deposits every day, because most of the women earned daily, as street vendors, house maids, recyclers and piece-workers. Daily, door-to-door collection made it easier for them to save small amounts, before every bit of their earnings melted away in a thousand expenses. The daily savings walk was also a chance for the group leader to check in with each woman, hear the news, and convey problems and loan requests to the area resource center. For many savings groups around Asia, those Byculla Mahila Milan were their first teachers, and that savings walk through the teeming lanes of Byculla burned a permanent picture on the mind of many a visitor.

But when the Women's Coop began a few years later, in a Colombo slum, they tried a different system. The members all brought their savings to small group meetings they organized every week, at one member's house. The idea caught on, because those meetings offered much more than a time and place for savings and loan transactions. The meetings were a lifeline for women who had been isolated by poverty and drained of confidence. Here was a chance to talk with friends and peers, to hear each other's troubles, to know each other's histories, to pass on neighborhood gossip and to offer each other moral support, along with small loans. Sometimes little cups of sweet tea would be made and passed around. In the process, deep bonds of friendship and a new sense of group power were forged.

Over the years, other groups in Thailand, Cambodia and Nepal also found that combining savings transactions with regular meetings was a good way to build the group's solidarity and power. The savings meetings also carried these community groups almost seamlessly from talking about savings and loans to talking about land, housing, settlement upgrading, welfare and other bigger things. In Thailand, which tends to chafe at rules, each group decides how to collect the savings: some save during meetings, some drop-off the savings at the community office and some collect from members door-to-door, in the Indian style. In the Philippines, savings meetings have dwindled in recent years and most group members now just drop-off their savings at the community office or the treasurer's house.

ANY MINIMUM SAVINGS? For many of the savings models, setting rules about minimum savings amounts is a way of motivating members to keep on saving. If the minimums are flexible and low-enough that nobody gets left out, and if each group has the freedom to set savings minimums that match their earning realities (as in Thailand, Nepal and Cambodia), those savings minimums can work as a healthy discipline. In Sri Lanka, every Women's Coop member must save 5 rupees (about US 2 cents) every week, but that amount is low enough that even the poorest woman can do it. In the Philippines, each savings group decides whether to set minimum savings amounts and how much, but most opt to keep the rules flexible, so nobody is pushed out.

DIFFERENT KINDS OF SAVINGS? As the savings processes in the five study countries have matured and grown, they have all added savings options to the basic group savings, to answer different needs among members and to use their collective capital to address bigger problems and plan projects in the community and the larger network. Besides basic savings for the group lending, many now have longer-term savings for housing (Philippines, Thailand) or in interest-earning savings accounts (Sri Lanka, Nepal). Many also have special savings for children and youth (Nepal, Sri Lanka, Thailand), savings as shares in their CDFs or national funds (Cambodia, Philippines, Sri Lanka and Thailand) and savings in community welfare and insurance schemes (all five countries).

WHERE DOES THE MONEY STAY? All of the savings models follow a principal of keeping as much of the savings as possible in constant circulation in loans to members - not in a bank or a locked box. As a newsletter of the Philippines Homeless People's Federation in 2000 put it, "When money is kept in a sugar bowl or in a gold chain, it just hangs around someone's neck, doing nothing. But when money goes into community savings, it gets busy. It helps build houses, start small businesses, overcome crises, pay school fees and doctor bills, build stronger communities and generate more assets, more money and more options for people's futures." But where does the money stay after it's been collected but not yet loaned out, and who controls it? In Sri Lanka, Thailand and Cambodia, the small group savings stays in the small group for its own internal lending, and only those savings deposits or shares made specifically for the branch (in Sri Lanka) or the CDF (in Thailand and Cambodia) go there, so the group retains control of as much of their own money as they want to. But in Nepal, all the member savings goes straight to the cooperative, where the money is kept and the loan decisions are made.

WHO SETS THE RULES? The savings models in Nepal and the Philippines must follow many rules and procedures imposed by the government agencies the savings groups are registered under: the Cooperative Division rules in Nepal and the rules governing Homeowners Associations and Community Associations in the Philippines. In Sri Lanka, Women's Coop is registered as a national-level cooperative, but they have negotiated a degree of freedom in setting their own internal rules and procedures, which are set nationally, not by the branches or savings groups. Even so, within this very clear national framework, they have found ways to allow every savings group and every member to excercise her own power of decision and action. Thailand is often the standard-bearer for a more laissez-faire structure, in which each savings group, each CDF, each network and each community can decide how they'd like to do things and set their own rules, and Cambodia more-less follows this looser model.

WHO MAKES THE LOAN DECISIONS?. Decisions about loans in Nepal are made by a special loan committee in the cooperative, not by the savings group. A visiting team from Thailand in November 2010 found this system very centralized and asked whether it meant the groups lack power and rely too much on the central cooperative? But the savings groups do assess the loan requests and send their recommendations to the loan committee, which usually follows them. In the less centralized systems in Thailand, Sri Lanka and Cambodia, small group loan decisions which use small groups funds are made entirely by the members, while larger loan decisions are made by the branch (in Sri Lanka) or the CDF (in Thailand and Cambodia), using funds people have agreed to save there for those larger loans. In Cambodia and the Philippines, a lot of grant funding for housing and upgrading projects in recent years, which go through the CDFs, have taken the wind out of the sails of the savings groups and lead to some serious problems of diminishing savings participation and growing loan defaults.

HOW FORMAL IS THE SAVINGS SYSTEM? In all five countries, the savings began with purely informal groups, but in some countries have developed into more formal structures, like the government-registered local or national cooperatives in Nepal and Sri Lanka, which provide a legal umbrella to the savings process - and that legal umbrella has some advantages. In Thailand and the Philippines, the savings groups started informally within settlements, but as those communities negotiate land tenure and plan their housing and upgrading projects, they've had to register as legal entities like community cooperatives (in Thailand) or as Homeowners Associations and Community Associations (in the Philippines), which impose all kinds of stiff rules and top-down structures that can undermine people-driven and bottom-up community processes, like savings, even if the savings is kept separate and informal, as in these two countries. The savings process in Cambodia - in fact the entire community movement - remains informal and untouched by any regulation, but has managed to collaborate with various levels of government in ways that have freed up land and resources for the poor.

Community savings **nuts & bolts**

	CAMBODIA	NEPAL	PHILIPPINES	SRI LANKA	THAILAND
GROUP SIZE How many members in the savings groups?	Community-wide savings groups of 10-300 members (some have members out-side the community); no sub-groups	10-30 members in each group, mostly from the same community or nearby communities	Community-wide savings groups of 10-300 members, divided into subgroups of 10-20 members each	5-15 members in a group (scattered in same or adjacent communities), 8-30 groups (max 300 members) in a branch	Community-wide savings groups of 4-400 members, mostly divided into sub-groups of 10-20 members each
FREQUENCY How often groups meet?	Group decides; most meet monthly	Group decides; most meet monthly	Group decides, most meet monthly or less frequently	Weekly	Group decides: most meet monthly or twice-monthly
COLLECTION How savings is collected?	Group decides: most drop off at treasurer's house or save during meetings	During meetings, then group coordina-tor takes savings to Cooperative office	Drop off at the treasurer's house or community office, or collect door-to-door	All the savings is collected during weekly meetings	Group decides: drop off at community office or subgroup collects door-to-door
AMOUNTS Any minimum required savings amounts?	No minimums, up to people's affordability	Have minimums; each cooperative sets its own minumum savings	Have minimums; each community decides	Have minumum for whole country (5 rupees/week) , set by national WC leaders	Most have minimums but some leave it up to members' earnings
SAVINGS How many different kinds of savings are there for members?	**6 kinds:** Savings kept in the group, revolving fund savings, development fund savings, welfare fund savings, contributer fund savings, shareholder fund savings.	**6 kinds:** Compulsory savings, optional savings, piggy bank savings, children's savings, fixed savings, welfare fund savings.	**5 kinds:** Compulsory savings, voluntary savings, land and housing savings, funeral savings, National UPDF fund savings.	**10 kinds:** Compulsory savings, member savings, children's savings, non-member savings, fixed-term deposits, society savings, WB shares, insurance fund savings, welfare fund savings, CDF shares.	**5 kinds:** Compulsory saving, general saving, housing and land security fund saving, welfare shares, CDF shares. Some networks also have children, youth and elderly savings.
DEPOSITS Where does the savings money stay?	Mixed: some stays in the community, some in the CDF	All savings stays in cooperative office, none is kept in the group	Mixed: some stays in the group, some in the community office, some in the UPDF	Mixed: some stays in the group, more goes to the branch	Group decides: some in sub-group, some in community office, some in CDF
RULES Who sets savings rules?	Each savings group sets its own rules	Cooperative sets rules for member savings groups	Some rules set by groups, some by regional federation	Standard rules set by national Women's Coop leadership	Each community sets its own rules
DECISIONS Who makes loan decisions?	Most loan decisions and repayment terms made within the savings group	Cooperative decides, with input and loan guarantee from the savings group	Some loan decisions made within group, some in the UPDF	Small loans decided by group concensus, larger loans decided in the branch	Within the savings group
LOANS What do savings members borrow money for?	Livelihood, agricul-ture, animal-raising, fisheries, transport businesses, housing, land, toilets, water supply, health care, emergencies, disas-ter rebuilding	Small businesses, repay informal debts, toilets, water supply, emergencies, health care, house repair, education, bicycles, rickshaws, agricul-ture, foreign em-ployment, festival expenses, post-disaster rebuilding	Livelihood, settle informal debts, land purchase, housing construction and repair, health care, water supply, legal fees, emergencies, small community infrastructure projects	Livelihood, educa-tion, health care, consumer goods, house repair, toilets and water taps, daily needs, electricity connections, wed-ding expenses, dowries, vehicles	Livelihood, emer-gencies, health care, education, transport businesses, housing, land, group enterprises
FORMALITY How formal is the savings structure?	100% informal, flexible, no legal structures	Must follow the rules and organizational structures set by the Government's Cooperative Division	Community savings groups are registered as HOAs or COs and so must follow those rules and structures	National cooperative registration provides a legal umbrella, but overall structures set by WC members	100% informal, but CODI gives formal gov. support. Up-graded communities register as co-ops
LINKING How is the linkage between savings groups structured?	**Area-based** Community-wide savings groups link together as city, dis-trict or province-level networks around the CDF, and nationally under CSNC	**Member-based** Savings groups in communities within 5 adjoining wards register as S&C Cooperatives. These cooperatives link nationally as CWF	**Area-based** Savings subgroups link under HOAs and CAs, which link into citywide and sub-regional networks, and nationally under the HPFP	**Member-based** 8-35 savings groups of scattered mem-bers make a branch, and all branches are linked under Women's Coop, a registered national cooperative	**Area-based** Community-wide savings groups link into city, district and province-wide networks, with a loose national learning platform

12 Comparing the five **city fund** models

Many of these city funds are the product of conscious interventions and strong leadership, but none of them appeared out of the blue. All these funds grew in a soil already made fertile by years and years of hard work by poor communities, running their savings and credit activities, building their networks, planning their development projects and both teaching and learning from their peers in other cities and other countries across Asia.

THE CHALLENGE OF CITY-BASED DEVELOPMENT FUNDS

Ultimately, there are limitations to collective finance systems that come only from people's own pockets. Particularly with land and housing, which requires a level of investment that goes well beyond the capacity of individual community savings groups, or even large savings networks. There is a need for larger sources of finance, and that brings us to the national funds and the city-based development funds (CDFs), which are both now adding financial strength to the community savings and finance systems in all five countries.

In the Philippines, Thailand and Cambodia, national funds were the first to begin channeling larger loans for housing, land and other purposes to the savings groups and community networks, and the city funds came later. In Sri Lanka and Nepal, where the savings groups and intermediate local funds are integrated into a single system, the savings groups and CDFs have grown together. But the city development fund, which is the main focus of this study, is the important step now for Asia's community-driven development.

During the past three decades, as the community finance systems in these countries have grown in scale and sophistication, the challenge has been how to integrate them into the formal and public systems of finance and urban development, so that the cities and countries in which they operate become more balanced and more people-friendly. There is plenty of evidence now that the people-driven approach to solving the enormous problems of housing, land and poverty works, and with the right support, can reach the real scale of the problems. But what continues to be a problem is that the national and city systems are slow to recognize this potential in people and slow to support this bottom-up approach. They keep looking, instead, to the same old solutions from the government or the private sector, which aren't working and which may promote economic growth, but aren't strengthening people. And for the most part, conventional systems of formal finance still aren't reaching the poor or allowing them to address their own problems.

But there is cause for optimism, and this community finance study is showing that in several countries and many cities, the new CDFs are linking the community networks and people's systems to the more formal structures of their cities, and accomplishing many things. On the community side, the CDFs move the community savings from isolated groups into a larger, citywide structural system, with the scale and clout to negotiate with the formal development process in different ways. There are different CDF models, and the models may work better in one context or another, or may address some needs better than others in the community. But when we examine the different aspects of how these CDFs work, and understand the principles which underlie those aspects, there are many lessons to be drawn.

100% DEMAND-DRIVEN FINANCE

The form these new city-based finance mechanisms take is designed to fit with the often messy, non-standard lives of poor community members, and the finance "products" they offer are determined entirely by the specific things those poor community members need. Compare that to conventional banks, which offer specific loan products for specific purposes, with specific requirements which most poor households can never hope to meet: requirements like collateral, title deeds, credit records, regular sources of income and all sorts of papers, signatures and rubber stamps of every color and shape.

All of the CDF models, on the other hand, try in different ways to offer flexible finance which meets those real needs as they arise, with as little fuss and bureaucracy as possible. It's no surprise that all five of the CDF systems in the study devote much of their lending to helping people start and expand small businesses of all kinds, to boost incomes and strengthen family economies. Most give loans for housing improvements and to pay off crippling high-interest debts from money-lenders. And in countries where public-sector social safety nets are almost non-existent, the CDF models have all developed mechanisms for building their own community-funded and community-managed welfare programs, which provide grant support to the elderly, the sick, the pregnant, the homeless, the unemployed and the bereaved - and by doing so create communal systems for poor communities to meet the needs of their own most vulnerable members. Besides responding to these common credit and welfare needs, the five countries have developed some interesting demand-driven credit lines of their own to respond to their unique local needs:

- **CAMBODIA:** The CDFs in Cambodia have developed a range of loans which help poor families living on the semi-rural outskirts of cities to boost their incomes and feed their families by developing both individual and collective farming, fisheries and animal-raising projects.
- **NEPAL:** The cooperatives in Nepal give a lot of loans to women to build their own toilets, to make unnecessary the dangerous and unhealthy practice of open defecation. They also give loans to families to pay the fees to send family members abroad for better employment opportunities.

