

## SOME GOOD REASONS WHY THE POOR ARE REALIZING THEY HAVE TO LEARN TO PLAY THE GAME OF FINANCE . . .

The way things happen in the world we live in is increasingly determined by money. The power of money is nothing new, but never before has it held sway so thoroughly over so many aspects of our lives, our environments, our relationships and our perceptions of what is right and wrong: everything nowadays has a price. You can call it capitalism or the market system or greed, but like it or not, the power of money is the defining factor of our age.

And what's happening is that more and more capital - and the power that goes with it - is accumulating in a smaller and smaller number of hands: in gigantic corporations, in the pockets of the super-wealthy and in increasingly centralized government systems. It's way up there, not down here. These few hands are setting the agenda, making the plans and determining what shape development will take, and then passing the budget down the line accordingly.

All this financial flow keeps things dynamic, of course, but the problem is that almost none of it is making its way down to the ground - to the poor, who keep getting pushed around and manipulated by whatever projects and programs this finance foists on them.

The more our governments and development institutions say, "We're going to alleviate that poverty" the more they spend on programs that just eat up that finance in management, in overheads, in junketing and in all manner of contingencies, so that very little actually reaches the people whose poverty is supposed to be getting alleviated. And when little scraps of finance do actually reach the ground, the poor are almost never allowed to manage it, to say what they would like to do with it or even to touch it.

That's why the big problems of poverty like land, housing, income and welfare never get solved. Unless poor people can learn how to use the tool of finance, they'll keep getting walked over by the much bigger and more powerful forces in government, in the private sector and in development agencies that are calling the shots today.

**SPECIAL ISSUE ON  
THE FUNDS POOR  
COMMUNITIES PUT  
TOGETHER AND  
MANAGE THEMSELVES**

# HOUSING

# by People

## IN ASIA

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## SAVINGS AND FUNDS AND LAND AND HOUSING :

There is probably no issue of poverty which better illustrates the power of this community-managed finance system than housing. In most places, if poor people have to wait to get their land and build their housing only after they've saved the whole cost, it will take them ten or twenty years. And by then rising construction costs and land values will have made the whole project impossible anyway. But when people have their savings groups and their development funds, they can plan and build their housing right here and now.

## And why community savings and credit and community development funds go together :

Why are community savings and credit and development funds so important? Because these are forms of finance that start growing from the ground, from people's own resources, instead of trickling down to them in stingy dribblets from some bogus poverty alleviation program or other. And when finance grows up from the ground like this, people can begin to think for themselves what they'd like to do - *and then do it*. Even if it starts very modestly, this kind of finance system within poor communities has the power to gather people together and to allow them to start doing things, because it is finance that they manage themselves. This is the trickle-up method.

Savings and credit is the first layer. Then, when a community's saving has brought them together, built their confidence, their management skills, their collective strength and their own internal fund, they are ready for the second layer, which is *the development fund*. The job of the development fund is to pump additional resources into this people's finance system (through loans or grants, and with a certain direction), which is now prepared and ready to handle them. This extra financial resource greatly expands people's space to create, to develop and to negotiate. It allows them to speed up and scale up their problem-solving initiatives and to push beyond the limited capacity of their internal savings, which by itself would allow them to move forward only very, very slowly.

Community savings and development funds go together. Growing numbers of poor communities are realizing that as long as the control over money is always in someone else's hand, so will the fate of their land and houses and communities and livelihoods always be tossed around by the power of someone else's money and some bigger fish's investments. And they are increasingly making money - and the control over their own internal resources and outside development resources - the fundamental tool in their process of bringing about change in their cities and reclaiming their power over their lives and communities.

# SAVINGS + FUNDS



## SAVINGS & CREDIT / COMMUNITY FUNDS

### No longer a new baby ...

In the past 15 years or so, the community savings process in Asia has grown up from a few scattered experiments into a very large movement that now has a life of its own. Community savings is a kind of revolution among poor people who want to change their lives, change that begins with the simple rituals of collective saving within their communities.

Of course savings alone won't do it all. But it makes a good start, when poor people understand that saving together and working together is important. They may put only a few coins into the pot each day, but that small savings means their development starts right away and that they are a part of something, part of a collective process, part of a search to find ways for their group to bring about change.

Saving is the only process in which poor community people can be the owners: they determine the direction, set the rules, make the decisions about how to use the resources to do what they think is important. There is a lot of talk about democracy in most Asian countries now, but we don't know what it means. Casting a ballot once a year and handing control over your life to some shark or another? *Community savings is democracy.* It is a democracy that ordinary people on the ground can be part of right now. Savings and credit activities open space for these possibilities, by ordinary poor people.

**Saving is the key vehicle to get people to believe in themselves, to believe in their own power to determine their lives. For nothing as clearly divides the empowered and the powerless as control over money.**

After watching the savings and credit movement in Asia over the past 15 years, we can see clearly now that development processes by people can be strong only where community groups organize savings and credit. In my opinion, it's the only way. They have to start from scratch - from saving first for emergencies, then for income generation, then for welfare and right up to saving for housing. Twenty years ago, it was unthinkable that the poor could save for their own formal housing - the costs for decent, secure, legitimate housing were just so high. Now that happens all the time. The small savings people started with can lead them eventually to own proper decent house. (*Somsook Boonyabancha*)

## More than just access to credit ...

### Making community savings and credit the building block of a people-driven development process in Asian cities

It's more than just a convenient source of low-interest credit to the poor. Community-managed savings and credit is a key ingredient in poor people's struggle towards better lives, better incomes, more secure housing and more healthy settlements. Community groups without savings can certainly link together and organize to a limited extent, but with savings and credit at the core of the process, communities have *both money and power* - those two most essential ingredients for improving people's lives. Why have federations of poor communities in the Philippines and throughout Asia and Africa embraced the simple rituals of savings and credit as the foundation of their development process? (*with thanks to the Homeless People's Federation Philippines*)

- 1 It helps people understand their own situations and their diverse needs :** Instead of waiting for the government to provide development, communities now study their own needs, study what the state policies provide, and formulate solutions that work for everybody. They begin by looking at their own resources, and negotiate outside for only what they don't have themselves. The savings group is a forum to discuss, to analyze problems and to explore solutions to problems which affect them - problems which are diverse and complex. The stronger their savings groups, the greater their capacity will be to deal with those problems.
- 2 It builds large scale :** When savings schemes collect money, they collect people. Without big numbers, people can't get this kind of momentum to articulate their needs. When many small savings groups link and work together in larger organizations, those larger numbers provide access to greater financial resources and enhanced clout when negotiating for basic needs. This process has political implications, since the stronger status of large federations enables the poor to deal with larger, structural issues related to their problems.
- 3 It develops community strength :** When communities save their money together and make decisions together about how to use their collective resources, they are developing the confidence, the managerial capacities and the collective skills they need to link with the formal system in negotiating for secure land and access to entitlements and to become central players in the larger urban development equations.
- 4 It creates the bargaining chip of collective assets :** Poor people's individual savings are peanuts, but when large numbers of poor people put their savings together, *it's big money.* This enormous, growing collective asset bucks the myth that the poor are helpless and have no resources. When they come into negotiations with resources in their hands, they're not beggars, they come with thousands of people and millions of pesos in savings. That collective asset - and the confidence and experience to manage to manage it - makes a strong bargaining chip when negotiating with the state, with municipalities and with finance institutions for land, housing and access to external finance.
- 5 It makes poor communities potential development partners :** Savings and credit schemes create the self-management systems, the mutual support systems, the collective assets and the large-scale involvement in poor communities (and in large-scale networks of poor communities) which show the government, landowners, finance institutions and other development stakeholders that the urban poor need not be seen as obstacles to urban development, but as important and viable partners in the struggle to make cities in the Philippines better places for everyone to live.

### "When people don't believe in their own power, they do a lot of complaining."

In a new people's process in any country, where they have a lot of pressure from the system and where people don't believe in their power yet, they will do a lot of complaining. When we started in South Africa in 1991, all the people wanted the government to do things for them. They would call each other "comrade" and they believed if their black majority government came in, the streets would run with milk and honey. Remember that?

Most community movements, when they are new, will believe that some god from outside will provide them with whatever they want. But that never happens. And the people may complain a lot about how bad their government is - and it's usually true, everything they say. But we know that complaining only is not going to reach any solution. How can we twist this around so that people see that this god that delivers change is not outside but inside themselves? And how can people actually start moving forward in a direction where the government can only follow them? Well I think that if people start saving together, that's a pretty good start.

(*Gregor Meerpohl, speaking at the Asian People's Dialogue 2 in Jakarta, 2000*)



Before, the government always saw the urban poor as a problem of the government and as a burden on the city. They didn't want to negotiate with us. But through our work, and through our community savings, we are showing them that we are not the problem, we are the solution to the problem.

*(Sonia Fadrigio, Homeless People's Federation Philippines)*

## The word from Patrick in South Africa :

**"This squatter isn't saying he's got no money, this squatter is just saying I want to participate in my life."**

**P**oor people's unity is their strength. For us in South Africa, that strength is not only unity, but certain activities like savings, like meeting, like exchange programs, like sharing our experiences and talking about how we deal with eviction, with landlessness, with poverty. I come from a squatter settlement called Inanda, near Durban. In 1991 we had our first visitors from India, and they said, "Mandela is coming out of prison and you are going to have your own government, but is it going to give you housing?" And everyone was screaming and shouting, "Yes housing, yes housing!" But until today, many of us still have no house!

Then in 1992, you people here in Asia said to us in South Africa, "Hey don't just scream and shout, why don't you save something? Save some money, you know? Come together, talk, negotiate for land and build houses. Do something, do something!" Some of our people went to Mumbai for the Mahila Milan savings schemes, and some came to Thailand to look at poor people's financial systems there – and we saved. Today, we are back here in Asia and we say we have built thousands of houses through savings.

The biggest tool to unite people is savings and coming together. And that is how we are fighting: with savings and talking. We found out that when we started saving our money together and we started talking together, people started looking at us carefully and asking, what is this squatter trying to say? This squatter isn't saying he's got no money, this squatter is just saying I want to participate in my life. What we want to share is how we save, how we link that saving to eviction, how we link that saving to HIV, how we link saving to health issues, to housing, to education, to infrastructure. This is what we are doing about good governance.

**Our problem is that as poor people, we like to sit and wait. And then after about two or three years, someone gets evicted, and then we all stand up and fight. When that fight is finished, we go back and sleep for another five years. And then there is a flood, and we all get up again and fight. Fight the water, fight the local government. And then we sleep for another five years. That's our problem. And while we are sleeping, the government and big businesses are looking at us sleeping and they say, "Hey you know what? Let's chase them away and build a shopping center here!"**

What we are proposing to you is, can we meet every day, can we save every day? Can we meet continuously and do the thinking and get organized and go to the government when the government thinks we're still sleeping and say, "How about giving us this piece of land? How about we build a sewer together? How about we build a clinic together?" Can we put our own programs on the government's table? This is how we do things in South Africa. We have poverty, we have evictions, we have poverty, we have landlessness - we have all those things. But we also have savings and we have negotiations with our government.

*(Patrick Maghebula, National Leader from the South African Homeless People's Federation, speaking at the Asian People's Dialogue II, held in Jakarta, in 2000)*



## People want change :

These days, every message that we receive on TV, the poor also receive. When the prime minister says something very nice and it gets covered, people all over the country listen to that, whether they're poor or rich, rural or urban. The almost total reach of media and many aspects of change in our societies have caused people to have different aspirations, different expectations, and new ways of thinking. People in poor communities today are not the same as community people ten or twenty years ago.

We see this in so many ways: poor people have changed and they want to move themselves along with the new times. The problem is that the systems in our society are not adapting to these changes, they're not changing too, or not changing fast enough. Our government ministries are not interested in change at all, they are still acting the same old way, bothering only about their systems, their plans, their hierarchies, their ways of doing things. It's the same with municipalities, with development agencies, with NGOs. In the same way, urbanization is happening much, much faster than cities can cope with, or even understand. And slums are also growing much, much faster than the capacity of cities to solve the housing problems that force people to live like that.

In a city like Ulaanbaatar in Mongolia, we see this very clearly: people are coming from the rural areas into the city, and now 60% of the city's population lives in informal settlements around the city's periphery. The city wants to solve this problem, but they don't know how. And so problems emerge and multiply faster than solutions. This is a problem not only here in Asia, but in Africa, in Latin America and even in the better-off countries of the north.

The formal systems in our societies are just not active enough or open enough to see what people need, or even humble enough to make room to allow people to realize their aspirations on their own. And this is the reason why there are problems, why there is such growing frustration.

But if you go out looking for the people who *really want to make change*, you'll find that people living in slums are one of the groups with the most urgent desire for change. They want their children to be better off than they are, they want to have a proper status in the city, they want improvements in their housing and living environments - *they want to be normal city folks!* But unfortunately, the formal systems in our countries are very slow to open enough room for them to realize even these very modest aspirations.

But if the ownership of the resources and the ownership of the knowledge can be in the hands of these poor communities, through their savings and credit groups and through the development funds many are linking to, flexible finance for community-driven development can create a new political space for freedom. This is one new system for delivering change, in which people have their own finance and know how to deal with it, and in which this finance provides them with a tool to bring about change, by themselves. Community savings and community development funds are a way to make this possible. *(Somsook Boonyabancha)*

# A few thoughts on community funds :

**1 PROJECT THINKING VS. CHANGE THINKING :** The savings and credit / community fund process in Asia has reached a scale now where it's no longer a "project". Many groups are thinking city-wide and country-wide with the funds and savings and credit programs they support. It's often hard for outsiders to understand that tidy, containable little projects in a community or two can't bring about change. Change can only happen on a large scale. So even when the savings process is first starting in a city or a few communities, it's important that the vision always be city-wide and country-wide. Otherwise you get stuck in polishing and polishing your perfect little project. That's *project thinking*, but what we need is *movement thinking and change thinking*.

**2 THE FUND HAS TO LINK WITH THE STATE :** A community fund is much more than just an institution that loans to the poor. We are more ambitious than that: the role of a fund should be to change the system of the society. So the way a community fund gets institutionalized is extremely important. If a fund has no link with or acceptance by the state, most governments will regard the whole thing as an "NGO process," and will steer clear of it. Then it becomes very hard for the fund to grow beyond the level of a "project" only. Some kind of acceptance - or some strategic bridge to link people with the state - is crucial.

People in poor communities can start up their process, let that process mature and start their community fund first. But at some point, it has to link with the public system, so that the fund acquires some kind of legitimacy and recognition necessary for community people to use it as a tool to negotiate with the various levels of governance, to get the government to come into people's game, on their terms. As long as the fund can maintain some degree of independence and doesn't fall into the government bureaucracy trap, there are infinite possibilities. The experience in Asia has shown that people and governments can work together, but people need to know very well what they want, they have to stand up, they have to have their own plans, they have to have their own ideas, they have to know exactly how they are going to move, and then when government understands that, they collaborate.

**3 NO SINGLE MODEL FOR A COMMUNITY FUND :** The community development fund is a new kind of institution that groups around Asia are inventing as they go along. There cannot be any single model for how a fund works. The same institutional arrangements won't work everywhere: all countries have different histories, different political contexts, different kinds of support systems for the poor and different degrees of maturity in the community process. So different kinds of status, different mixes of partners, different degrees of closeness to the public system or to NGOs will be good for different contexts. But a few core principles should be common to every fund: it should have a certain independence from conventional government systems but should have some strategic role which is accepted by the government and it should bring together poor communities, professionals and the government. The important thing is that the fund's structure and location and way of working arises from the realities in that place, and is embedded in the systems of that country.

**4 HOUSING IS THE ISSUE WHERE YOU CAN'T DANCE ALONE :** Because housing is more complex than many other issues of poverty, but is such a fundamental need of the poor, the role a fund plays can be crucial. In housing projects, you have to deal with things like land, construction, finance, infrastructure, building regulations, house registration, public land leases and issues of access. All these things are inextricably linked to city structures and to government systems, like it or not. Housing is not like welfare, where you only have to deal with finance. If we can find some way to get the government or the system to accept the people's process, and recognize it as a force that can help them do their job better, then we have a big space to move with housing. But if the government feels this is the big group is only antagonistic or out of it's control, then any kind of housing project will be very difficult.

## A different take on sustainability . . .

One of the first questions that gets asked about these new community development funds is "*But is it sustainable?*" Sadly, a lot of the banking thinking that informs the micro-credit movement (not to be confused with the savings and credit movement!) considers only *financial* sustainability: how to sustain the money and the systems that manage it - systems which exist and operate primarily for the few who *have*, and not the many who *have-not*.

But in a world where increasing numbers of people are becoming poor, where the gap between rich and poor is widening, where our social support systems are collapsing and where the environments which support our survival are being destroyed, is it imperative to speak of the sustainability of *people*? Of our societies? Of our cultures? Of our planet? The question should be not whether the fund itself is financially sustainable, but whether the fund is helping to bring about changes in the lives of the majority which these global financial systems hardly touch.

If we turn this question of sustainability around, and take the human side as being important, then sustainability means people in a society can grow, can be strong and can deal with their problems and resolve their needs as a matter of course. If this is important, and if your objective is to sustain the people and not the money, then the system of finance can be much more flexible, to support a diverse range of activities which bring about that growth and build that strength *in people*.

And what we're learning with these new community development funds is that if they're managed properly, they will also be financially sustainable - the loans will be repaid. The process may not generate huge profits, and there may be the need for a little subsidy here and there, because the situations of poverty they work within require a bit more flexibility, but these development funds can work.

**A community development fund is a tool to make other things happen. It is not an end in itself, it is not a new fiscal religion.**

The work of a lot of these new community funds is asking is, why can't we design something that is somewhere between the systems of pure charity and pure banking? Who says you have to follow one or the other? Why can't a development fund be based not on any fixed procedures or questions of financial sustainability, but on common sense understanding of what poor communities need?



## . . . and it's ALWAYS messy :

Those cookie-cutter perfect community projects and those 100% repayment statistics you keep hearing about? Take it all with a grain of salt! Neither savings and credit, nor community fund processes are easy, and they're never perfect. In real life, leaders decamp with money, arguments happen, people default on their loans, community organizations get unbalanced or split, there are fights, clashes, times of stagnation. A people's process is never *not messy*. That's the human factor in it. Communities have to deal with all this, and the important thing is that they have to develop systems for resolving all the problems that come up. That's part of the learning, part of the growing and part of the process of building a robust community-based organization that is anchored in poor people's lives and social systems. There is no short cut.



## SRI LANKA :

### WOMEN'S BANK : going from big to bigger with their women's savings program ...

The savings and loan program that Women's Bank started in 1989, with three small groups of women in a Colombo slum, has grown into a country-wide, community-based micro-credit movement, with more than 60,000 members around Sri Lanka, whose combined savings comes to nearly US\$ 7 million now. The savings scheme has evolved over the years and now has a decentralized management structure, with over 100 branches, mostly in the western and southern parts of the country. Women's Bank is self-financing, is not dependent on any external resources and meets all its managerial costs through self-investment profits from its branches.

In 2004, WB loaned out a total 240 million Rupees (US\$ 2.5 million) to its members for livelihood, housing and other social needs, all using money saved by some of the country's poorest women. Recovery is almost 100 per cent. About 25% of the loans WB allocates are for house building and improvement, toilet construction, electricity installment, water connection and sometimes land purchase. In recent years, WB has initiated life and health insurance schemes and community-based health posts. Local WB groups are also undertaking community upgrading projects to improve water supply, drainage and solid waste systems in their low-income settlements.

Since the December 2004 tsunami, the Women's Bank has been actively involved in helping tsunami-affected communities rebuild their lives, their livelihoods and their settlements. To do this, they have mustered all the force and creativity and support of this national network of poor women savings groups. The tsunami has turned out to be an important opportunity for the Women's Bank to go beyond their usual savings and credit activities and to extend their systems of support to a much wider group of affected communities and set of issues.

**CONTACT :** Women's Bank  
Contact person : Mr. Nandasiri Gamage  
145/80, E-Zone, Seewali Pura, Borella,  
Colombo 8, SRI LANKA  
Tel (94-1) 268-1355  
e-mail: wbank@sltne.lk

## CREDIT to help people rebuild their lives remains this network's first disaster rehabilitation tool

**W**omen's Bank has been undergoing a huge expansion of its women-run grassroots savings groups in tsunami-hit areas over the past two and a half years. WB is now operating in about 11 tsunami-hit districts along Sri Lanka's southern and eastern coasts. In these districts, which are still suffering the effects of the waves, they have expanded already-established savings groups and started new ones, to provide a people-controlled mechanism for channeling badly-needed credit (from a variety of external funding sources and from a special tsunami loan fund the WB set up) to tsunami survivors, for all their immediate needs.

