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**CATALYSING PRO-POOR DEVELOPMENT, THE ROLE OF SAVINGS AND  
SAVINGS ORGANIZATIONS**

**KEY ISSUES ARISING FROM AN INTERNATIONAL WORKSHOP ON HOUSING  
FINANCE AND POVERTY – BANGKOK JUNE 2004**

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**COMPILED BY DIANA MITLIN**

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# **CATALYSING PRO-POOR DEVELOPMENT, THE ROLE OF SAVINGS AND SAVINGS ORGANIZATIONS**

## **KEY ISSUES ARISING FROM AN INTERNATIONAL WORKSHOP ON HOUSING FINANCE AND POVERTY – BANGKOK JUNE 2004**

Innovative strategies to enhance shelter finance based around the strengthening of savings and savings organizations can transform conventional finance into a catalyst for empowerment and development. Savings and loans increase local community development options by building confidence, securing recognition from state agencies and providing financial assets. In such programmes, money is no longer simply a means of exchange enabling the poor to participate in financial markets; money becomes a unifying force enabling people to enhance the resources that are immediately available to them and develop their collective skills.

This report relates to discussions that took place at a workshop that brought together a number of practitioners, and a full list of participants is provided in Annex 1. The discussions highlighted a number of key characteristics and challenges, which are outlined on the pages that follow. The report begins by considering the multiple and critical role of savings, and following sections explore the relationships between these approaches and conventional micro-finance, and look at some of the problems that emerge when trying to strengthen grassroots savings and loans. The discussion then moves to consider a second characteristic of these programmes, an emphasis on the role of networking and exchange between communities; this is intended to strengthen learning and thereby increase the effectiveness of activities.

The programmes discussed here span both the voluntary and the public sectors. Reflecting government interest, the discussions consider how a state subsidy to address the housing needs of the poorest can be embedded effectively into the process. With any ambitious development programme, and related to the use of subsidies, comes the issue of inclusion, and how the poorest might be included in the programmes in ways that increase their development options but do not increase their vulnerability. In some cases, shelter finance has been but one component within larger-scale urban upgrading programmes, and the penultimate section looks at how it can be incorporated effectively. Finally, the participants consider their own role as professional support agencies, and how they might best enhance the processes that they are working with and contributing to.

### **The core role of savings**

Numerous agencies seeking to address housing need have recognised the importance of savings and loans. Many different approaches have emerged. Over time, some have evolved into complex financial institutions. For example, some of the major housing finance companies in the UK have their roots in small-scale informal lending established by industrial workers to improve their housing situation in nineteenth century. Clearly a multitude of efforts have sought to increase the availability of credit to the poor for land purchase, service provision and housing development.

One distinct approach uses savings strategically to strengthen local community groups, thereby enabling a multi-stranded effort that simultaneously builds: confidence and organizational skills in communities, a documented savings habit, collective financial management systems, local loan funds for emergencies and enterprise development, and a capacity to lobby state agencies for a redistribution of resources and regulatory reforms. The paradox of these programmes is that, despite their apparent concentration on finance, money is used as a means of achieving multi-faceted development not as an end in itself. It is such programmes that are the focus of this workshop report.

While these programmes share commonalities, they emerge from many different points. What draws them together is their similarity in approach with respect to savings for shelter improvements. As noted above, savings has a number of advantages and these are discussed in the remainder of this section. First, savings catalyses an empowerment process: it builds confidence and organizational skills in communities. The poor are frequently told that they are no good, and that their problems are the result of their own inadequacies. The process of gathering their resources, setting up systems to accumulate savings, and then lending these savings to local residents helps build their confidence significantly. Second, and somewhat related, documenting this accumulation of savings helps other organizations take the poor seriously. It demonstrates the seriousness of the poor's self-help efforts and validates their engagement in a wider development agenda.

Third, managing collective finance builds within communities an understanding of how to manage money. Many development programmes that seek to be people-centred want to give communities financial responsibility. However, building this capacity once a large-scale externally funded project has begun is very difficult. Local community leaders often fail and that failure knocks their confidence, while associated allegations of corruption and mismanagement further divide communities. Locally managed savings and loan programmes ensure that communities embed financial management within their own organizations and associated social relationships. Groups learn by trial and error to set up robust systems, to call for assistance when needed and to manage problems along the way. By starting with their own funds, they increase their ownership of this learning process.

Fourth, local funds offer communities the chance to lend to members for emergencies and/or enterprise development, and thereby offer immediate material benefits. This further develops skills and experiences of financial management, as fund managers learn from successes and mistakes. As importantly, such activities extend the skills and build the confidence of those participating in the funds. Communities begin to believe that they can do things for themselves, and with that comes a belief in their own capacity to act. No longer do they need to wait for others.

Fifth, and related to all the previous points, the savings process equips communities with new skills and an associated new consciousness, which enables them to strategically engage with the state to obtain the redistribution of resources and regulatory reforms that assist in their access to secure tenure, basic services and housing. Savings and loans processes, as supported by the professional groups

represented at the meeting, seek to transform community and state relationships.<sup>1</sup> Community leaders are able to negotiate using their skills and experience and their own resources. In many cases, the scale of these resources is rarely significant when measured against their development needs. What interests local authorities (and other government bodies) is the organizational capacity that has been developed and demonstrated. Savings groups are confident enough to explain their history and articulate their demands in the spirit of partnership. As the groups represented at this meeting demonstrate, this combination of factors has achieved some success in many different Southern countries.

The purpose therefore is to revolutionise the way in which these political processes work and to create an umbrella to support a different development system. It is important that the support process for savings and loans programmes helps the funds address people's needs and gives them the freedom to use the funds for what they want. As Somsook Boonyabancha, director of CODI (one such state fund described in Box 2) argued: *"This is the first step in the liberation of the poor."*

Whilst there are similarities, there are also differences. Such differences arise in part because of contextual differences in countries. Differences in financial regulation, recent experience in savings and loans, and economic prosperity are only some of the factors influencing possibilities and opportunities. Box 1 outlines the present situation in Nicaragua and illustrates some of the ways in which these factors can be important.