- **PHILIPPINES:** The federation in the Philippines has developed many techniques for using savings and credit funds to help disaster-hit communities to collectively repair their houses and start earning again after typhoons, earthquakes, volcano eruptions and landslides.
- **SRI LANKA:** Besides it enormous program of internal lending for all sorts of purposes, the Women's Coop recently established a special fund which they use to do relief work in flood-affected communities and to support development projects that include non-members.
- **THAILAND:** The CDFs in Thailand have supported some creative community-enterprises, such as a communal rice-farm, a bottled water plant, a community construction cooperative and a transport enterprise run by motorcycle taxi drivers.

How savings led to city funds in the five countries:

1 CAMBODIA: The savings process started in Phnom Penh, and the Urban Poor Development Fund was set up to partner with the savings network and provide loans for its early housing and upgrading projects. As the savings and community-driven development process expanded to other cities, UPDF expanded its financial support also. But because the UPDF operated under an MOU with the Phnom Penh Municipality, it became awkward to stretch its operations so far outside the city. So local CDFs were gradually established in areas where the savings groups were expanding, many in collaboration with local authorities. With support and capital grants from ACHR, ACCA and the new national version of the UPDF (the Community Development Foundation), the capacity of these 23 provincial CDFs has grown, financing innovative and collaborative housing, upgrading and livelihood projects around the country. This study covered 19 of these CDFs.

2 NEPAL: There are 29 women's savings cooperatives in Nepal now. Each cooperative pools all the combined savings of women savings group members within a legally proscribed area of five adjoining wards, and each functions as an independent revolving loan fund for its members. In smaller towns, these cooperatives cover most of the poor settlements in town, while in larger cities like Kathmandu, they cover areas the size of a district, and there are several cooperatives in the city. For this study, we consider these completely self-run and self-financed cooperatives as CDFs. Nepal also has another set of city-based CDFs, which they call Urban Community Support Funds (UCSFs). These funds were seeded with grants from ACHR's ACCA Program and, in some cases, from matching grants from the local government, and mostly assist poor communities facing eviction and involuntary resettlement. The UCSFs are more collaborative in nature than the cooperatives, being jointly managed by the cooperatives, local community organizations and the local governments. UCSFs have been launched in nine cities, but only five are still active. This study covered 20 of the cooperatives (not the UCSFs).

3 PHILIPPINES: For several years, the savings groups in the Homeless People's Federation had only their own small savings to draw on for loans. But when some savings groups with good savings began "interlending" to savings groups in other cities, to help their friends buy inexpensive land when it became available, the idea of establishing some kind of joint fund was hatched. The UPDF became a loose national umbrella for a growing family of city-based loan funds, which continued the interlending of people's own savings money. While some funds remained at the national level in UPDF, outside funds from ACHR, ACCA, UPFI and HI helped to strengthen the 14 city-based funds around the country to support a variety of housing, land acquisition and upgrading projects locally, many in collaboration with their local governments. 12 of those city funds were included in this study.

4 SRI LANKA: From the beginning, the Women's Coop established a system of small savings groups of 5-15 members and branches of 8-30 groups, which pooled poor women's savings at both the group level and the branch level. As the process grew and spread across the country, the units of the group and the branch remained the same, but kept multiplying. In small towns, the branches became a kind of CDF for all the members in that town, while in big cities like Colombo, they became like district CDFs. For this study, we consider the 277 Women's Coop branches around Sri Lanka, which are 100% women-run and 100% women-financed, as CDFs. 185 branches were included in the study.

5 THAILAND: Thailand is the rare country with a strong and progressive support system for the people-driven development movement, in the form of CODI, a national loan fund and support institution that operates as an independent government agency. Easily-accessible loans from CODI for housing, land, upgrading and livelihood have left poor communities less motivated to save, but more keen in recent years to develop local funds which they control themselves, in case political changes sweep CODI away and leave the poor high and dry. The city-based CDFs are a recent addition to Thailand's community finance portfolio, but are already active in 116 cities. Some emerged as expansions of already-established citywide welfare funds, and some were started by networks of veterans of Baan Mankong community upgrading projects. Some were seeded with capital grants from ACHR's ACCA Program and various matching grants from CODI. 63 of these CDFs were included in the study.

12

HOW THE CDF SYSTEMS ARE STRUCTURED

All the community finance systems in the study began with small savings groups, and each country's system of CDFs has developed into a more complex and diverse structure to suit the contexts in each country. Here is one comparative take on the how the structures of the community finance systems in the study fall into three overall categories:

1 **SINGLE "BANK" MODEL:** Women's Coop in Sri Lanka is registered and operates as a cooperative bank. But unlike its commercial-sector counterparts, the Women's Coop is run totally by community women and promotes a culture of communal savings. The Women's Bank's structure consists a head office and a country-wide network of branches, which link together small informal savings groups of 5-15 women, all of whom are tasked with specific leadership responsibilities. The groups hold weekly meetings and engage in savings and lending, as well as other development activities. About 10-30 of these savings groups constitute a bank branch. Each group selects a representative to sit on their branch management committee, and the branches elect the National Executive Council, which is the supreme body of the coop. The Executive Council issues some policy and operational guidelines, but all the decision-making on lending transactions lies with branch management and the savings groups, each of which retain and manage a portion of the collective savings. This kind of decentralized structure and decision-making encourages the active participation of the grassroots women members, and the savings groups are very strong. The coop relies on savings as its only source of lending capital and does not borrow elsewhere or receive significant donor funding. Apart from savings and loans, the bank also provides other services including welfare, insurance and healthcare for its members and their families.

2 **FEDERATION MODEL:** The CDF model in the Philippines comprises the Homeless People's Federation of the Philippines (HPFP) as the mother institution, presiding over a satellite network of regional area resource centers (ARCs), which link together a number of cities in that region, each with its own network of community-based savings groups. The HPFP savings groups in the Philippines all register themselves as home owners associations (HOAs) if they already have land or are in the process of buying it, or as community associations (CAs), if they don't have land yet. The strength of this model is that the federation is the core, but it is not a power hierarchy so much as a national and regional support system (which includes the federation's national Urban Poor Development Fund) for a network of citywide community networks and their local CDFs. The Federation issues some policies and guidelines about lending and operations, and staff from the center and the regional ARCs go to the cities to help with savings training or repayment problems. But the savings groups and CDFs are managed by the city-based community networks and have a lot of autonomy in setting their own lending priorities and loan terms and make all the decisions about managing their own funds and implementing their projects. The regions, cities and community-level organizations can all rely on the federation for any assistance. But there have been problems of community groups lacking motivation to collectively solve their own internal problems.

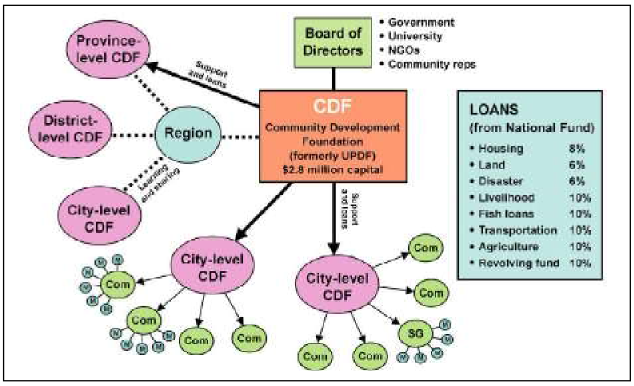
3 **NETWORK MODEL:** The CDF systems in Thailand, Cambodia and Nepal are similar in that that there is no mother organization, as in Sri Lanka and the Philippines. All of these systems comprise savings groups at community level, which then link together into larger networks, which manage the funds pooled from the member savings groups as revolving loan funds. In Cambodia and Thailand, the savings groups are community-wide, while in Nepal's cooperatives, each group include 10-30 women who could be scattered across the same or adjoining settlements. In the more area-based systems in Thailand and Cambodia, the networks are citywide, and the CDFs (whose lending capital comes from both pooled savings and outside sources) are managed by the citywide networks. The more member-based cooperatives in Nepal link savings groups scattered across communities in five adjoining wards and pool all their savings into a single cooperative fund (which so far does not have any outside funds). All three models have loose national networks which link the city-based networks and cooperatives for purposes of learning and mutual support. And in the Thai and Philippines models, there are also intermediate regional networks, which serve a supporting, linking and cross-learning function for the cities.

Lots and lots of **WOMEN** in this show . . .

In Nepal and Sri Lanka, the CDF and savings are proudly managed and led entirely by women. Sri Lanka allows only women to be members, although women may take loans on behalf of their husbands. Nepal's cooperatives allow men to be members (and there are a few) but not to make decisions. There are no such gender restrictions in the CDF and savings processes in the Philippines, Cambodia or Thailand, but in all these countries, women are prominent in the process and outnumber men by a long shot. To understand why this is so, you need only observe who in most households takes care of the children, does the marketing, cooks the meals, buys the clothes, repairs the house and has the skill to stretch meager household budgets to keep everyone going.

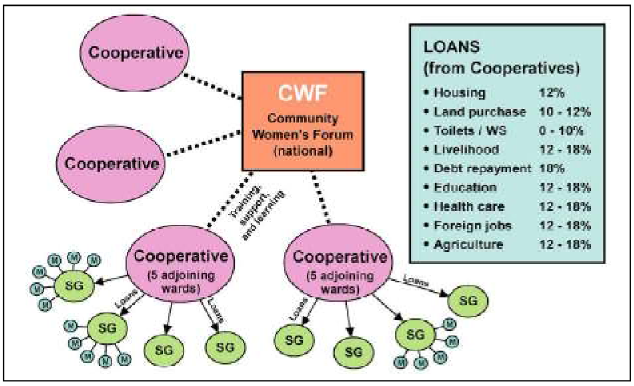
CAMBODIA

The CDFs in Cambodia, which operate in citywide, district-wide or province wide areas, link all the savings groups in their constituency. The CDF's lending capital blends shares and pooled community savings groups with contributions from local government agencies and outside capital from donors and the from the national Community Development Foundation. The CDF works like a bridge between poor communities and their local authorities, and is a focal point for collaboration on structural issues like land, housing and infrastructure. Each CDF sets its own rules, loan terms and lending priorities. Many CDFs try to build collaboration in the management structure and are managed by mixed committees which include a majority of community leaders, with local government officials and other supportive local actors.



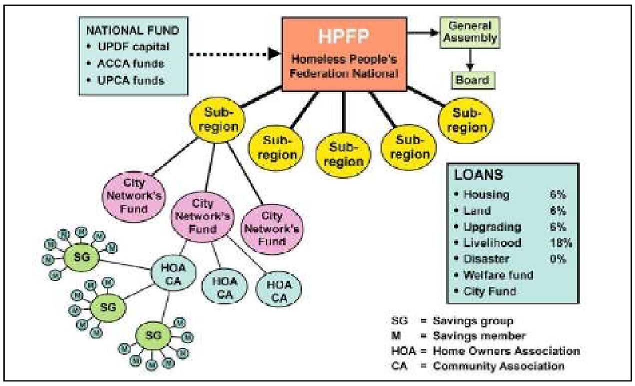
NEPAL

A women's savings and credit cooperative pools all the savings of its member savings groups within an area of five adjoining wards and uses those collective savings as a single revolving loan fund, which offers loans to members, according to terms set by each cooperative. The savings groups meet monthly and each chooses a coordinator to collect the savings and loan repayments and coordinate between members and the cooperative. Each cooperative is governed by an executive board, with representatives elected by the savings groups, and managed by three sub-committtees responsible for education, accounting and loans. The cooperatives are fully independent but do some inter-lending. Since 2007, they have linked together under the national CWF network, which provides a learning and support platform.



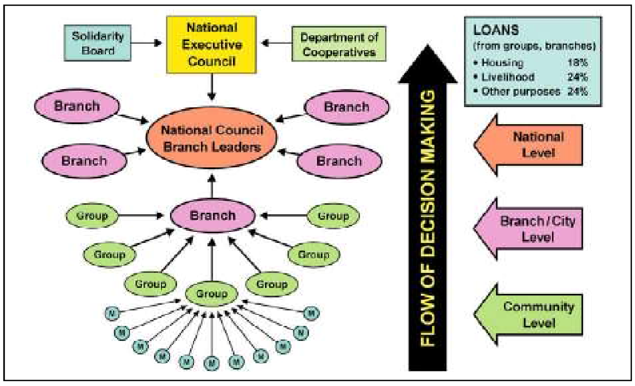
PHILIPPINES

The CDFs in the Philippines are all managed entirely by committees of savings group members who are part of the Homeless People's Federation. The lending capital is drawn partly from shares and pooled savings from the member savings groups, and partly from donor funds earmarked for specific housing projects. The CDFs are financially and administratively autonomous, and each sets its own loan terms, membership requirements, auditing procedures and meeting schedules. The national Urban Poor Development Fund, which provides an institutional umbrella for these city-based CDFs around the country and channels outside funds to them, is managed by a mixed board which includes a majority of federation leaders and representatives from local government and the federation's support NGO PACSII.



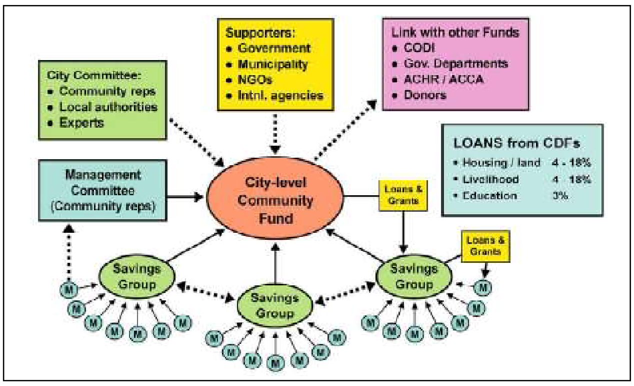
SRI LANKA

In the Women's Coop system, the basic unit is the small savings group of 5-15 members who meet weekly to save and transact loans. 8-30 of these small groups form a branch. Each savings group chooses a leader to represent them at the branch level, where the group leaders elect the management committee, which takes decisions about loans and other matters. The savings groups keep some of their savings but save larger amounts with the branch, which operates like a larger revolving loan fund. The branches also manage a variety of welfare and health programs. Both groups and branches have complete decision-making power over the money kept at their level, and no money leaves the city. The national leadership provides direction and support, and is funded by small monthly contributions from members.



THAILAND

The CDFs are a recent addition in a country where one of Asia's strongest and most progressive national government funds, CODI, has long been the main support system for Thailand's community-driven development movement. The CDFs give that movement a more autonomous and more city-oriented financial tool. The CDFs are managed by community members and networks in the cities or districts where they are based, many with government officials and other local stakeholders invited to sit on the management committees. Each CDF sets its own loan priorities and procedures. The lending capital blends savings and shares from member communities, donor grants and funds from CODI, in the form of grants for welfare and insurance funds and bulk loans for community upgrading projects and other purposes.