Very early on, the Women's Bank decided that the best way to help people get back on their feet after the tsunami was to give them loans to start up their income-generating activities and rebuild their 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-affected members to borrow, they relaxed the membership and borrowing rules and set up a special emergency revolving loan fund for housing, land acquisition and income-generation, with an initial capital of about US\$ 185,000 from Selavip, ACHR and Women's Bank members (later much enlarged with donor funds from ACHR and other sources).

A few days after the tsunami, some 150 enthusiastic national women leaders divided themselves up into teams and set off to different parts of the country to start new savings branches in various zones, getting the tsunami-affected families to link together into groups, start saving together and then use their new savings groups as a channel to pass external money from WB's emergency fund to the new group, as "seed money" to start their various income generation projects or to rebuild their houses. Besides money from their external funds, Women's Bank branches in Colombo have also made loans to newer tsunami-hit branches from their own considerable savings, and this inter-group lending has become a pattern that continues even today.

**W**hen you talk with any of the Women's Bank leaders, they will keep emphasizing that development should come from people, that people themselves should start and link together before anything else, and that savings and loans are the most powerful mechanisms to do this, to bring people together and get them to take charge of their own rehabilitation.

By November 2006, WB was working in 117 tsunami-hit villages in 9 districts, with 7,000 new savings members in 65 new branches who had saved a total of Rs 22 million (US\$ 195,000) and taken a total of Rs 62 million (570,000) in loans. At that time, when so many people were still languishing in relief camps or waiting for government compensation, these loans from Women's Bank were probably responsible for the greatest amount of housing reconstruction going on in the country. Women's Bank was also able to link with many other groups like Help-O, Sevanatha and other organizations, especially to organize affected communities through their savings group system.

**"Even after almost three years, the people in these coastal communities are still facing serious problems of insecure land tenure, problems getting access to toilets and drinking water, problems of joblessness and destitution. We are working to get people to come together, to work together. We will continue with our loans program to help revive the economic well being of poor families in these tsunami-hit communities. But the idea is to be able to negotiate better, to make a bridge with the system. But we can only do this from a position of strength and good organization."**  
(Arnoma, Women's Bank national leader)



**"These self-help savings groups allow us to have self-respect, so we don't have to depend on others. We save to run our lives better. We save to take care of our own needs, using the force of our being together."**

(Rupa Manel, Women's Bank national leader)

## INDIA :

## Mahila Milan savings collectives : Gurus and beloved aunties to Asia's savings and credit movement . . .

When it comes to community savings and credit in Asia and Africa, the poor footpath dwellers living in the Byculla area of Mumbai, who started Mahila Milan 22 years ago, have a status that is somewhere between touchstones, gurus and beloved aunties. Many of the national savings movements described in this newsletter can trace their wee beginnings to either visits from or visits to these intrepid women, who have traveled the globe teaching, cajoling and pummeling more communities into the savings habit than can ever be counted.

In India, community-managed savings and credit groups, in which each member saves each day, are the foundation of both the National Slum Dwellers Federation and the Mahila Milan cooperatives of women slum and pavement dwellers. Savings groups are the "glue" that holds the federation together. There is no minimum amount that savers have to contribute each day. Women are particularly attracted to these savings groups because they provide crisis credit and can develop into savings accounts that help fund housing improvement or new housing and loan facilities for income generation.

Women also find that their participation in savings groups transforms their relationships with each other, their families and their communities. The daily contact between savers and the community representative who collects the savings also acts as a constant source of information on what people's difficulties are and how they can be dealt with. When people want access to credit, the savings collector has personal knowledge of family circumstances and can vouch for them.

These savings groups are managed by community organizations, not professional staff, often at local area resource centers, which also serve as places for community discussion and planning of community initiatives. The groups serve not only to provide members with credit for their needs, but also to develop decentralized mechanisms for the larger federation to develop plans and manage finance for large housing, land and infrastructure projects. In India, the fact that a person saves is their membership ID for the federation. And the fact that women manage the micro savings process makes them very powerful in this management process.

**CONTACT :** SPARC (Society for Promotion of Area Resource Centres)

Contact person : Sheela Patel

PO Box 9389, Mumbai 400 026, INDIA

Tel (91-22) 2386-5053, 2385-8785

Fax (91-22) 2388-7566

e-mail: [sparc@sparcindia.org](mailto:sparc@sparcindia.org)

Websites: [www.sparcindia.org](http://www.sparcindia.org)

[www.nirman.org](http://www.nirman.org)



From the bottom up :

*For the federation, the most important function of savings and credit is that it mobilizes large numbers of people who manage money together. This collective financial management, and the trust it builds, increases community organizations' capacity to work together, to address problems and to manage or resolve conflicts. In effect, it is building good governance from the bottom-up.*

## Sheela on the evolution of SAVINGS in India :

*Since the very beginning, the Mumbai-based NGO SPARC has been the support partner for the Mahila Milan and the National Slum Dwellers Federation. Here is the story of how the savings process got started, as told by SPARC's director, Sheela Patel :*

**O**ur savings process began in Bombay in 1985 with some of the poorest people in the city - the pavement dwellers. At that time, people were already saving and borrowing, but they were doing so at a terrible cost to themselves - borrowing daily from informal money lenders at interest rates of 10% per month. It was an extortionate borrowing system. Most of those loans were for day-to-day survival and most were taken by women.

So when we first started the savings process, it was an issue of dignity, of women saying we just don't want to go and beg somebody for our next meal. So they started saving. At that time, the women went around collecting savings at the end of the day. Everybody would literally put their hands in their pockets, and whatever change they had left over from the day's spending, that was what they saved and pooled together. What the women then did as small groups was to put that money together, and then loan that money to whoever needed it for the next day's survival.

So the beginnings of our savings process was in crisis and survival-related expenditure. And the savings process started to create a group of the poorest women within that community (the better-off were too snooty to join, initially). Within a matter of six months, what happened was that the women who were collecting the money and lending to each other developed some simple rules about the lending that were acceptable to them - as a group.

**These poor women had become bankers!** They were unconventional bankers, sure, but what do bankers do? They collect people's money, they document those transactions and then they set the terms for loaning: *What interest rate to charge? How much to lend? Who to loan to?* Out of that came a process whereby gradually the savings groups started giving loans from their savings. It would start out with lending in very small amounts - say ten rupees to someone who needed to buy wheat or didn't have bus fare to go looking for a job. But then gradually, people started putting more and more of their money into this process, and they could loan out larger amounts.

What was important in these transactions was that the money was their own, and it stayed in their locality. People could go knock on a door, day or night, say they needed money and get it. There was also an issue of trust and an issue of security. Indian slums are full of scams and con men who trick even the poorest out of their money. But here, people saw that their money was safe, in the hands of someone they knew, locked in a cupboard. And most importantly, it was in the hands of women.

The second thing that happened as we moved along was that there were still people in the groups who tried to see how much they could get away with: somebody would run away with savings, family members of treasurers would finagle loans, etc. What we did as an NGO was to set up a fund from our grants, and this fund operated like a guarantee for the savings.

So the money was with the community, but if there was thievery or monkey business, then the community saving would be supported.

As the savings process began to multiply, the networking within the federation expanded this process. And gradually, the amount of money that was loaned to people moved from only crisis, to consumption and livelihood. And there was pressure on us as the support NGO to start looking for more money - *because the savings was not enough.*

## Saving in the Mahila Milan /NSDF :

Number of cities :	56 cities in 10 states (1,170 area resource centers)
Number of members :	52,690 saving members
Total MM member savings :	US\$ 900,000
Total housing savings (only Mumbai) :	US\$200,000
Total loans (from savings) :	US\$ 520,000 (US\$ 215,000 repaid)
Total loans (from revolving funds) :	US\$1.0 million (11,742 loans; US\$ 687,500 repaid)
Total loans (from RMK) :	US\$ 597,500 (7,703 loans; US\$ 465,000 repaid)

## How do we save together?

Some reflections straight from the source : how the super-mahilas in Byculla started and refined their savings movement

**1 STARTING TO SAVE (Laxmi) :** Earlier, we didn't know how to save. Whatever was left of our earnings we'd give to the children or eat it away. If a problem came up, we'd have to pawn our jewelry or borrow from the *pathan* (money lender), and pay him 10 Rupees monthly interest on a 100 Rupee loan. We were always paying the *pathan*. So we thought why couldn't we deposit whatever we had left with Mahila Milan, even if it was only one or two Rupees each day? If we had a Rupee left after going to buy vegetables, we saved it. We didn't have any savings books back then. Many of us couldn't read, so we used different colored paper tickets to represent different denominations of money - one, two, five and ten rupees. The ticket for 100 rupees was bright red! We'd keep one set of tickets in a plastic folder with us, and another set in the office. When it was a 100 rupees, we had a big red note. That way everyone could count. But we thought this money shouldn't just be lying around, and we decided to start giving out loans.

**2 SAVING WITH MAHILA MILAN (Sakina) :** The Mahila Milan account is for us. It is to be of use in times of need. If we borrow 25 Rupees from the neighbors today, tomorrow they will come and stand at the door and say you have taken 25 Rupees, now give it back! It is so shameful! We thought that it would be better if we deposit money in the Mahila Milan, so it will be of use to us in times of need. And we said to all our neighbors, see? If you go to the *pathan* for a loan, you go on and on paying interest and never pay off the principal.

**3 SAVING FOR HOUSING (Samina) :** We needed a housing account because we don't have a house. We live on the footpath and the municipality kept demolishing us and chasing us away. Our life was like garbage. That's why we thought if we opened Mahila Milan accounts and then opened separate housing accounts, we would deposit one or two Rupees in Mahila Milan each day, and 50 Rupees a month in the housing account, which we keep to build our house some day.

**4 MAKING THE ACCOUNTS IN THE WOMAN'S NAME (Sagira) :** We decided to open the housing accounts in the woman's name - why? Because the house is run by the woman and the children are looked after by the woman, right? If the account is in the man's name, that man could spend our savings on drink, he could sell the house and just walk off. He could even divorce that woman and run her off. That is why we opened the accounts in the woman's name. If the account is in her hands, in her name, she can save and repay her loan every month.

**5 DECIDING WHO GETS LOANS (Laxmi) :** In the beginning, we gave very small loans. There was no question of a big loan, we just didn't have the savings to give big loans. Our committee of 11 leaders would decide on the loan, but if some of the leaders didn't show up, that poor woman wanting a loan would be left hanging, going around like that for two or three days in difficulty. People shouldn't have problems like that getting loans, we thought. So we decided that for borrowers who are regular savers, their area leader can take responsibility and sign and give the loan on the spot, so her problems would be solved.

**6 KEEPING CASH HANDY FOR LOANS (Samina) :** Loans are given from the cash that is kept in our Mahila Milan office or that we leaders keep with us all the time, locked in our cupboard. Today if a person in my area wants a loan of 500 Rupees, I have it to give her right now. Even if she wants 10,000 Rupees now, I can give it to her right now. We don't keep any of our loan money in the bank, it's all kept with us, in our own hands, right here in Byculla.



*We started this saving so that with this money, our organization will be created and the poorest of the poor will also save money. We don't even use the word rich! Those who are poor in this slum, those who don't even have a single roti to eat, we explain to them that if they have even fifty paise, save it, and tomorrow you will have two rupees. (Samina)*



## Daily saving :

*Here are some thoughts from Mahila Milan leaders Samina, Sagira, Banoo and Laxmi on daily saving, another concept these women pioneered in their footpath settlements in Byculla:*

We thought of saving money every day, because if we have one or two coins in our pockets, our children will come and say, *mother give me a rupee, I want to buy a chocolate*. Then the other one will come and say, *mother give me two rupees for the shop*. If there isn't any money in our pocket, they will rummage through it and go away: *oh mother doesn't have any money!* If the money is there, it all goes into the children's stomachs or off to the *bania* (shopkeeper). That's why we thought that if we could put those one or two coins in our account every day, then it would not get eaten away. It would become our daily saving.

Another reason why we began to collect savings every day was so that saving will become a habit. If we can make savings a habit, then when it comes time for us to make our house and take loans, we will not find it a problem to pay back the money.

To save twenty or thirty Rupees a month is burdensome for most of us. We will say, *oh God, I have so many other expenses in my house, maybe not this month!* But when we save one Rupee a day, we hardly notice the money going, and at the end of the month we have thirty Rupees. This makes saving a very light task for us. But our money is saved all the same, and we can use it. We can use it in times of need, for buying vegetables or rationed food grains. That's why we began daily savings.

Now in Mahila Milan I deposit ten Rupees every day. It is my own money, the money left from my earnings that I didn't use for my expenses. In the same way, I told my husband that if we deposit five or ten Rupees daily, we can take it out in loans whenever we need it. Sometimes we need 100 or 200 Rupees. I've taken loans two or three times.

*(More translations of women's savings stories can be downloaded from the SPARC website)*



## INDIA : HOT money and COOL money ...

### Linking savings groups with external funds to finance initiatives :

Gradually, it became clear that the ability of savings groups to manage financial transactions was an important qualifying attribute when we began negotiating for communities to manage infrastructure, subsidies, sanitation, loans and house-construction. If poor people could handle savings transactions, they could handle these other things, because their basic system was in place. SPARC has a theory that there is such a thing as hot money and cool money. The money which people save themselves and feel ownership of is *hot money*. In SPARC's strategy, people make loans to each other from their savings pool (*hot money*), and we refinance that with external funds (*cool money*). People's imagery is that they are getting money from their collective savings, even though now that external *cool money* is expanding their lending pool. As the system gets more sophisticated, the layers increase. Today, for instance, when SPARC negotiates for livelihood lending capital, mainstream banks are ready to loan at a cheap interest rate, because they know they don't have to take care of transactions. That allows communities to add a margin when they on-lend to members and use that as a buffer to take care of late payments. For housing and infrastructure, it becomes a matter of blending all this *hot and cool money* together. Here are some brief notes on those blendings, drawn from the June 2005 issue of the alliance's publication *Citywatch*.

**1 Savings and HOUSING :** There is probably no issue more immediately linked to saving than housing. Decent, secure, affordable housing is the thing most urban poor people lack, and the number one item on the wish list of just about every Indian slum dweller. Many years ago, those intrepid Mahila Milan women in Byculla realized that nobody was going to give them a house, that they would have to explore and refine their own strategies for housing themselves. This process involved a lot of homework, including searching for possible land, surveying their own communities, designing affordable housing types, organizing their community members into cooperatives, negotiating for finance, and looking at various planning options. But most importantly, they started saving. Besides saving for the houses they would one day build, the community savings process did many other things that assisted them in their preparations: it helped them to work together, to strengthen their community organizations, to build their confidence and self-reliance, to develop consensus within their communities, to manage money collectively, to develop the discipline of regular saving and loan repayment, and to use their own collective resources to negotiate with outside actors for the things they need - especially land and finance.



**2 Savings and SANITATION :** For a majority of India's poor urban citizens, the choice of where to relieve themselves is not a choice at all, but a total lack of other options. Either there are no toilets available, or they are in such bad shape that defecating in public becomes a viable option. Indian slums are littered with broken-down, badly-planned, ill-sited and unmaintained toilets - some built by the state, some by the city, some by charities. Determined to work out something better for their children, the Mahila Milan designed their first community-managed toilet blocks in Mumbai in the early 90s, according to a partnership model in which the city bears the cost of construction of community toilets and communities design, construct, manage and maintain them. Invitations to construct community toilets in slums in Pune and Mumbai followed, and the federation has subsequently scaled up its "Zero open defecation" campaign to other cities around the country. The hundreds of community toilet blocks the federation has built are all different, all full of innovations in design, contracting procedures, partnership and finance. But one of the most important innovations is that the toilets are managed and maintained by the communities they serve, according to a variety of systems. In many cases, the toilets are managed by the community savings group, which selects caretakers, makes repairs and charges a small monthly user fee of 10 or 20 rupees per family. Many of the toilets have income-generating facilities built into the design - spaces for tea and cigarette shops, marriage and community halls upstairs - which can be rented out to subsidize the cost of maintenance. All the toilets have a care-taker's room.



**3 Savings and COMMUNITY CONTRACTS :** Many of the federation's housing and community toilet projects are now being built (or partly built) by community contractors. The subcontract for the construction of the 197-unit Bharat Janata housing block in Dharavi has been given to a company set up by three community members who developed their skills by supervising the construction of other federation housing and toilet projects. There is an expanding tribe of slum leaders who are taking on construction all over the country. Mahila Milan women savings group leaders have built community toilet blocks in Pune, Mumbai, Hyderabad and Vijaywada. One of the senior Byculla Mahilas, Rehmat Sheikh, hires street boys from the Sadak Chaap federation to take part in her many contracts to build "5-star" community toilets in Mumbai and a 3-story apartment block for a community in Pune. All of these community contractors cut their organizational and management teeth in their savings groups, and then began acquiring their construction experience by first taking small toilet-building contracts, and later larger housing projects. To help these entrepreneurs from the slums to make a go of these opportunities and to become financially independent, the alliance provides them both technical support and start-up capital.





*We have to struggle very hard to learn the language that financial institutions speak and not be intimidated by it. Our challenge is to find common ground with these institutions without being sucked into their logic and becoming "domesticated" by it. There is a whole, big, messy reality out here we've embraced, and the sanitized version of how things should happen amongst the poor is something we have to break and change, I think. (Sheela Patel)*

## Finding new and unusual sources of **COOL** money :

*The Indian federation is nowadays undertaking development projects on a vast scale: housing construction in the thousands of units, toilet construction in the thousands of seats and income generation times a zillion. The federation's NGO partner, SPARC, has had to do some fancy dancing to keep finance flowing to support these fast-growing initiatives that are now national in scale. There is a lot of lending for housing, toilet building and livelihood going on around India now. In many other countries, this would all be brought together under a single urban poor development fund. But in SPARC's case, where so far there is no single fund, this financing is taking place in an extraordinarily decentralized way, using a variety of innovative financing techniques. Here are some notes from Diana Mitlin and Sheela Patel about how this resourceful NGO finds all that money :*

**1 Using small capital from donors :** A lot of the lending to communities and city federations is done using the small grants that SPARC gets from donors (Misereor, IIED or Homeless International) which are used like small investment funds in the cities where the finance is needed. The groups say they need to make a precedent-setting development in some place, in order to attract the city to negotiate with them, and borrow small amounts of money to do a housing development or some toilet blocks. It's loan money, but there are usually concessions on the repayment. The idea is not usually to demonstrate any new style of building or technology, or to make financial investments, but as political investments, to trigger new social and political relationships between the poor and their cities.

**2 Using the TDR to build a community housing fund :** Transfer of Development Rights (TDR) is a market mechanism by which you sell to a developer the unused rights to build tall buildings on your own site, which they can then use to build taller buildings elsewhere. The TDR strategy works only in Mumbai, where land is so extraordinarily valuable. In several slum housing redevelopment projects (including Oshiwara 1 and 2), the federation is using sold-off TDR not only to pay for the housing construction, but also to build a big new capital fund to finance other housing projects and to use to negotiate with the state for more land and resources for housing.

**3 Using Nirman to leverage land tenure and bridge-finance housing /infrastructure :** SPARC set up Nirman, a non-profit company, in 1999 to manage a growing set of large revolving loan funds which provide financing for livelihood, housing and infrastructure projects being undertaken by the federation. Even though there are a variety of state housing subsidies, entitlements and special government loan programs, securing land tenure in urban India can be almost impossible for the poor. In most cities where the federations have begun constructing houses, communities have obtained provisional land tenure, but the federation has to invest 20% to 50% of the cost of land development and house construction before the land, subsidies or entitlements are released, or in order to negotiate the loans and required to complete the development. So the city federations need the kind of large bridge funds Nirman has been set up to provide, to enable construction to start, which then triggers the release of more land and subsidies, and enables more loans to be released. The federations in several cities are also undertaking municipal contracts to build community toilets, for which the municipalities only give money after the work is done. So Nirman is also providing infrastructure loans to pre-finance this work.

**4 Using CLIFF to access formal sector finance :** The Community-Led Infrastructure Financing Facility (CLIFF) is an innovative new fund SPARC helped to set up which provides capital loans, loan guarantees, knowledge grants and technical assistance to organizations of the urban poor and their support NGOs to facilitate direct provision of urban investment loans from the local financial sector for slum rehabilitation, resettlement and basic infrastructure projects, in partnership with local authorities. In several of the federation's housing and sanitation projects (like the bidi-workers housing in Sholapur), CLIFF is bridging the cost of construction and will be repaid once the state subsidy comes in.