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**Box 1: Savings in Nicaragua**

*The possibilities for savings programmes are influenced by the context in which people are living and the history of shelter-financing and financial opportunities. In Nicaragua, savings – and people's willingness to save – has changed dramatically over time. It has been negatively affected by various factors, for example, high inflation and corrupt community leadership. During the 1970s, a well-developed savings and loans system operated, although it didn't reach the poorest. In the 1980s, the savings and loans system was dismantled and was replaced by a state-controlled financial system. Cooperatives were established and many benefited from state loans but, without the necessary technical assistance, many failed. At the end of the 1980s, high inflation and monetary devaluation further eroded the financial capacities of the cooperatives, and initiatives for savings were further diminished. Severe structural adjustment measures inhibited people's capacity to save. People reverted to individual survival strategies and social capital fell sharply. In the 1990s, micro-finance institutions (run by NGOs) began to emerge, and these have grown in the last decade, offering micro-credit mainly for micro-enterprises. However, government regulations prevent loan agencies, except for a few authorised by the Superintendency, from taking savings. Today, there are some 300 non-profit organizations lending to the poor, but none are allowed to collect savings.*<sup>2</sup>

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<sup>1</sup> All but one of the participants represented government agencies or NGOs. The exception was Patricia Matolengwe from the South African Homeless People's Federation.

<sup>2</sup> Some financial regulations prevent organizations from lending and collecting savings. Whilst these are well-intentioned, there are evident problems in lending without saving opportunities. In addition to the benefits described here, without savings people are less likely to build up assets to enable them to

*Nonetheless, there are some development programmes that have sought to mobilise community savings. PRODEL is a Nicaraguan programme that includes small grants for infrastructure and community works together with loans for housing and micro-enterprise development. In PRODEL's infrastructure programme, communities start to save by putting their savings into a dollar bank account, as their contribution to the community development plan. Within the programme, residents work together to develop a five-year programme for basic infrastructure and community works, in which the families identify and prioritise their needs. People are encouraged to begin saving at the beginning of the micro-planning process. Generally, within one to three months, a project can be completed and people can begin to see the outcome of their efforts. Once people see success, they become more actively involved, and this reduces the risk of the money being lost. More importantly, people begin to have confidence in themselves.*

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### **Not another financial market initiative**

These approaches see themselves as very different from conventional micro-finance programmes offering individual loans (sometimes through collective management) primarily for enterprise development but sometimes for housing investment. It is believed that a major limitation of such micro-finance initiatives is that money may not be the major cause of poverty – and it is lack of finance that they seek to address. Moreover, even if lack of money is a primary cause of poverty, it does not necessarily follow that more money is the solution.<sup>3</sup> Where poverty is linked to exclusion from social, political and economic processes, micro-finance alone may be of little assistance. Collectively managed savings and loans helps to address such exclusion through building relationships within the community and between the community and the state.

Although the approaches may be different, there is not necessarily a conflict between more conventional micro-finance approaches and the kinds of savings and loans for shelter improvements that are discussed here. At least some micro-finance agencies recognise that money is just one aspect of what is needed. BancoSol in Bolivia, and others in Ecuador and elsewhere, have separated their credit activities from technical assistance services as they have grown; one group has concentrated on credit and another on technical assistance (particularly marketing). Another agency in Ecuador is working to assist migrants to more effectively channel their remittances to their families at home. Some conventional micro-finance agencies are very serious about seeking to add value to their financial strategies; they are careful to assess the needs of their clients and adapt their programmes accordingly.

In Central America, Sida has been working with micro-finance agencies to develop new housing products. Research with borrowers has encouraged the spread of micro-finance agencies into new areas, including a move from enterprise loans into housing. Market studies have helped to identify what people want, both in terms of specific

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repay loans in times of difficulty, or develop the habit of regularly making payments. Hence, they may be more vulnerable.

<sup>3</sup> For example, some families in housing need have been allocated public houses or housing subsidies to address their housing needs. However, without further support some families sell these assets at the first crisis because they have no alternative source of emergency funds.



loans for housing investment and the financial services that families seek beyond credit. For example, some people living alongside storm drains could not find alternative land, and thus wanted to build retention walls to improve their living conditions and reduce their vulnerability to disasters. Women street sellers of cooked food chose to use their home improvement loans (together with their pooled savings) to collectively install a water supply at their stores located at the city bus terminal. This improved both their business opportunities and their shelter situation. There is a huge demand from all borrowers for insurance against disasters, especially life insurance. Even though the NGOs are prevented from capturing savings in these countries, there are innovative examples of life insurance set up through solidarity groups. For a small additional fee (held as savings), in case of death, loans can be written off and the family receive burial benefits. As noted above, the micro-finance agencies have recognised that, in addition to micro-credit, technical assistance for housing construction and repairs is also important. These services greatly improve the quality of the building work, and enhance willingness to pay.

Perhaps the major division between professional poverty reduction agencies working with savings and loans is whether or not they recognise wider issues of politics and redistribution. For example, in Latin America, one of the divisions between professional groups concerns participatory budgeting and whether or not they understand its relevance. Porto Alegre has developed the participatory budgeting process into a pro-poor programme with multiple strategies. One year, the priority is land survey; another year, the priority shifts to land drainage; then maybe to micro-finance and the provision of loans. Slowly, the agenda of the poor is being realised, and the participatory budgeting process assists citizens to contribute with their own resources. Participatory budgeting is now moving from the city to the state level, and the intention is to promote a national debate on participation.

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**Box 2: CODI, Thailand**

*In the 1980s, many activities in Thailand were oriented towards financial rewards and market transactions. Subsequently, it was widely agreed that this had failed the poor, and hence a new programme, built across the state, NGOs and the private sector, was needed to address the problem of urban poverty. The Urban Community Development Office was established, and this Office worked until 2000 to provide state funds to locally managed savings groups for housing, income generation and community revolving loan funds. Using different interest rates for different activities allowed cross-subsidies to be offered and ensured that the total returns from lending were more or less equal to market interest rates. With its interest earnings, the Office was able to maintain the real value of their Fund and pay administration costs.*

*The Fund proved to be a powerful autonomous process. The experience showed that money accumulates and that the Fund promoted development within its financial targets. As a result of its success, in 2001 it merged with a rural fund, and CODI (Community Organization Development Institute) was born. This merger with the rural process was very significant at a micro level because it blended traditional community practices in the rural areas with urban strategies.*

*CODI's role is increasingly to draw together key groups within each city, enabling a viable local process that assists the development of strong local networks. Initially,*

*CODI linked to the communities through savings schemes. Then networks were formed from the savings schemes and this enabled the communities to assume a much greater level of responsibility. In 2003, the government built on the CODI process and launched the Baan Mankong (Secure Homes) programme. With this programme, there is an increasing move away from state and market solutions towards people's own housing development. By 2004, it had reached 42 cities.*

*The role of CODI is to act as a bridge between agencies, as noted above, and also between perceived solutions and new ideas about what needs to happen. The same principles are applied in different situations, and one example involves old people. CODI set up a programme with funding from the Social Investment Fund of the World Bank, and there was a discussion about needs; old people began to use finance to make themselves more independent, and when success was demonstrated, the practice was fed into the community networking process for further spread. People now see old people differently, not as dependents but as active citizens.*

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### **The process is not problem-free**

Despite the considerable interest in working with savings, many problems remain. One set of problems relates to banks and finance. Many countries have suffered from high inflation and, in some countries, bank assets have been frozen. In some countries, notably in Latin America, banks have a monopoly on collecting savings, and other agencies, such as community-based institutions, are simply not allowed to do this. Despite these rules, there are multiple reasons why the poor do not use the formal banking system. They may not even be allowed to enter such establishments because of discrimination against the poor, they may not be literate and able to fill in the required forms, and they may not be able to follow rules for regular savings problems because of uncertainty and fluctuations in their incomes. In such circumstances, with institutionalised financial exclusion, it is difficult to persuade the poor to make a habit of savings.