DIFFERENT STRUCTURES OF INCLUSION

Like the savings and credit systems they align with, the CDF models in our five study countries include CDFs that are area-based and CDFs that are membership-based. To these two categories, Thailand adds a third: issue-based CDFs. These different forms of financial collectivity embody different attitudes towards how development happens and employ different strategies - sometimes to achieve the same ends. But this is not a contest, and the important thing is to understand how by emphasizing these different modes of inclusion, community groups can face different constraints and achieve different ends.

- **MEMBERSHIP-BASED:** The more membership-based CDF systems in the Women's Coop in Sri Lanka and the women's savings cooperatives in Nepal tend to be quite strong on delivering clearly-defined benefits individually to those who become members, but less strong on addressing the more structural and community-wide and citywide issues like land tenure, housing and infrastructure. In these CDF models, the visible results of the development tend to be more uneven, with some members doing very well, while many households around them who are not members, or poorer members, do less well.
- **AREA-BASED:** The CDF models in Thailand, Cambodia and the Philippines (as well as the five city-based Urban Community Support Funds in Nepal) have all been structured in ways which strengthen the whole community and the whole city as the two primary units of change for the urban poor, and seek to use their financial tools to address structural issues like housing, land, poverty and basic services in more comprehensive and citywide ways, in collaboration with local governments and other local stakeholders, as much as possible. In Thailand, for example, 81% of the CDFs which took part in the study are area-based, but their constituencies differ: some have been formed by community networks within the same district (like Bang Khen District in Bangkok), within the same city (like Chum Phae), or within the same province (like Nan or Ubon Ratchatani Provinces).
- **ISSUE-BASED:** 9% of the CDFs that took part in the Thai study were set up by community networks facing common problems such as eviction, land tenure insecurity or homelessness, and these CDFs also specifically use their financial tools and networking strength to address larger, structural issues which their individual member communities cannot deal with alone. The CDFs give these embattled networks a powerful new financial tool to bolster their negotiations for land, for recognition and for access to resources. One issue-based CDF, for example, is the one organized by the network of communities squatting on land belonging to the Southern and Western Railways. Communities squatting on public land under Bangkok's traffic bridges also have their own network and their own CDF now too, as does the network of homeless people in Bangkok and Thonburi.

"The area-based and issue-based systems seem to be oriented more to improvements that require negotiations with the state, while the membership-based systems are more oriented to the market."

Diana Mitlin, International Institute for Environment and Development

WHERE DOES THE CAPITAL IN THE CDFs COME FROM?

- **SELF-FUNDED:** The lending capital in Nepal's cooperatives and in Sri Lanka's Women's Coop branches is 100% from member savings and shares - no outside funds at all.
- **DONOR-FUNDED:** The lending capital in the CDFs in Cambodia and the Philippines comes mostly from outside donors (79% in Cambodia and 95% in Philippines), with much smaller contributions from community members (20% in Cambodia and less than 1% in Philippines), and from government (1% in Cambodia and 5% in Philippines).
- **MIXED FUNDING:** Of the $3.3 million total capital in the 63 CDFs included in the Thai study, 58% came from community members (in the form of savings, shares, welfare and insurance fund payments), 39% from CODI (in the form of seed grants for various purposes and bulk loans) and outside donors (mostly in the form of grants from ACHR's ACCA Program), and 3% from interest earned on loans.

WHERE THE CDF CAPITAL COMES FROM *(includes info only from the CDFs in the study)*

(All figures in US$)	*from community members*	*from government sources*	*from local and foreign donors*	*from other sources*	*TOTAL capital in the CDFs (US$)*
CAMBODIA (19 CDFs)	131,674 (20%)	2,300 (1%)	513,500 (79%)	0 (0%)	647,474 (100%)
NEPAL (20 cooperatives)	5,031,632 (100%)	0 (0%)	0 (0%)	0 (0%)	5,031,632 (100%)
PHILIPPINES (12 CDFs)	973 (0%)	86,887 (5%)	1,853,375 (95%)	0 (0%)	1,941,235 (100%)
SRI LANKA (277 branches)	13,404,109 (100%)	0 (0%)	0 (0%)	0 (0%)	13,401,109 (100%)
THAILAND (63 CDFs)	1,908,923 (58%)	1,181,023 (36%)	164,000 (3%)	100,301 (3%)	3,354,247 (100%)
TOTAL	**$20,477,311 (84%)**	**$1,270,210 (5%)**	**2,530,875 (10%)**	**100,301 (1%)**	**$24,378,697 (100%)**

NATIONAL FUND FIGURES FOR FOUR COUNTRIES

(all figures in US$)

	Fund started	CAPITAL IN FUND: Funds from people	Funds from government	Funds from others	Total capital in fund	LOANS (# households benefitting in brackets): Loans for housing, land	Loans for livelihood	Loans for other	Total given in loans	GRANTS: Various Grants
CAMBODIA CDF / UPDF	1998	225,530	15,250	2,562,781	2,800,561	1.82m (4,850 hh)	589,613 (5,482 hh)	6,210 (826 hh)	2,418,923 (11,158 hh)	439,400
PHILIPPINES National UPDF	2000	184,277	329,308	187,564	701,150	191,031 (1,203 hh)	56,968 (215 hh)	67,285 (579 hh)	315,284 (1,997 hh)	33,572
SRI LANKA CLAF-Net	2005	0	0	733,159	733,159	1,176,933 (1,313 hh)	404,625 (2,655 hh)	53,830 (277 hh)	1,635,388 (4,245 hh)	230,446
THAILAND CODI	1992	0	200m	0	200m	171m (150,048 hh)	16m (50,000 hh)	18m (15,000 hh)	205m (215,048 hh)	279m
TOTAL		**$409,807** *(people)*	**$200.3m** *(govmt)*	**$3.5m** *(other)*	**$204.2m**	**$174.2m (157,414 hh)**	**$17.05m (58,352 hh)**	**$18.13m (16,682 hh)**	**$209.38m (232,448 hh)**	**$279.7m**

BACKGROUND: national funds in four countries

This study primarily focuses on city-based community development funds, so we won't give too much attention to the national funds which exist in four of the five study countries (Nepal's national CDF just got started). But because these national funds play a big role in supporting and strengthening the city-based CDFs, it may be useful to review them briefly here.

1

CDF in CAMBODIA: The Urban Poor Development Fund was set up in 1998 as a collaboration of ACHR, the Municipality of Phnom Penh and the city's network of community savings groups. The idea was to create a revolving fund to provide loans to poor communities for their housing, upgrading and livelihood initiatives, through their savings groups, and to use the fund to pool efforts in partnership and development. The flexible finance that UPDF offered helped Cambodia's growing community movement to scale up its initiatives in livelihood, housing, upgrading and welfare. But as the savings and community-driven development process expanded beyond the UPDF's original city-based scope, it was obliged to shrink back to being a city-based fund, and the Community Development Foundation (CDF) was established to take over the national support role. As part of the transition, part of the UPDF's lending capital was distributed among the country's provincial and city-based CDFs, part was set aside as a national fund and part was kept in the UPDF for Phnom Penh.

2

UPDF in PHILIPPINES: For many years, PACSII, the NGO partner of the Homeless People's Federation, had been the conduit for outside grant funds which helped finance the federation's community-driven housing and land acquisition projects around the country. As the loans were repaid, everyone felt the need for a place to "house" those funds locally, so they could support more housing and livelihood projects. Several local funds were started informally, and some even began making loans to friends in other cities to help them buy land. The Urban Poor Development Fund (UPDF) was launched in 2000 to provide a national institutional umbrella for this growing family of city-based CDFs being managed by the federation, and to be a magnet for more funds, bank loans and people's resources. Decentralizing external resources to regional and city-based loan funds, rather than keeping it at the center, was seen as a means of putting the money under the direct control of the people who need it, and as close to them as possible. The UPDF is managed by a mixed board, which includes a majority of federation leaders and representatives from local government and PACSII. The fund is accessible to active savings members, who are directly involved in the fund's management, as capital shareholders.

3

CLAF-NET in SRI LANKA: The Community Livelihood Action Facility Network (CLAF-Net) is a national revolving loan fund that was set up after the 2004 tsunami, with seed capital from ACHR. The fund is jointly managed by Sevanatha and Women's Coop and other community organizations. Initially, the fund focused its lending on tsunami-affected communities, providing individual loans to savings members to restore their livelihoods or repair their damaged houses. Between 2009 and 2014, all the funds from ACHR's ACCA Program for Sri Lanka (about $1 million) were added to the CLAF-Net fund's lending capital and used to give loans for various purposes (housing, land, toilets and livelihood) to Women's Coop members around the country. Although it has partnered with other organizations, most of CLAF-Net's loans go to Women's Coop members who meet their internal lending criteria. Loans of up to $1,670 are given for housing, land, toilets and livelihood, at 8% interest, and repayable in 18 to 36 months, through the savings groups and branches. CLAF-Net now meets most of its staff and overhead costs through the interest earned on loans.

4

CODI in THAILAND: Since 1992, the Community Organizations Development Institute (earlier UCDO) has promoted large scale change by people, by creating space for urban and rural communities to design and implement comprehensive, large-scale solutions to their problems of poverty, housing, land and livelihood. As an independent public organization, under the government's Ministry of Social Development and Human Security, CODI is freer than conventional government agencies, and it's chief tool has been the CODI fund, which supports this community-driven development processes with flexible finance. Since 2003, CODI's Baan Mankong Program has channeled housing and land loans and infrastructure subsidies to poor communities, which plan and carry out improvements to their housing, environment, basic services and tenure security, using budgets which they manage themselves, in collaboration with local governments and other stakeholders. This national program puts Thailand's poor communities and their networks at the center of a process of developing long-term, comprehensive solutions to problems of land and housing in Thai cities. CODI has also supported the formation and strengthening of independent CDFs in cities around the country, with grants and bulk loans.

12

HOW ARE CDF OPERATIONS AND ACTIVITIES FUNDED?

This is a life-or-death issue for all of Asia's community movements, because even the most frugal people's process requires some money to fund the activities which strengthen and expand their process: meetings, outreach, travel, workshops, trouble-shooting, bookkeeping. How community organizations and networks pay for these expenses has a direct bearing on the freedom, integrity and continuity of their movements. Using donor money or government budgets is one option. But donor funding agendas are fickle and grants are short-term; governments change and fiscal budgets are cut. Self-funding is an option that can free a community movement from dependence on funding sources that are unreliable and beyond its control. And CDFs offer self-funded movements many ways of funding their activities with member shares or special budgets set aside from a portion of interest earned on loans. *(More in the discussion about interest rates later on)* A few notes on process funding sources from the five reports:

- **SELF-FUNDED:** All of the Women's Coop's operations, overheads and activities are funded by its members. Every member pays one rupee every month for national coordination and three rupees to support branch-level activities like housing, health, education, children, culture and others. With 80,000 members, that means the Women's Coop has about 1.3 million Rupees ($8,500) every month for national coordination and branch activities. Each branch also sets aside 1.5% of its total interest income for training "the educated daughters" of Women's Coop members to be their auditors. The women's cooperatives in Nepal are likewise 100% self-funded, and pay for all their meetings, travel, outreach and training activities with member shares and a portion of interest earned on loans
- **DONOR-FUNDED:** For many years, the core budget which supports community network building, coordination, savings support, exchange learning and outreach in Cambodia and the Philippines has come from donor grant funds. The community networks in both countries have mastered the art of using those donor funds very frugally, but when they were held up or stopped coming entirely, as happened in both countries, there were disastrous consequences. The national CDF fund in Cambodia has responded to this crisis by experimenting with using a portion of the interest income to support administrative and technical support expenses and hopes to scale this up. The federation in the Philippines is also looking at the possibility of funding more of their activities with interest income on loans from their funds at national and city levels.
- **MIXED FUNDING:** The considerable support that CODI provides to community activities and projects in Thailand, in the form of loans, grants and community process support, all comes from the government funds and fiscal budgets. But as the community movement has matured and community networks have taken over most of their own grassroots organizing and support work, they have made efforts to wean themselves from dependence on CODI, to make their movement more self-funded and more self-sustaining. CODI has supported these efforts, and the Thai communities and networks have developed many techniques for using a margin of the interest earned on loans from CODI to finance their various activities. These independent CDFs - which blend funds from communities, CODI and donor organizations, and which networks manage themselves - are a big step in that strategic direction towards greater autonomy and financial independence for Thailand's community movement.

"They seem to be so rich . . ."

"In Thailand and Cambodia, we hear many complaints about lack of funds all the time: *We need more donors! More outside contributions! More money for management!* The wish list is always very long. But in the Women's Bank, we see a model in which all the money comes from the people. And they seem to be so rich! They have so many different funds, so many different kinds of activities - hospitals, education, welfare, children, housing, insurance, funerals. Nobody seems to be bothering to complain about needing more money. They have money for all these activities, and all of it is people's money. These women are showing us one way to make the city development fund work, at national scale, at city scale, at community scale, at group scale and at individual scale. It can work, using totally money from the people. And no need to complain." *(Somsook speaking at the August 2016 meeting in Bangkok)*

A NOTE ABOUT OWNERSHIP

When we see the capital contribution figures for the CDFs in the study and their activity support systems, then set these aspects beside the savings membership figures and loan repayment rates, it's hard not to draw some conclusions about ownership and about the delicate relationship between outside funding and inside community investment. Two points to consider on this aspect of ownership:

- The more of their own resources communities invest in their CDFs, the more ownership they feel, and the more motivated they are to save, to repay loans and to make sure their funds grow, because everyone feels responsible, everyone feels it's their own resource at stake. A lack of other resources makes people more serious about their own resources. Sri Lanka and Nepal bear this idea out beautifully, where we see 100% self-funding and 100% loan repayment and fast-rising savings membership.

- But when outside grant funding and outside-driven processes overwhelm community contributions, and people lose their sense of ownership and responsibility, savings slows down, repayment problems grow and the whole community-driven development process stagnates. We see this most dramatically in the two countries with serious loan repayment problems and declining savings membership, Cambodia and the Philippines, which are also the two systems with the most precarious and donor-dependent support systems and the lowest community investment in the CDFs. Both countries have experienced serious crises recently when their donors held up funding for several years, while accounting and auditing problems were sorted out. This happened at the same time a lot of grant funding for housing and upgrading projects was flowing into their CDFs from outside. As a result, some very good housing and upgrading projects were planned and implemented, but other activities slowed down, morale collapsed, savings plummeted, loan defaults zoomed and the community movements in both countries lost ground.