**5 Getting commercial banks on board :** There aren't many examples of successful partnerships between commercial banks and organizations of the poor. But in recent years, the SPARC/NSDF/MM alliance has negotiated a number of joint ventures with banks. In 1999, they persuaded Citibank to finance a multi-story housing project in Dharavi. A few years later, the Unit Trust of India provided a guarantee for a 440 million Rupee sanitation contract awarded to the federation. In 2004, the National Housing Bank sanctioned a 5-year loan of 58.9 million Rupees for the federation's 147-unit Bharat Janta housing project. And in the same year, the ICIC Bank approved a loan of 200 million Rupees to Nirman to provide a guarantee for the federation's 2,000-unit Oshiwara-2 housing project.

## Which brings us right back to savings and credit ...

When SPARC started looking for external credit, the role of the local federation was to manage the funds we channeled to them as *wholesale credit*. Our financial transactions with the local federations were through one bank account, which we still have today. So all over the country, if communities have taken external bulk loans through SPARC, they pay the money back in bulk to SPARC. What we have today is very *decentralized* financial transactions, with a *centralized* accounting data base. So like a bank, every transaction is identified and that information is fed back to the federation, so the federation knows who's paid and who's not paid.

Our system also never says that repayment is 100%! Our repayment is between 65 - 70%, in terms of regularity. Because we assume that at any given time, there will be 30 - 40% people who don't have money in their pocket for that period, and these realities have to be accommodated in the whole system. That's not to say that people who take loans don't repay that money, but we always find that about 30% of people extend beyond a certain point.

Gradually, as the community savings and credit process emerged, matured and expanded around the country, it became clear that the ability of micro community savings groups to manage financial transactions was a very important qualifying attribute when we began to negotiate for communities to manage infrastructure, subsidies, sanitation, loans and house-construction. *Because if they could handle savings transactions, they could handle these things.* Because the basic system was in place. (Sheela Patel)

## ... and to a final reality check :

Another important thing we believe about the savings process is that our communities reflect our societies. In our societies, we have scam artists, we have corruption, we have politicians who tell people they shouldn't be repaying money, we have NGOs and professionals who want to control everything and only feel comfortable when everything is in neat, straight lines, very organized. But reality is nothing at all like that, of course. We feel that as the NGO that is supporting the federation, we become partners in coping with all the muddled, messy realities that exist in poor communities, and work together to make room for accommodating those realities in the systems communities develop for managing their own development. Mainstream finance institutions have to deal with big, big scams all the time - scams that rich people do, and which banks develop nice systems to prevent or overcome. *We do the same thing.*

## THAILAND :

### Savings has become a staple activity in almost all of Thailand's poor communities

Community saving - in one form or another - has now become a staple activity in almost all poor communities in Thailand, in both urban and rural areas. Having their own savings and their own funds, which they control themselves, is no longer a wacky idea or an externally-imposed program, but simply a bread-and-butter part of how poor communities manage things. Many of these groups are linked in some way to CODI, through the community networks that bring together communities within certain constituencies or around common issues like eviction, natural resources, community forests or waterways.

It's getting harder and harder to gather accurate figures on all this savings activity, and to keep track of membership, savings, loans and repayments because the scale is just too, too big. But the important thing is that community-managed savings has become so wide-spread and so varied.

For both the urban and rural poor in Thailand, organizing themselves into savings and credit groups is one of the most simple and direct ways of taking care of their immediate day-to-day needs. But community saving is not only a means of providing access to loans to the poor. Savings groups link poor people within a community together and create the structures for cooperation, mutual assistance and communal action which help them tackle larger problems of poverty like land tenure, housing, basic services, livelihood and welfare. By setting a collective system for managing these more complex development activities, and by setting a stronger basis for negotiating with other development agencies, savings groups are a means of engendering a community's own *holistic development*.

Savings groups develop the kind of managerial capacities communities need to take on their own development projects and to enter into joint ventures with other development actors - especially their local governments. The communal asset which savings builds can be a powerful bargaining chip when communities go negotiating for external resources for housing and development projects, and when linking their savings groups with the formal system and external financial sources. The process of continuous learning and development - within and between poor communities - that is part of the savings process continues to be a prime development mechanism to address problems of poverty in Thailand, by the poor themselves.

**CONTACT :** Community Organizations Development Institute (CODI)  
912 Nawamin Road, Khet Bang Kapi  
Bangkok 10240, THAILAND  
Tel (66-2) 378-8300, 378-8301  
Fax (66-2) 378-8321  
e-mail: [codi@codi.or.th](mailto:codi@codi.or.th)  
Website: [www.codi.or.th](http://www.codi.or.th)



*The formal systems in our societies are not active enough or open enough to see what people need or to make room for people to realize their aspirations. This is why there are problems emerging faster than solutions. But if you look for the groups with the most urgent desire for change, it's poor communities themselves. So how to unleash their solution-finding power?*

### A short history of community saving in Thailand :

Thailand's first community savings groups were set up just 20 years ago, under a scheme launched by the government's Community Development Department (CDD), which was then under an innovative and well-meaning leadership. Community savings was something new then, and so without knowing any different, the CDD, as a government organization, imposed a system of standard rules and procedures for how the savings groups should be managed.

In the absence of any other systems which allow communities to do things by themselves, some clever community leaders saw the potential in this practice and began picking up the savings idea and applying it in their own ways, with adjustments, to suit the needs and realities in their local communities. In these ways, a number of the savings groups initiated by the CDD were adjusted by communities and kept growing, while some of the others became stagnant and died. And as the successes became examples for others, the idea took wind and began spreading around the country.

Not long after, some leaders came up with the idea of setting up *community banks*, also mostly in rural areas. Some very interesting community-managed finance systems developed under this community banking movement, including the community bank in Nam Kao Sub District in Songkhla Province started by Kru Chop, and the community bank in Baan Plooyang in Chantaburi, in eastern Thailand, started by the Buddhist monk Phra Manat (*another is described on the next page*).

New systems of community-managed saving and credit continued to emerge. In 1992, the Urban Community Development Office (CODI's predecessor) was formed and UCDO began initiating savings groups in poor communities in the cities. Little by little, new possibilities of community-managed savings and funds were opening up new possibilities for Thailand's poor and spreading out. There was even discussion of this new community savings movement on TV - a degree of prominence that incited one government minister to declare publicly that "*Community savings groups are illegal! This is out of control! We should regulate that!*" But people didn't bother much about such noises, because the community savings movement was getting big, and by then, they were in the majority.

### A plant in a pot or a plant in the ground?

#### The story of Khun Amporn's savings group in Klong Pia Sub-district, Songkhla

One savings group started by the CDD that found its own way and turned into something extraordinary is the one in Klong Pia Sub District, a group of neighboring villages in the southern province of Songkhla. The group, which was started by a school janitor and philosopher named Khun Amporn, found itself hampered by the clumsy rules the CDD imposed on them. But they adjusted things, developed it in their own way and kept fine-tuning their process.

"A savings group under the CDD," Khun Amporn says, "is like a seedling planted in a small bowl. It will always remain a little house plant. But a savings group which belongs to people is like a seedling planted in the ground - that seedling will grow into a big tree with deep roots."

As in many of Thailand's rural savings groups, everyone here saves once a month, on a special day set aside for all the members to come together to save, propose new loans, make repayments and get welfare benefits. These are highly social occasions, with lots of meetings, updatings on family news, sharing of meals,

announcements, selling things and monks coming to bless the gathering with prayers. Almost everybody in the sub district is a member in the savings scheme - nobody is excluded, even the poorest. Today, there is a whopping 200 million Baht (US\$ 5.7 million) in Klong Pia Sub District's community savings fund.

Besides saving and loans, the group's pioneering welfare program, which they designed themselves and have been running for over ten years using a portion of the interest earned on loans, offers members 50 different kinds of welfare benefits - a model which has inspired countless other communities to set up similar programs.

Another recent invention is their *Tree Fund*, which gives people small loans to buy hardwood tree seedlings to plant on their farms. They've planted over 5,000 trees so far. "We are going to make this area very green," Khun Amporn says, "But beyond that, the idea is to build an asset for the next generation. By the time the kids grow up, these trees will grow big enough to cut for timber. It's a real inheritance."

## Sweet, salty, sour and hot:

### No single model for how people save together in pluralistic Thailand...

In many cultures, it's considered impolite to season dishes which have been prepared to taste correct. In Thailand, though, there are four condiments served with every dish, with which you can adjust the taste to be saltier (*fish sauce*), sweeter (*sugar*), hotter (*ground chilies*) or more sour (*vinegar*), according to your taste. Nobody will be put off if you add these things in any combination. This good-natured culinary pluralism, which accepts that different people have different tastes and should not be hindered from satisfying them, finds a social equivalent in the way community savings groups - and larger networks of these communities - operate in Thailand.

Community managed savings and credit is alive and well and thriving in Thailand in a bewildering variety of forms. There are now over 78,000 community-managed savings groups in Thailand (including both urban and rural). These communities are increasingly coming together into networks at local, provincial, regional and national level to share experiences, tap into government resources and enter into partnership with development programs.

**Next time you hear anybody suggesting that the poor don't know how to handle money, you can show them the evidence below, which represents a combined saving asset of over 13 Billion Baht (US\$375 million), and which is being communally managed and used by 9 million poor community members across the country.**

What all these savings groups DO have in common is that they bring people in a community to work together on a regular basis and to make decisions together about concrete activities which affect their community and their day-to-day lives, through a mechanism that is grounded in simple, regular rituals which relate directly to their real day-to-day needs - as defined by themselves. Collective saving not only provides the poor with their own resource base, but it creates an on-going process of learning about each other's lives, about managing together and about relating to outside systems with greater financial strength. When you have savings and credit in communities, you have both money and the power of people: the two most essential elements in bringing about lasting change in poor people's lives.



## HOW PEOPLE SAVE: Theme and variations...

**1 RURAL CREDIT UNIONS :** The credit union system offers people in some common constituency (the same village or community, factory, business, school or religious background) a non-government, non-commercial system to save together and borrow from their communal savings. Thailand's credit union movement has a rich history, closely tied with rural development. Groups select their own members to manage the money on the principle that the communal savings belongs to the members and is controlled and operated by members, for members. Thailand's first credit union was established in 1962 in a Bangkok slum. More credit unions came up after, and in 1972 linked together under the *Credit Union League of Thailand*, and later with the global credit union network. There are now 660 credit unions in 63 provinces, with 213,638 members and savings of 2.2 billion Baht. 80% are in rural areas. Some are quite large, managed in the style of a bank, with fully-staffed offices offering loans, savings schemes and automatic deductions from salaries.

**2 BUDDHIST MONKS IN TRAT :** In the early nineties, a monk named Phra Subin in Trat Province launched a community savings movement built around an unconventional blending of social action with Buddhist principles of self reliance, mutual help, sincerity and commitment to hard work. The "*Savings for a Better Life*" movement began with a few savings groups in communities near the temple, as a tool for helping the poorest villagers to solve their own problems. Fifteen years later, the movement has 250 groups in several provinces with over 40,000 members and combined savings of 150 million Baht (US\$ 4.3 million). Transactions are all done in the temple once a month. Besides saving and credit, the program runs a welfare scheme for members (covering funeral expenses, hospital costs, school fees), and supports a variety of community businesses: community shops, natural fertilizer production and environmental management. Community leaders from all over Thailand now come to Wat Pilaam to study Phra Subin's system and put the same principles to use in starting savings groups back home, which they call *Satcha Om-sap* ("*Saving Truth*").

**3 VILLAGE BANKS :** Each year, as part of the celebration of the King's birthday, a particular development concept is promoted nationally. A few years ago, in the wake of the Asian economic crisis, it was *economic self-sufficiency*. In 1989, the theme was *village banks*. To operationalize the idea, Kasetsart University helped start ten pilot village banks in seven provinces. The process began without any external funds, but later, the *International Agricultural Labor Union* (based in Switzerland) supported the process with some external capital as the village bank idea scaled up. The village bank process also draws on Buddhist principles of mutual assistance and self reliance, and mobilizes the savings of villagers into a revolving loan fund, as the chief economic resource in the village, with management help from the village temple and school. Besides saving and credit, village banks support community businesses and local welfare programs and are linked together into a national network for mutual learning.

**4 DAILY SAVING IN URBAN SLUMS :** The idea of daily saving first came from poor community federations in India and South Africa, which have embraced daily saving on a national scale. Every time teams visited Thailand, they talked about their savings systems, explained their simple procedures and razzed the communities they visited, "*What's taking you guys so long?*" Community people here were interested, and groups in Khon Kaen and Nakon Sawan started daily saving. But others were slow to understand the concepts, complaining that it was "*too complex, too difficult. How to do accounts? How to collect?*" In recent years, though, the daily savings system has caught on in Thai communities in a big way: as a means of dealing with loan repayment crises in communities, as a means of helping "un-stick" problem loans by making it easier for people in trouble to repay in tiny, daily installments, and as a way to include the poorest community members by accommodating the savings process to match their earning patterns, which are usually daily. But the Thai version of daily saving is a compromising one: in most savings groups, people can save daily, weekly or monthly, depending on what suits them - it's not so strict. In some groups, the daily savers form their own sub-groups and transact savings and credit with the larger group once a month, but carry on their internal saving, loaning and repaying on a daily basis, with their own separate ledgers.

## Community saving in Thailand:

	Community organizations	Number of members	Total savings
<b>URBAN</b>	<b>3,041 communities</b> (in 225 cities and towns)	<b>1.5 million members</b>	<b>1,540 million Baht</b> (US\$ 44 million)
<b>RURAL</b>	<b>75,000 villages</b>	<b>12 million members</b>	<b>22,800 million Baht</b> (US\$ 651 million)
<b>TOTAL</b>	<b>78,041 communities</b>	<b>13.5 million members</b>	<b>24,340 million Baht</b> (US\$695 million)

- There are a total of about 3,500 urban poor communities in the whole of Thailand.
- And there are about 80,000 village communities in rural Thailand.

## THAILAND :

### So who gets the job of scaling up the community savings process? The support institution or the people?

Since 1992, CODI (and its predecessor UCDO) has energetically promoted community savings and credit as the main strategy for building a community-driven development process in which poor people - and their networks - work out their own solutions to the serious problems they face. The system that was adopted initially was a compromising one: besides new groups, room was made for all kinds of already-existing community organizations around the country to join. The emphasis was on spreading this new opportunity to a very wide scale by making it easy for people to start savings groups and to get access to loans from the CODI fund.

Scale was seen as being important for several reasons: the staggering scale of urban poverty called for solutions at a matching scale. Plus, large scale savings activities generate more possibilities, more connections and more dynamism, as groups begin linking and learning from each other.

When you do anything on a scale that is too big for anyone to control, there is bound to be messiness: leaders taking advantage, exclusion, conflicts, corruption, political interference, loan defaults - *the works!* But that big scale also means you're gathering energy from a very wide pool of people and situations and laying the groundwork to tackle those problems at scale. Groups all react differently to the problems that emerge in their communities, and the idea was that if a support institution like CODI could open up the process so all those groups had the freedom to experiment and innovate, they would come up with a hundred ways of resolving them.

In the early stages, it was the staff who ran around the country helping communities to set up new savings groups, strengthening established ones and helping to resolve problems when there was a crisis. But as the process has spread across the whole of urban and rural Thailand, the roles played by CODI's limited staff have had to change dramatically, and the important work of promoting and scaling up the people's savings process is now being managed by communities themselves.



*When Thai community leaders meet people facing eviction, they tell them "Save!" When they meet people being pushed out of the forests or away from the rivers their livelihood depends on, they tell them "Save!" When they traveled all the way to New Orleans, in the world's richest and most powerful country, what was their advice to poor black community members who have been pushed out of their neighborhoods and public housing after Hurricane Katrina? "Start saving!"*

### "The MOTHER of Thailand's community movement"

**How poor communities and networks are putting collective saving at the heart of an active, solution-finding national movement . . .**

**A**lthough CODI initially promoted community savings around the country, it didn't take long for people to see the value in it and start pushing it themselves. People see that savings and credit works, that it builds people, builds their organizations, builds their confidence, builds their own resource base and builds their power of self determination. And they see that when poor communities don't do this important internal homework and don't build that strength, equity and mutual assistance that collective saving creates, they continue to be pushed this way and that, like flimsy reeds, by somebody else's agenda, somebody else's idea of what they need.

Community networks are now the ones promoting new savings groups among poor urban and rural communities in their constituencies and coordinating with other networks, government agencies and NGOs when they need assistance. Saving is increasingly the default first step poor communities around the country use to organize themselves. It's no longer something separate from the problem solving process, but a core activity which prepares poor people in many ways to tackle the problems they face, and to bring themselves out of the passive victimhood and into active solution finding.

**If we understand the strength of this networking and sharing process, we can see that surely saving is surely one of the mothers of this national community movement, because it build's people's own fund. And when people have their own fund, which they decide how to use, they have strength. The best fund of all is the fund that comes from people themselves.**

CODI still actively supports the national savings and credit process, but less directly and more strategically. To help networks to expand and strengthen the community savings process within their constituencies and facilitate horizontal learning between groups, CODI offers networks a variety grants and special bulk loans. The networks have regular meetings where leaders report on the situation of savings and credit in their communities. This horizontal comparing of notes is the most effective, most powerful means of supporting and strengthening the savings process. It's not outside experts or professional social workers, but poor people themselves showing each other how to deal with defaulters, how to improve accounting procedures and how to include the poorest.

**O**ver the past six or seven years, CODI has been linking with all kinds of new and already-existing community networks and helping them to create area-based platforms (at local, provincial, regional and national levels) and issue-based platforms (like natural resources, community planning or disaster management). These many overlapping platforms provide space for these groups (most of whom never had a chance to meet and talk together before) to come together to share ideas, to discuss issues they have in common, to learn about each other's work, to plan joint ventures and common negotiations. There is a clear political dimension to these platforms, in which the community process actually *creates its own existence* and develops its strength.

These kinds of horizontal linkages are not part of any community or political tradition in Thailand. It's a new culture, a setting of new terms of how groups of poor people work together and support each other, in a relaxed way, with respect for differences in working styles, strategies and personalities. There's no strict hierarchy or decision-making power in these community platforms. But what does happen is that people learn from each other, set goals and plans together, discuss what the government is up to, decide what they would like to negotiate on as a group and work out what information they need to gather.

Among all these linkages, there is a lot of overlap, which only works to further strengthen the ties between communities. And in these ways, the people's process all over the country is being organized, strengthened and interlinked - and community savings is at its heart. The huge scale of this sharing is possible only because it's all done by community people, not activists, NGOs or CODI.



## Savings as a tool to tackle various **ISSUES** ...

When communities across the country are linked, a lot of different issues come out. And with almost all these issues, the first step is savings. Savings is a tool communities use to organize themselves around issues of natural resource management, community forests, organic farming and community enterprises. Savings is the basis for strengthening negotiations with common public landlords and dealing with common problems. It's the common denominator in coastal fisherfolk networks, the community planning movement and networks of communities facing eviction and land conflicts. Here are some very brief notes on how community savings dovetails into three important issues that have been especially prominent recently:



### 1 Community savings and **WELFARE**

For poor people in Thailand, there is practically no state welfare system to support them when they're in need. But in all the communities around the country, we see people helping each other in many different ways, keeping alive the country's very old culture of mutual assistance. A new community-managed welfare program is now being launched around the country which recognizes this existing culture, links it together and strengthens it. This program is a totally new creation that the community networks and CODI have been developing through pilot phases during the past two years - it doesn't come out of any existing context or system.

Under the program, people on the ground, at the sub district level, come together, survey their problems and set up their own welfare fund to 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. To get the fund started in each sub district, CODI will contribute a small seed fund, to which the local authority will also contribute. The seed fund is a tool to bring all the parties to work together on the issue of *welfare for all* - the sub district authorities, communities, local NGOs and academics. But it has to be managed by people themselves, who will also contribute, through their existing savings groups, so people in the sub district feel ownership of this new system.

About one-third of the communities in the country have their own welfare programs up and running, many with a "1-Baht-per-day" strategy, in which everyone who is interested puts in one Baht per day to the welfare fund. As one community leader put it, "This is our new security system. If this one-Baht-per-day can take care of our lives, isn't that cheap?"

The first phase started in 14 pilot areas, which became "teachers" for the national program. In the 2nd phase, CODI divided a budget of 18 million Baht to seed welfare funds in 191 pilot sub districts (which quickly mushroomed into 150 million Baht with community and local authority contributions). In the third phase, the process is being spread into all 76 provinces, each with a ceiling of 700,000 Baht to seed more welfare funds. The program has now become a national policy and CODI has been granted an additional 200 million Baht to seed more welfare funds.