Even in favourable situations, as in Thailand, where savings is very strong in some communities, there can be problems. In one village, all 600 households are members, and savings activities are so integrated into their social processes that they save when they come together at weddings. However, most communities have not reached this level, although CODI is working towards the “*one baht a day bank*”. CODI relies on self-help savings groups, and they do not all save with regular institutions. The answer may not be to extend formal banking services to low-income communities, as this may be expensive and it would be better for the community to organise it for themselves. In response to the economic crisis and the recognised need to restructure the financial system, there is an ongoing review in Thailand. After a dialogue between the responsible committee and community savings schemes, there is greater understanding. The communities explained that they had access to financial services, but that these services were simply what they provided themselves. The committee had been thinking of taking the banking system to the grassroots, but after this meeting they changed their minds. Now they were looking at how the banks should work with the grassroots financial systems. There was no longer talk of formal and informal systems – there was the recognition that they are all part of a whole.

Such recognition appears relevant in other contexts. In CLIFF, a donor-financed programme working with SPARC, the National Slum Dwellers Federation and *Mahila Milan* in India, there is an expectation that the urban poor groups will become strong enough to be able to borrow from the banks. There is also the assumption that the banks will recognise their financial responsibilities and develop ways of reaching the poor. But the experience of Homeless International, a Northern NGOs working within this programme, suggests that this is a myth; the financial markets do not work like this, due primarily to how risk is seen and assessed.

While a traditional modality might see the financial sector develop new, more appropriate financial products to address the financing needs of the poor, an alternative modality would be to have an intermediary institution such as CODI, which wholesales funds, package these in ways that help reach the grassroots. It is not the first institution to do this. Previous initiatives in Thailand include the government savings bank extending micro-finance to the poor. In this case, many people deposited with the bank, so it was thought that they should also be able to borrow. However, CODI demonstrated the additional value that can be generated when external capital is linked to locally managed savings schemes. The new government, elected after the financial crisis, offered a village fund of 1 million baht to all 75,000 villages in the country. In addition to the 75,000 village funds, there are now 30,000 community funds developed under CODI.

### **The role of networking and exchange**

A major question is how the practice of savings can be spread and multiplied. Some programmes working with innovative shelter finance have used community-to-community exchanges to achieve scale through strategies that reinforce the core approaches of these processes. People often accept their present condition as given until they realise that it does not have to be that way. When they see what other communities have managed to do, they re-examine their assumptions and begin to explore alternatives. Teaching from professionals reinforces the image that the poor cannot address their own problems and that they are not going to be the major force behind improvements in their own lives. Exposure to other communities that have already addressed similar needs presents a radical alternative: one where they too, like others, can address their own problems. In some cases, communities have gone beyond single exchanges, and have established networks and federations.

Such networks and federations are important because most relations that link urban poor communities to other groups are vertical. These are relationships between communities and more powerful groups such as NGOs and local government. Networks link communities horizontally, and multiple benefits arise from this. When a significant step forward is taken in one community, it can be fed into other groups; as one group learns, others also benefit. For example, one community network in Thailand was invited to have their office in the municipal building. Initially, every group in the country said: *“This is a very good network, to be able to make the municipality accept them and to be provided with such a nice big space in the municipal building!”* But following a change in municipal government, the network was taken over by the municipality because it was located within the municipal building. Because this particular network had been so exposed and had been talked about all over the country, its experience became a valuable lesson for all the networks.

When people work together, in addition to learning, confidence is developed. People believe that they can do more because of their friends and allies. Some programmes have taken this further with networks and formalised Federations. In Thailand, the benefits from the networks that have developed in the last five years are evidenced in a growth in confidence that, in turn, brings negotiating power. City-wide surveys (undertaken by the networks) gather information on threats of eviction, lack of services, city structure, and who has what and who does not. People begin to understand why they are poor, and this is altogether different from someone else (for example, an NGO staff member or other professional) telling them about such things.

If a horizontal system of networks and federations develops and works effectively, then people are protected from the vertical system. Within their horizontal relationships, development activities can be strengthened, and checks and balances within the process emerge. Networks allow people to check on each other as well as to compete with each other, creating a balance in the right direction, which is much more effective than any legal control. People are embedded in the informal system, and know how to cheat each other as well as how to work together. Together they build norms within the networks, which they accept and which work for them.

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### **Box 3: SPARC, India**

*In SPARC's experience, the processes involved in savings and development need to be considered at three distinct levels:*

- *within the community,*
- *between the community and the NGO, and*
- *finally with regard to the emerging leverage capacity over the state that the communities can secure.*

*The savings process in the communities that SPARC works with began in 1985. At the time, these pavement dwellers were borrowing at high cost, maybe 10 per cent a month. The women started saving to gain greater independence, and for their own dignity. They saved each day with whatever was left over after buying necessities.<sup>4</sup> Within six months, the women identified rules to manage this money that were acceptable to the others involved. These rules helped their savings to expand, and they developed community banks. Now, if they didn't have the money for a bus fare, they could borrow it. Loans could be given immediately, at any time of the day or night, as money was held within the settlements. This gave the women trust in themselves and in their transactions. Gradually, the loans, together with their development ambitions, grew, and the communities that were saving joined the National Slum Dwellers Federation. The women's groups themselves formed a network called "Mahila Milan" ("Women Together").*

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<sup>4</sup> It is significant that they were not saving from *income* but from *expenditure*. It was a process whereby at the end of each day (at the time, the women collected savings at the end of the day), everybody literally put their hands in their pockets, and whatever *change* was left over from their daily expenditure was pooled. The women would then get together in small groups and put the money together, and that was lent to whoever needed the money for the next day's survival.