Community finance systems across Asia are, of course, in great need of outside capital, to allow communities to take their housing, upgrading and other development initiatives to scale. But what the striking figures below show us is that a sense of ownership is essential if communities are to make best use of the CDFs they manage themselves, and to see them as vital tools in their own self-development process - no matter what the balance is between inside and outside money in those funds. Let's look at some of these aspects of ownership and compare how they play out over the five CDF and savings models:

COMPARING SOME INDICATORS AROUND OWNERSHIP

Indicator	CAMBODIA	NEPAL	PHILIPPINES	SRI LANKA	THAILAND
Community investment in total CDF capital	7%	100%	1%	100%	58%
Outside investment in total CDF capital	93%	0%	99%	0%	42%
Savings trend between 2007 and 2015	fell 7%	grew 345%	fell 82%	grew 33%	fell 43%
CDF loan default rate	20 - 60%	0%	25 - 99%	0%	3 - 6%
How community / CDF activities funded?	donor-funded	self-funded	donor-funded	self-funded	mixed
How many different kinds of savings?	6 kinds	6 kinds	5 kinds	10 kinds	4 kinds
How many activities do the CDFs support?	5 activities	8 activities	4 activities	13 activities	5 activities

Now it's the turn of Cambodia and the Philippines to struggle with these systemic problems. But they have company in their woes, because all community movements go through such crises. Khun Prapaat, a seasoned community leader from Bangkok's Bang Khen District, had these reassuring words to offer during the August 2016 Bangkok meeting: "We have all had lots of problems in the structure and details of the fund and savings process in our countries. Don't feel bad. Those bad loan repayment figures are warning signals that there are problems in the system, not problems of people individually. We should see those problems as a chance to look more into the details about the savings and fund activities, and make adjustments. This is a chance to correct things that are wrong and to take a step forward."

Turning a **crisis** into a chance to learn and progress . . .

The repayment crises in the Philippines and Cambodia were a point of considerable discussion and sympathy during the August 2016 meeting in Bangkok, for they were among friends. Here are a few points raised, which have much to tell us about resiliency in a community movement and the capacity to use problems with community finance systems to move forward:

Anoma: Our strength is in our savings and our members and our small groups. Our only way out of poverty is to strengthen those three things, which are the real roots of our communities. That savings and those members make us strong in the society. If we have money, we can bargain with the government and with donors or local authorities. So don't worry about losing your membership. Every month, some members are joining Women's Coop and some are going away. It's natural to go up and down like that.

Prapaat: We faced similar problems in Bang Bua. There was corruption, the leader had problems, the community lost trust and stopped repaying their loans, everybody was fighting. It got very bad. Se we asked the network to come help. At first, they did the same thing you are trying to do in the Philippines: the network leaders went around in person, collecting loan repayments from the members. After a while, though, they felt that wasn't the right way and didn't really understand the dynamics inside the communities. So they brought all the people into a discussion, to understand where the problems were, and to see how to reorganize the whole thing. After some time, the community people reorganized, resolved the problems and took charge again. And in the process, they brought their development to a new stage.

Somsook: We have to remain critical about what is happening in our process. We shouldn't be too proud of our community finance systems, or things stagnate, small problems become big problems. We have to keep cleaning up our house, not just once, but constantly: watch out for problems, see where the weaknesses are, see how we can make our systems stronger and deeper and more balanced. Whether it is our community system, or our city system or our national system - we have to keep looking, keep adjusting and keep shaking things, because that kind of housekeeping improves the quality of our movement, so that everyone in it understands and feels proud and strong.

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WHO MANAGES THE CDFs?

The CDF systems in Nepal, Sri Lanka and the Philippines have all made it a point of pride that they are 100% managed and 100% controlled by their savings members, without any interference or bullying or hijacking by government agencies, NGOs or other non-community partners.

- **NEPAL:** The S&C cooperatives are governed by executive boards, which are composed of representatives elected by member savings groups. Elections are held every two years to elect a new board. Under the board, each cooperative has sub-committees on education (which helps form new savings groups and gives savings training and support), accounting (which monitors and manages all the accounts), and loans (which makes decisions on loans and manages repayments). The cooperative has an office somewhere in the community that is easily accessible to members. Each savings group chooses its own coordinator to carry the savings to the cooperative office, after the monthly meeting. This woman also coordinates between the savings members and the cooperative. All the members gather once a year for a general assembly, when the board reports on the cooperative's progress and activities.

- **SRI LANKA:** Another case of management purely by community women is the Women's Coop. In the savings group, all 5-15 members have leadership responsibilities in particular sectoral areas, and one leader is chosen to represent the group at the branch level, where the group leaders elect a management committee from among themselves. This committee makes decisions about loans and other matters. The branches also manage a variety of branch-level social programs, funded by members. Both groups and branches have complete decision-making power over the money saved and loaned at their level, and no money leaves the city. The national leadership, which is elected by the branch leaders, provides direction and support, and is funded by small monthly contributions from members.
- **PHILIPPINES:** The national Urban Poor Development Fund, which provides an institutional umbrella for the federation's CDFs around the country, is managed by a mixed board which includes a majority of federation leaders and representatives from local government and the federation's support NGO PACSII. But the CDFs in the study are all managed entirely by committees of savings group members, who are also shareholders in the fund's capital. The CDFs are fairly autonomous and each sets its own loan terms, membership requirements, auditing procedures and meeting schedules.

"The CDF committee realized that it's useless to deposit our funds in the bank. The more money goes out in loans, the more money members turn back in and the more our fund keeps growing. We hardly deposit any money in the bank now. It's much better to lend it to help out our brothers and sisters. Today, for example, we have 30,000 Baht ($850) of member contributions to deposit into the fund, but by the time we approve new loan proposals, that amount will be gone."

(a Bang Bon District CDF committee member, in Thailand)

The CDF systems in Cambodia and Thailand are equally proud of their efforts to embroider collaboration into their fund management structures, and use the CDFs as partnership-building mechanisms to jointly address the larger citywide and structural issues behind poverty and problems of housing and land.

- **CAMBODIA:** Most of the Cambodian CDFs work in close partnership with ward, district, city, provincial and national authorities in all their development activities, especially those having to do with the structural issues of land, housing and infrastructure. The CDF enables collaboration and works like a bridge connecting poor communities in a city with their local authorities. These partnerships have paid big dividends in the form of free government land for housing in many projects and government contributions to the CDF capital and to upgrading projects. Each CDF sets its own rules, loan terms and lending priorities and meets at least monthly to discuss and consider loan applications. Most CDFs bring this collaborative spirit into their management structures and are managed by mixed committees which include a majority of community representatives, with local government officials and sometimes other supportive local actors, like NGOs, architects, university faculty or civil society representatives.
- **THAILAND:** Each Thai CDF decides how to manage its operations, and each one is different. But all are managed by committees of community and network representatives. The committees meet monthly or twice-monthly to review loan applications, discuss issues and transact loans and repayments. The CDF committees set all the regulations, loan priorities and terms and accounting procedure, and usually set up sub-committees to focus on specific issues like housing, infrastructure, welfare, information and social issues. Many networks also set up joint "city committees", which bring together representatives from local government, NGOs, universities and other local stakeholders with community and network leaders, to boost collaboration and balance the process. The Bang Khen District committee, for example, has representatives from the Treasury Department, the Electricity Authority, the Telecoms Department and the Police sitting on its city committee - but community leaders are still in the majority.

Separate but together : What's interesting about the Thai CDFs is that most of them are composed of several distinct funds, for specific purposes (such as housing, welfare, insurance, livelihood, and community upgrading), which have been brought together under the umbrella of one city-level CDF. In most CDFs, these funds are all kept financially separate, with separate accounts and separate audits, but managed by a single committee, made up of representatives from the communities and networks that are members of the CDF. The Bang Bon District CDF, for example, is managed by a committee composed of two revolving representatives from all the member communities. CODI supports these CDFs with seed funds and matching grants for their welfare and insurance funds, as well as channeling some bulk loans and Baan Mankong upgrading budgets through some CDFs.

ALL THE SAME OR EACH ONE DIFFERENT?

The question of how standardized or how flexible the rules are was another point in the discussion of CDF management. Flexible rules tend to make more room for creativity and unexpected ideas and outcomes, while fixed rules tend to streamline difficult processes and make it easier for everyone to understand their roles and duties in that process. Flexible rules encourage innovation, while fixed rules foster discipline.

THAILAND: The Thais, who get itchy when structures are imposed from outside, have developed their CDF management systems along cheerfully laissez-faire lines. There is no template for the operation of a CDF in Thailand. Each city network has complete freedom to decide how to manage, according to the needs and conditions of communities in that city. As a result, each CDF is a unique community institution - different sizes, different collections of funds, different loan terms, different projects, different committee compositions, different strategies for relating with local authorities. There is a national organization which supports and influences the CDF process in Thailand. But CODI's broad institutional goal is to open a lot of space where a great variety of community-driven processes - including the CDFs - can be owned by the people, and be completely independent from CODI. As Somsook put it during the Bangkok meeting, "CODI may support the CDFs with some budget and with some direction, but the systems, the money, the programs and the activities are all owned by the people in each city. And every city is different. The power is with each city CDF to decide how to manage among themselves, and CODI helps facilitate that."

" CODI may support the CDF with some budget and with some direction, but the systems, the money, the programs and the activities are all owned by the people in each city. And every city is different. "

NEPAL: In Nepal, the Cooperative Act requires that the cooperative be managed by an executive committee elected from among its share-holding members, that they follow certain bookkeeping procedures and that the members assemble once a year. Beyond those rules, which are not too heavy, the women's savings cooperatives are free to do as they like. So each cooperative sets its own policies, programs, loan terms and work priorities, and they do this with a lot of participation, discussion and consensus-building among the savings groups. Their support systems are mostly horizontal: cash-rich cooperatives often loan to cash-poor cooperatives when needs arise, and all the support work of expanding the movement, starting new savings groups and cooperatives and troubleshooting is done by cooperative members.

SRI LANKA: Women's Coop in Sri Lanka operates under a clear set of rules and practices that have been chugging along productively for decades, without many complaints from the ranks. Their system is very clear about what the powers and responsibilities are of the branch, the small group and the national leadership, and everyone knows those parameters. What keeps this enormous national movement from becoming a mechanistic microfinance operation is that within the group and within the branch, every single woman has the power to take part in decisions over how to use the collective financial resource in her group or branch, and every single woman takes active part in the process. And they keep right on innovating, developing new programs to address needs faced by their poor women members. When something new is found to be useful, their national linkages make it possible to scale up that innovation right away.

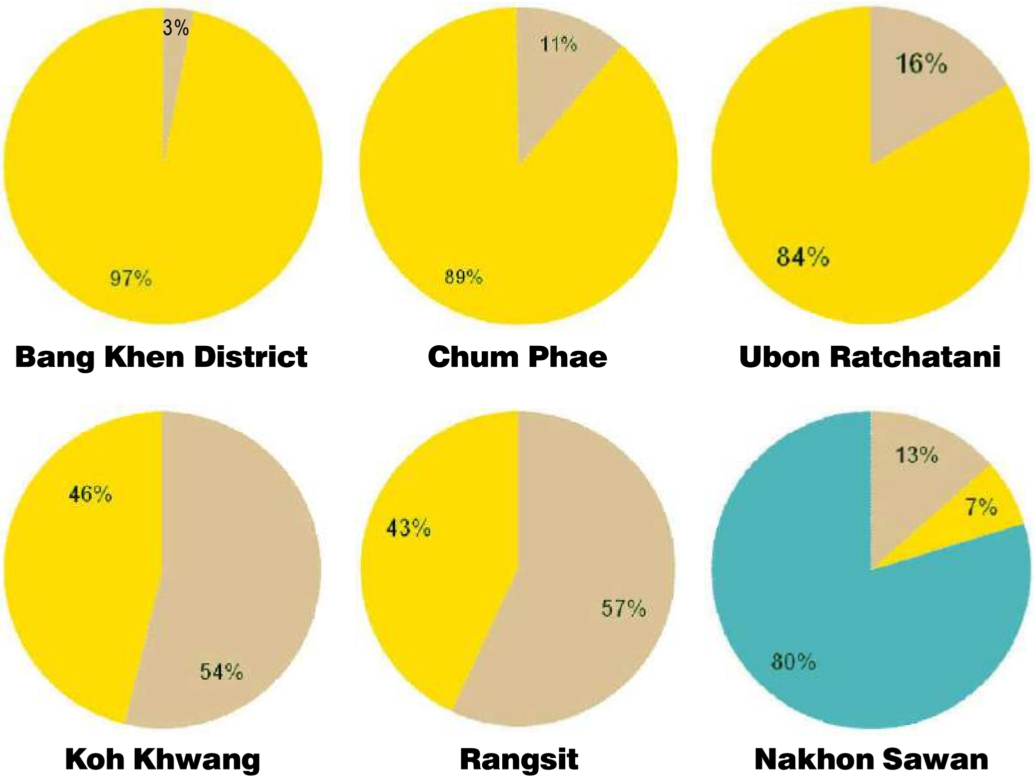
. . . and different **capital** combinations in the Thai CDFs

In the early stages, when a few strong networks around the country set up the first city funds, they stocked them with their own community savings and shares. Later, the ACCA program boosted 8 of those pioneering funds with small capital grants. Later still, CODI began supporting them with grants to seed welfare and housing insurance funds. Some of the stronger CDFs were able to negotiate with CODI to channel some of the budgets for Baan Mankong community upgrading projects in their city through the CDFs. This comparison of capital sources in the CDFs was done in 2011, when the Thai CDFs were still in the toddler phase.

= **COMMUNITY funds**

= **GOVERNMENT funds**

= **DONOR funds**



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CDF DECISION-MAKING SYSTEMS

The savings groups in the Philippines began in 1995 with a system of bringing all their savings to one central area resource center, which managed the money and made all the loan decisions. But in that centralized system, the ARC became very strong, while the communities had no power or money and no idea what was happening with their money. As a result, they weren't able to build their financial system as a community. So they switched to a more community-centered system, where the communities network together, but each community savings group keeps its own money and makes all decisions about its saving and lending internally. The CDFs have followed that decentralized model, where each city's community network manages its own CDF independently, and the community members of each CDF set the loan terms and priorities and decide how decisions will be made - usually by representative committees.

The Thai CDFs are likewise autonomous and each CDF sets its own loan terms and procedures and structures its own decision-making committees within the CDF. But all of them stick to the principal that communities that contribute to the fund and borrow from it should be represented on the committee that manages the CDF and makes the decisions about loans and activities.

Rupa Manel, who for many years has been Women's Coop's president, is proud of telling that in their system, even if the president wants a loan, she has to ask her fellow savers in her own small savings group, because all the loans are decided on by the group - and no exceptions.

In Sri Lanka, we've already seen how the Women's Coop is configured to allow some decisions to be made at each level. In this way, decision-making power is distributed among all the layers of an organization that is both monolithic and granular at the same time.

- **Each member** takes a leadership role in her appointed sectoral task and takes part in her group's loan the decisions, which must be unanimous.
- **The group** decides about internal loans and who will represent the group at branch level.
- **The branch** decides about branch-level loans and programs and elects the national leaders yearly.
- **The national leadership** sets policies and innovates with new programs.