### 2 Community savings and **DISASTERS**

There have been a lot of disasters in Thailand lately, and savings is even playing an important role in how the poorest affected communities are dealing 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 some well-meaning relief agency or government department to decide what they need and what they should do, many of these communities and their supporters are finding 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. Here's the word of Maitree Jongkrajug, the Community Bank leader from 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 is a mechanism which links traumatized people together in practical ways and gives them a chance to think together about what they want, what they need, how they want their rehabilitation to go. The savings group is a way to get people to start solving their problems right away, even when they are in this very bad situation, having lost everything."

#### Disaster facts:

Horizontal support systems after disasters represent an important emerging trend in Thailand. The tsunami was the starting point. But then there were floods and landslides in the south and the north, and community networks in other places mobilized large groups of people to come to help in the flood-hit areas. And they used the relief and housing reconstruction activities as a tool to get people in the affected communities to work together and resolve problems together.

### 3 Community savings and **UPGRADING**

Poor communities in 226 cities all over Thailand are now upgrading their housing, land tenure and infrastructure through CODI's Baan Mankong Upgrading Program. Many projects are already finished and hundreds are in the pipeline, as people survey their communities, visit other projects and prepare their upgrading proposals. In this national program, which channels infrastructure subsidies and soft housing and land loans to organized community cooperatives, people are the main actors in delivering housing solutions, and people are overwhelmingly the owners of the upgrading process.

The question is, what tools to make that ownership happen? The tool of 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 in the Baan Mankong process is community savings and credit, which is an important 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. For them, the collectivity of their communities is an important survival mechanism, which helps them meet needs and resolve problems they can't resolve individually. To strengthen this *collective force*, the Baan Mankong Program is experimenting with ways to make 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. Besides getting people used to working together and managing money collectively, the monthly rituals of collecting savings and loan repayments are more ways of bringing people together and creating vital support systems within communities.

#### Baan Mankong facts:

- **Number of projects approved:**  
495 projects (covering 957 communities)
- **Number of beneficiaries:**  
52,776 families
- **Total budget approved:**  
US\$ 45 million (infrastructure subsidy)  
US\$ 47 million (housing and land loans)
- **78% of these households** have been upgraded on the same land or close by.



## CODI: The people's support system that's an independent fund that's a government institution

*In October 2000, the Urban Community Development Office (UCDO), which had been running since 1992, was merged with the Rural Development Fund to become the Community Organizations Development Institute. The royal decree which brought CODI into existence allowed UCDO's development activities to continue, but greatly expanded the organization's scope, and paved the way for big changes in how it works and how it relates to the poor community organizations it supports. By making CODI an autonomous legal entity, with a special status as a Public Organization (under the Ministry of Social Development and Human Security) the decree provides greater possibilities, greater freedom and greater flexibility than a conventional government institution. Here are a few words on CODI's work and directions, from its director, Somsook Boonyabancha:*

### THAILAND:

#### Community Organizations Development Institute

- **Started :** 1992
- **Total capital in fund :** 2,890 million Baht - in the CODI revolving fund (US\$ 64.2 million)
- **Source of capital :** Government of Thailand mainly. Japanese OECF (only Miyazawa Fund).
- **Purpose of loans :** Housing, infrastructure, income generation, welfare, community enterprise, bulk loans as revolving funds to network, regions, and provinces.
- **Interest charged :** 1% - 10% (see below)
- **Loans disbursed :** 3,487.25 million Baht (US\$ 99.6 million)
- **Loans repaid :** 1,006.83 million Baht (US\$ 28.8 million)
- **Beneficiaries :** 2.38 million households
- **How it works :** CODI makes bulk loans and grants from a variety of funds to savings groups, communities, community networks and provincial groupings of networks, which set their own systems for determining loans and manage collection and repayment. CODI also channels funds for special projects financed by government fiscal budgets (like the Baan Mankong and Community Welfare programs) to communities and community networks. A national community advisory committee of 25 senior community leaders guides the organization's policies and projects. CODI's mixed governing body includes representatives of this advisory committee.
- **Operational costs :** CODI earns an average of 7% interest on loans, of which about half pays for CODI's running costs. For the most part, this margin covers all the organization's administrative overheads and salaries of 150 staff members as well as all the development support that goes into strengthening the community networks, including exchanges, travel expenses, meeting costs, training, seminars and food.

**T**his organization came into being at the start of the millennium. I think that's important because CODI is trying to offer a new way of doing things and to promote large scale change - by people. CODI's focus is not only on poverty, but ways in which communities can be the key actors - in whatever development they want to undertake. We have a system of working in CODI in which we try not to make too many decisions by ourselves. Instead, we try to create space for communities (in a very large scale) to do the work and make the decisions, so that CODI can truly be a public institution that is owned and jointly-managed by people, as much as possible.

In CODI's first two years, we concentrated on building linkages between communities and community networks (rural and urban) and promoting provincial and issue-based mechanisms for resolving problems these networks identified. In the third year, we focused on linking this newly-strengthened national people's process to various government policies. As a result, several programs have been set up and are demonstrating the great potential of people's involvement in tackling problems of poverty and development in Thailand. Baan Mankong and the new community welfare program are just two of these. Others include community planning, community-based welfare, area and province-based networking, community-based natural resource management, and poverty alleviation.

**Since 2000, nearly half of all urban and rural communities in the country have linked to the CODI process in some way. These linkages provide an automatic learning mechanism that is country-wide, and in which an ever expanding range of possibilities are on offer to communities.**

An important ingredient in CODI's ability to support all these initiatives and to respond quickly and flexibly to needs and opportunities which arise from these networks is the CODI fund. If we were just another development agency, without our own fund, we would have serious problems. The CODI fund now has about 2.8 Billion Baht (US\$ 70 million), which is ready to make loans to community organizations for housing and land, loans for community enterprises, loans to networks for holistic development and flexible revolving fund loans to savings groups or networks. And the way we plan is to link this resource with the people's resources, so when these community savings groups and savings networks want to do anything, they can get loans from the CODI fund directly.

### Some grand totals on CODI loans

(Figures are cumulative : 1992 - September 2007. Exchange rate 35 Baht = US\$1)

- Cumulative total loans dispersed (urban and rural) : **US\$ 99.6 million**
- Beneficiaries of CODI loans : **376,945 households in 4,048 communities**
- Housing and land loans constitute : **67% of the total cumulative loans disbursed**

	Interest rate	Total amount loaned (in million Baht)	
1. Housing loans (before B.M.)	3%, 8%	587.89	(US\$ 16.8 million)
2. House improvement loans	8%	111.86	(US\$ 3.2 million)
3. Income generation loans	8%	208.90	(US\$ 6.0 million)
4. Revolving fund loans	10%	95.03	(US\$ 2.7 million)
5. Revolving network loans	4%	11.76	(US\$ 336,000)
6. Community enterprise loans	4%	238.94	(US\$ 6.8 million)
7. Bank guarantee Loans	varies	1.00	(US\$ 28,570)
8. Group revival loans	1%	4.46	(US\$ 127,500)
9. Organization strengthening	1% - 2%	243.60	(US\$ 7.0 million)
10. Baan Mkg. land and housing	2%	1,633.42	(US\$ 46.7 million)
11. Miyazawa crisis revival loans	1%	240.00	(US\$ 6.9 million)
12. Holistic rural network loans	3.5%	119.39	(US\$ 3.1 million)

**TOTAL LOANS DISBURSED 3,487.25 million Baht (US\$ 99.6 million)**

- Total loans repaid : **1,006.83** (US\$ 28.8 million)
- Total loans outstanding : **2,480.42** (US\$ 70.9 million)



*"If we deal with the funds in such a way as community people manage them and have control over how they are used, people have a tendency to use them in a sustainable manner. It often happens that when CODI gives a community a grant to support some specific project they have proposed, the people will often decide to make that grant into a revolving loan fund, so it keeps on working, and even grows, long after their project is over. That's how people are thinking when the money is in their hands."*

## Four ways CODI has learned to use **FINANCE** as an intervention to make things happen . . .

*Over the past fifteen years, CODI has built up some good understanding and techniques about how to use finance as a tool for people's own development - and to deal with all kinds of issues, in both rural and urban areas. Here are some more thoughts from Somsook on how CODI uses finance as in intervention to make things happen.*

**1 Using grants and loans strategically :** We don't have a big staff here at CODI, so we use grants and loans as an intervention to make change. CODI's revolving fund enables us to give with flexibility different kinds of loans and grants to people in ways that make things go in a certain direction. Our status as a new kind of independent government institution also allows us to apply for additional funds from the government's yearly fiscal budget, to support additional programs and activities. Either way, it's the process that is more important than the money. If we work strategically and set certain conditions and ceilings to encourage communities to link and work together or with other key partners, we can use loans and grants to intervene in the change process, to trigger the direction of development among the people and their local authorities.

**2 Passing the funds directly to communities :** Most community development projects are managed along typically rigid and vertical lines, so there's no doubt that the government or the NGO is the owner of the process and poor people are the recipients. The government plans, checks, chooses the recipients, does the bidding and hands out the goodies - whether or not it's what people need or want! In CODI, we've changed that system. We've learned how to pass government resources directly to communities, so people sit together and plan their programs, do the work and control the budgets themselves. The money comes from the same pocket but we manage it very differently, with trust in people. And people are increasingly doing their planning with the networks and with the district and provincial authorities sitting in. So the relationship is turned inside-out: people are the owners of the project and government departments (like CODI) are participants! This changes the power, the relationships and the development process completely, simply by changing the system of how the money is managed.

**3 Using savings and credit to activate the people's process :** We have also learned how to use the tool of savings and credit to activate the people's process, so that communities first build up their own internal resource - *their own fund* - as part of their preparations to take part in various programs and development processes. When people go into any development process, they first need to have funds of their own, and they also need to have their decision making system in place to manage those new developments and the resources that will come with them. Then you can pass the funds to them. Having a fairly established community savings and credit group is almost always a prerequisite to getting loans or grants from CODI, as it is to taking part in the Baan Mankong upgrading program or the new national welfare program.

**4 Getting maximum results from modest funds :** Very little of the funds allocated each year to "poverty alleviation" programs in Thailand actually reaches the poor. Most gets spent on consultants, research, meetings, overseas "training" junkets, public relations, contractor fees, and who-knows-what contingencies. And the people are not even allowed to manage the pittance that does actually reach them. As a result, not much happens and most poor communities get nothing at all. In CODI, our budgets are tiny compared to these conventional government programs, but almost all of it goes to people. CODI's management expenses never exceed 10% of the all the project budgets, and about half these costs are paid for by a portion of the interest earned on loans from CODI's revolving fund. And with people in control, we've found that extremely modest funds can go very far in stimulating people's creativity and resourcefulness and providing just enough seed funds to negotiate additional resources from other sources and actors.

## NEW IDEA :

### Consolidating all the scattered existing funds under one umbrella which communities can control

One of the peculiarities of Thailand's development scene is the use of community funds as a strategy for financing development programs (as opposed to a typical program budget that gets spent and then is over). There's nothing unusual here about setting up a fund here: when a government agency or department wants to direct government resources for various purposes right down to the people on the ground, bypassing the conventional government institutions and bureaucracy - they make a new fund.

As a result, Thai villages, and sub districts are littered with funds still lingering from long-ago rural development programs or the more recent Asian economic crisis. It's not uncommon in rural sub districts to find twenty or thirty such funds still floating around: there are Million Baht Village Funds, funds for the poor, women's group funds and school children's funds.

The problem is that all these funds are overseen by different committees and have different purposes and different target groups, so some people can access them but many are left out. Many turn into little private banks. And because these funds don't have any relationship with each other, they don't add up to a real resource that could empower villages to set a new system for determining their own development.

But in recent years, as communities have become skilled at managing funds, using the knowledge that comes from running their own collective savings and loan funds, community leaders have begun to ask why couldn't all these floating funds be brought together under the collective management of the community savings group, so they work together for the community?

There are now many examples where sub districts have been able to link all these small funds into a single, larger, community-managed fund. In places where they have been able to do this, people have been astonished to find how much money it all adds up to: five, ten or even twenty million Baht in one sub district! And they are also finding that the management of these funds is much better and more effective when the local savings groups control them.

CODI has organized workshops to discuss this idea in all the regions, and invited sub districts which have found ways to link these funds together to present their experience. They've decided to propose that the government "untie the strings" and allow communities to consolidate these various funds and then sit together and decide how to manage these funds themselves - *collectively*. This is not going to be an easy negotiation by any means, but it makes sense, and "self sufficiency" is now an important development direction in Thailand, so it's worth a try.

## CAMBODIA :

### Community saving groups : the basic building blocks of a genuinely people-driven development process in Cambodia for 13 years . . .

Since 1994, community saving in Cambodia has been a key strategy in the process of mobilizing people in poor communities to come together, look at problems they face and begin building a collective process to tackle those problems, through the simple rituals of day to day savings collecting. The network of community savings groups in Phnom Penh is now active in about half of the city's poor communities. There are also networks of community savings groups in 12 other provincial towns around the country, all linked together through regional and national networks of learning and mutual support.

Over the last thirteen years, these savings groups have gone through their ups and downs and through various groupings, first as a city-wide federation, then as district-wise units, and most recently as sub district-wise networks. But the one constant in all these mutations has been that community savings helps poor people to come together, pool their own resources and begin to work out their own solutions to problems of land security, housing, toilets, basic services and access to credit for livelihood and housing.

The city's poor communities have worked with ACHR all along, and since 1998 with the Urban Poor Development Fund (UPDF) to break the crippling hand-out mentality (which has done so much to disempower the country's poor communities) by setting up, strengthening and expanding savings groups in the country's urban poor settlements.

Community managed saving is a powerful strategy for people to organize themselves, strengthen their communities, learn from each other and manage their own development. Strong community savings groups - and networks of these savings groups at various levels continue to be the building blocks of a people-driven development process in Cambodia and are vitally connected to communities' ability to develop housing, improve their environment and negotiate for secure tenure and resources.



*Besides helping spread out the slum upgrading program, the new sangkat mechanism has been a way to address the stagnation in the people's process by moving the focus down to the smaller administrative unit of the sangkat. With this new structure, in which all the sangkats are busy with their upgrading processes at the same time, there is too much going on for any single leader to control things.*

### Savings groups in their sub districts . . .

#### Rebuilding the city's people's movement by reorganizing the building blocks into smaller, more numerous and more workable groupings :

**W**hen ACHR and (later) UPDF began supporting the people's process in Phnom Penh, it worked with SUPF (*the Solidarity for the Urban Poor Federation*), which was the only large-scale people's organization in the city. But from the start, the federation process was plagued by problems of decisions and activities being dominated by a core group of community leaders, and this was preventing new ideas and new leaders from emerging. Even after a process of decentralizing the federation into seven district-based networks, the problems kept mounting. Eventually, a group of old SUPF leaders pulled out in 2003 and registered themselves as an NGO.

In 2004, the UPDF began experimenting with ways of using the process of community upgrading to revive the city's troubled community movement. One idea was to implement the new slum upgrading process at the sub district level. The city of Phnom Penh is divided into seven large districts (*khangs*), which are in turn divided into 76 (*sangkats*). The city's 569 poor settlements are scattered all through these sangkats, some with as many as 10 and others as few as 4 settlements. So the scale of the sangkat is much more manageable than the district, which has hundreds of communities. A close, friendly relationship between communities within a sangkat (and with their local authority) is possible because they are neighbors, they live near each other, know each others problems and can visit each other by walking. All of which makes it so much easier to build a community network.

The idea was that the sangkat authority and the network of savings groups in that sangkat would take charge of upgrading the settlements in their sangkat, and become the implementing unit for solving other urban land and housing problems. First they would set up a working committee, then make a survey together of all the slums in that sangkat, look at the survey data, discuss the problems, decide together which communities to upgrade first and then propose their plans to UPDF, *from the sangkat as a whole*.

The new "Sangkat mechanism" was launched in a big city-wide workshop in February 2005, in which some 500 sangkat administration officials and community leaders from all 77 sangkats came together to look at the first sangkat-based upgrading projects. By 2006, 55 sangkats had active "sangkat mechanisms" set up, and 35 had started community upgrading and infrastructure projects. This new emphasis on building the sangkat mechanism and sangkat-wide community networks has really strengthened the people's process in Phnom Penh, brought new communities into the process, helped sharpen the partnerships and balanced the tendency to corruption and feudal-style leadership patterns. Through all these activities, lots and lots of new leaders are coming up (*many of them women!*) in communities around the city, with good relations between these leaders, lots of sharing and visiting each other back and forth. Besides bringing about some healthy changes in the nature of the community organizations in Phnom Penh, the new sangkat level mechanism has brought about changes in the way the city's serious problems of land and housing for the poor are addressed.

#### CONTACT :

Urban Poor Development Fund (UPDF)  
Contact persons: Sok Visal, Somsak Phonpakdee  
P.O. Box 2242,  
Phnom Penh 3, CAMBODIA  
Tel / Fax (855-23) 218-674  
e-mail: updf@forum.org.kh

*For more information on the savings and credit, upgrading and UPDF processes in Cambodia, please contact ACHR for copies of some of the UPDF's publications.*

### Community saving in Cambodia : (June 2007 figures)

	Communities with savings groups	Number of members	Total savings
Phnom Penh	215 communities (out of 569)	11,968 members	798 million Riels (US\$ 199,384)
12 Provincial towns	104 communities	3,492 members	155 million Riels (US\$ 38,840)
<b>TOTAL</b>	<b>319 communities</b>	<b>15,460 members</b>	<b>953 million Riels (US\$ 238,268)</b>

## Khan Roessei Keo District :

### The front-runner in Phnom Penh's community savings movement

*The district of Khan Roessei Keo, which fronts on the Tonle Sap River, has 85 savings groups, with 4,543 member families. By 1996, they had saved about US\$ 90,000 (compare that to the combined savings of \$95,250 in all the other six districts in Phnom Penh). There is no other district in the city that has been so consistently strong in its savings and credit activities as this one. Khan Roessei Keo's astonishing energy and success with savings rests upon its almost 100% women leaders and majority women savings members. Here are a few facts about community savings in this district :*

- 1 Each savings member contributes \$1 a year to the UPDF.** So almost US\$ 4,000 is being added to the UPDF's loan capital each year by this district's members alone.
- 2 The savings network in Khan Roessei Keo has borrowed a total of \$250,000** from UPDF during 2006. To get these loans, they had to deposit 10% of the loan amount (\$25,000) in UPDF. So between their internal savings (all in loan circulation) and their external loans from UPDF, the poor communities in this district are managing 2 billion Riels (\$500,000) per year, smoothly and well, with friendliness and transparency and almost no hanky-panky.
- 3 Their own district-level revolving loan fund :** Since 1999, 67 communities in the district have been putting a portion of their collective savings into a special district-level revolving fund (instead of depositing it in UPDF or in a bank). 60% of their community savings goes into this district-level revolving fund, and 40% stays in the individual community's loan fund. All these communities sat together and worked out how to set up this system. The district pays 4% annual interest to communities for the money they keep in this central fund (this is a lot: commercial banks pay only 1.7% on savings accounts). Every month, they have a district-wide meeting and make decisions together on loan applications from this district fund. Loans from the fund are only made on the "group basis" - only to communities, not to individuals. They use their community-level funds for small, flexible and immediate loan needs, and the district-level fund for larger loans.
- 4 When the district fund loans to communities,** individual borrowers repay at 12% annual interest. 2% of this interest goes into a district-level welfare fund, 2% goes into the community-level revolving fund, 1% is kept for community-level management expenses, 4% goes into the district-level revolving fund and 3% supports district-level management and activities.
- 5 All savings members have access to welfare assistance** from the district-level welfare fund, and many also have access to community-level welfare funds. This is the only district in the city that does this. There is now so much money in this district-level welfare fund that the network is discussing whether to decentralize the process and put some of the funds into a new set of sangkat-level welfare funds. This welfare system was developed entirely by the people, and came out of the closeness that was built through the prahok-making loans process (*see box to the right*).
- 6 Through all these different activities in the district** - the prahok loans, the linked upgrading projects, the district-level revolving loan and welfare funds - people all have gotten to know each other very well, relations are friendly and trusting, and that makes it easy to work together and take on new projects collectively. It's mostly women leaders here. There is also good trust between sangkat leaders and communities, and a good balance between the district government and the people's groups, with much less corruption and conflict here than in other districts.



### How to organize an entire district using fermented fish :

During the months of December through 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-full of these fish from fishermen to preserve in brine in giant clay crocks beneath their stilted wooden houses, to make prahok, the popular Khmer-style fermented fish.