*Within both the Federation and Mahila Milan, membership is defined by savings. Women manage these savings and that is what makes them powerful. When negotiating with the state for land, infrastructure and housing, it is their savings that gives them confidence and credibility in these negotiations. The NGO becomes a partner through helping the mainstream institutions understand community realities. They have to learn the financial language but not become seduced by the logic of the financial institutions and mainstream development agencies.*

*The demonstrated ability of these groups to manage money becomes important when activities are scaled up with state subsidies. SPARC uses the terms “hot money” and “cold money”. People lend from their own savings pool (hot money), and SPARC replenishes that savings pool with external (cold) money (borrowed from the central bank at prime plus 0.5 per cent). People still think of this finance as their own savings, even though they know that this is not the case. They repay the money at a higher interest rate than that paid by SPARC on their borrowed funds, and the difference helps deal with delinquency.*

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Several of the groups believed that exchange programmes worked best when they involved mixed groups of people, including grassroots, mayors and NGO staff. This mix helps to build strong relationships between these groups, and is very good at removing mistrust and helping different actors to communicate with each other. It is important to select these people to facilitate exchanges as it is a sensitive process that needs considerable skill.<sup>5</sup>

The Asian Coalition for Housing Rights (ACHR) has worked to promote regional exchanges for many years and their work on community to community exchanges has been used by many groups. This began with the Asian People’s Dialogue in 1989, when a decision was taken to bring together Asian street groups. Why, it was argued, should only professionals get the chance to travel? ACHR has since supported both community-to-community exchanges and integrated exchanges with different groups. In some cases, in the early 1990s, seven or eight groups were brought together in one place, and a newsletter helped to disseminate the results of these and other regional activities. Communication was primarily in English, with simple photos to illustrate the points being made. Many of the stories in the newsletters were translated into local languages by NGOs, where examples were particularly relevant to a country.

### **What is the scale of the subsidy and how can it be delivered?**

Several of the NGO programmes that participated in the meeting have secured some kind of state subsidy. A further two programmes, from Namibia and Thailand, are government programmes that incorporated a subsidy. The Thai programme, CODI, has been discussed above. In Namibia, community-managed savings and credit groups have developed since Independence in 1990. Housing has been a priority, and the government introduced the Build Together Programme to provide housing loans (with a subsidised interest rate) to communities willing to build for themselves. Initially, the Build Together Programme was run by central government, but this proved difficult. Different groups each had their own strategies for housing, and the programme could not be supported effectively by a single central unit. Management

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<sup>5</sup> Hence, it is necessary to develop a cadre of young professionals and community leaders who have the skills to network.

of the programme has now been decentralised to the regions, with the central government maintaining a monitoring and evaluation role. The subsidy is offered with an interest rate of 6 per cent, and subsidised loans increase affordability. Some of the strongest housing groups are those aligned to the Shack Dwellers Federation of Namibia. In general, these groups control their funds well and build successfully.<sup>6</sup> A further example of a government loan programme is the Community Mortgage Programme in the Philippines which provides subsidised loans for land purchase and housing development to community groups facing eviction. In this programme, NGOs are given a distinct role and are entitled to be “originators”, ie. professional groups that provide support to communities benefiting from the programme.

Several of the NGOs at the meeting had succeeded in drawing down state subsidies for their own activities. In India, there are several state and national subsidies for land, services and housing. In order to secure such subsidies, SPARC have been involved in raising bridge-finance for a number of housing developments. Once construction has taken place, communities are then able to apply to the state or national agencies to draw down the subsidy. Often, an additional savings or loan payment is required to fully repay the costs, and this is managed through the funds that *Mahila Milan* have secured, and augmented by additional loan capital. Once subsidy funds arrive, the bridge finance can be re-used in the next development.

In South Africa, the South African Homeless People’s Federation have a third model in which a not-for-profit loan fund for the Federation, called *uTshani* (or grassroots), acts as a conduit for a state capital housing subsidy (which includes amounts for land purchase and infrastructure installation). In some cases, *uTshani* offers small additional “top-up” loans to assist households that have received a housing subsidy but wish to increase their housing investment; and on some occasions, it will bridge-finance delayed subsidy funds. Communities apply to the fund which is financed by international donors and the state. A further model from Fortaleza (Brazil) is described in Box 4. In this case, the NGO established a fund that was made up of local authority subsidy finance, NGO loan capital and people’s savings. Residents could apply to the fund for loans that were released to small groups who helped each other and who built together. These groups also helped to guarantee the repayments.

Despite these differences, each of these schemes operates with collective savings and loan management, not with individuals. The loans are managed at the level of the savings schemes, who identify members to participate, manage the building process, and take on responsibility for repayments. For example, in the case of the Community Mortgage Programme, groups apply to the fund and the money is released collectively, with the community (homeowners) organization being responsible for collective repayments. However, in this particular case there is now pressure to individualise the loans.

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<sup>6</sup> The Shack Dwellers Federation of Namibia emerged from autonomous savings schemes in informal settlements that were set up in the early 1990s. By 2002, the Federation had 187 savings schemes, 31 of which have acquired land for infrastructure and housing development. Total savings were N\$ 1.5 million. The Federation also has a national loan fund called Twahangana, which is financed by the Namibian government (N\$ 2 million) and donors. The fund offers loans to Federation members for infrastructure, housing and income generation.

In many cases, it has been the process of savings in community groups that has resulted in access to state subsidies. One example is Maracibo, in Venezuela, that has the best oil fields in Latin America but where 80 per cent of the people are in poverty. Once savings schemes started in these neighbourhoods and the funds began to accumulate, people began to think of many things. Their savings helped ensure that they were recognised and legitimised by local government. Over time, they were able to negotiate for state support. People's confidence in savings is reinforced when they can see that the process leads to a real difference in the opportunities that they have: savings creates opportunities. As others have said, "*savings is a way of opening doors*" – it enables communities to speak the language of the formal system and communicate in new ways. In negotiations with formal agencies, community leaders are now able to articulate their views. They understand the operational terms and can be successful in leveraging funds. Local authorities are now talking about offering some communities more opportunities, including participation in municipal development councils.

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**Box 4: Shelter and subsidies**

*In Latin America, there have been limited experiences with community savings and loans. However, where this methodology has been used, the experiences have been very positive. In particular, it helps to democratise relationships between leaders and people. Leaders are far removed from practical problems, and are concerned with policies and advocacy. Housing has proved to be a good entry point to start community organization and strengthening. In the past, leaders have argued, and continue arguing, for subsidies, but these remain limited. In practice, this strategy has offered not very much to a very few.*

*In Forteleza, we demonstrated a new way of doing things with a programme that combined people's savings, an NGO loan and a subsidy from local government (although this fund was controlled by the people, not by the local authority). In addition, to apply to the programme, people had to obtain a paper from their local residents' association. Loans were given to small groups that formed with a number of settlements. Slowly, these organizations began to see the value of these new approaches, and came to understand that they could develop a different kind of relationship with their communities and respond to the communities' immediate problems.*

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A further strategy is exemplified by the Step-by-Step programme in Ecuador in which the NGO manage loan fund facilitates access to a state subsidy by providing residents with the "savings" that they need to access the subsidy. The discussion of the programme in Box 5 illustrates that one housing cooperative has been able to use the funds secured in this way to attract further support from the municipality.