In the system of the women's savings cooperatives in Nepal, all the small group's savings are kept with the cooperative and all loan decisions are made by the cooperative, not by the group. This decision-making structure came under the spotlight during an ACCA Program assessment trip to Nepal in 2010. The team was visiting the Amardeep Women's Savings Cooperative in the town of Bharatpur, and asked the women about their loan system. Any member who wanted a loan, they learned, would first make a request to her group, then discuss it. The group coordinator would then report the group's decision on that loan request to the cooperative. The cooperative's loan committee would then assess the loan request, looking at the woman's loan record, make a decision and then pass on their recommendation to the cooperative board for approval. One of the visitors from Thailand found this system very centralized and wondered if it might take away power from the savings groups? The cooperative loan committee might not know that woman or her situation. Why not make loan decisions at the savings group level? The women from the cooperative answered that the savings group does assess the loan request and sends their recommendation to the cooperative. The savings group can challenge the committee's decision and request an explanation if they don't agree. But so far, their loan committee had never denied any of the loan applications.

Problems when the **mother** gets stronger than the **baby** . . .

The process in Cambodia started with community savings, which grew, little by little, and expanded from Phnom Penh to other cities. Over the years, though, a lot of grant-led community activities were implemented by communities around the country, which involved outside funds coming into the CDF Foundation Fund (earlier UPDF), and then being passed on to the cities and CDFs for those projects. First there was the "100 Slums Upgrading" program, then the ACCA Program, then the Decent Poor housing grants. The savings should have kept on growing, because there were so many needs, so many problems. Poverty in Cambodia wasn't going away, and the savings groups were the only financial source many poor people in Cambodian cities could access. But instead of these grant-funded development projects strengthening the savings process and nudging the savings groups to address more needs, the savings stagnated, while the grant-supported activities grew. Another thing that happened was that these outside grant funds gave the city networks and their CDFs powerful tools to negotiate with the city and forge partnerships. That concentrated more and more of the decision-making power with the network leaders, while it drained away that power from the savings group members, who now became passive recipients of those grant-funded projects. As one sympathetic observer put it during the Bangkok meeting:

> **"It's as though the mother got stronger and more powerful and more busy, while the children were confused and neglected and lost their initiative. So the savings has shrunk, loans aren't being repaid and the community side of things has stagnated."**

All of which is a reminder that a CDF is a resource that belongs to all of the community members who fill its coffers with their savings, and if their space to take active part in the CDF activities disappears, there are sure to be problems.

HOW DO THE LAYERS INTERACT?

One very important aspect in a community finance system, which came up in some lively discussions during the August Bangkok, is how the different layers interact - the individual member, the savings group, the community, the city network, the city CDF, the national network or fund. In most Asian countries now, there exists some system of national linkages in the people's process, which links individual poor people with larger gatherings of people at group, community, city, provincial, regional and national levels. That is a good and necessary thing - those layers have to be connected, and we can't avoid creating structures to facilitate that linking. But the big question is, what roles do these different layers play and where is the power? With the members? With the group? With the CDF? With the national level?

Problems invariably come up when that system of linkages falls out of balance, and those in one layer have too much power, and start lording it over those in another layer, eroding their power and their space to do things. Then they stop growing, stop developing, and the whole system gets stuck. Unfortunately, it is often the lowest layer - the people on the ground - that finds its power being undercut by other layers, because in the highly centralized and highly top-down societies we live in, power tends to drift upwards, not downwards. So the question for the groups managing these community finance mechanisms is this: how can the interlinking of all the different layers in the process be structured so that all the layers are strengthened, and each layer is active, and each layer has its clear roles and its power to decide and do things, so everyone feels excited, feel's included, feels important and feels they're growing?

NEPAL: The three operative layers in Nepal's community finance system are the members, the savings group and the cooperative. All the savings money is kept at the cooperative, and that's the layer where most of the decision-making about loans, repayments and cooperative activities is made, although groups vet the loan requests before they go to the cooperative. The savings groups may not keep the money or make decisions about their pooled savings, as in other countries, but they do play an important horizontal support role. The savings group links women who are neighbors, but might not have known each other otherwise. A recurring theme in the testimonials from cooperative members in the Nepal study speak of being "confined to their kitchens" before joining, and finding a sense of self-worth, belonging and friendship after joining the savings groups. The fourth national layer, the Community Women's Forum, does not play a financial role, but it does play an important linking, training and supporting role, and creates space for cooperatives to actively support each other, through exchanges, horizontal technical support and inter-lending

Looking after **others** . . .

The Women's Coop has a similar set of layers: the members, the small savings group, the branch and the national leadership, with clear roles and a clear symbiosis between the layers: the group is for small saving and lending, the branch is for larger saving and lending, the branch implements various programs, and the national leadership develops policies and directions, innovates with new programs and plays a supporting and assisting role. In their system, the small groups meet frequently and every woman in those groups has to agree on everything, and every woman is a "leader", with responsibilities in a certain sector. They have achieved 100% participation.

What is interesting about the Women's Coop model is that through the organizational structures and social programs that connect those 80,000 women and improve their lives in such concrete ways, they have created a great big, friendly system for looking after each other, not just themselves. They have broken out of the individual benefit trap that plagues most microfinance schemes and prevents them from ever really transforming the situations of poverty where they operate.

THAILAND: After a quarter century of targeted, progressive support from CODI, Thailand has a considerable "people's infrastructure" in place, and it's not going away. There are people's organizations at every level: at the national, regional, provincial, city, district and community level. There are also area-based community networks at city and provincial levels, and issue-based networks that bring together communities living along canals and railway lines and sea coasts, or in forests or rural districts. There are issue-based networks of organic farmers, community builders, motorcycle taxi drivers and evicted communities. And there are networks of communities that are veterans of Baan Mankong housing projects. CODI is the organization that supports all these networks on the ground. Whenever CODI has some budget from government, or some new idea, they put that new thing on the table and invite all the relevant networks and groups to discuss it and decide together what to do with that money or that idea. How to make the most of that opportunity? How to use that money to create opportunities that will do more than the objective? All of CODI's programs are hatched and developed that way, so that people on the ground can be the owners of the development process from day one, as much as possible. The Thai CDFs, in a way, are an experiment in creating mini-CODIs in each city, which will play the same support role with the poor communities in that city, and give them the same room to innovate and the same support to scale up their solutions.

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ACTIVITIES THE CDFS SUPPORT

One story that comes out vividly in the study is how closely a CDF's strength and growth is tied to the number and variety of activities it supports among its members in the city. Again and again we see that the more active a CDF is, and the more programs it offers and needs it addresses, the more successful that CDF will likely be. This brings us back to the fundamental idea that a CDF is not just a source of finance, but a tool which has to potential to help community networks creatively address any needs that come up, and support any kind of progress. Most of the CDFs in the study began initially by offering loans for livelihood and housing, and some began with welfare funds. But CDFs that get stuck in only a narrow pattern of loan transactions or a single-service delivery can get stuck and stop growing.

The Women's Coop in Sri Lanka offers its 80,000 members so many activities and so many programs, besides the basic savings and lending, that they've adopted a system called "Everyone is a leader", in which every member of every savings group is responsible for looking after one of their "sector" programs in health, education, culture, housing, children, welfare or accounting. In this system, the CDF starts looking more like a full-service social-service agency that caters to all needs of poor women. Each branch uses part of its interest income - and member contributions - to run their own insurance fund, welfare fund, rescue fund and health-care fund, which provides free or subsidized medical care for members and their families. They also manage a national health program (with their own hospital, mobile clinics and nurse training programs), a life insurance program (which provides $3,000 to a family when a member dies), and a variety of advisory services on housing, land tenure, education and dealing with government agencies.

The women's savings cooperatives in Nepal have also developed a lot of programs to address the particular needs of their members. Besides the five types of saving, which add to the capital of their revolving loan fund (which finances a big variety of things), members can also save in a special Disaster Management Fund, which each cooperative can use in case of fires, floods or earthquakes. During the terrible April 2015 earthquake in the Kathmandu Valley, several cooperatives used their disaster funds to provide immediate relief support in the affected communities. Add to that their Welfare Fund (which pays for births and funeral rites), their Community Development Fund (which finances small-scale upgrading projects like paving, drainage and water supply projects), and their Bad Debt Fund (which covers late loan repayments).

A note about Thailand's **top-scoring** CDFs . . .

Thailand gives us a vivid illustration of this connection between a CDF's strength and the variety of activities it offers people to help meet their real needs. In the Thai study, the team divided the 63 CDFs that took part into three groups, and charted the growth and success of the CDFs in each group:

- CDFs which have only one activity - usually a welfare fund - and limit themselves to only saving for welfare and giving out welfare payments.
- CDFs which have only two activities: welfare and a housing security fund.
- CDFs which carry out three or more activities, such as welfare, housing security fund, housing loans, community enterprise loans and others.

What they found was that the CDFs with one or two activities grew very little in membership, capital and activities, and even showed signs of stagnating. The CDFs with three or more activities, on the other hand, all grew rapidly, and the ones that grew the fastest and went from strength to strength were those which supported the greatest variety of activities.

1 CHUM PHAE: The very active CDF in Chum Phae topped the list, with the fastest growing capital and membership, and a list of activities that could fill a community development brochure: they've got an livelihood loan fund for the city's poorest families, a housing loan fund for families who can't access CODI loans (and about 20 housing projects under their belts), a fund to help people resolve informal debts, three welfare programs (for children, the elderly and everyone else), a housing insurance fund, a cement block-making factory, a communal rice farm, community enterprises to make bottled water and grow mushrooms, collaborations with the city and programs for children, youth and the elderly.

2 BANG KHEN DISTRICT: Another top scoring CDF was the one in Bangkok's Bang Khen District, which adds to the usual housing, livelihood, welfare and insurance funds, a special fund for environmental protection, since many of the 15 communities in the network are beside a polluted canal (this funds canal cleanings and "green" household waste disposal systems), and a fund to help motorcycle taxi drivers in the district buy their own motorcycles and start their own transport businesses.

3 RANGSIT: The CDF in Rangsit also manages a healthy variety of funds and support programs. Besides working hard to include every single poor community in the city in the CDF membership, they have also included special occupation groups (factory workers, farmers, market vendors, street vendors and fish-farmers and boatmen who depend on the canals) in the CDF activities.

Community development funds and DISASTERS

All five of the countries have considerable experience using their community finance systems to help communities rebuild their lives and communities after facing disasters of various sorts - tsunamis, earthquakes, landslides, fires and floods. They have used savings and funds to bring together disaster-affected people - who are usually assumed to be helpless and incapable - and help them take active part in managing both their immediate relief needs and longer term rebuilding. These groups have found that being active and working together, as communities, can be the best way of overcoming the trauma of disasters, recovering their self-sufficiency and negotiating with aid agencies and government officials about all the issues that come up after a disaster. The CDFs have continued supporting this community-driven disaster work in several ways:

1 CAMBODIA: When a fire ripped through the riverside squatter settlements in Phnom Penh's Roessei Keo District, in November 2010, 452 houses were destroyed. This was the district with a very strong network of women-led community savings groups, though, and a very strong district-level CDF, which operated in close collaboration with ward-level and district-level officials. So the community network went to work right away, bringing immediate relief help, surveying the damaged area, surveying affected families and helping the communities negotiate for support and temporary housing materials from the local authorities and NGOs. Later, after negotiating a grant from ACCA and a bulk loan from UPDF, the network's CDF gave low-interest loans to 157 savings group members to rebuild their houses. The whole process got good support from the ward and district authorities, who chipped in with budgets to pave roads and install drainage systems.

2 NEPAL: When the terrible earthquake shook the Kathmandu Valley in April 2015, the response from government was slow and cumbersome. But the cooperatives were among the first to reach the devastated communities where many were without houses, food or means of earning. At first, they brought relief supplies, which they mobilized partly from donations and partly from the Disaster Management Funds many of the cooperatives had already established. Then they used their women-led savings model to help organize 3,000 poor families in the badly-affected Rasuwa District, setting up 36 savings groups and forming a cooperative. The savings groups took charge of building temporary shelters, using salvaged materials and government roofing sheets. With loans from other cooperatives and some donor grants, the new cooperative began giving quick, easy, low-interest loans to help women revive their livelihoods (rebuilding shops, replacing lost cattle and stock) so they could support their families and save to rebuild their houses later.

3 PHILIPPINES: The Philippines is especially rich in disasters, and the poor suffer the worst from them, because they live in the most dangerous places and have no resources to rebuild afterwards. The Homeless People's Federation has a long history of surveying communities in high-risk areas, helping them plan for disasters before they happen, and helping communities who do face disasters to rebuild their communities and livelihoods. After Typhoon Ketsana ravaged the Philippines in 2009, for example, the federation used a $20,000 grant from ACCA to set up a special fund which gave house repair loans only to communities - not to individuals. The communities surveyed the affected households, determined who needed what, then purchased materials together, in bulk, and managed the reconstruction collectively. Those small loans were repaid so quickly that the funds revolved three times, and that original $20,000 from ACCA allowed 450 households to receive house repair loans totaling US$ 61,303, in 23 storm-hit communities.

4 SRI LANKA: The Women's Coop has also used it's women-led and savings-based small group system to deal with disasters in Sri Lanka - especially the mother of all disasters, the December 2004 tsunami. After bringing in relief, WC began setting up savings groups and branches, to help tsunami-affected people to get back on their feet with loans to re-start their income-generating projects and rebuild their houses. It was clear, though, that applying the WC's normal housing loan scheme to people who had just lost everything was unrealistic. So with a $175,000 grant from ACHR and Selavip, they established a special Tsunami Relief Fund for housing and income-generation, which offered loans to tsunami-affected WC members through the normal WC loan mechanism, but on much easier terms, with easier membership and accelerated loan stages, so new members could immediately obtain housing and income generation loans, at no interest.

5 THAILAND: The Thai community networks have a lot of experience dealing with disasters too - first the 2004 tsunami, followed by many floods, fires, storms and landslides. In all these disasters, CODI and the networks worked together to use funds in creative ways to help disaster-affected communities collectively survey the damage, figure out what they need and then manage their rehabilitation themselves, collectively, in collaboration with local authorities and other actors. So far, the CDFs have focused on welfare, housing and livelihood, but some have dealt with disasters, like the terrible floods in 2011, which left half the country under water. The community networks began right away surveying the affected areas, organizing relief and food centers, providing relief and survival tools and linking with other sources of assistance. But most importantly, they helped get the affected communities into the active mode, organizing their own relief and looking after their own as much as possible. Funding to support those national activities was raised and was managed by the community networks in a special national flood relief fund. Some networks used their CDFs to raise funds locally for flood victims. The CDF in Chum Phae raised enough local contributions to send a truck-load of food and make a $300 contribution to the national relief fund.