A few years back, the active women's savings network in Roessei Keo District organized a process in which 356 families in 19 riverside communities took a group loan from UPDF to purchase the riel fish, crocks, salt and equipment to make prahok. But instead of simply asking for income generation 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 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 even 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. The first prahok loans were such a success that now, every year, the district gathers all the prahok-making projects into a joint loan proposal of \$50,000 to \$60,000, since so many people are vying for this opportunity.

### Why is collective saving so important for poor communities in Cambodia?



- 1 It builds collective management skills :** When people in poor communities save their money together regularly and make collective decisions about how to use that money, they are acquiring the confidence, the management know-how and the negotiation skills they'll need to work with other actors to tackle larger development issues such as land tenure, housing, community improvement and access to resources.
- 2 It builds trust within communities :** There are always plenty of social and economic pressures which work against collectivity and mutual trust - especially in vulnerable communities, and especially in Cambodia, where decades of war and unspeakable hardships almost erased trust from the culture. But a community savings group can be a powerful way of rebuilding the spirit of trust and mutual help. It grows immediately when people see the benefits of contributing to and borrowing from their collective savings and undertaking simple development activities.

- 3 It builds people's own resource base and increases their self reliance :** Community savings group creates a growing collective resource base which can help its members, belongs to its members and is managed by its members. The collective asset savings creates enables people to tackle poverty themselves, on their own terms, by taking care of their local needs locally, without having to wait for hand-outs from anyone.
- 4 It builds a community movement with enough scale to have some clout :** There are now savings groups in nearly half of Phnom Penh's poor communities. Only with this scale of involvement can a network of community savings groups have the numbers and the collective strength to negotiate as viable partners with the city and with other stakeholders about the urban development issues which affect their lives and settlements. The savings activities train them to do this with better knowledge and better management.



## CAMBODIA :

### Urban Poor Development Fund

- **Started :** 1998
- **Total capital in fund :** US\$ 1.92 million
- **Source of capital :** Contribution from community savings group members, grant from Municipality of Phnom Penh, Prime Minister's monthly contribution, local city market committees and donors (Selavip, Homeless International, Misereor, Rausing, ACHR-TAP)
- **Purpose of loans :** Housing, land purchase, livelihood, environmental improvements, food production, emergencies
- **Interest charged :** 8% annually (for housing and land loans), 4% annually (for bulk income generation loans to community networks, which on-lend at 6 - 12%).
- **Loans disbursed :** US\$ 1.8 million
- **Loans repaid :** US\$ 1.3 million
- **Total Beneficiaries :** 7,584 households (in 213 communities)
- **How it works :** UPDF makes housing, land purchase, food production and income generation loans directly to communities with active savings and credit groups (not to individuals), which manage collection and repayment of loans. UPDF also makes bulk loans for income generation to district and sub district-based community networks, which in turn on-lend to individual communities. UPDF was established by an M.O.U. with the Municipality of Phnom Penh, and is governed by a mixed board (community leaders, Municipality, ACHR, NGOs, SDI).
- **Operational costs :** • UPDF has only a few full-time staff members, is assisted by student and community volunteers and gets free office space from the Municipality of Phnom Penh. The budget for all of UPDF's administrative costs, staff salaries and development support activities is subsidized by an annual grant from ACHR (donor funds from Homeless International, Misereor and ACHR-TAP).

## Bringing **internal** and **external** finance together : How the UPDF has used flexible finance to refine, expand, speed up and add clout to the things poor people plan and want to do . . .

**T**he **Urban Poor Development Fund** was set up in March, 1998 as a joint venture 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 soft loans to poor communities for their housing and income generation initiatives, through their savings groups, and use the fund to pool efforts in partnership and development. The fund is governed by a "mixed" board (which includes a majority of community leaders, 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.

The UPDF remains the only ongoing support system for the urban poor, in Phnom Penh and in a growing number of provincial cities around the country. The extremely modest loans and grants that UPDF provides work like an incentive to get people to start doing savings activities, and through savings to start doing other activities like upgrading, welfare, exchange, community enterprise and environmental improvements - whatever they decide is important. Pretty soon, the process spreads out by itself, and the whole city is involved - a development process that starts from people. In Cambodia, it's clear that there isn't going to be any kind of formal or government support system for the poor for a long time. The UPDF's approach represents a very simple, very cheap intervention, as development projects go, because it taps the strength that is already there in the people and makes them the doers.

One way of looking at the UPDF is as a tool to fast-forward the community-driven development process at bit by injecting larger, external capital into the small internal capital communities are already building up in their community savings groups. Doing so enables them to expand, scale up and speed up their initiatives in livelihood, housing, environmental improvement and welfare. The idea has been to use money *strategically* to make other things happen - it's not just a matter of providing *micro-credit*. Money can be a powerful tool, and if money - and decisions about how money is used - is channeled in ways which bring people in communities together, it can be a potent people's process booster. When poor people see clearly that a fund is available to them, and that it supports what they are doing, it can strengthen their hand in negotiations with the state for land, services and access to other resources, and strengthen their capacity to manage their own development process.

Since the UPDF was set up, the key prerequisite for communities seeking access to its various loans and grants has been that they have strong, active savings and credit groups. Another important dimension of community saving activities is that they become a springboard to and preparation for managing a whole range of more complex development activities such as :

- 1 Housing issues :** UPDF has given US\$ 1.13 million in housing loans to 108 communities, benefiting 2,798 households.
- 2 Land and tenure issues :** UPDF has given US\$ 5,388 in land purchase loans to 2 communities, benefiting 67 households.
- 3 Livelihood issues :** UPDF has given US\$ 256,771 in livelihood loans to 125 communities, benefiting 2,615 households.
- 4 Emergency and welfare issues :** UPDF has given US\$ 2,517 in emergency loans to 5 communities, benefiting 211 households.
- 5 Environmental quality issues :** UPDF has given \$11,975 in environmental improvement grants to 20 communities (1,560 households)
- 6 Infrastructure and basic services issues :** UPDF has given \$477,318 in comprehensive upgrading grants to 109 communities (11,591 households)



#### It doesn't have to be big money to make **BIG** change :

*So far, the UPDF's capital is only about US\$ 1.9 million, which is small peanuts compared to the scale of multilateral and bilateral aid being poured into Cambodia's development. But every penny of that goes straight into the communities, where its very small loans and grants have greased the wheels of negotiation, spurred on collaborations, drawn out resourcefulness, and created options for poor people where there were none before.*



"The size of these upgrading budgets is extremely small, but the size of hope, the energy, the confidence, the security and the new culture in which people come together and work together after the project is finished is enormous."

## Looking beyond bricks and mortar : Community upgrading as a tool for political empowerment ...

It's been over three years now since May 2003, when the Prime Minister announced a new policy to support the upgrading of slums, as a first step towards providing secure land, basic services and decent housing to Phnom Penh's poor. The policy was in response to a proposal put forward by UPDF and the poor community networks, in the face of a fresh wave of big evictions. The policy makes people the main actors, but they work in close partnership with their networks, the Municipality and their sangkat councils to survey, discuss, prioritize, plan, develop upgrading proposals and carry out the work, with funding and technical support from UPDF and other organizations. Nearly 200 poor communities so far have taken advantage of the space this new policy creates for people to plan and implement improvements to their lives and living environments.

Community upgrading is usually understood as a means of improving just the physical aspects of poor settlements, by providing improvements to housing, infrastructure and environmental conditions. Cambodia is among a growing number of examples in Asia where a much more comprehensive version of community is working as a powerful democratizing process.

This more ambitious version of upgrading includes the physical stuff, but it also involves the upgrading of people's land tenure, status in the city and legitimacy as citizens, upgrading their relationship with the local government, upgrading their capacities to manage their own development, upgrading their knowledge, their organizational and management skills, their ability to collaborate and their confidence. These are the political aspects of upgrading - a democratic process in which the physical and the political go together. Groups of people organize themselves, mobilize their resources, make their plans and carry out their upgrading projects. And in the process of doing things, they change their relationship with local development partners and build better partnerships with their city.

### Community upgrading in Cambodia :

<i>(Supported by UPDF to June 2007)</i>	<i>Number of communities</i>	<i>Beneficiary households</i>	<i>Upgrading grants</i>	<i>Housing loans</i>
<b>Phnom Penh</b>	<b>115</b>	<b>13,514</b>	<b>US\$ 263,700</b>	<b>US\$ 766,901</b>
<b>11 Provincial cities</b>	<b>43</b>	<b>5,694</b>	<b>US\$ 98,437</b>	<b>--</b>
<b>TOTAL</b>	<b>158</b>	<b>19,208</b>	<b>US\$ 362,137</b>	<b>US\$ 738,110</b>



**BEFORE :** Before upgrading, even in the dry season, run-off from people's kitchens and toilets turned this lane in the Ros Reay community into a stinking, mucky swamp.



**AFTER :** The new system of underground drains the people built themselves and paved over collects "grey" water from kitchens and bathrooms, as well as storm water and septic tank run-off.

## From eviction to resettlement to upgrading to land tenure : these policies haven't come out of any book, they've come from people who are writing the rules as they go along ...

As the most recent waves of real estate investment and eviction have driven still more poor communities from their land in the city, a lot of people are asking, *Why keep messing around with this savings and credit stuff, why not get out in the street and start protesting?* But if you look back over the past 13 years, almost all the significant steps forward for the city's poor have had their roots in the savings and credit movement and the community-driven-with-partnership development model it has promoted.

Before 1997, the government's only idea for how to deal with squatters was to demolish their shelters and drive them away with soldiers and machine guns. It was the city's federation of savings groups that first surveyed the city's poor settlements, designed model houses and began the negotiations with the city that eventually led to Phnom Penh's first community-managed resettlement project, as an alternative to eviction. In that pilot project, the people chose the new land and the city bought it for them. That resettlement project set a new precedent, and from then on, even when evictions did happen, almost all had some kind of resettlement.

Then, a few years later, when the next wave of investments whipped the development pressure on land even higher and the scale of evictions and removal of poor communities to remote resettlement sites was getting out of hand, it was the same network of savings groups that proposed - and won - a new community upgrading policy for the city, as a more humane alternative to these poorly planned and impoverishing relocations.

It was also this same network of savings groups that negotiated the city's first land sharing project, in which 1,776 families got brand-new flats in 7-story blocks on the same land, free of charge, and another 1,454 families got brand new shop houses free in the city's first fully-planned private-sector-financed relocation project. Both of these have become models for resolving other community-vs-development conflicts without eviction. Even still, the evictions haven't stopped, and the next frontier is secure land tenure.

Nobody is saying that the practice of savings and credit was the single causal factor in bringing about these important and overwhelmingly positive changes for Cambodia's urban poor. But people got together, developed their own idea of what they wanted, built up their resources to finance it (first internally through their savings groups and then externally through the UPDF), and then got the government to go along with this new game they'd made up - not all at once, of course, but gradually, step by step.

## PHILIPPINES :

### A national federation of poor communities that is built on the foundation of collective saving and loans

The Homeless People's Federation Philippines, which was launched in 1995, brings together poor community organizations in cities across the Philippines, all engaged with finding solutions to problems they face with secure land, housing, income, infrastructure, health, welfare and access to affordable credit.

The common denominator throughout the federation is *savings*. All groups that are part of the federation are actively involved in running community savings and credit programs in their communities. The money which they save together creates a revolving community fund, from which members can take loans for their emergencies, day-to-day needs, livelihood and housing improvement. Members also save for land and housing in special housing savings accounts, and many take part in community-based health-care insurance and funeral schemes which groups in several cities have initiated, open to the poorest and most vulnerable in poor communities.

All of these community savings schemes are made up of many, many small groups of neighbors, who collect daily savings deposits among themselves and issue loans from their collective savings, according to guidelines and systems which they set themselves. In most cities, groups use part of their savings for their own internal lending and turn in the rest once a day or once a week to their *Area Resource Centers (ARCs)*, through which loans between groups can be taken from the larger city-wide savings pool. Procedures for saving and taking loans are managed simply, flexibly and openly, without any rigid banking-style rules, but with a few clear accounting rituals which ensure that everyone can understand and everyone can take part in the process, so responsibilities and information are shared.

Loans are given without collateral, and require only that borrowers have a solid record of savings. Decisions about loan applications are made collectively, by peers within the same community, who know the situation personally and can evaluate the borrower's needs realistically. Yearly interest rates of between 9% and 18% are charged on loans. A small percentage of the interest earned on loans goes into supporting the administrative costs of the local ARCs, and the rest gets plowed back into increasing the capital available in the community's loan fund. *So while it's helping people, that money keeps growing!*

**CONTACT :** Father Norberto Carcellar,  
Philippine Action for Community-led Shelter  
Initiatives (PACSI)  
221 Tandang Sora Avenue,  
Quezon City, PHILIPPINES  
Tel (63-2) 455-9480 / 937-3703,  
Fax (63-2) 454-2834,  
E-mail: [pacsii@info.com.ph](mailto:pacsii@info.com.ph)



*The Homeless People's Federation is now working with 156 poor communities spread over 26 cities and municipalities in the three major island groups of the Philippines. Most of these communities are located in environmentally dangerous areas on hillslopes and shorelines or along roads, canals, rivers and railway tracks, and many are under immediate threat of eviction.*

### How we save in the Philippines :

#### Simple rules, simple procedures, flexibility and local control help make savings accessible to the country's poorest citizens . . .

*The Homeless People's Federation's savings system is not just a micro-credit scheme but a community support system which offers protection to the many with no safety net to fall back on in emergencies. This is possible because the system has been designed and adapted by poor people themselves, to answer their needs and fit the way they live. Here are a few notes on how it works, from a detailed report by Sandra You, an old friend of the federation and member of PACSI :*

- **Savings groups :** The savings group of 5-10 members is the basic organizational unit for collecting savings and guaranteeing loans to individual members. Each group assigns one of its members to go around to each member's house or workplace to collect the savings from members every day ("doorstep banking"). Savings deposits and loan repayments are recorded on the spot in the member's passbook and in the collector's notebook.
- **Area Resource Centers :** Each day, the collector bring the day's savings to the Area Resource Center (ARC), which administers the savings collection and loan disbursements within a city or a group of communities, and is an important headquarters for all kinds of federation activities. Here all the transactions are recorded in group ledgers and then entered into the computer database. The ARCs also assist communities in their housing and land acquisition initiatives, and give orientation to new savings groups on the nuts and bolts of the savings process. Where the ARCs are too far away from communities, some of this work is taken on by satellite offices.
- **Loans :** To take a loan, a member first gets approval from her savings group, which sets its own loan ceilings and repayment periods. Once the group agrees, she fills out a half-page form which explains the loan purpose and proposed repayment schedule, gets her collector to sign it and submits it to the ARC, where the group's savings are kept. The committee at the ARC checks her savings record, approves the loan, records the loan in the passbook and computer database and releases the cash to the borrower - usually right on the spot. Repayment rates are very high.
- **Accessibility :** To make sure its savings program stays accessible to the poorest, the federation keeps interest rates low, has no mandatory minimum savings requirement and allows borrowers to repay their loans on flexible terms, in daily, weekly or monthly installments. Members of most of these savings groups are also members of registered homeowners associations in their communities and are at some stage in planning to buy land.

### Daily "Aro Aro" Saving . . .

Why has the federation made daily saving ("Aro Aro" in Tagalog) a key element in its national organizational strategy?

- **It pulls communities together :** The constant interaction and communal decision-making that is inherent in a daily saving system "works like glue" to knit communities together. Daily transactions provide daily opportunities for people to meet, compare notes, pass on news and identify common needs, and are a powerful community knitter-together.
- **It matches informal earning patterns :** Most of the urban poor who work in the informal sector earn and spend their money daily, not weekly or monthly. When a savings system accommodates those earning patterns and makes it easy to deposit those daily earnings - no matter how small - then it makes it possible for everyone to save.
- **It works for the poorest :** Monthly savings systems tend to work best for better-off community members with regular jobs and exclude the poorest. For those living at subsistence level day-by-day, saving very small amounts each day is much easier than trying to put in a large amount all at once. This makes daily saving a system that works for the poorest.

## FIVE types of community saving :

*Most community savings groups in the Homeless People's Federation offer five types of saving to their members, all of which are accounted for separately and kept track of in special sections of the passbooks. The rules aren't engraved in granite, and different cities and communities do develop their own variations on this basic breakdown. But the reason these different kinds of savings are voluntarily practiced on such a wide scale is because they work, and because people have developed these savings strategies to answer different kinds of real needs they have in their lives and settlements. These kinds of refinements to the basic theme of saving come only with time, and with the increasing sophistication of a self-determining, national people's process :*

- 1 COMPULSORY SAVINGS :** From these savings, members can take loans for emergencies, income generation or consumption of one or two times the amount of their savings, at 18% annual interest. A member's loan amount is based on a maximum savings of 500 Pesos per week. The idea of this ceiling is not to restrict how much people save, but to prevent better-off members from plundering the savings pot by taking big loans.
- 2 VOLUNTARY SAVINGS :** Members can't borrow from these savings, but they can withdraw from them at any time. There is no maximum or minimum savings.
- 3 LAND AND HOUSING SAVINGS :** This kind of saving is practiced by groups preparing to purchase land, and can only be withdrawn for land and housing acquisition payments. Members can save before land has been identified (to accumulate funds for down payments), after land has been identified (to accumulate funds to buy it) or in addition to monthly land payments (so members have some extra funds to make land payments in a crunch).
- 4 FUNERAL SAVINGS :** The federation's "Mortuary Fund" is a kind of insurance policy to cover funeral expenses and is a very popular feature in the federation's savings program. Members can deposit 1 Peso per month, per family member (with a 24-months advance deposit required) to be eligible for 10,000 Pesos (\$227) in funeral expenses if someone dies.
- 5 UPDF FUND SAVINGS :** All savings group members contribute 50 Pesos every month to the federation's national fund, to which national and local government agencies and donor organizations also contribute, to support community projects involving land purchase, site development, house construction, basic infrastructure and micro enterprise. These savings cannot be withdrawn, but they can be used by a community as a kind of informal collateral for a community loan. *(More details on following pages)*



## Those busy Pesos again :

### 62 million Pesos saved, 159 million Pesos loaned, 100% loan circulation

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, *that money gets busy*. It helps build houses, helps start small businesses, helps people in a crisis, helps pay school fees and doctor bills, helps build stronger communities and helps generate more assets, more money and more options for people's futures. More than US\$ 1.4 million has been saved in the federation so far, but US\$ 3.6 million has been given out in loans. That means that all that money has been loaned out and paid back almost three times in just ten years, creating assets and increasing wealth in 48,000 households. All this in a group of communities with an average household income of just \$65 - \$90 a month! Here are the federation's cumulative national savings and loan figures (not including UPDF loans) as of October 2007 :

● Savings members :	47,930 members (in 26 cities)
● Compulsory savings :	46.6 million Pesos (US\$ 1.05 million)
● Voluntary savings :	1.1 million Pesos (US\$ 24,474)
● Land/housing savings :	12.7 million Pesos (US\$ 289,500)
● UPDF savings :	1.3 million Pesos (US\$ 29,967)
● TOTAL savings :	61.8 million Pesos (US\$ 1.4 million)
● Total amount loaned (only from member savings) :	158.7 million Pesos (US\$ 3.6 million)
● Total amount repaid :	122.5 million Pesos (US\$ 2.8 million)

## It all started in a garbage dump . . .

The federation's country-wide savings movement had its humble beginnings in Payatas, Manila's largest and most densely-packed squatter settlement, in the northwestern part of the city. The mountainous garbage dump at the center of Payatas brings disease, pollution and danger, but also provides incomes for some 30,000 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 Scavenger's Association*, and with support from the *Vincentian Missionaries Social Development Foundation*, began working on many fronts to create collective, holistic solutions to problems they face, and to build a better, more safe and secure future.

The savings scheme they started in Payatas has played teacher and host to innumerable visitors from fledgling savings groups in other parts of the Philippines, who come to learn the nuts and bolts of managing a community savings and credit system. When visitors come to Payatas to learn, it's poor people teaching other poor people, walking each other through all the rituals of community savings scheme management, including the daily round of savings collection, the recording of deposits and loans in



passbooks and registers, the making of collective decisions about loan applications and the use of *community techniques* for bringing in non-savers and dealing with loan defaulters.

Over the years, Payatas community members transformed a small, church-managed micro-credit program into a thriving community-driven savings federation, with over 10,000 members in 800 savings groups. The small recycling and vending businesses their saving supports have bolstered incomes, strengthened the community's financial and organizational capabilities and given the scavengers increasing clout in their negotiations for land and external credit for housing.