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**Box 5: Step by Step**

*The Step-by-Step Programme is taking place in Peru and Ecuador.<sup>7</sup> Activities include the establishment of a revolving loan fund with the related construction of safe and*

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<sup>7</sup> Implemented by CIUDAD and DESCO with the contribution of European Union–KATE–IEPALA–ASDE and ACSUD / Las Segovias

*affordable housing through incremental (step by step) development and the promotion of savings among participants. The revolving loan fund for shelter production seeks to establish a credit system that is adaptable to and appropriate for the needs of self-building families. In addition, technical assistance in the building of affordable, healthy and safe houses is also being provided. Training programmes for the people involved in the construction of low-income housing will be provided together with the dissemination of good practices on progressive shelter financing schemes through a training and dissemination centre. In addition to the direct benefits, a further ambition is to improve housing policies for low-income families through the targeted dissemination of the programme's achievements.*

*The total budget for the programme is 1.8 million Euros. In Peru, the project is taking place in Lima Villa el Salvador with its 1 million residents. In Ecuador, the project is located in Quito, Riobamba, Alausí and Cotacachi, the initial project being support for the San Juan Bosco Housing Cooperative. In total 0.54 million euros are allocated to the revolving fund with an anticipated 2000 loans being provided. In Ecuador there is a national housing subsidy system that offers families a grant of US \$ 1,800. However, they have to be able to save 10 per cent of the value of the house to qualify and families find this difficult. Generally they are not eligible for loans and they don't trust formal credit institutions. Hence one use of the revolving fund is for the down-payment to secure the subsidy. Additional uses are part-payment for new houses in existing housing programmes, housing improvement, as a deposit for commercial loans and to provide community facilities.*

*Local finances can be exemplified through the women association "Luchando por la Vida". The 36 families have an average income of US \$ 185 per month with 94% of households falling below state poverty line (\$360 a month). The housing programme involves the construction of 6 buildings and 36 apartments (of 60 square metres at a unit cost US \$ 5,100). The total costs are being paid by the government subsidy (one-third) and two-thirds by the families (using a combination of savings, commercial loan, and a Step-by-Step deposit to access the housing subsidy).*

*From 2001 to 2004, Step by Step in Ecuador has granted more than 930 loans; 550 families have acceded to new houses off good quality. 62% of the users of the loans are women. 72 % of families that have secured housing are below the poverty line. Step by Step's loans for a total amount of 750,000 US dollars have mobilized more than US \$ 2.5, from the government subsidy (25%) and private banks loans (75%).*

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Linked to the process of savings, loans and subsidies is that of repayment. The conventional micro-finance process emphasises the importance of high levels of repayment. However, one consequence of this is that many such programmes work with slightly higher-income clients, who are less likely to face a personal crisis or have to deal with other problems that lead to missed or late payments. The experiences discussed here are very different. As discussed in the following Section, there is a desire to secure inclusion (particularly among vulnerable groups in the community) and to opportunities to all. There is a recognition that dealing with the poorest requires less conventional practices, and that specific and temporary financial insolvency for some households is not a reason for abandoning loan finance. At the same time, the strength of the community is critical. When communities cannot



address these issues, then loan finance can increase vulnerability, as the poor take loans they cannot afford to repay and have to address the consequences. If a primary purpose of savings is to strengthen the communities' capacity to be development catalysts, the effective loan programmes require them to have the strength to play that role.

The issues were exemplified by three programmes represented at the meeting:

- SPARC (India): "Our system never says that repayment is 100 per cent! We discovered that about 65-70 per cent of communities were able to repay on time in any single month. The others have a problem and need longer to repay. Now we assume that, at any given time, there will be 30-40 per cent of people who don't have money in their pocket for that period. It's not designed in this fantasy that it is 98 per cent. We are not saying that people don't repay that money, but we always find that about 30 per cent of people need to extend beyond the initial point."
- Build Together (Namibia): "Our general experience is that women are very good at completing the programme but men are not so good. The loan recovery rate is about 75 per cent. The groups that work with the Shack Dwellers Federation of Namibia, they are better able to manage these problems."
- Maracibo (Venezuela) has a savings process that has developed into a loan programme. However, there is a fantasy about repayment. Maybe 30 per cent fall into a grey zone, and in Latin America there are many reasons for this. One reason is the scale of economic difficulties. These problems can be illustrated by the present situation in Brazil where people are really struggling after a three-fold drop in the value of the Real. People have to manage this economic crisis and it is nonsense to think that all can manage easily. But after some time, when people begin to cope with their difficulties, then repayments start again.

Subsidies have to build community skills and capabilities. The response to individual crisis is critical. Will community groups lose confidence and hesitate, provoking a vicious cycle in which those with problems are overwhelmed by their sense of failure and abandoned by the group, and those who can manage become isolationist and protective? Or will the group accept that it is responsible for managing a difficult situation, and help to negotiate a way in which people can participate in solving their own problems? Delays are a common part of the process. But there is a need to recognise that repayments need to be maximised whilst the difficult situation faced by specific families needs to be addressed. In Thailand, UCDO offered restructuring loans to help people get back on track after the economic crisis. The networks realised that their strategies had sometimes been counterproductive. Housing loans for developments a long way away from employment opportunities resulted in problems for many. The more knowledgeable networks persuaded people to negotiate for better-located land, maybe even upgrading their present settlements. In the Secure Homes Programme in Thailand, funds for upgrading are provided by the state. The risk is managed by the communities within and through their housing cooperative. CODI shares this risk, as it is the conduit through which funds flow. CODI accepts that interventions may fail financially, but seeks to ensure that they succeed holistically through improving livelihoods and enabling communities to help with social protection.

### **How to ensure that inclusion is addressed**

There are two issues with respect to innovative shelter finance and inclusion. First, there are issues of inclusion within the schemes themselves. Second, the process helps to build inclusive cities by creating opportunities for the urban poor to secure tenure, services and housing.