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WELFARE

Welfare programs figure prominently in the CDF systems in the study - and for good reason. In most of these countries, there is little public social safety net for people who are poor or elderly or sick or vulnerable in other ways. And what social support programs do exist are woefully inadequate and reach very few, and it is government staff decide everything and select the beneficiaries. The poor are on their own. These are serious needs that society isn't meeting, so the poor have stepped in, and found ways to use their collective financial strength to look after their own most vulnerable community members by creating their own community-managed basic welfare programs. Community welfare turns out to be a great community-builder.

- **SRI LANKA:** Welfare is an important part of the package of programs and services available to Women's Coop members. Each branch manages its own self-funded welfare fund for members, which provides for funerals, births and eye-glasses. Benefits are set by each branch and are scaled to the amount of the branch's savings. Older branches with more money tend to give higher benefits. In one branch, for example, members get $250 for a death in the family, $30 for a birth and $30 for eyeglasses. Each branch also manages its own self-funded health care fund, in which members can deposit a certain lump sum every year or every five years, to qualify for benefits. Most branches offer different levels of membership: one level pays for the whole family's full medical treatment and hospitalization, one level pays only for the member and her spouse, and one level only provides a subsidy.

  Besides these branch-level welfare funds, the Women's Coop also runs a big national health program, with their own hospital, mobile health clinics and small health clinics at branch level. All these facilities are free for members, and all the nurses in the hospitals and clinics are daughters of members. Another national program offers life insurance, which pays $3,000 to the family if a Women's Coop member dies. To join the scheme, members pay a one-time fixed deposit of 17,500 Rupees ($110), which is kept in a separate account, and loaned out at interest. The interest income provides the insurance benefits. Husbands get the same benefits and if the husband and wife both die, the insurance pays double.

- **CAMBODIA:** Some funds from ACHR and ACCA have flowed into the CDFs to start welfare programs, but the idea hasn't caught on yet with the communities. One welfare scheme that did catch on, though, is the one started by the community network in Roessei Keo District in Phnom Penh almost ten years ago, run entirely by the people, using entirely their own money. This is the only district in Phnom Penh that does this. And the welfare fund is still very active, offering a wide range of benefits to savings group members for illness, medicines, births, elderly people, school fees and funerals. All the savings members in the district have access to welfare assistance from this district-level welfare fund, which they manage through their CDF, and many also have access to community-level welfare funds.

Seeding the first welfare funds in **Nepal** . . .

Very few of Nepal's urban poor can access either of the government's two principal welfare programs - old age pensions or support for single women - even though they may technically qualify for benefits. Without this formal welfare support, the poor have developed their own informal support systems to help each other when needs arise. Some of the women's savings cooperatives have established their own welfare funds, using a portion of their savings or funds collected specifically for welfare. These pioneering groups set their own rules for how to manage their welfare funds. In the city of Dharan, for example, the cooperative has mobilized over $1,000 for its welfare fund and uses it to provide benefits to members in need (for births, deaths, illnesses and medical emergencies) according to a few simple criteria they decide upon themselves. The rules and benefits vary from one cooperative to another, depending on their priorities and how much funds they have available. But everyone agrees these welfare funds - even though they have started on a small scale - have helped a lot to ease the situation of community members when they find themselves in difficulties.

In 2014, the national CWF network and Lumanti decided to boost this grassroots welfare process in as many cities as possible, by using a $16,000 grant from ACCA to give small seed grants to help cooperatives launch new welfare funds or strengthen funds they were already running. Leaders from 17 cooperatives gathered in Kathmandu and the first batch of welfare grants was handed over to the cooperatives in Kathmandu and several other cities. The meeting provided an opportunity for community members to share their experiences on managing community welfare programs and to learn from their friends in other groups. Representatives from the Federation of Cooperatives were also invited, and they were vocal in their appreciation of the work these urban poor women were doing to develop their communities through their savings cooperatives. Each cooperative was given $800, from the ACCA grant, and after everyone went home and worked out their own simple welfare policies and benefits, the welfare funds opened for businesss. In most cooperatives, each savings member now contributes one or two dollars a year to the welfare fund, which give benefits for medical emergencies, disability, surgery and death.

The 17 cooperatives in the study reported a total of $30,025 in their welfare funds so far.

Community-managed welfare and CDFs in THAILAND

All 116 of the city funds in Thailand so far have special funds for welfare, and for some CDFs, welfare is the main - or only - project. Of the 63 CDFs in the Thai study, welfare accounts for only 12% of the total CDF capital ($394,950), but it has benefited the greatest number of people (5,664 people). These CDF welfare funds are the latest chapter in a long story of how Thailand's poor communities are finding ways to look after their own most vulnerable members. For poor people in Thailand, there is practically no state welfare system to support them when they are elderly and alone, or when they become ill or disabled or homeless. But in communities around the country, we see people helping each other in many ways, within their limited means, keeping alive Thailand's very old traditions of mutual assistance.

Community-based welfare, which recognizes and builds on this tradition, started about 12 years ago, when community networks around the country recognized a big need, met nationally to discuss the issue and set welfare as a key point in their national development agenda. The first welfare funds were started by poor communities themselves, with their own money, and communities across the country agreed that each member would contribute one Baht a day (or $1 per month) to their welfare funds. This simple, easy contribution system was something everyone could understand and everyone could afford. "One-Baht-a-day" became the catchphrase for the new community welfare fund movement.

"This is our new security system. If this one-Baht-per-day can take care of our lives, from birth to death, isn't that cheap?"

(a community leader from Bang Khen District in Bangkok)

In 2005, CODI began supporting these efforts with seed grants to help communities set up subdistrict-level welfare funds which take care of everybody, according to their own needs and priorities - covering such things as medicines, hospitalization, elderly and handicapped, scholarships, HIV and even schemes to promote good health. These subdistrict-level welfare funds were a tool to bring all the stakeholders to work together on the issue of welfare for all - communities, subdistrict authorities, local NGOs and academics. The funds were managed entirely by community people, who kept on putting in their one-Baht-a-day. But they were also able to leverage larger and larger matching grants from the central government, CODI and their local authorities, and the welfare funds grew in size and capacity. By 2007, community-driven welfare had become national policy and spread to all 76 provinces.

These community-managed welfare funds are very important because they provide basic social safety net protection to people on the ground, according to a system they develop by themselves. And it's not something that the government gives only to those it considers very poor or miserable - it's something the poor "give and receive with dignity." Because each community decides what benefits their funds will offer, there is no template and a lot of creativity in how the fund meets various welfare needs. Many communities doing housing construction and upgrading projects under CODI's Baan Mankong Program build "welfare houses" into their new plans, where elderly, poor, homeless or handicapped people can stay and be looked after by the their neighbors, with special funds to help pay for their basic needs.

When the CDFs began to be formed, it seemed natural to bring this community-managed welfare process under their umbrella, and the first city-level welfare funds were established, managed by the urban community networks. Many of these CDFs began with welfare funds and expanded later with other funds for housing, livelihood and housing insurance. These new city-level welfare funds supplemented the community-level welfare funds that most communities were already running, and were likewise funded partly by one-Baht-a-day contributions from anyone in the city who wanted to be a member, and partly by grants from the local and national government. They greatly expanded welfare coverage to more people in these cities - and many can now receive benefits from the welfare funds at both levels.

Another type of welfare: **Housing Security Funds**

Since it was launched in 2003, CODI's Baan Mankong Program has helped 97,672 poor families get secure land and housing, in 1,903 communities. All these projects were financed by loans from CODI. With such a big scale, it's no surprise that there have been cases of people facing difficulties repaying their housing loans, leaving their family's tenure and housing in danger. So in 2010, a new scheme was launched in which networks of community borrowers around the country are the owners and operators of a national housing insurance fund. CODI seeded the fund with a $ 670,000 grant, and each family that takes out a housing or land loan from CODI contributes 200 Baht (US$6) per year to the fund. Half the fund's money is kept at the national level, and half goes into city-level housing security funds, which are managed by the urban community networks, under the umbrella of the CDFs. Now, if there are problems which prevent a community member from making loan repayments to the cooperative (like illness, loss of jobs, accidents, death or disasters), and if the community determines that nobody else in the family is earning enough to make the payment, then the insurance fund will cover the repayments, and keep the family in the community.

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LOAN PURPOSES

What does a demand-driven community finance system look like? The purpose of developing community savings and city development funds is to create financial tools which enable poor communities to forge their own solutions to the problems they face and meet their must urgent needs, rather than demanding that the government or the NGOs deliver the things they need. So it's interesting to see how finance is used, when poor community organizations control it in their CDFs, and how the lending priorities of the different countries reflect varying needs in those contexts.

The CDFs in all five countries give loans for common needs like livelihood, land, housing, education, healthcare and emergencies. And most have welfare programs which provide grants to vulnerable community members for various needs. Some of the CDFs in Thailand, Nepal, Philippines and Cambodia give loans to help people settle high-interest informal debts. Religious festivals, weddings, dowries and funerals are expensive needs supported by loans in Sri Lanka and Nepal, while many also borrow to get household water or electricity connections. The Cambodian CDFs give a lot of loans for agriculture, animal husbandry and informal transport projects to communities living on the outskirts of cities, and the Thai CDFs have developed loans to support creative community enterprises in several cities. Nepal is a big labor exporter and loans from the women's cooperatives have helped some families to send one of their sons or daughters abroad to get higher-earning jobs. In a country with so many kinds of disasters, the Homeless People's Federation in the Philippines has made a specialty of designing community-managed loan funds to help disaster-affected communities rebuild or repair their houses together, as communities.

TOILET LOANS IN NEPAL: The NGO Lumanti used to give subsidies to poor families to help them build badly-needed toilets. But now all 28 women's cooperatives are offering low-interest loans to members to construct toilets. Some of the cooperatives have set up special sanitation funds for this purpose. In the eastern city of Dharan, where women living in informal settlements suffer the worst health and safety dangers that come from having no toilets, the cooperative's Sanitation Fund gives loans of up to 10,000 Rupees (US$100) to construct simple household pit-latrines, and the mayor has supported the fund with cash contributions.

Seizing a particularly **fishy** loan opportunity . . .

A flexible, accessible community development fund should be able to respond quickly and creativity to unusual development opportunities that may come up in poor communities. The *prahok* loans in Phnom Penh is one of the best examples of how that can be done. During the months of January and February, the direction of the Tonle Sap River reverses and carries with it schools of tiny silver "riel" fish from the Tonle Sap Lake in northern Cambodia. For centuries, this has been the season when communities along the river buy baskets of these fish from fishermen to preserve with salt in giant clay crocks beneath their stilted wooden houses, to make *prahok*, the ubiquitous Khmer-style fermented fish.

In 1998, the active women's savings network in Phnom Penh's Roessei Keo District organized a process in which 356 families in 19 riverside community savings groups took a group loan from UPDF, through their district-level CDF, to purchase the riel fish, crocks, salt and equipment to make *prahok*. There's a lot of technique involved to get the taste just right, and this knowledge is passed down from mothers to daughters. But instead of simply asking for livelihood loans to individual families, the women's network set up a special committee to survey all the families involved in the *prahok* business and managed the whole process collectively, as a district-wide bulk loan. In this way, *prahok* became a tool for linking communities in the district and strengthening the community process - with the support of the district chief, who sat on the committee. As soon as the fully ripe *prahok* came out of the crocks eight months later and was sold in the market, the loan was repaid in full. Profits can be handsome: high quality prahok fetches a per-kilo price that is four to ten times the women's investment. And with that extra income, many of the women have sent their children to school and rebuilt their houses.

The first bulk prahok loans were such a success that the district-wide process has been repeated every year since then, even though climate change and over-fishing in recent years have meant smaller catches and higher prices for the riel fish. Last year, for the first time, the Roessei Keo District CDF didn't ask the national fund for a loan but financed the prahok loans entirely from its own capital.

Prahok loans 1998 - 2016

- Total loans disbursed: $1.2 million
- Households benefitting: 5,033 households in 22 river side squatter communities
- Average loan amount: $250
- Loan terms: 8% interest, repayable within 1 year
- Amount repaid: 100%

CDF LOAN PURPOSES IN FIVE COUNTRIES *(includes loans and grants)*

	Housing and land loans	*Livelihood loans*	*Welfare grants & loans*	*Other loans*	*Total loans (US$)*
CAMBODIA CDFs	331,578 (444 hh)	204,619 (731 hh)	6,205 (350 hh)	167,770 (937 hh)	710,172 (2,462 hh)
NEPAL COOPs	5,782,383 (8,870 hh)	9,154,110 (30,968 hh)	0 (0 hh)	3,425,901 (17,770 hh)	18,362,394 (57,608 hh)
PHIL CDFs	1,212,065 (1,187 hh)	15,000 (107 hh)	0 (0 hh)	354,710 (3,910 hh)	1,581,775 (5,104 hh)
WC BRANCHES	204.68m (81,573 hh)	103.31m (144,227 hh)	365,280 (528 hh)	139.82m (216,089 hh)	448.18m (442,417 hh)
THAI CDFs	7,804,805 (9,226 hh)	69,628 (639 hh)	1,034,200 (9,771 hh)	167,861 (5,006 hh)	9,076,494 (24,642 hh)
TOTAL	**$219.8m (101,300 hh)**	**$112.8m (176,672 hh)**	**$1.4m (10,649 hh)**	**$143.9m (243,712 hh)**	**$478.1m (532,333 hh)**

LEGAL OR ILLEGAL? FORMAL OR INFORMAL?

Almost all aspects of the lives of Asia's urban poor are informal and even illegal: they squat on someone else's land illegally, build houses that violate all the codes, connect to services illegally and work without permits. And as if that weren't enough misbehavior, they save their money together in unregistered savings groups and gather themselves into all sorts of unsanctioned networks and federations. Asia's poor lead lives that are more-less off the grid. But when organized groups of the poor work to improve their lives and upgrade their housing and economic position, they invariably come up against all the formal structures in our societies which say, *Wait! Show us your permit before we allow you to enter!*

To access public entitlements like education, healthcare and voting rights, people need papers and legal addresses - they need legitimacy. This is especially true in housing, which necessarily engages with all the formal structures that control water supply networks, electricity grids, drainage mains, building regulations and permits. The legitimacy that comes with being legal can be useful in all these things. But informality has certain advantages too. That's why community saving is surviving, from the community level to the city level, it has developed with the freedom that comes of having no legal constraints.

The groups in Sri Lanka and Nepal have chosen to register themselves under the legal umbrella of the cooperative laws - small cooperatives in Nepal and one big national cooperative in Sri Lanka. That registration comes with a price, though: rules and procedures they have to follow and reports they have to make. But the burden doesn't seem be too heavy, and both groups have designed their own women-led finance systems as they please, and set their own rules. In the end, they got the legal flag from the government, but kept their freedom. And that legal legitimacy has definitely helped them to go further and be more confident and imaginative in their program.