## PHILIPPINES :

### Philippines Urban Poor Development Fund

- **Started :** 2000
- **Total capital in fund :** 246 million Pesos (US\$ 5.6 million)
- **Source of capital :** Contributions from Homeless People's Federation, grants from local and international foundations, grants from Philippines national government and overseas donor organizations.
- **Purpose of loans :** Housing, land purchase, infrastructure, income generation and bridge financing for government mortgage programs.
- **Interest charged :** 18% annually for microenterprise (of which 6% goes back to UPDF and 12% stays in the community to support its admin costs and activities) and 9% for land and housing (of which 3% goes to UPDF and 6% stays in the community).
- **Loans disbursed :** 193.5 million Pesos (US\$ 4.4 million)
- **Loans repaid :** 122.8 million Pesos (US\$ 2.8 million)
- **Total Beneficiaries :** 2,651 households
- **How it works :** UPDF is divided into several autonomous city-based funds, which make bulk loans to community savings groups and registered housing associations which are federation members and share-holders in that particular city-based fund. Decisions about how the funds will be used and who will get how much in loans are being made communally by community fund members, who also manage repayments and prepare accounts.
- **Operational costs :** Since community members working at the ARCs manage almost all aspects of the fund activities, and individual communities handle all collections and repayment collectively, operational costs are very low, and are mostly financed by part of the interest earned on the loans. PACSI provides fund-raising and accounting support as part of its regular federation support program.

## The Philippines Urban Poor Development Fund : A finance tool that belongs to the country's poor communities ...

**T**he Philippines *Urban Poor Development Fund* (UPDF) was started informally through a series of loans made between savings groups in different cities in 1997, but officially launched in 2000. The UPDF works like an umbrella for a growing family of city-based revolving funds which provide low-interest loans for income generation, housing, infrastructure, land purchasing, bridge financing for slow-moving government finance schemes or any other activities proposed by the Homeless People's Federation. The fund is managed by a mixed board which includes a majority of community leaders from the federation, and representatives from PACSI and local government. The fund is accessible to members of poor communities actively involved in the federation's savings program, who are directly involved in the fund's management, as capital shareholders. All savings scheme members contribute 50 Pesos (US\$1.15) of their savings each month as "shares" in the fund.

Over the past few years, PACSI, the federation's NGO partner, has raised grant funds from various international donors to help finance several of the federation's community-driven housing and land acquisition projects in Payatas, Iloilo, Cebu and Davao. As these projects moved forward and as the communities began to repay the loans, everybody felt the need for a place to "house" these funds, so that they could be used again, to help more groups in the area with their housing and livelihood programs. The UPDF was set up to provide an institutional mechanism to manage these funds, and to be a magnet for more funds, bank loans and people's resources.

Decentralizing external resources to regional and city-based funds like this is seen as a means of putting the money under the direct control of the people who need it, as close to them as possible. The idea has been that money raised for specific projects goes into the city-fund in that area, and then revolves in that same area as the money is paid back. No money is kept and no decisions about money are made in any national central place. PACSI has the role of fund-raising and keeping track of loans and repayments through reports from Area Resource Centers around the federation's three main regions: Luzon, the Visayas and Mindanao. This is a fund that is in the process of inventing itself, and eventually, each city will have its own fund, which will provide loans for micro-enterprise development, infrastructure and site development, house construction and land acquisition.

### When poor communities started giving loans to other poor communities

When the UPDF first got started, the federation didn't have much experience to guide its experimentation. But even without any clear guidelines, they knew that they wanted the fund to be savings based, that members would contribute to it, and that it could be used to for all the various needs of urban poor communities - from loans for education and health to land acquisition and development.

At first, there wasn't actually much of a fund at all. In 2001, one of the railway settlements in Muntinlupa, in the southern part of Manila had found some cheap land to buy but didn't have enough savings to make the down payment. The 11 large communities in the northern Manila area, though, had accumulated a whopping 350,000 Pesos in their collective savings. Since they had no immediate land ac-

quisition possibilities on the table, they decided to make the first "inter-community" loan to Muntinlupa, so they could buy their land. Next, the federation in Iloilo loaned their savings money to Cebu City for another land down payment.

**Remember, this was very poor people lending their own money to other poor people in another city: even then, that kind of trust was there in the national federation.**

In 2005, this somewhat ad-hoc lending was the subject of a national meeting, where all the region's leaders got together to reflect on what kind of structures and guidelines they needed to provide their communities with access to this kind of external credit in a more organized manner, through the mechanism of the UPDF, with proper interest rates and repayment schedules and all that. Experiments with inter-lending between communities continued, but now communities with extra savings loaned to the UPDF, and the UPDF on-lent to communities on more clearly-understood terms, for all sorts of purposes: for title deed stamp taxes, for land payments, for installing street lights and drainage lines. In these ways, the evolution of UPDF has not only found new ways to mobilize resources, but it has strengthened ties between communities and provided them with a powerful tool to engage with government.



## The Philippines poor as development **PARTNERS** :

*The overwhelming problems of land and housing for the poor in the Philippines cities cannot be solved by people alone, nor can they be solved by governments or NGOs alone. Lasting, large-scale and equitable solutions that work for everyone are only possible when these key stakeholders - who are usually arch adversaries - find some kind of common ground. The Homeless People's Federation's experience with community saving, housing, land acquisition and other issues has shown that a large, well-organized and well-prepared poor people's organization can deliver the goods. And this experience is opening up several new avenues of dialogue and partnership with government agencies at many levels. In many parts of the country, the federation's member communities and its regional formations are cooperating with local and national government agencies to deal with a variety of problems and issues which affect poor urban communities.*



### Savings transforms poor communities into potential development partners ...

**Community-managed savings and credit is a key ingredient in poor people's struggle towards better lives, better incomes, more secure housing, more healthy settlements and more proactive relationships with their city governments. Savings schemes create the self-management systems, collective assets and large-scale involvement in poor communities which show government organizations, development agencies and finance institutions that the urban poor need not be seen as obstacles to urban development, but can make viable partners in the struggle to make our cities better places to live - for everyone.**

#### 1 Partners in disaster relief and danger zone planning

A majority of the 156 communities the federation is now working in around the country are located in high-risk areas like eroded hillsides, around garbage dumpsites and along roads, waterways and railway tracks. Instead of waiting for disasters to happen, like the tragic garbage slide at Patayas in 2000, or for someone to evict them, the federation conducts city-wide surveys of communities in "danger zones", helps them to start saving, to open up a dialogue with their local government and to begin finding and acquiring alternative land. Each of the federation's regional groupings has a special committee on disaster reconstruction, and all are active in expanding the federation's work into new communities facing potential disasters, or which have actually faced disasters. After the December 2006 landslides in St. Bernard (Southern Leyte) for example, where more than 1,000 people were killed, the federation sent a team to support the survivors, helped build temporary housing, conducted survey training, started savings groups, organized exchange visits and negotiated to bring the affected communities into the center of the resettlement planning process. The federation coordinator is now part of the Municipal Disaster Coordinating Council.

#### 2 Partners in making resettlement work better for people

Thousands of poor households around the country are being evicted to make way for large infrastructure projects. For these families, eviction and relocation to distant sites is another kind of disaster, a man-made disaster which means lost jobs, shattered support systems and deeper impoverishment. These casualties of urban development have become another major focus of the federation's work. The massive North Rail track expansion Project, which involves the eviction and "in-town" relocation of 12,500 railway slum families in 6 municipalities, is one example of how the federation is using a not-so-great government-driven relocation process as a chance to organize affected communities, form savings groups, conduct surveys and boost the people's capacity to negotiate a better resettlement deal and greater control over their resettlement. Federation representatives have been working as part of the Local Inter-Agency Committees in all six of the involved municipalities and have done base level surveys and savings mobilization among the affected families.

#### 3 Partners in city-wide community upgrading

In the city of Iloilo, the federation has been invited to help formulate the City Shelter Plan, which includes resettlement guidelines, relocation policies and cost-recovery schedules, and plans for the city's shoreline area where about 3,000 squatter families live. The federation has also been asked to expand its savings program in three government resettlement areas. The federation also takes part in the Technical Working Group on resettlement for Iloilo's Flood Control Project. There is also a new ACHR-supported community upgrading initiative underway in Iloilo being jointly undertaken by three federations, which have now linked together into a loose city-wide network of 80 informal communities, representing about half of the city's urban poor population. The federation's Iloilo branch has now organized savings and loan groups in all these communities, as a requirement for their involvement in the upgrading program.

#### 4 Partners with local government agencies

In two barangays (the smallest governance unit) in Quezon City, the federation helped form the Barangay Development Councils (BDC), which include representatives from member communities. The BDC is a special consultative body that recommends projects to be included in the 3-year barangay development budget. In the City of Muntinlupa, the federation's regional coordinator for South Manila represents the city's urban poor on the local government's Socialized Housing Program Committee, which functions as a local housing board. This presence has expanded the community savings program and persuaded the city government to make saving a prerequisite activity for resettlement of families affected by the Southrail Project.

#### 5 Partners with national government agencies

The federation's involvement in the Northrail and Southrail track expansion projects has been endorsed by the Housing and Urban Development Coordinating Council (HUDCC), the umbrella agency for all government shelter agencies, and the federation maintains a vital working relationship with the National Housing Authority (NHA), the central government's primary shelter agency, tasked with providing affordable and safe shelter to families and communities affected by government infrastructure projects. The federation has also been negotiating with the Housing and Land Use Regulatory Board, which registers homeowners associations involved in land acquisition, to make it easier for poor communities to acquire land with federation support.



## NEPAL :

### The mountain kingdom where progress for the poor continues to emerge amidst the smoke and fury of national crises . . .

Most of the news coming out of Nepal these days tends to be very dire: civil war, regicide, coups d'état, election boycotts, strikes, black-outs, bomb blasts. But even in the midst of these large-scale upheavals, several milestones for the country's landless squatter communities have been quietly taking place. In May 2004, The Urban Community Support Fund (UCSF) was launched in Kathmandu, and seven months later, the fund's first project was inaugurated - the city's first community-managed relocation project at Kirtipur, for 44 families evicted from their riverside squatter settlement to make way for a road-building project.

Compared to its big neighbors, Nepal's problems of urban land and housing are not huge. In the Kathmandu valley, there are only about 3,000 families living in 64 squatter settlements. But in a country with a long history of feudal oppression, civil conflict and almost zero development in rural areas, the opportunities are unquestionably in the cities, not the villages. And the rural poor are pouring into cities like Kathmandu, Lalitpur, Bharatpur and Birgunj every day, where they find work and support systems, but no decent and affordable housing.

The project at Kirtipur (and the new fund that financed it) may be small, but it marks the beginning of a new direction, in which poor people stop waiting for solutions to come from the government, and start saving and planning and negotiating by themselves. This is a new way of initiating development for the city's poor, in which people's own savings and the flexible finance from the community development fund are linked. So while the state deals with its own crises, people can go ahead with their saving and house building.

**CONTACT :** Lajana Manandar  
Lumanti Support Group for Shelter  
P.O. Box 10546  
Kathmandu, NEPAL  
Tel (977-1) 552-3822, 554-4926  
Fax (977-1) 552-0480  
E-mail: shelter@lumanti.wlink.com.np

## A short history of community savings in Nepal : "The reason we save together is to fulfill the need of our members to bring about change in their lives"

Ten years ago, most people living in slums and squatter settlements were chronically indebted to informal money lenders. The credit they offered, at ruinous interest rates, was people's only option. With support from the Kathmandu-based NGO Lumanti, the first women's savings groups were started in 1997 in three poor communities, with the idea of providing not only a source of affordable credit, but a means of building women's confidence and economic self-reliance. After some community leaders visited savings groups run by poor communities in India and Thailand, and began to see possibilities, the savings process spread rapidly. In 1999, they decided to link together into a federation of women's savings groups, and the *Nepal Mahila Ekta Samaj* was born. By 2000, the number of savings groups had reached 60, and the new federation had taken over from Lumanti the tasks of training new groups in collection, account-keeping and loan procedures, as well as helping organize infrastructure and sanitation improvement projects and monitoring evictions.

By 2006, there were 250 savings groups, with over 5,000 members in the Kathmandu Valley, most saving daily or weekly. Some groups have set up special housing savings schemes, where the money is kept in the bank for future housing. Many of these savings groups have also been able to leverage local resources for their infrastructure projects from ward, municipal and national government levels. While Lumanti continues to provide organizational back-up, training and accounting support where needed, all of these savings groups are completely self-managed, and all of them now cover their own administrative costs by using a margin of the interest earned on their internal loans.

At first, the loans women took from their savings were small and mostly for meeting day-to-day and emergency needs. But as their collective savings grew, and as the economic position of their members became more stable, the women began taking larger loans for income generation, to set up tailoring businesses, small shops, market and cart vending businesses and livestock and poultry raising projects. Loans from the savings groups have also enabled families to make small improvements to their houses and install water pumps and electricity.

Although the savings process was initially focused in the Kathmandu valley, the federation began working with Lumanti to organize communities and establish links in other parts of Nepal. The federation is now active in 22 districts (out of a total of 75 in the country), doing savings and credit, surveying and negotiating for land and tenure security.

A growing number of these community savings groups are now linking together into larger groupings of five to ten communities and registering formally as savings and credit cooperatives, with Lumanti's help. This new formation offers savings groups a mechanism to combine their savings assets, strengthen the capacity of member groups and allow them to manage their growing funds in ways that can meet growing loan needs. At first, three savings cooperatives were formed, but later, other communities joined the process, and now there are six savings cooperatives in Kathmandu and other districts. When several communities put their savings together like this, it means they have a larger pool to borrow from, and the women have been able to raise the maximum loan limits and start giving loans of up to \$770 for buying land, building houses and starting larger businesses. The cooperatives have also begun lending to each other. The Astha Cooperative in Lalitpur, for example, provided a loan to the savings group in a squatter community in the far-away town of Dharan, to help them buy the land they have been squatting on for years.

"Five or six years ago, we didn't know we would reach this stage. 70 shareholders in one of the savings cooperatives wants to buy secure land for their housing. Now our women's savings groups feel they can do it, because they have daily savings. We used to demand and shout and say *This is our right!* But now we have the power of money, and the power of our large togetherness, so we can go to the government and ask the government to be partners with us. It is a different dynamic."

(Bimala Lama, national savings leader)

### Community saving and loaning in Nepal :

	Number of groups	Number of members	Total amount of savings	Total amount loaned	Total amount repaid
Cooperatives	231	5,385	Rs 35.5 million (US\$ 537,879)	Rs 93.4 million (US\$ 1.4 million)	Rs 58.4 million (US\$ 884,091)
Independent savings groups	31	825	Rs 3.5 million (US\$ 540,409)	Rs 7.5 million (US\$ 113,258)	Rs 3.0 million (US\$ 45,455)
Outside Kathmandu	25	500	Rs 670,000 (US\$ 10,152)	Rs 942,000 (US\$ 14,272)	Rs 358,000 (US\$ 5,424)
TOTAL	287 groups	6,710 members	Rs 39.7 million (US\$ 601,439)	Rs 102 million (\$ 1.5 million)	Rs 61.7 million (US\$ 943,970)

**FUND FIGURES :**

As of August 2007, the new fund had a total capital of US\$ 299,036, comprising contributions from the Kathmandu Municipal Corporation (US\$ 100,000), SDI (\$50,000), ACHR (\$50,000), Action Aid and Water Aid. So far, a total amount of US\$ 282,029 has been given in land purchase grants and housing loans.

## Urban Community Support Fund launched in 2004 : First contribution comes from the mayor of Kathmandu ...

**T**he **Urban Community Support Fund (UCSF)** was launched in Kathmandu in May 2004 as a joint effort of Lumanti, ACHR, SDI and the Kathmandu Municipal Corporation. The idea was to create a new financial tool for poor slum and squatter communities in the Kathmandu Valley, which would channel soft loans and grants directly to their savings groups to support initiatives in housing, land, infrastructure, upgrading, welfare and livelihood. But besides providing finance, the fund is being seen as a permanent, locally-based institution which brings a variety of development actors together to tackle the serious problems of poverty and housing in ways that make poor communities and their federations the main actors and strengthens them in the process.

**The fund has already made history in several ways. The KMC, under its enthusiastic former mayor Keshav Sthapit, contributed the first US\$ 100,000 to the fund. That was the first time in Nepal that a local government had contributed such a large amount to support people's own initiatives to address their problems of poverty and housing. It was also the first time that poor community people sat as equals with NGO representatives, professionals and government officials on a governing board to administer the funds.**

The fund is a new, independent mechanism in the city that can respond flexibly to diverse needs as they arise within communities. Although it is linked with the municipality, the fund is managed jointly by a governing board that includes community leaders, Lumanti, the municipality and other stakeholders, so it has a kind of institutional independence that is also new in Nepal. It's a new system in this very old feudal society. And it's exactly the kind of system most other Asian countries are looking for: a system which channels financial support directly to communities, so they are the ones who do things, who control the game, who drive the development of their own lives and communities.

Although the relocation housing project at Kirtipur ate up most of the fund's modest initial capital, both Lumanti and the Municipal Corporation are now looking for more funds to meet the growing needs. Kathmandu's federation of tenured slums (*Jhigu Manka Samaj* - another separate federation) has recently submitted a proposal to the new fund for loan to upgrade ten traditional meat shops (run by butcher caste families), to compete with new meat-packing plants and supermarkets.

**Second fund in Birgunj :** After the success of the Kathmandu fund, the city-based community fund idea has gathered steam and in April 2007, a second fund in the provincial city of Birgunj, on the Indian border, was provisionally established, under an MOU involving Lumanti, the Municipality and the city's new federation of 16 poor settlements.

## Next challenge : Community upgrading

There are 64 squatter settlements in the Kathmandu Valley (with a population of 14,000 people in 3,000 households). All these settlements are on central government land, and most of them don't need to be relocated for any major civic project. The central government's 5-year Development Plan for the valley calls for five of these settlements to be upgraded *in-situ*, in collaboration with the federations and with Lumanti. It's not a very ambitious start, but the Kirtipur project has

given a big push to realizing even this modest goal and the upgrading idea is catching on. Lumanti is working with the federations to identify pilot communities. Meanwhile, an idealistic young Maoist in charge of the Bhagmati River Rehabilitation project in Kathmandu, has signed an MOU with Lumanti, the squatters federation and ACHR to explore community-driven on-site upgrading of the poor settlements that line the river, with costs shared by the communities, the Municipality and the new fund.

## The new fund's first project : Pilot relocation housing project at Kirtipur ...

The first project that the Urban Community Support Fund financed was a relocation housing project at Kirtipur (a municipality adjacent to Kathmandu, where land costs are much lower), for a community that was evicted two years earlier from their riverside squatter settlement to make way for the Vishnumati Link Road Project. After a lot of negotiations with the municipality, the people agreed to voluntarily demolish their own houses, but in exchange they only got a few month's compensation to help them rent housing elsewhere. The cost of buying the new land, which the community people searched for and chose themselves, is covered by a grant from the new fund, while the cost of the houses came as a loan, which community members will repay in monthly installments, through their savings group, over a 15-year term.

The project is small (44 houses), but it represents an important breakthrough for all the partners that helped make it happen: Nepal's national federation of squatter communities, its sister federation of women's savings and credit collectives, Lumanti, the Municipality of Kathmandu, the new Urban Community Support Fund, ACHR, SDI, WaterAid and several others. The beautiful 2-story brick row-houses at Kirtipur, which the people designed and built themselves, are arranged around a network of brick-paved lanes and squares (with piped water, proper drainage and rainwater-harvesting tanks).

The project was a form of training for everyone involved, and has shown that solutions to the land and housing problems of Nepal's poorest urban citizens are possible when people themselves take the initiative and the local government and professionals support them.



**"This is not just a normal housing project, but a new kinds of housing initiative where people are the key actors and they support each other and develop things collectively. There is so much force in this kind of people-driven process - a force that can make many different new kinds of communities. Now is the time to be starting 20 or even 100 similar projects here in Nepal."**

(A visitor to the Kirtipur inauguration)

## VIETNAM :

### Linking the country's long and rich tradition of community savings and credit into a new force by people . . .

The poor in Vietnam - and especially poor women - are no strangers to savings and credit. In the absence of formal sources of credit, several kinds of informal, self-help savings systems are at work across Vietnam. At one end are the community savings groups initiated by the Women's Union and at the other end are the "thrift groups", which follow an old Chinese tradition in which ten or twelve people get together and agree to put a certain amount of money into the pot every month, then each month one member takes the whole pot, on a rotating basis. Some groups modify this system, keeping the thirteenth month's pot as a special "welfare fund" for emergencies.