Savings schemes may struggle to reach these groups and others who live in very distinct geographical areas or who do not have a permanent location. A major reason is that savings schemes build up links between neighbours in geographical areas. It is difficult for those who are working but not living in the city to join in, or for those who are very mobile. In Latin America, the Urban Management Programme tried to set up savings schemes with a group of street sellers in Quito, but it failed because of local government attitude.<sup>8</sup>

Policies for inclusion in savings and loans schemes may be difficult to operate effectively. To take a very different example from Asia, the Grameen Bank (in Bangladesh) has very strict criteria, and tries to ensure that only the very poor take part. They are nervous that the richer groups within will be too strong, and will determine the rules and regulations. In other countries, such as Thailand, such a highly targeted policy would not work very easily. Within urban poor communities, there is a lot of sharing between residents. CODI seeks to look at the community more holistically and inclusively, with rich and poor alike. However, CODI staff recognise that there's the danger that the process will be difficult for the poor. The difficulty with more inclusive groups is that the rules they adopt are hard for the poor to comply with. The practice of daily saving in India helps to ensure that even the poorest can participate. The livelihoods of the poor are generally managed daily (or in three to five day cycles), not monthly. Groups that save monthly exclude the poor. Some Thai groups started with monthly contributions, and there were evident problems with inclusion. Now Thai groups save daily. Some meet every day at 6.00pm to save and have a chat.

A further issue about inclusion is that of gender. There is a widespread understanding that the centrality of women is important. Women are concerned about their neighbours, about who is sick and who needs what. So if women are central to managing the savings process, then it is likely that there will be fewer problems with exclusion within the community. However, this requires that the process be oriented towards women. While this seems prevalent in the case of savings and loans, in some contexts, the shift to construction encourages higher levels of involvement by men.

In South Africa, inclusion within any specific neighbourhood depends on the strength and direction of the savings scheme. Some savings groups have excluded the very poor from participation in borrowing housing loans because their low incomes make larger loans appear unaffordable. The group wants to increase their chances of getting bridging loans from a community fund (the *uTshani* Fund) prior to receiving the state capital housing subsidy. Other groups are stronger and this is not an issue. With a

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<sup>8</sup> Approximately ten cities among the 300 practising participatory budgeting in Latin America have policies of affirmative action – a primary strategy is to increase representation for groups that are the most vulnerable and not in the least included. For instance, instead of having one delegate for every 20 households, a particularly vulnerable group will get one for every five households.

focus on development through individualised benefits such as housing, it is easy to exclude the poorest. These individuals and families may need special support to be drawn into the process.

In Fortaleza (Brazil), it started with hunger. When a local NGO embarked on a grassroots hunger map of the city, they discovered that every day, 10 per cent of the population went hungry. They asked themselves how could they ask these people to come to a meeting when they only had four hours to find something to eat? If they came for an hour, then they would only have three hours to search for food. As a result, they began to extend loans for local food production and for medicinal substitutes (traditional healing plants). Hunger mapping is a good strategy to mobilise and empower communities.

Throughout the South, Asia, Latin America and Africa, conventional development processes have failed to deal with many groups of poor people. In some cases, these are the poorest, but this is not always the case. There are particular groups who are vulnerable, such as migrants who are often illegal. For example, Nicaraguans living in Costa Rica, Peruvians in Ecuador or West Africans in South Africa are often treated as non-citizens. Such groups often fall outside of any development scheme, and are excluded from the benefits that others can secure.

In some countries and cities, some residents may find it difficult to participate equally because of the level of violence within the settlement. In Nicaragua and other countries in Latin America, personal security is becoming a major barrier to inclusion. People are fearful of leaving their homes in the evening. They become reluctant to go to meetings. The reality is that when working in communities, it is often necessary to negotiate with gangs, and include them in some way within neighbourhood plans. This is difficult to manage, both for families and development agency staff; moreover, local authorities may be reluctant to work in these areas. There are strong regional differences in levels of violence, and there are limited opportunities to apply lessons from one context to another. In some places, the community responses that led to gangs were in part based on survival options.

In addition to individuals or groups of individuals who are excluded from settlement activities, there are settlements or whole groups of settlements or otherwise defined communities that are not drawn into the development process. One strategy used in Indonesia involves area upgrading finance being available only for plans which include the poorer informal settlements. Within the available monies is a special fund to build up the human resource capacity of the lowest-income households. Rickshaw workers, for example, are trained to repair their rickshaws and/or offered credit to buy their vehicles.

The processes involved in upgrading programmes are somewhat different from those of Greenfield developments or simple housing investments. Clearly, the strong intention must be to ensure inclusion. In Thailand, current funding for upgrading comes as a complete package for all in the settlement. In some communities, renters are excluded from this opportunity. CODI encourages a stronger process, which discusses everyone's claims and seeks a compromise; a common result is that renters are allowed to take part. This is generally easier in areas where there has been a city-wide survey, which brings together many groups to identify and report on the areas in

need of improvement. If this is done properly, the city-wide survey brings all groups at different levels into a networking process. It legitimates all the groups in the city, considers their needs and develops a plan to address these needs. This process helps to ensure that local groups adopt an inclusive attitude.

Another group that may be excluded are workers who are not very poor but who have very few housing opportunities. While a supposition behind much micro-finance is that lack of money is the major problem, this is not always the case. Some formal sector workers are well paid, but may suffer enormous problems when it comes to accessing services. These problems are especially acute in new settlements, for example, those that have grown rapidly due to the expansion of free trade zones. In Central America, many workers in these areas cannot get housing. In Honduras, for example, it is estimated that 60 per cent of economically active people are employed in free trade zones; thousands of families have jobs but the living conditions are appalling. The state has been unable to respond to the influx of migrants and provide services and infrastructure and other basic needs that are necessary for an adequate life. The possibilities for savings groups within these communities of migrant workers, together with employer contributions, provide some interesting new examples of how savings, matched with dollar for dollar contributions from employers, can be the basis for a model to access housing and shelter facilities.

Inclusion in housing may also require support for income generation. There have been previous attempts in Fortaleza to address the multiplicity of needs. In the 1990s, another savings and loans programme recognised that people wanted jobs and were ready to save to secure jobs. Using 10 per cent of the funds that people could access for housing improvements, and by contributing their own labour, small commercial centres were developed, as were small industrial zones measuring 150 square metres and kindergartens. By managing these activities, the community organization could earn a small amount of money. The small industrial zones, kindergartens and the water and sanitation systems all worked well. The commercial centres were more difficult. These were intended as small units to be used as shops, but there was a lot of pressure from communities and they were turned into accommodation.