The groups in the Philippines and Cambodia have also felt the constraints of being illegal. In the Philippines, they've found a way to make their savings groups legal, by registering them as Home Owners Associations (HOAs) and Community Associations (CAs). Which makes sense, because that legal status will be helpful to them later on, when they buy land together and develop their housing, take loans and deal with officialdom. But as May Domingo observed during the Bangkok meeting, "The HOA is a government-imposed system which forces communities to organize themselves into traditional vertical power structures, with officers and board members. This is not the same as participation. We need to break that inappropriate formal structure, and get back to the idea of the small group that participates in all the decisions."

In Thailand, despite the great support system that CODI provides, the savings, networks and CDFs have developed all over the country, in a very big way, with no legal support at all. That is probably why the Thai savings system has grown only up to a certain level. In the the Thai CDF study, the team observed that this lack of legal status for the CDFs has had one clear benefit: the informality allows the networks to develop their funds with creativity, according to their needs and innovations, without any restraints from regulations or government structures.

The legitimacy that comes from being **essential**

Instead of asking someone for a legal paper that says they are allowed to exist, the Thais have gone for a more profound form of legitimacy: a legitimacy that comes from being visible, being effective, being transparent, being good partners with their local governments in solving very big problems, and generally making themselves an essential and respected deveopment force in their cities. This strategy has more-less worked, and so far, nobody's been thrown in jail for putting a million poor families around the country into good, permanent, secure housing on land they legally own or lease.

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COLLECTIVE OR INDIVIDUAL LOANS?

- **CAMBODIA:** Loans from the CDFs include a mix of collective and individual loans. Loans for housing, land, upgrading and livelihood are usually bundled as group loans to community savings groups, but some loans (for toilet construction and agriculture projects) are given directly to individual members.
- **NEPAL:** Some loans from the cooperatives go to groups, for housing and group enterprises (like trash recycling or soap-making businesses) or as loans between cooperatives. But most are made to individual members, and the loan contracts and repayment terms are worked out individually.
- **PHILIPPINES:** Loans from the Homeless People's Federation's city funds are also mixed: group loans to HOAs for housing, land and infrastructure improvements, but individual loans for income generation projects, emergencies and other family needs.
- **SRI LANKA:** Loans from Women's Coop savings groups and branches are all made to individual members, and the repayment terms are likewise set individually, but the group guarantees all loans.
- **THAILAND:** The Thai networks are proud of their system of allowing each CDF to set its own rules, but one rule they all firmly agree upon is no individual loans. Only bulk loans to communities or networks, which then manage all the loans to members: who borrows how much and for what purpose, and how much they pay back and when. Then the community or the network makes one repayment each month to the CDF. The Thai CDFs also make city-to-city loans, to other CDFs, and those loans are also bundles of loans for various purposes and various community projects rolled into one loan.

LOAN PROCEDURES AND GUARANTEES

- **SRI LANKA:** Women's Coop also has its forms and procedures, but they're not onerous, and because they're standardized across the country, everyone knows what to do and what the steps are.
- **THAILAND:** Some of the Thai CDFs use a group guarantee system, where the savings groups act as loan guarantors. Other CDFs skip the guarantee and require only that a member have contributed at least 10% of the loan amount to the CDF, in the form of savings or shares.

"Easy loans" from the women's savings cooperatives in Nepal . . .

In a section of the study report cheerfully titled, *"Easy Loans"*, the process of applying for a loan from a women's savings cooperative in Nepal was described in detail. In their system, a saving group member must have saved for between three months and a year (varies between cooperatives) before she's eligible to take a loan. One of the drawbacks of being officially registered as a savings and credit cooperative is having to follow all sorts of government rules and regulations that come with that status. So when a member applies for a loan from the cooperative, the loan request form she must prepare is a proper legal document, and it must be accompanied by several supporting documents, including her land boundary papers, proof of citizenship, her certificate of land ownership and her cooperative share certification. All the other savings group members must agree to her loan request, and two of them must sign as loan guarantors on the application form, which her group coordinator will carry to the cooperative's loan committee, for preliminary approval, and then to the executive committee, for final approval.

LOAN CEILINGS

- **NEPAL:** Loan ceilings are up to each cooperative's lending capital and the borrower's request.
- **SRI LANKA:** The Women's Coop has standard policies about loan ceilings, which are determined by individual member's savings record and by a staged lending system in which members can take larger and larger loans each time they pay back the last one.
- **THAILAND:** The Thai CDFs set ceilings for various types of loans, and these ceilings vary between CDFs. New members can get small loans right away, but mostly they follow certain rules about loans being available in stages, after a member has saved certain amounts, to encourage "credit discipline." In one CDF, it takes 18 months of saving to get a housing loan of 100,000 Rupees ($3,000). In another CDF, the loan ceiling is limited to double the amount saved. All loans must be approved by the CDF committee, which considers the borrower's need and ability to repay, but always with a lot of flexibility.

LOAN REPAYMENTS

Both Women's Coop and the Nepali cooperatives report zero - or almost zero - problems with loan repayment. If any women have trouble making their loan repayments, the savings groups keep a small reserve fund to cover late loan repayments to the group, branch or cooperative. The Thai CDFs also report a good record of loan repayments. When repayments regularly come back late (between 3 and 10%, depending on the CDF), the committee will usually go see what's happening with that member and find a way to help - sometimes with an adjusted repayment schedule, and sometimes with another loan to help boost their income. The CDFs in Cambodia and the Philippines report serious loan repayment problems, especially on housing and land loans: 20-60% in Cambodia, and 25-99% in the Philippines, depending on the city.

A note on interest rates:

All the interest rates that are described in this section - and in the entire report - are *annual* interest rates. In cases where the local groups use monthly or weekly interest rates in their loan systems, we have converted those rates to annual interest rate figures, so they can all be compared.

INTEREST RATES AND HOW THEY ARE USED

The story of how loan interest rates are set and how interest income is used by communities in their CDFs and savings groups is worth a study all its own. Here are a few notes from the study on that aspect:

INTEREST RATES AND SELF-SUSTENANCE: All of the CDF systems in the study have found ways of using the interest they earn on loans in creative ways, to finance various activities and to make their finance systems more self-sustaining. The Thai communities are old hands at this, because for many years, they've been getting bulk loans from CODI at interest rates low enough that they can add a margin when they on-lend to members, and use that margin in interesting ways, to pay for different things. The idea isn't to squeeze the members but to use the loan system to make their community-driven development movement stronger and more independent. As the process matured in Thailand, the networks took over most of the work of grassroots organizing, starting savings groups, dealing with problems and managing funds, and began using a portion of the interest earned on loans through the communities and networks to finance their activities and their management expenses. The CDFs have carried on this tradition of wizardry with interest rates. But in the flexible Thai system, each CDF is free to determine its own loan terms, set its own interest rates and decide how the interest earned on loans will be used. A few examples:

- **The Chum Phae CDF** has opted to charge fairly low interest rates on bulk loans from the CDF to the city's poor communities (4% for housing, 5% for livelihood). 35% of the interest income they earn on those loans goes back into the CDF capital, 25% goes into the network's welfare fund, 25% covers administrative costs, 10% supports network activities and 5% is returned to members as a dividend.
- **The Bang Khen District CDF** only makes bulk loans to communities at 4% for all purposes. The CDF channels 25% of that interest income into their district-wide welfare fund, 25% covers operation costs and network activities, and 50% goes back into the district fund, to add to it's capital base. Communities then add a 3% margin on top of that loan from the CDF, so members pay 7% interest on their loans. The communities then use that 3% margin to cover unsteady repayment problems and to support their own operations, welfare funds and community-level activities.
- **The Cambodian CDFs** have developed similar strategies. The CDF in Battambang, for example, gets bulk housing loans from the national Community Development Foundation Fund at 8%, and then on-lends to community housing projects in the city at 12%. Part of the income from that 4% margin goes back into the CDF lending capital and part is used to pay for network activities and accounting.

Are these interest rates **TOO HIGH**?

Women's Coop members in Sri Lanka pay 24% annual interest on loans for all purposes. Visitors often gulp at that rate, which to many in other countries seems very high. But the women are proud of their system, in which no money ever sits in a bank but is constantly revolving in loans to members. That 24% goes right back into the branch's loan fund, where it brings benefit to other members. And the women will all tell you that 24% is still much lower than interest rates charged by informal money-lenders (100-150%), which used to be their only credit option.

After the tsunami, when housing construction and repair had become such an urgent need in much of the country, the women were finally persuaded to lower their rate to 18%, but only for housing loans. Many outsiders still protested, *"18% is too high for the poor!"* But the women argue that in a country with virtually no housing loans for the poor at all, Women's Coop gives small, incremental housing loans, not big ones, and many use those loans to add rental rooms which help repay the loans. Plus repayment is excellent, and that 18% interest has allowed them to quadruple their housing loan funds in tsunami-affected branches over the past few years.

The national CLAF-Net Fund in Sri Lanka is another object lesson in self-sustenance. CLAF-Net charges 8% interest on the loans it makes to Women's Coop and its other partner organizations. The fund's lending capital (which came mostly from grants from ACHR and ACCA) is now big enough that the 8% interest income coming in every month is enough to pay for all the fund's staff, management costs and overhead expenses, so there is no need for any donor support.

INTEREST RATES IN FIVE CDFS

	Who sets the rates?	*Loans from CDF are made to?*	*Housing and land*	*Income generation*	*Other types of loans*
CAMBODIA CDFs	each CDF	savings groups & individuals	6 - 12%	4 - 24%	5% (disaster rehabilitation)
NEPAL COOPs	each Coop	mostly to individuals	10 - 12%	12 - 18%	1-10% (toilets), 18% (repay inform. debts), 12-18% (healthcare)
PHIL CDFs	each CDF	mostly to savings groups	6%	18%	0% (disaster rebuilding), 6% (community infrastructure)
WC BRANCHES	national WB	mostly to individuals	18%	24%	24% (loans for all purposes but housing)
THAI CDFs	each CDF	only to savings groups	4 - 18%	4 - 18%	3 - 4% (education)

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LINKING WITH GOVERNMENT

CDFs are not just providers of finance, but institutional mechanisms which can bring communities and cities together, as equal partners, to collaborate on various aspects their city's development. This is especially crucial when it comes to urban poor housing, which touches many of the structural issues in a city, like land use, zoning, basic services, building regulations and standards, service grids and house registration. When poor communities upgrade their shelter from informal slums to formal, legal housing, they can't avoid all these city structures. All five community finance systems have found ways to link with the government systems in their cities and countries and have made many breakthroughs. A few notes from the study:

CAMBODIA: The study team highlighted strong collaboration with local governments in most of the 19 CDFs in the study, many of which are jointly managed by the savings network and the municipal or provincial governments. Many of the CDFs bring local officials into their managing committees - sometimes more ceremonially, and sometimes very actively, as in Banteay Meancheay, where the mayor has long been a champion and friendly supporter of the people's process. Linking and partnering with local governments in Cambodian cities has long been a key part of the savings network's program, and their efforts have paid big dividends in the form of government contributions to CDF capital, free space in city halls for CDF offices, infrastructure investments and free government land in many community housing projects. Between 2008 and 2014 alone, local governments gave free land worth $8.6 million for 15 of the 19 ACCA-supported housing projects around the country, which housed 3,407 poor families. Since it was established in 1998, the national CDF fund has also worked closely with the Phnom Penh Municipality and for many years received monthly donations to the capital from the Prime Minister.

NEPAL: The women's cooperatives are run independently of government involvement, except for having to follow certain rules and regulations imposed by the Cooperative Division. Out of the twenty cooperatives in the study, nine reported that their local governments had supported their formation, and ten reported improvements in government policies and attitudes towards the urban poor. But many cooperatives described rocky starts in their relations with local government.

"We used to be moved from one place to another like a football. No one showed any concern for our development or our basic rights." That's how Phul Kumari Lama, the chairperson of the cooperative in Ratnanagar, described it. "But that was some years ago. Now we are treated as human beings. We have developed a very positive partnership with the Municipality, which has now established a joint fund for local development. Our cooperative helps identify priority areas for the fund's work, and we have persuaded them to make urban poor housing the fund's key focus."

Besides the cooperatives, urban community support funds have been set up in five cities to assist urban poor communities facing eviction. These UCSFs are jointly managed by the cooperatives, community organizations and the local authorities, and combine funds from government, the cooperatives and ACCA.

PHILIPPINES: All the Homeless People's Federation groups have made efforts to link with their local governments and to include them in the development process, or at least keep them informed of what people are doing. In some cities, these relationships have become friendly and productive and resulted in some very rare cases of public land being given free for urban poor housing projects, or public infrastructure projects started by communities being continued by municipalities. But one complaint highlighted in the study was that the government assistance usually came only after the projects had been implemented, as though the authorities had to first see something happening to be motivated to invest in the projects.

SRI LANKA: Like the cooperatives in Nepal, being legally registered as a national cooperative has brought the Women's Coop's savings and credit system under the government umbrella. In a way, this is a strategy for infiltrating the government system with a finance system that is still bottom-up and people-driven. Being part of that formal govenment system has opened doors for negotiation and collaboration that have brought benefits. In some of the cities supported by ACCA, like Nuwara Eliya and Moratuwa, local Women's Coop branches have worked with the local authorities and Sevanatha to set up collaborative city committees which meet regularly to find joint solutions on more community-wide and citywide structural issues of the urban poor, like land tenure, eviction, basic services and housing on an ongoing basis.

THAILAND: Although the Thai CDFs have no legal standing, many have cultivated good relationships with local authorities and have been able to leverage technical and financial support for various CDF activities and projects from local governments. Some CDFs have representatives from local government on their management committees. The Bang Khen District CDF has shrewdly invited representatives from several national government agencies, which have direct bearing on the district's housing projects, onto their board, but kept their community majority. The link with the national government is mainly through CODI, which has supported the strengthening of these city-level and city-owned CDFs in several ways:

- by giving them seed grants to start welfare and housing insurance funds.
- by passing loan and grant funds for Baan Mankong housing projects for that city through the CDF.
- by giving them bulk loans at 3% to support a package the CDF puts together of whatever projects the communities in that city would like to do (housing, livelihood, community enterprises, etc.).

"If you build a great big mill to manufacture something, everyone can see it's size and its wealth and its productivity. But if you make instead 1,000 small workshops, nobody can see them all at once, nobody can destroy them, and no politician can catch them. Women's Bank is like that."

Nandasiri Gamage, who helped to found Women's Coop and remains its senior advisor, speaking about how important the Women's Coop's autonomy and granular structure has been, even as the organization has grown very large, formalized its legal status and expanded the range and depth of its collaborations with local and national government agencies.