In Vietnam's secondary cities, where opportunities are fewer and poverty can sometimes be more severe, these informal savings systems are real lifelines for the poor. But because these savings groups are scattered and ad hoc, their ability to help each other is extremely limited.

In 2000, ACHR began working with a UNDP Provincial Cities project to first strengthen and link together these scattered existing savings groups, and then a year later, to set up community development funds in each of the five cities in the project. Later, after the UN project ended, ACHR continued to support the process and three more cities were added. In 2001, the 8 cities formed a national network of community savings groups.

**CONTACT :** *The savings and community fund process in Vietnam is being coordinated jointly by ACHR, ENDA-Vietnam and Nguyen Thu Huong. For more information, please contact ACHR or :*

- Mr. Bang Anh Tuan at ENDA (in HCMC)  
e-mail : [endavietnam@viettel.com.vn](mailto:endavietnam@viettel.com.vn)
- Ms. Nguyen Thu Huong (in Hanoi)  
e-mail : [thuhuongcraft@yahoo.com](mailto:thuhuongcraft@yahoo.com)



*"Saving is something natural in Vietnam. People just do it. In all the eight cities, people now understand that saving is power. And they understand that the money people save and collectively use themselves is different than money that comes from outside. There are so many interventions from so many agencies and organizations in Vietnamese communities, all with their own rules and bureaucracy. All these are separate from people's own savings and credit, which they can control themselves." (Bang Anh Tuan, ENDA)*

### People's SAVINGS plus people's FUNDS in Vietnam :

The idea of these new, experimental city development funds (CDFs) was to strengthen the linkages between these scattered savings groups and help them boost their income generation and community upgrading activities by providing access to some external capital. By strengthening these savings groups as the basic unit of self-help, the community development funds can help communities to improve their settlements and enhance their earnings on a larger scale.

The funds started off very modestly with US\$ 30,000 of donor money from ACHR and some resources left over from the UNDP project's revolving fund, which gave each of the 8 cities about US\$ 13,000 seed capital to start their CDFs. Savings group members borrow from these funds for house improvements, infrastructure and income-generation projects. The savings groups in each city have been actively involved in setting the system for managing their city's fund, so that it answers their needs. The fund in each city is governed by a mixed committee comprising representatives from communities, the wards, the city government, and the Women's Union. As part of the process, there's been an intensive process of horizontal learning and sharing of ideas, through workshops and community exchanges between cities, within wards, and with community savings groups and funds in neighboring countries, in which people have helped each other fine-tune their systems.

Most government resources for communities come down through the various layers of bureaucracy to the people, in a vertical line, and people are the humble recipients of whatever the government decides to hand out. Vietnam is a country with government-driven organizations everywhere, but almost no informal structures that belong to people. This is not an ideal system for building people's courage to think for themselves about what they need or what they can do for themselves.

In this context, the new community fund process (which links communities' *internal* resources from savings with the *external* resources from their CDFs) is strategic in Vietnam, because it gets the city and the poor to work together in ways that open up new space for people to do things themselves and to build their strength in the process. The fund process is providing concrete proof that people have the energy, that they can do things and that they represent a huge development resource.

In some cities, the CDF process is being supported by the local Women's Union, and in others by the city or district government. Either way, there are certain common steps that communities in each city go through. First they start saving, so people begin to develop their own internal fund. Next they start self-help activities of various sorts in their communities (like income generation or community improvement projects) using loans from their internal savings fund. Once the community's internal fund becomes bigger and they have more experience, the next step is to negotiate for other external resources - maybe from the local district, or from the city - and then to form their CDF.



### Community saving and loans in Vietnam :

	Savings groups	Savings members	Total member savings	Capital in CDF	Number of CDF loans
1. Viet Tri	478	9,878	US\$ 235,000	US\$ 45,000	700
2. Hai Dong	424	4,013	US\$ 150,000	US\$ 25,000	241
3. Hanoi	136	2,594	US\$ 150,900	US\$ 235,000	1,985
4. Vinh	378	7,864	US\$ 246,000	US\$ 6,000	55
5. Danang	41	839	US\$ 33,000	US\$ 80,000	1,126
6. Qui Nhon	148	3,163	US\$ 53,000	US\$ 210,000	2,612
7. HCMC Dist.2	23	520	US\$ 65,000	US\$ 42,500	638
8. Can Tho	42	762	US\$ 42,000	US\$ 45,000	564
<b>TOTAL</b>	<b>1,670</b>	<b>29,633</b>	<b>US\$ 974,000</b>	<b>US\$ 688,500</b>	<b>7,921</b>

## Different cities, different partnerships, different priorities, different ways of doing things :

*The savings and CDF process in four cities from the original UNDP project are being coordinated by Huong (Viet Tri, Can Tho, Hai Dong and Vinh) and four cities are being coordinated by the Saigon-based NGO ENDA (Hanoi, Danang, Qui Nhon and HCMC). In all the cities, the people's savings activities have taken root firmly and are growing in a big way, with more and more savings groups being set up all the time. Here are a few brief notes on what's happening in the various cities :*

- 1 VIET TRI :** The CDF process has expanded to 8 districts, with very strong savings and lending systems among the communities, which have used loans and their own resources to build raised wooden walkways, set up a garbage collection project that employs local scavengers, and has help members to start lots of livestock breeding and sewing enterprises
- 2 HAI DONG :** The CDF process has only started in two wards, with loans to communities for small road paving and drainage projects. But the savings and loan process has spread all over the city, to 42 communities, with good support from the Women's Union.
- 3 HANOI :** The community savings and loan process in Hanoi is growing fast, but there have been difficulties finding support partners. The main links are with the Women's Union, but the process in some communities is also being assisted by university teachers and their students.
- 4 VINH :** Vinh joined the savings network only in 2006, but it already has 378 savings groups around the city, from which members take loans for agriculture, organic vegetable-growing and community water supply projects. The Women's Union is the chief partner.
- 5 DANANG :** In Danang, they have divided the CDF into four mini-funds to cover upgrading, income generation, vocational training and student scholarships. The community savings process here goes back 13 years, and is firmly rooted in the community life here. The community process was expanded when 20,000 poor households were evicted for a municipal improvement program and given the choice of moving to state-built social housing flats, or to sites-and-services plots in the city periphery. The CDF's first projects were to give small house-building loans to people who opted for the sites-and-services scheme. The CDF has been able to mobilize additional capital from both the municipal and national governments, especially for the income generation and vocational training funds.
- 6 QUI NHON :** Savings and CDF activity (to support housing and upgrading mainly) is active in seven of the city's 21 wards, with a close relationship between the communities and the city government, which puts US\$ 6,000 into the CDF every year. The CDF works with 2,530 families who were evicted by a development project and relocated to a remote "temporary" resettlement area on the outskirts of the city, and has helped start savings groups there.
- 7 HO CHI MINH CITY (DISTRICT 2) :** 11 wards in the district are now involved in savings and CDF activities around housing, community upgrading, income generation and "spring savings".
- 8 CAN THO :** The savings started in 2004 in one district, and is now active in 3 districts, with a variety of systems: daily, weekly, monthly, annual savings, women's savings, "spring savings", public rotating funds, with small loans for upgrading and household sanitation.

## How these city-based funds are starting to attract resources from other quarters ...

In four of the cities, the CDF fund started with seed capital from the UNDP project, and in all the cities, ACHR contributed some more capital. But now, community networks in many of the cities are negotiating for additional lending capital from other sources - particularly from their ward, district and municipal governments. By contributing to these community development funds, these cities are showing their political willingness to sustain and develop community-driven development activities.

In Danang, the municipal government has given 10 million Dong (US\$ 605), which wasn't put into the revolving fund but invested directly in community upgrading activities. In Qui Nhon, the city government has been putting in 100 million Dong (US\$ 6,036) into the CDF every year for the past four years, through the



Women's Union. In Can Tho, the municipal government contributed 100 million Dong (US\$ 6,036) in 2005, and the district contributes 50 million Dong (US\$ 3,030) every year to the CDF. In Vinh, the city has promised funds for the CDF, but no actual contribution yet.

## 8 Provincial Cities Funds

- **Started :** 2001
- **Capital in 8 funds :** US\$ 688,500
- **Source of capital :** UNDP Provincial Cities Project, ACHR (Donor funds), city governments, district and ward authorities
- **Purpose of loans :** Income generation, environmental improvements, community enterprise, house improvement, housing.
- **Interest charged :** Interest rates and terms for loans are set by each city, not standard.
- **Loans disbursed :** About one third of the money loaned so far has gone for income generation, and two third for community infrastructure improvements (exact figures unavailable).
- **Loans repaid :** Repayment is reported to be 100% according to plans (figures unavailable)
- **Beneficiaries :** 7,921 households
- **How it works :** The fund in each city is managed by a mixed committee which draws together community leaders and officials from various levels of government and mass organizations (particularly the Women's Union). These committees collectively determine how the fund will be used, and set the loan terms and requirements. Loans are made only to community savings groups.
- **Operational costs :** A small yearly administrative grant from ACHR to each city's committee helps cover expenses, but the ward, district and city administrations are also increasingly contributing in various ways.

## A NEW FUND PARTNER : The Association of Vietnamese Cities

The big news in the Vietnam process is a new partnership that has been forged with the Association of Cities of Vietnam (ACVN), a national organization which represents 92 of the country's 96 towns and cities. After a few months of discussions, an MOU between the ACVN, ENDA and ACHR was signed in October 2007, to help replicate the community savings and community development fund model in other cities in Vietnam and to broaden the process around the country. As part of the agreement, ENDA will provide seed capital for funds in another 4 cities, and ACHR will inject a grant of US\$ 20,000 to support the new national networking process.

So far, the links between cities have been maintained by occasional national workshops and a few exchange visits between cities, and so this new partnership with the ACVN offers a means to scale up the savings/CDF process considerably and an opportunity for the CDF network to be officially recognized at national level. The partnership also offers the ACVN an opportunity to learn about community-managed development, and to bring it under the scope of its work.

## LAO PDR :

### Women's savings groups expand into 12 Districts :

Since 2000, the Lao Government's Women's Union and the NGO Foundation for Community Development have been working in several parts of Lao PDR with farming communities on development programs involving water supply, farming and income generation. As part of the initiative, Thailand's Community Organizations Development Institute (CODI) and leaders from Thai Community Networks have been bringing their experience to Lao to help set up savings and credit groups, with support from ACHR.

There has been a regular stream of exposure visits to Thailand, involving women savings group leaders, officials from the Women's Union and local officials to learn about the community savings processes there and to see how poor communities can bring about real improvements in their lives and communities when they pool their ideas and resources. The visits to Thailand have given fresh ideas and inspiration to the women - many of whom had never been outside of their districts before - and convinced them to come back and set up savings and credit groups (called "*ton ngun*" in Lao) in their villages.

All these *ton ngun* savings groups are based in the village, controlled and operated by village women (whose families have lived together for generations), and all the money stays right in the village. There is no government control and no traditional leaders or outsiders are involved. In some villages, monks have supported the savings schemes, and in others, public support from the village head man has helped legitimize the process and attract new members.

The process began with 21 groups in Pak Ngum District, then expanded into two more adjacent districts in Vientiane Province. The process has now spread to 201 villages in 12 districts in 5 provinces around the country, with 27,438 women savings members. These groups have divided themselves into zonal and district-wide networks. These are almost all rural villages, some extremely remote and not even accessible by road, and most savings members are from farming families who practice subsistence farming on their small holdings, selling only what is left-over after feeding their families, and using barter more than cash for everything else.

The Prime Minister and Deputy Prime Minister of Lao paid a visit the savings groups in Pak Ngum District recently, along with some ministers. They were a little worried because these savings groups were generating so much money and they weren't sure whether the women had a proper system to take care of it all. Their doubts seem to have been dispelled, though, because a short while later, they announced that the women's community-managed savings and credit model was to be made a national policy, and would receive full government support!

**CONTACT :** For more information on the "*Ton Ngung*" savings process in Lao PDR, please contact ACHR or CODI (contact details on page 10)



**This social strength is something you can see and touch in Lao PDR.**

*"People in Lao have gotten so used to it that they don't think it's anything special, it's just something normal, something in their daily life. But for us coming from a much more competitive, capitalist-oriented culture like Thailand, it is very striking. It is so important that this very small, very undeveloped, very socialist country has something so important to say to the world."* (Somsook)

### Ton Ngung and Micro-credit :

**"One system from another continent and one system from this one"**

**T**he country of Lao PDR, which remains one of the poorest in Asia, has been the target for all kinds of micro credit schemes by development agencies like GTZ, ADB, ILO and the UN. While many of these schemes have not worked very well, this new women's *ton ngun* savings group process is spreading like wildfire. So what is the difference? The micro credit system has been designed by western bankers to bring accessible credit to the poor, as individual clients. That approach, which is applied with the best possible intentions, comes from an institutional perspective, and not from any real place or culture or social context. These micro credit systems come with their rules and systems all worked out, so they're ready to be air-dropped into Ethiopia, Papua New Guinea or Timbuktu. It doesn't make any difference where you start them: whoever borrows from these systems only has to follow all the steps laid down by that far-away organization.

These *ton ngun* groups in Lao, however, are following a system which comes from *this continent*. Their savings model is based on the Asian social system of *the community*, and it is developing the financial side as just one part of larger and more complex whole, which includes the social system, the management system, the community spirit and the culture of the village. This new financial mechanism is being added to that larger whole because Lao's society is growing, and because finance is becoming an important need. In this way, finance is not a shaft from outside, but becomes a tool which is being gently embedded in the already-existing social support systems in these communities.

This savings process, which links poor women at the grassroots level, is also helping to bridge local systems with the larger support systems in several ways. Because the savings process is area-based, district authorities are closely involved. From the beginning, the alliance with the Lao Women's Union (LWU), from the village level right up to the national level, has helped legitimize and give direction to the growing savings networks. At the same time, launching these savings groups and district funds has allowed this vital financial aspect of development to be introduced into the LWU's national community development program. The women's issue is important of course, and it is crucial for women to come into the active role in communities. But in Lao, we have a very good example of how they have developed the role of women in their own way, as they have developed their savings process in their own way. The women in these savings groups are now handling the financial development side of their villages, and have a stronger position in their families and in their villages.

### Developing economic opportunities in these villages that are embedded in their strong, existing social support system :

In a recent meeting in Vientiane, the Deputy Chairwoman of the Lao Women's Association was saying that in Laotian society, they regard social development as something very important, that people need to be equal, that they need to help and support each other. And because they take this aspect as the *most important thing*, they are not always very strong on the financial and economic side. So these *ton ngun* savings activities, she said, have helped them with some of the factors that were lacking. But they developed these activities *from their social strength*.

### "Ton Ngung" savings groups in Lao PDR :

- Number of village savings groups : 201 groups (in 12 districts, in 5 provinces)
- Number of members : 27,438 saving members
- Total member savings : 15,795 million Kip (US\$ 1.57 million)

# The nuts and bolts of Ton Ngun loans :

- 1 Each savings group sets its own system :** All the policies and procedures in the ton ngun savings groups and in their larger networks are set by the members to suit their needs and are highly flexible. Each savings group sets its own interest rates, terms and systems for selecting borrowers and giving loans - from both their internal savings and from the district fund. The important thing is that everything is flexible: when rules and procedures aren't working for anybody, they can be discussed and adapted. Some groups start loaning from their collective savings in the first month while others wait for the savings to accumulate a few months first.
- 2 District fund :** At first, the women gave loans only from their pooled savings, but soon found their limited capital fell short of their credit needs - particularly the need to pay off high-interest debts to informal money lenders. So in 2001, the first supplemental district fund was set up in Pak Ngum, with a modest US\$ 5,000 grant from ACHR. This fund channels a little extra capital into the savings networks, to strengthen and expand them, to bring more people into the process and to help develop the skills to manage a communal resource. The district fund is a tool to strengthen self-support systems at all levels - in the village, in the network, and in the district as a whole. Similar supplemental district funds were later set up in two more districts - Sangthong and Nasaithong Districts (with \$5,000 each from ACHR).
- 3 Managing the district funds :** Each network has its own committee of leaders from all the savings groups, and chooses two to sit on the management committee of the district fund. This committee oversees the lending process, sets and adjusts procedures and keeps accounts. Loans of up to 10 million Kip (US\$ 1,000) are made only to networks (not to individuals), which on-lend to the savings groups. Because the 10 million Kip ceiling is never enough to meet everyone's needs, a process of intense negotiation and collective prioritizing is provoked within the networks. Again, the rules and terms are constantly being assessed and readjusted
- 4 How groups use loans from the district fund :** Some groups mix the external capital with their own savings in order to expand the number and size of loans they can give, and some keep it separate, using the external capital to give loans to their more vulnerable members whose savings may be too little to qualify them for loans from the group savings yet. The idea is that strong groups with good savings repay their loans to the fund as quickly as possible (usually within a year) so the money can circulate again to help weaker, newer groups with less savings.
- 5 Interest rates and loan terms :** Networks borrow from the district funds at 1.5% monthly interest (18% yearly), and then savings groups on-lend to members at 2 - 5% monthly interest (24 - 60% annually). These interest rates are high, but they're a lot lower than the monthly 15 - 20% charged by the money lenders, and these are the rates the women have settled on themselves, as being affordable for their smallish, short-term loans. And instead of flying away into a stranger's pocket, this interest gets plowed right back into member's pockets, into the savings groups, into the district funds and into a variety of community development activities the villages finance with part of this interest - like welfare programs, scholarships, temple activities and festivals.
- 6 New national fund :** To build stronger links between all these district-wide savings group networks - both new ones and long-established ones - a new national fund has now been set up, with a seed grant of \$58,000 from ACHR. District networks of savings groups will be able to take bulk loans of up to \$5,000 per district (initially) from this fund to increase their capacity to finance the credit needs of their fast-expanding member ton ngun groups. It's all still at very small scale, but for Lao PDR, this is a workable scale. For the time being, this national fund is being managed lightly and flexibly by a coordinating committee which includes community women, representatives from the Lao Women's Union, CODI and other stakeholders.



## New community welfare program in 3 districts :

Through their saving and lending, the collective funds these poor women are managing are growing very large very fast. And as their collective asset grows, so too does their creativity about how to use it to improve their lives and villages. Some groups are using organic farming and bio-fertilizer production to reduce their need for expensive pesticides and make their food more healthy. Others are launching reforestation projects to revive community forests or manufacturing their own household products to reduce their reliance on store-bought goods.

One of the most interesting spin-offs from the savings process is the growing number of community welfare programs. There are now 133 villages with welfare funds in operation, all in the first three districts that started savings activities. In Pak Ngum District, all 55 of the district's *ton ngun* groups have welfare funds.

Most finance their welfare funds by setting aside 5% - 15% of the yearly interest earnings, and in most, each member puts an additional 500 - 1,000 Kip a month into the welfare fund. By March 2007, the combined value of these 133 welfare funds was about US\$ 70,000.

The benefits members receive from these welfare programs for various needs include death (\$5 - 200), birth (\$3 - \$30), surgery (\$5 - \$80), house fire (\$20 - \$100), hospital (\$20 - \$40), scholarship allowance (\$3), elderly care (\$3).



## What women borrow from the ton ngun for?

Purpose of loan	Number of borrowers	Total amt. loaned	Average loan size
Rice farming	3,470	US\$ 281,300	US\$ 81
Crops / cattle	719	US\$ 460,280	US\$ 640
Weaving	1,026	US\$ 131,890	US\$ 129
Small business	1,484	US\$ 543,770	US\$ 366
Illness	425	US\$ 41,890	US\$ 99
Emergencies	308	US\$ 35,230	US\$ 114
<b>TOTAL</b>	<b>11,062</b>	<b>US\$1.47 million</b>	<b>US\$ 133</b>

Most loans are for agricultural purposes (rice, crops, cattle raising) or production (handicrafts, weaving, sewing), small businesses (trading, market vending, liquor brewing), children's education, illness and emergencies. Some loans have also supported group-wide cooperative enterprises like fish farming, market management, or even purchasing a boat to run a cross-river ferry service. (these figures are cumulative, for 12 districts, as of March 2007)

## SRI LANKA :

### WDBF uses the crisis of the tsunami to refine and scale up its strategies for dealing with problems of land and housing in poor settlements

The **Women's Development Bank Federation (WDBF)** is a national network of women's savings and credit groups in rural and urban communities across the country. Loans are made from women's own savings for small businesses and emergencies and to pay off crippling debts to money lenders. The smallest unit is the savings group, made up of 10 women, who save together weekly, and loan rules are highly flexible, based on need and trust.