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**Box 6: Programmes, politics and poverty**

*A starting point for large significant upgrading programmes is political support. In Thailand, CODI (and its predecessor UCDO) secured its future through a combination of many factors. For some years in Thailand, the NGOs supported self-help. Then, ten years ago, a national planning process was initiated. A few of those involved (at a very high level) suggested that people's participation was important. The head of the planning process was not a typical economist. He was interested in the idea of the community being the centre of the process. This process was reinforced by other influences. On one occasion, the responsible minister went to a meeting and came away with the idea of community empowerment. This emerging process, which eventually led to UCDO, took three years to evolve. A central part of the process was collaboration between many different groups. When the idea of a community-based savings and loans programme was first presented to Cabinet, there was strong opposition. But one minister was very determined and eventually the idea was passed. In addition, the importance of local authorities was recognised from the*

*beginning. In Bangkok, there was support but elsewhere there was opposition. Now, 10 years later, it is easier. The local authorities can see the benefits of the programme and most now collaborate. At a local level, academics and NGOs work alongside the communities and local authorities, and this approach helps.*

*It was a further 10 years before CODI was formed, with the merger of two funds, one urban and one rural. The context was favourable to participation, and this is reflected in the new constitution. This change was not initiated in a single place, rather, it emerged from a number of processes. Over time a strong community leadership has emerged. The NGOs are committed, and document what is happening. Now, even one or two cabinet ministers understand something of the process. More recently, when the Baan Mankong (Secure Homes) process was started, government support was forthcoming because of the mounting evidence in favour of this approach.*

*There are many different related initiatives in Thailand, such as the national poverty eradication programme. There is now growing cooperation, notably between the bureaucrats and the political process, and within the community sector, including civil society. This opens up good possibilities for the future.*

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### **Blending shelter finance into upgrading and redevelopment**

A challenge for many of those working with shelter finance is how to scale up the activities. This is more than simply raising additional finance to increase the scale of savings and loans. It also involves decisions about the optimum institutional relationship with the state in order to secure the redistribution of state resources and collaborative development partnerships in upgrading and redevelopment. In different countries, the administrative and public management systems are very different; for example, in Indonesia two-thirds of state finance is allocated to local government, whereas in Thailand, the equivalent figure is 35 per cent. Such differences point to the multiplicity of strategies that will inevitably be required if funding and/or partnerships are going to be secured in such difference contexts.

A particular challenge for any institutional strategy is to avoid being sabotaged and hijacked. An example was given above of how a network had been offered an office in a municipal building, only to have it taken away when the political situation changed. Similar challenges exist at the programme level. One strategy that appeared to be a good arrangement within the Sida programmes in Central America was that of bilateral development assistance funds to state institutions for programmes such as this. However, the risks to this strategy have also been demonstrated. A good many international development agencies have attached their programmes to government departments. A considered assessment suggests that this has resulted in lots of projects but few of these processes have been institutionalised over time. In the case of shelter finance, Sida supported a programme in Nicaragua that began within a state institution. When it was created, decentralisation was firmly on the agenda so the institution was strong, both in human and financial resources. However, over time things became more difficult, and in this particular case working with the local authorities has proved to be more fruitful. In the case of PRODEL (in Nicaragua), a decision was taken to transform the programme into a foundation, taking it out of the public sphere into the non-government sphere. In this case, there is government

representation on PRODEL's Board, so the state has presence and involvement but no power. This experience may be useful, and provides some guidelines on how to go from programme interventions that are short term (three to five years) to institutional relations that can continue indefinitely. Being outside of government has a further advantage in this particular country as the national political situation is often volatile.

Another option is that of a quasi-state agency. In Thailand, it is believed that it is best to be with government but not fully of government. This experience suggests that there may be advantages to not being wholly non-governmental. UCDO started life under the National Housing Authority and CODI (UCDO's successor) is now a public agency with its own funds. There are many advantages to being in government, particularly in respect of the legitimacy to bring together other groups. However, the agency can also be vulnerable to political pressures, and the process has to be managed carefully. At the same time, CODI has very much sought to develop a system of working with local networks and local authorities. The institution itself seeks very deliberately to avoid being in the centre. Rather, it seeks to convene others based on their responsibilities and commitments. If CODI was the centre, others would not collaborate.

In the case of CODI, a large government programme, it is possible to speculate about the future. CODI is now 100 per cent successful and, as long as its support for development is needed, it intends to continue. It has no plans to grow ever larger. Rather, it considers its role to be catalytic and supportive. The intention is that the people's development sector will grow bigger. CODI's role is to collaborate with everyone to provide effective support to the locally managed savings schemes. If the state services are unified at the local level and the community networks are strong, then communities can decide what to do. Some groups may decide to establish their own secretariats for professional services. In this case, there may be no need for CODI. But the state will still remain, and it is likely that CODI will have a role because of the support that communities need at a local level in dealing with other state agencies. A further alternative way of allocated state funds is described in Box 7. The Kampung Improvement Programme in Indonesia offers a mixture of loans and grants for local upgrading programmes.

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**Box 7: Micro-credit, small loans and the Kampung Improvement Programme**  
*The newest phase of the Kampung Improvement Programme has been designed to include social and economic development as well as physical upgrading. The Comprehensive KIP was introduced 1996 to address the need for integrated and multi-faceted development activities. The funding itself is divided into a grant component together with a revolving fund which provides for enterprise and shelter related lending. However, the process is designed to attract a lot of further resources through in-kind contributions from the community. It is intended that the management of the revolving loan will itself strengthen communities' skills and capacities.*

*More specifically the shelter loans enable the improvement and extension of houses together with the upgrading of facilities such as bathrooms and kitchens. Other possible uses of the monies are improvements in the local neighbourhood such as*

walkways, drainage and public toilets are covered by grant funds if the community decide. Reviewing 18 sub-districts that have received revolving funds since 2001 shows that 15 have offered loans for housing improvements to a total of 860 households.

*However, these figures present a somewhat misleading picture of the development process that the Programme is seeking to support. The objective is to catalyse a local development process that encourages people to invest in their dwellings as they develop houses incrementally. It has been shown that such investments may be more than 20 times the initial public investment. The regularisation and upgrading process directly assists in encouraging such private investment. Whilst it is possible to use the revolving loan funds for shelter improvements, the emphasis is often on micro-enterprise development with the expectation that residents will invest in their homes once their livelihoods are more secure and profitable.*

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In South Africa, the South African Homeless People's Federation, based around a network of savings schemes, became very strong. At one point, the intention was to set up a state fund, a kind of CODI. But there was no participatory open process and the government distanced itself from the Federation, claiming that it was difficult for them to support a single initiative. Now, there is another move for a similar fund, through a coalition of the urban poor. In the absence of alternatives, the Federation and its support NGO, People's Dialogue, set up an alternative *uTshani* Fund. This received its loan capital primarily from development assistance agencies, although the state made an initial contribution of 10 million rand. As noted above, this Fund is also used as a conduit for state subsidies.

In Thailand, CODI was proposed as a fund for grassroots organizations that was related to other larger processes of the state. The consultative process that led to its formation was very open. A narrow consultant-driven strategy gives too much space for politicians. At the same time, the grassroots organizations (savings schemes) that were already involved in UCDO were very clear that they were the owners of the process. The role played by these organizations meant that other organizations were only encouraged to join if their objective was to help the people.<sup>9</sup> The centrality of the people within this process means that critical mass is important. CODI is still too small to fight for its own survival. Two years ago, it faced fierce criticism in parliament because local politicians did not like the fact that they did not control local expenditure. The community had to explain the situation, including CODI's strategies and the programmes on the ground, many times.