Two experiments
in linking with private sector finance institutions

It's no secret that the Aladdin's cave of private-sector finance which makes the world keep spinning is off-limits to the poor. Even at a time when giant banks, middle-class homeowners, American presidents and entire countries are defaulting on loans, community savings groups with proven credit-worthiness and 100% repayment rates are seen as too great a risk: the informality of poor people's lives, jobs and survival systems and the rules and regulations of formal finance systems just can't tango. Most of the CDFs in the study have not been able to access private sector finance yet, but there are two stories on this front that show possibilities, from Nepal and Thailand:

EXPERIMENT 1: Women's S&C cooperatives link with private sector banks in Nepal

Women's cooperatives in four cities in Nepal have been able to unlock some of that formal sector capital and channel it into their projects in some of the cities' poorest communities. Commercial banks in Nepal are supposed to devote at least 5% of their loans to the "deprived" sector, but most would rather pay the fine than lend to the poor. Over the last five years, the women's savings cooperatives in Pokhara, Lekhnath, Tansen and Biratnagar have worked with their city municipal governments and Lumanti to convince banks to give loans to poor community members, using guarantee fund financing from the CLIFF Program as a plum in their negotiations.

In their first success, the cooperatives were able to persuade two commercial banks to give housing loans to savings members, as long as 80% of the loan amount was deposited with the bank, as a guarantee fund. But later, as the loan repayments came in on time, the banks reduced the guarantee - first to 50% and then to just 20% of the amount they loaned to subsequent groups of poor families. As part of the first arrangement, the banks issued the loans directly to individual borrowers, who had to set up their own accounts with the bank. The repayments went into a special account in the bank, which acted as a kind of within-bank revolving loan fund to finance other housing and upgrading projects in the same or other cities. Half of the 8% interest members pay on their loans goes back to the bank, and half is added to the capital in the revolving loan fund.

In the later loans, the cooperatives were able to persuade the banks to give the loans in bulk to the cooperative, which then on-lends to the members. So far, 756 cooperative members have gotten these commercial bank loans, for their housing, upgrading and livelihood projects, to the tune of $2.3 million. This is a huge breakthrough for Nepal, where poor families never got access to private sector bank loans, and formal legal status of the women's savings cooperatives has helped.

EXPERIMENT 2: CODI links with the Government Housing Bank in Thailand

"We proudly tell everyone that we are 100% self-funded. No outside money, all poor women's money. No loans from any commercial bank, and all the money never goes into a bank."

Nandasiri Gamage, Women's Bank

The CODI Fund has a lending capital of about $200 million now. That sounds like a lot, but when you consider it has financed the construction of some 100,000 houses and 2,000 community upgrading projects, not to mention all kinds of other urban and rural programs, it starts looking rather small. And because housing loans are long-term, they keep a lot of that capital tied up for 15 years. CODI has several times had to slow down its lending when the fund bottomed out.

At one of those nervous moments, CODI began to experiment with strategies to access some of Thailand's ample private-sector finance, to augment the CODI fund. The first attempt in 2007 involved selling off $2.9 million worth of some of CODI's best-performing community housing loans (about 8 - 10 community loans) to the state-owned Government Housing Bank (GHB), in a refinancing agreement that was a first for the bank, for CODI and for the borrowing communities who became guinea pigs in the scheme. Under the agreement, CODI had to deposit the full amount of $2.9 million with the GHB, as a guarantee fund, which rather defeated the purpose of refinancing. But they persisted with the experiment anyway, in an attempt to bring these two very different financial worlds together, and kept hoping. Everyone learned: the GHB learned more about the nature of collective savings and loans and learned that the poor are good loan repayers. And the communities learned a lot about unyielding and complicated banking procedures and regulations.

A second agreement was signed in 2009, after two years of 100% repayment. This time, the GHB increased the refinancing ceiling to $14 million, and decreased the loan guarantee amount to only 20%. So the scheme looked set to sail. But finally, only $2 million worth of loans were refinanced, because the communities preferred dealing with CODI and resisted attempts to persuade them to go with the GHB. And so that noble attempt to bridge the two financial worlds came to a close.

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HOW TO INSTITUTIONALIZE THE CDF MODELS?

When a community process develops a lot of activities, like savings or network-building or housing, and is ready to scale up those activities, the question is how can the system that supports and finances those activities be scaled up and institutionalized, so the things people develop on the ground become an accepted part of the formal system? But institutionalized in such a way that the power of management is more with the people than with the support organization? Needless to say, there aren't many institutions that work like that in our societies, and we so we don't have many models to copy or learn from. When institutionalizing involves giving government or the private sector control over the process, everything usually grinds rapidly to a halt. So that has been a big challenge for Asia's community finance systems over the past three decades: the search for institutional forms that see this people-driven as a very important force to supplement and humanize what cities and states are doing. A few notes from the study on that:

CAMBODIA: There has been a long struggle to find the right institutional mechanism to support Cambodia's growing community-driven development movement with flexible finance. Experiments have included a number of institutional forms: a fund operating under an MOU with the Municipality of Phnom Penh, a registered foundation, a central government housing department. Each form had its problems of being too limited, or too stiff. The most recent institutional experiment is the family of city-based and province-based CDFs, which are independent funds, some operating under MOUs with local governments.

NEPAL and SRI LANKA: Instead of creating a new kind of institution, these two countries have both opted to join the existing government cooperative structures. That institutional home has given them a legitimacy and legal status to talk to government and manage money without trouble. The strategy seems to have worked, and both organizations have humanized and people-ized these stiff government structures and found ways to exercise their own freedom within those formal structures.

Thoughts from **THAILAND** on the process of institutionalizing

The Thai institution story is quite interesting, and begins with the UCDO Fund, which was set up originally as a special project under the National Housing Authority. Later, when they outgrew that arrangement, they expanded and linked with the rural fund and were re-born as CODI, a new kind of independent public government institution, under the Ministry of Social Development and Human Security. Here are some bits of the story, as told by Somsook during the August 2016 meeting in Bangkok:

Our strategy in Thailand has been finding ways to make the government system be the system of the people, as it should be. Instead of deciding everything and controlling everything, the government should provide space for a lot of people on the ground to be able to think, decide things, experiment and do their work. We had an opportunity to push this idea forward during one of the earlier coup d'etat governments, and convinced the prevailing administration to go along. We began by making a study about urban poverty and housing, with a lot of participation from groups around the country, to understand who was doing what, what the good and bad projects were, what was possible and what wasn't. After a lot of discussion with so many communities and civic groups, the institutional form that we proposed to the government was very simple: a fund. A flexible fund that would make it easy for people on the ground to do things. That government agreed, and in 1992, the UCDO (later CODI) was established.

"Instead of deciding everything and controlling everythying, the government should provide space for a lot of people on the ground to be able to think, decide things, experiment and do their work."

Somsook Boonyabancha, one of the founders of CODI

We designed all aspects of that fund, and kept adjusting things, so the fund could facilitate the people's process in a big way, first in urban areas and later in rural areas also. Part of the design was finding ways that every new idea, every new budget and every new program in CODI came out of a process of study, brain-storming, discussion and agreement with the relevant community organizations across the country. That bottom-up policy making became part of CODI's organizational culture.

Now more than 300 cities and 6,000 rural subdistricts in Thailand have done surveys, have formed community networks, have funds on the ground and have all sorts of housing and development projects finished and underway. Thailand has people's organizations at every level now - at the national level, at provincial level, at city and community level. And there issue-based networks also, that bring together people and communities with shared issues or livelihoods. This enormous people's infrastructure now exists, through the CODI support, and I don't think anybody can change that.

Then, between 2007 and 2008, there was more political turmoil in Thailand, and it looked possible that the prevailing government might cut off support to the Baan Mankong Project, at a time when the CODI fund was already running quite low. For communities in the process of planning their housing projects, this was a wake-up call, that even CODI - their main financial resource - was vulnerable to government politics. There was a lot of discussion during this crisis, and what came out was the idea that communities and their networks need to develop their own local funds, which they could manage themselves, to sustain their community-driven development independently, even if the CODI support stops. That was when the pioneering community networks in Chum Phae and Bang Khen District set up the country's first city funds, with community "shares" and seed grants from ACHR's ACCA Program.

City development fund **nuts & bolts**

	CAMBODIA	NEPAL	PHILIPPINES	SRI LANKA	THAILAND
ORIGINS When the CDFs started?	First provincial CDF started in 2006 Area-based	First cooperarative set up in 2000 Member-based	First city fund set up in 2000 Area-based	First branch launched in 1989 Member-based	First CDF in Bang Khen Dist. in 2009 Area + issue-based
SCALE How widely has the CDF process spread?	40 CDFs (19 in the study) 35 cities 14,304 members	29 Cooperatives (20 in the study) 23 cities 29,816 members	20 CDFs (12 in the study) 20 cities 8,679 members	277 branches (185 in the study) 69 cities 80,020 members	116 CDFs (63 in the study) 116 cities 122,914 members
CAPITAL How much capital in the CDF and from where?	**$2.83 million** • 8% from com. • 2% from gov. • 90% from donors	**$5 million** • 100% from com.	**$1.9 million** • 0% from com. • 5% from gov. • 95% from donors	**$13.4 million** • 100% from com.	**$6.1 million** • 58% from coms. • 34% from gov. • 3% from donors
PROCESS	Donor funded	Self-funded	Donor funded	Self-funded	Mixed: gov (CODI), donor and people
LEGAL Legal arrangements?	**Informal** Local gov reps sit on some committees	**Formal** Registered with gov as S&C cooperatives	**Informal** Communities registered HOAs and CAs	**Formal** Registered as one national cooperative	**Informal** Some have gov. reps on CDF committee
MANAGEMENT How is the CDF managed?	Each CDF managed by mixed committee, of local gov reps. and other actors with majority com. reps	Cooperative executive board (elected by savings groups) with three sub-committes (1 for loans)	Each CDF has a committee made up of reps. from from all the member HOAs and CAs	Branches have mgmt. committees of 1 rep per savings group; branches elect national leaders	Each CDF sets own system; most have committees of com. and network reps, with some others
DIFFERENCES Are all the CDFs the same or is each one different?	Different Each CDF sets its own system, rules and priorities	Different Follow some gov. rules, but each coop sets own system	Different Each CDF sets its own system, rules and priorities	Same Standard system and rules for all branches and groups	Different Each CDF sets its own system, rules and priorities
DECISIONS Who makes the loan decisions and how often?	All loan decisions made by the CDF committee, most meet monthly	Loan decisions made by loan subcommittee, then executive committee, meets monthly	All loan decisions made by the CDF Committee, which meets monthly or quarterly	Decisions for small loans made by group (weekly), larger loans by Branch (monthly), national sets rules	Decisions made by CDF committee, which meets once a month or twice-monthly
PROGRAMS What programs does the CDF offer members, besides loans?	Housing, land, settlement upgrading, livelihood, agriculture, animal husbandry, transport	Disaster, housing, livelihood, toilets, land acquisition, community infrastructure, recycling, solid waster mgmt, partner with government and social organizations	Focus on land acquisition, housing and livelihood projects	Welfare, loans, housing, health insurance, life insurance, disaster rehab, hospitals, nurse training, mobile clinics, advisory services,	Welfare, housing, land, insurance, income generation, community enterprise, upgrading
LOANS What do members and communities borrow from the CDF for?	Housing, land, livelihood, agriculture, animal-raising, transport, water supply, disaster rebuilding, emergencies, community enterprise, fish	Housing, livelihood, repay informal debts, toilets, water supply, emergencies, health care, vehicles, foreign employment, festival expenses, disaster rebuilding	Housing, land acquisition, livelihood, health care, water supply, education, emergencies, community upgrading, legal fees, informal debts	Livelihood, health care, education, consumer goods, house repair, toilets, water taps, daily needs, wedding expenses, dowries, vehicles	Livelihood, housing, land, group enterprises, transport businesses, emergencies, health care
GROUP Does the CDF loan to individuals or groups	Mixed: mostly group loans to communities, but some individual	Most individual, but few group loans for housing and group enterprises	Mixed: group for housing and land, individual for livelihood and others	Individual	Mostly group loans to communities
TERMS What are the loan terms and loan amounts?	Loan terms and ceilings set by each CDF	Loan terms and ceilings set by each cooperative	Loan terms and ceilings set by each CDF	Loan terms and amounts set by standard rules about length of saving and previous borrowing	Loan terms and ceilings set by each CDF
INTEREST What are the interest rates on loans, and loan default rate?	• Housing 6-12% • Livelihood 4-24% • Other 5% (20-60% default rate)	• Housing 0-12% • Livelihood 12-18% • Other 1-10% (0% default rate)	• Housing 6% • Livelihood 18% • Other 0-6% (35-99% default rate)	• Housing 18% • Livelihood 24% • Other 24% (0% default rate)	• Housing 4-18% • Livelihood 4-18% • Other 3-4% (3-6% default rate)

What a little **community finance** can get you . . .

We recently visited Myanmar and met with a women's saving group in Htantabin Township. These women, who are among the very poorest squatters in Yangon, had for many years been continuously uprooted and impoverished by evictions, until they were able to work together to buy a little piece of unregistered land, plan a tight community of 70 house-plots and build simple bamboo and wood houses for themselves - all for just $991 per family, which was financed by a community loan from their new city development fund to their savings group. Once they had secure land and houses of their own and had built a friendly new community, the women could get better jobs outside. Their incomes grew, they could take loans to expand their small businesses, they had their own welfare fund. Their children could go to school, their health improved, their status in the neighborhood rose. Their relations with the local government became friendly and they got official house registration. They could sleep soundly at night. I think it would be fair to say that life had finally started for them. Their housing development process - and the flexible finance that made it possible - had transformed their lives in every way. *(Somsook Boonyabancha, August 2016)*

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ACHR has been documenting Asia's community finance movement all along and has produced a number of publications which describe the evolution of savings and credit and community development funds. Two special issues of the ACHR newsletter, *Housing by People in Asia,* have been devoted entirely to savings and funds: No. 14 (February 2002) and No. 17 (November 2007), both of which can be downloaded from the ACHR website. The experience of Thailand's national fund, CODI, has also been amply documented, with many articles and publications on the ACHR website, and also on the English portion of the CODI website: www.codi.or.th

Asian Coalition for Housing Rights

This final report on the Asian Community Finance Study, ***"Community Finance in Asia",*** *is a publication of the Asian Coalition for Housing Rights (ACHR) in Bangkok. The material in the report was drawn from meetings, discussions, survey data and the final reports that were prepared by teams in the five countries which participated in the study. The report was edited by Thomas Kerr, with great big thanks to Nutta Ratanachaichan, Johanna Brugman, Natvipa Chalitanon, Somsook Boonyabancha, Somporn Boonyabancha, Pakorn Chalitanon, Lumanti Joshi, Deanna Ayson, Ranjith Samarasinghe and Diana Mitlin for editorial assistance; to Maurice Leonhardt, Somsak Phonpakdee, Lumanti Joshi, Chawanad Luansang and May Domingo-Price for photos; to the Rockeller Foundation for funding support; to Khun Kitti at Color Point for printing; and to all the communities and all their supporters around Asia who continue to buck the passive recipient trap and are taking charge of their own finances to improve their lives.*