Within the Philippines, the NGO sector also has an active and important role in demonstrating new options to the government. The Community Mortgage Programme emerged directly from an NGO's programme experience.<sup>10</sup> This demonstrated a third option, in which NGO innovations are adopted by state agencies. However, this experience has been mixed. Although the programme has been beneficial, the host agency has not always been supportive, and funding has been

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<sup>9</sup> The problem with this approach is that the public relations staff inside CODI want them to take a more proactive role.

<sup>10</sup> The Community Mortgage Programme has assisted 100,000 families to secure tenure through offering loans for land purchase and, sometimes, related housing development.

limited. This is partly because the subsidised interest rate means that the venture is not perceived as profitable, although collection rates exceed those for individualised middle-income home lending with higher interest rates.

The Build Together Programme in Namibia is another example of a state fund. This programme has not suffered from being located in an unsupportive or disinterested host agency. It has a significant political commitment. In addition to this general programme, the government also contributes to a non-state NGO fund, the Twahangana Fund of the Shack Dwellers Federation of Namibia. This additional funding is partly in recognition of the fact that the Build Together programme does not reach some of the poorest families that are members of the Federation.

There is no simple answer as to where the fund should be located. The question is being considered actively in the Philippines, as the government is proposing to establish a Social Housing Finance Corporation. One aspect to consider is the preferred degree of openness. Hence, CODI recognises that, as a national public organization it works with an loose and inclusive process. This means that some of the communities supported by CODI are not very rigorous in their activities. Public organizations have to be open to all, while NGO funds have more freedom to set their own criteria and be more demanding. Having to be open and universally accessible can be difficult; it is necessary to find a way of managing disagreement and difference without serious conflict. It can be difficult to manage the differences and still maintain a sense of direction.

Even when shelter finance or urban poor funds are located within state agencies, further choices need to be made. Decentralisation, at both a regional and a local level, is important. In Namibia, the central government now recognises that, rather than managing the funding directly, it should disseminate funds that are then allocated and managed locally. The experience in Latin America also emphasises the importance of the local authority together with local people. Some of the problems of not including the local authorities are now exemplified by the early activities funded through Social Investment Funds. In some cases, these Funds substituted for line ministries, the goal being to deliver development projects quickly and efficiently to counteract the worst effects of structural adjustment programmes. Not only were the local authorities side-stepped in the planning process, but a further problem was that the projects tended to be “hand-outs” and, at the outset, lacked a participatory approach. The only group that has had the power to say no is the local authority, but it takes a lot of maturity to say no to free goods.

The experience in Thailand also suggests that funds should be located so as to reinforce the centrality of the municipal level of development. However, in this case the city authorities are not the ones who allocate the funds. Local community groups (savings schemes) conduct a city survey to assess the scale of need for housing loans. This process helps to draw in a wide range of interested groups. The network, together with a wider group of concerned and experienced professionals, then receives a budget from the city and starts a process to allocate the funds. The experience of the South African Homeless People’s Federation suggests that it is important to make sure that funds are really available to the people at the grassroots. However, this process is not simple. One problem is that other interest groups interpret people’s



strategies and use them against the people, and another is that the leaders may not be connected to the people.

### **The role and contribution of professional agencies**

A number of roles emerged for NGOs during the process of growth and nurturing of innovative shelter finance.

Guarantor of the system – SPARC: A role for SPARC emerged around maintaining books and sharing information. Community leaders were worried that they would be pressurised into giving loans, or that they would have other problems. So, as the NGO, SPARC set up a fund from our grants, and this fund operated like a guarantee for the savings. The money was with the community, but if there was stealing or thievery, then the community saving was supported. In effect, SPARC acted as guarantor, and this gave them the courage to carry on.<sup>11</sup> The NGO came under pressure from the communities to secure more capital, and with that came a system of peer accountability. If one community failed to repay the capital they had borrowed, another went to investigate the non-repayment and support the community to resolve any problems. SPARC became a wholesale banker, identifying each transaction and sending the information to communities. Like a bank, every transaction is identified and that information is fed back every month to the federation, so the federation knows who's paid, and who's not paid.

Helping communities manage information – CODI: CODI need workers who can help groups to learn. There is no need for workers to teach savings, but they do need to balance information between the groups. (A general problem within the organization is that workers want to teach too much.)

Moving programmes forward – A number of successful strategies to move the fund processes forward can be identified. While these may not be appropriate in every situation, they offer suggestions to overcome difficulties that arise during this process. International contacts and exchanges can be important in addressing difficulties raised by intransigent officials and politicians. When the federation in Nairobi faced eviction problems, they were able to link up with SPARC in Mumbai, who had recently worked with the Indian federation against the railway evictions. Within the federation movement, a practical advocacy process was catalysed, so that when evictions started in Nairobi, within two and a half weeks a trip had been organized, and people were exposed – in a completely practical sense – not just to an alternative, but also to their equivalents in India who designed that alternative.

Documentation – NGOs both assist in documenting these processes and also align to universities and other similar institutions to assist in the documentation of this process. Another example, from Indonesia, sought to spread improvements on a city-wide scale. In this case, the university persuaded the city government to take a two-page spread in the Sunday newspaper. They then included lots of information on who was doing what and sent it to 2,000 communities. This started a competition. Each community was asking itself, what can we do to get into the newspaper next time? Then, people also wanted to visit each other, to see what was going on where. Johan Silas argued that: *“The university is a good centre for networking. In NGOs, people*

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<sup>11</sup> Yves made a comment that Cearah Periferia had played a similar role in Brazil.

*come and go; but in universities, people stay a long time. It is also good for working with government and for teaching the next generation of young professionals. I say to people, I am just a street singer and the song is from the people.”*

Knowing what they cannot do – People’s Dialogue: The experiences in South Africa demonstrate the importance of a social mobilisation process by communities, as the state ignores professionally driven processes that do not address the interests of the politicians. So NGOs need to be clear about the roles that they are not good at taking on. The capacity of the people to organize, strategise and lobby is critical.

Building scale – Mexico: The strategies of professional agencies seeking to significantly increase the scale of their programmes are important. In Mexico, in the 1980s, there was a house-lending institution called FONHAPO. The investment made by the fund grew to \$90 million. However, as it became more successful, the major political party saw it as a threat, and sought direct benefits. The instigators were unable to protect the Fund and it became absorbed into the state bureaucracy. Today, FONHAPO has lost its significant meaning – its innovative people-centred work is no more.

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