WDBF members are emphatic that their federation is a movement, not a bank, and the idea is to put their resources, ideas and support together to solve their problems themselves, locally. Though savings and credit have been the federation's chief tools to do this, they set up a small housing fund a few years ago (with funds from Selavip and ACHR) and have used it to begin bringing issues of housing, land and sanitation and community infrastructure into their work in poor communities.

Since the tsunami struck in December 2004, the federation's work on housing rehabilitation in a growing number of tsunami-hit slums and villages has pushed the WDBF into new areas and called on them to conduct increasingly large and difficult negotiations with municipalities and the national government on land and housing. The federation continues to expand its work helping these communities to rebuild their lives and settlements, through direct, people-to-people assistance with setting up savings groups, surveying, community mapping, temporary and permanent house construction, livelihood revival and land tenure negotiations.

A focus of WDBF's work continues to be the southern city of Moratuwa, Sri Lanka's third largest city and one of the most severely battered by the tsunami. In Moratuwa, six slums along the city's coastline were almost completely obliterated by the waves, leaving hundreds dead and 3,000 families scattered in relief camps, without homes, belongings, boats or jobs - and most without any land ownership papers. Over the past two years, WDBF has spearheaded a rehabilitation process in Moratuwa which began with these most vulnerable coastal slum settlements, but has expanded into a larger process of surveying and planning the upgrading of the whole city's poor communities - tsunami-affected and otherwise.

**CONTACT :** Women's Development Bank Federation (WDBF)  
**Contact person:** Mr. Upali Sumithre  
 No. 30, Galtotamulla, Kandy Road, Yakkala, SRI LANKA  
 Tel / Fax (94-33) 222-7962, 223-2587  
 E-mail: wdbf@sltnet.lk



*The WDBF has had a lot of experience mobilizing poor communities to resolve their own problems through savings and credit, but when the tsunami hit, they found themselves plunging in to a new world of negotiations with cities about difficult issues of land and housing for the poor. Slum Dwellers International has been helping them out in many ways, bringing housing ideas and negotiating strategies that have worked in other countries to add to the pot in Moratuwa.*

### Big breakthroughs for the poor in Moratuwa :

**T**he federation signed an MOU with the Moratuwa Municipal Corporation, Slum Dwellers International (SDI) and ACHR to survey all the city's slums and develop a people-driven, city-wide program, in collaboration with the municipality, to upgrade poor settlements in tsunami-hit areas and elsewhere and to develop people-centered relocation programs for families who opt to move away from the shore. By taking a city-wide approach, the federation has used the tsunami crisis as a catalyst to open up the larger issues of land tenure security and housing in the city. In the process, they have won the support of the city's mayor and Municipal Council, with both of whom the federation is now working in close partnership. As the security situation in Sri Lanka has deteriorated, and the country has slid back into war, progress has been difficult. All the same, there have been several big breakthroughs in Moratuwa recently :

**1 Tsunami-hit Jayagathapura slum rebuilt :** 50 temporary houses were built in this coastal slum for families who lost their houses in the tsunami, on land provided by the municipality within the former settlement. Another 10 permanent brick houses and a community center were built with WDBF support to launch the in-situ redevelopment of that community.

**2 Moratuwa Urban Poor Development Fund established :** The WDBF and Jana Rukula have launched a new, city-wide development fund for Moratuwa, which will provide loans and grants to poor communities for house building, infrastructure, upgrading, sanitation and income generation, in informal settlements around the city. The fund has been set up in collaboration with the Municipal Corporation, with an initial capital of 10 million Rupees (US\$ 909,000), which includes contributions from SDI, UN-Habitat-SUF, WDBF and Usaviwatta community members.

**3 New slum upgrading program launched :** A slum upgrading program has been launched in Moratuwa as a collaboration between WDBF, SDI, the Municipality of Moratuwa and UN-HABITAT's Slum Upgrading Facility (SUF). As part of the deal, SUF will provide technical support and seed capital to leverage housing loans from banks, the Municipal Corporation will provide land and regulatory support, the communities will do the work themselves, and the federation will mobilize the communities, help them survey, start savings groups and register as housing cooperative societies, so the land can be transferred to them. The project will be initiated in three pilot slums (total about 300 households), with the intention of scaling it up and replicating it in other slums in Moratuwa, Colombo and other cities across the country.

**4 First pilot upgrading at Usaviwatta Community :** This new upgrading program's first project has been launched in small squatter settlement of 50 households. The Usaviwatta community originally occupied about 61 perches (1,525 sq.m.) of land under Municipal Corporation ownership. After several rounds of negotiation, a land-sharing agreement was worked out in which the community agreed to return 12 perches (300 sq.m.) to the city, and then develop their new housing on the remaining 43 perches (1,075 sq.m.) of land. The project is now underway.

- **Land :** The Municipal Corporation of Moratuwa will transfer the land to the housing cooperative which the community people have registered, which will be the legal owner of the land until community members have repaid their housing loans, when individual titles will be granted.
- **Housing loans :** Jana Rukula has negotiated to get housing loans from a commercial bank, which will be channeled to the community via the new Moratuwa Urban Poor Development Fund - a big breakthrough for Sri Lanka, where commercial banks almost never reach the poor. The people are doing all the work themselves, with organizational support from their savings group.
- **Housing planning :** The people have been working with an architect from the SUF project to plan an efficient layout of houses, lanes and community spaces on their slightly-reduced land, and have developed three house types of 50, 33 and 28 square meters, from which people can choose, according to their means and family size. The people are constructing their own houses.

## If it worked in Moratuwa, why not in other cities?

Once this breakthrough upgrading process in Moratuwa got underway, some of the community leaders from the Usaviwatta settlement began going around visiting branches of the federation's savings groups in other cities, to share their experiences with securing their land, rebuilding their community and turning their lives around in the process. Almost every where they went, in their discussions with the women, all kinds of serious problems of land and housing came out, and the question everyone they met kept asking was, "Why can't we do the same thing here in our town?" So in recent months, the WDBF and Jana Rukula have been busy looking around the areas where they work and identifying some possible cities where the Moratuwa model could be replicated:

- **People** plan the upgrading projects and carry out the work themselves.
- **WDBF** helps mobilize the communities, first by setting up savings and credit groups.
- **Community housing cooperatives** get the land ownership.
- **Commercial banks** enter into business loaning to the community.
- **Public bodies** like the Municipal Corporation and the Ministry of Urban Development collaborate and support the process.
- **UN-HABITAT Slum Upgrading Facility** seeds the local urban poor development fund, in partnership with other stakeholders, to support that city's ongoing slum upgrading projects.

The federation is now spreading the Moratuwa city-wide upgrading model into six more cities where WDBF savings groups have been operating for several years: Kandy, Paliyagoda, Ratnapura, Nuwaraeliya, Matale and Kalutara. In each city, a settlement (or group of settlements) has been identified to be a pilot upgrading projects. Those communities have now all done their socio-economic surveys, numbered the houses, set up special housing savings accounts and registered their new housing cooperative societies. In each city, the federation has negotiated with the Municipal Council to establish a city-based urban poor development fund (to be chaired in each city by the Mayor) and to identify available municipal land for housing (either in-situ upgrading or nearby relocation). In October, 2007, the federation held a national workshop to generate awareness of this important new process around the country, so that the pilots in these six cities (seven, including Moratuwa) can set a new vision for how communities can solve their land and housing problems themselves, through this collaborative process, on a city-wide scale.

## Two more upgrading pilots in other cities . . .

### Mahaiyawa

Mahaiyawa is the largest slum in the city of Kandy, with more than 500 houses and serious problems of lack of drainage and proper toilets. The WDBF has been supporting savings and credit groups in the community since 2002. In 2003, when the number of savings groups in the settlement had grown quite large, a primary branch of the federation was established there. The very strong women leaders have all traveled to Moratuwa to learn from the upgrading process at Usaviwatta. The federation has very good relations with the Mayor, who has pledged to support the federation's efforts to solve the city's land and housing problem, and has agreed to provide the land title to Mahaiyawa's housing cooperative.



### Poranukotu Watta

Poranukotu Watta is a crowded squatter settlement of 143 houses made of tin sheets and recycled timber, located on land belonging to the Urban Development Authority (UDA) in the city of Paliyagoda. The settlement has no drains, piped water supply or paved walkways. Since it began setting up savings and credit groups in the community, WDBF has helped the people to construct a block of community toilets, with a community center upstairs - which the people constructed themselves, with good team spirit. The settlement now faces eviction by the UDA to make way for a fish market. But the WDBF has negotiated for land to be granted nearby, with enough space to construct 500 houses - for this community and other evictees.



## How do women save in the Women's Development Bank Federation?

The Women's Development Bank Federation now has over 50,000 members who are some of Sri Lanka's poorest working women - field laborers, brick makers, tailors, construction and factory workers, basket weavers, garbage collectors. Even so, these women now have a combined savings of over US\$ 9 million!

The smallest unit is the savings group, made up of 10 women who live near each other and who save together weekly, usually at one member's house, each saving a minimum of 5 rupees. Five savings groups make a primary branch, which keeps the savings money and issues loans. Big communities may have several primary branches. Group leaders in each primary branch meet monthly to make decisions about loans and cross-check the accounts.

Although there are rules about repayment schedules and borrowing limits, in practice the system is highly flexible and based on need and trust. Women take loans for small businesses, emergencies, day-to-day needs and to pay off crippling debts to money lenders. Loans are mostly made from member savings, and in most cases all the savings money is in circulation - very little is kept in banks or locked away.

District branches, which comprise several primary branches, are registered with the Cooperative Development Department, and these provide platforms for meetings, sharing ideas, mutual support and planning district-wide initiatives to deal with specific issues common to many savings members such as jobs, housing, access to basic services and land tenure.

National meetings are held yearly, and in recent years, these have become so large that the federation generally has to rent football stadiums to hold all the thousands of women, who come with flowers in their hair and wearing their best sarees, tucked in around the waist with a frilled pulloo, in the Sri Lankan style.



## MONGOLIA :

### A newcomer to savings and credit, but a thousand-year veteran of independence and self-determination . . .

In the 11th century, Mongolia conquered and ruled almost all of Asia and a lot of Europe, under the great warrior king Genghis Khan and his descendants. 800 years later, the Mongols are still a tough, fiercely independent people, though their empire has shrunk back down to only Mongolia, a beautiful country of mountains and vast open spaces, where tribes of nomadic Buddhist herdsman have (until recently) grazed their flocks of sheep, horses, oxen, yaks and camels.

But the country is changing fast. With the collapse of the communist system in Mongolia, state-run factories and development institutions, which used to build housing for their workers, have shut down, and this has created wide-scale unemployment and housing problems. The state can no longer maintain these buildings, nor can it develop new housing, and the only new housing being developed, by the private sector, is unaffordable to the poor, who constitute the overwhelming majority of the population.

It's clear that Mongolia's society is having a hard time coping with this sudden and jarring transition from a socialist system, in which the state provided for everyone, to a capitalist system, in which it's every man for himself.

With unemployment and over-grazing in the rural areas also, more and more people are coming into the country's capitol city, Ulaanbaatar, in search of some way to earn a living. Instead of being a country of nomads, Mongolia is becoming urban. Nearly half of the country's 2.5 million inhabitants live in Ulaanbaatar, and of these, more than 60% live in poverty in the vast, unserved informal settlements which ring the city, called *Ger areas* for the traditional round, felt-lined tents (*gers*) that these new migrants initially set up to live in.

**CONTACT :** Enkhbayar Tsedendorj (Enhe)  
Urban Development Resource Center (UDRC)  
P.O. Box 686,  
Ulaanbaatar, MONGOLIA  
Tel (976-11) 344-889 / 9985-1833  
Fax (976-11) 344-889  
E-mail: [udrc@mobi.net.mn](mailto:udrc@mobi.net.mn)

## Introducing savings and credit in Mongolia :

**T**he Urban Development Resource Center (UDRC) is a Mongolian NGO that works in close collaboration with a network of 26 organizations, government agencies and academic institutions to improve the economic well-being and living conditions of people living in these ger areas - in Ulaanbaatar and other provinces - on the basis of an active, community-driven process. In the past two years, with support from UNESCAP and ACHR, the UDRC has helped to set up community savings and credit groups in a fast-growing number of ger areas. The idea was that savings groups would provide a financial resource within these communities that belonged to the people themselves and that would pull people to work together to improve their living environments, make decisions and develop solutions to the various problems they face. Though the UDRC was very keen to set up such groups, they don't know how to go about it.

So they called in some savings and credit experts to help. In August 2005, the first group of poor community leaders from Thailand visited Mongolia, with ACHR, and the first saving groups were established in ger areas of Zuunmod city. Right away, the Thais showed the Mongolians how to divide people into small groups, how to keep accounts, how to make decisions together about what to do with the money. They even proposed starting to give small loans right away, from the first day's pooled savings, but it was getting dark and the people were hesitant. Within a month, though, after watching their collective savings pots grow, the members in a few groups started giving loans.

Since then, with the UDRC's energetic assistance, the savings process has spread to other ger areas in Ulaanbaatar and 13 other provinces, with about 875 members, but the numbers are growing fast. The new network of these community savings groups came together for their first national meeting in November 2006 in the provincial city of Darkhan, and again in Erdenet in January 2007.

Several study tours have been organized along the way (involving teams of community leaders from the ger areas, UDRC staff and government officials) to Thailand and Pakistan. These trips have helped expand the Mongolians' vision of what community-based development can accomplish with savings, income generation, community upgrading, housing and the management of community development funds. One of the benefits of these exposure trips is that people who would otherwise have no reason to interact are suddenly thrown closely together for a short, intense period of travel and learning. Since those initial exposure visits to Thailand and Pakistan, all these people from different sectors in Mongolia have been able to link their work together, with friendliness and mutual respect. Seeing the community-driven processes in these other countries helped them to think in new ways and to discuss among themselves about the big issues which they confront back home. In this way, the visits deepened their understanding and also deepened the relationship between them.

## How the savings process works :

Most of the new savings groups (which include 5-10 families) follow a daily saving system, in which members save a minimum of 100 Tugrik (US\$ 8 cents) each day. The group leader goes around collecting the savings deposits from members and recording the transactions in the member's pass-books and the group ledger, in the presence of the group's treasurer, according to the principle agreed by the members, and deposit the day's savings with the larger area network.

Members can apply for loans to their savings group, which discusses loan applications and decides who gets the loans first, based on need and on how much the group has in its collective savings pool, giving first priority to those with needs judged to be the most urgent. When the area network of saving groups receives loan requests from the individual savings groups, the committee reviews all the loan requests, approves the loans and repayment schedules and releases the cash. Members make their loan repayments at the same time they make their daily savings deposits.

Loan ceilings and repayment terms are set by each individual saving group. The average loan size is so far about 30,000 Tugrik (US\$ 25), with a monthly interest of 2 - 3% and a repayment term of just one month. Repayment is about 85%. Borrowers have used loans for emergencies, medical expenses, day-to-day needs and small income generating activities. Through their savings groups, people are also starting to use loans to improve their housing and living environments.



### Savings in Mongolia :

<b>Started :</b>	<b>2005</b>
<b>Savings groups :</b>	<b>88 groups</b> (in 14 cities)
<b>Number of members :</b>	<b>875</b>
<b>Total savings :</b>	<b>18.1 million Tugrik</b> (US\$ 15,353)
<b>Total loans :</b>	<b>14.8 million Tugrik</b> (US\$ 12,593)
<b>Total repaid :</b>	<b>14.7 million Tugrik</b> (US\$ 12,441)



## 60% of the city's population lives in Ger Areas :

Since it cannot provide housing for Ulaanbaatar's fast-growing population, the state has allowed poor migrant families to occupy up to 700 square meters of land around the city for housing themselves. On these plots, people first put up a ger (the traditional tent dwelling of Mongolia's nomads) and start living in it. Slowly, they construct their houses. But because these new houses tend to be flimsily built of recycled timber and poorly insulated for the fierce Mongolian winters, most people prefer to stay in their cozy, felt-lined gers during the winter and use their houses only during the summer season. In the leftover spaces within their fenced-off compounds, many families plant vegetable gardens - some have even set up plastic green houses where they can grow vegetables year round.

The hills around the city are increasingly carpeted with these loosely-packed informal settlements, which they call the ger areas. Although the city's poor also stay in over-crowded and dilapidated barracks and apartment blocks in the city, most of them (60 - 70% of the city's population) stay in these ger areas.

Conditions in these ger settlements are still very primitive. Apart from electricity, there is no municipal infrastructure. Toilets consist of simple pit latrines built away from the houses, and the water supply comes by tanker or is purchased from neighborhood tube wells installed by the state or by the private sector. Carting water from the tube wells to home is usually done by children, and in winter is a very difficult task. In October 2006, a national forum on "Community-based Ger Area Development" was jointly organized by the UDRC, the Municipal Government of Ulaanbaatar, ACHR and UNESCAP, to discuss how to strengthen the capacity of these extremely resourceful people to work out their own strategies to improve the housing, infrastructure and living conditions in the ger areas.

**The ger house :** One of the most fascinating things about these settlements is the *ger* (rhymes with "care"). Mongolia's nomadic people have been making gers for centuries, so the design is extremely refined and perfect for the country's climate. A ger is a round-shaped tent made of heavy canvas stretched around a framework of timber and bamboo, insulated with felt from sheep's wool and tied all together outside by ropes to keep everything from blowing away. It's possible to put up a ger in about an hour. The ger's round shape gives it extraordinary strength, so the icy winds just blow around it and have nothing to catch on to. The round shape also makes the heat more efficient inside the ger, so even in the icy winters, they are cozy and warm inside.

Inside the ger, a family of four or five people might live. The one big, round room is not subdivided, but there are traditions about what happens and who sits where inside a ger. Smoke from the stove set in the middle of the ger is piped out through a hole at the top, which also lets in a little light. There are all kinds of cultural practices that go with these gers. For example, any visitor can walk inside a ger and help herself to something to eat, even if the owners are away. There is also a rule that once you enter the ger, you can only go the left, where a special cot for visitors is always set up, not to the right, where the kitchen is located, and where the women cook and sleep.

## Mongolia's new Community Development Fund :

One important new tool to help these ger area communities (as well as poor communities in the barracks and dilapidated flats) develop initiatives and activities to improve their housing and living conditions, is the new Community Development Fund, which was set up by the UDRC in 2006. Many of the savings groups had already begun using small loans from their savings to undertake small environmental improvement projects like putting up street lights, building toilets, installing heating stoves and helping each other to upgrade their houses and fences. These small projects which people developed together have generated a great deal of pride and new energy in the communities and unleashed lots of ideas about how to make more changes in their lives. The new fund, which is supported by capital contributions from ACHR and Selavip, is allowing communities to scale up these kinds of community designed and managed initiatives by offering three types of loans to saving groups:

- **Revolving fund loans** to add additional lending capital (for all loan purposes) to the savings pool in established savings groups (loan amounts of US\$ 100 - 400, repayable in 6 months at 12% annual interest, repayable in 6 months, the maximum loan amount limited to the amount of existing savings).
- **Community development loans** to savings groups to finance upgrading, infrastructure and environmental improvement projects they plan and implement themselves (loan amounts of up to US\$ 2,500, repayable in 1 year at 6% annual interest).
- **Housing loans** to upgrade existing houses, build new houses or buy a new ger (loan amounts of up to \$1,700 per member, repayable in 2 years at 6% annual interest).

Communities prepare their project proposals and submit them to a screening committee (composed of community network members) which reviews the projects, gathers additional clarifications from the communities and then releases the loan. Loans have so far been made to communities in four cities for income generation projects, for housing improvements and new house construction, for fence-building, for installing energy-efficient heating stoves and insulating houses (which is very important since the winters are so cold, and fuel is so expensive and difficult to obtain), for building playgrounds and children's play equipment, for installing street lights and setting up garbage management systems, for repairing existing toilets or building communal composting toilets (which require no plumbing).

- **Total capital in fund :** 80.9 million Tugrik (US\$ 68,542)

- **Source of capital :** Contributions from ACHR (\$48,540) and the Selavip Foundation (US\$ 20,017)

- **Purpose of loans :** Housing, infrastructure upgrading, environmental improvements and revolving fund loans to savings groups.

- **Interest charged :** 6% annually for housing and infrastructure loans and 12% for revolving fund loans to savings groups.

- **Loans disbursed :** 54.0 million Tugrik (US\$ 45,810)

- **Loans repaid :** 23.6 million Tugrik (US\$ 20,043)

- **Total Beneficiaries :** 1,231 households

- **How it works :** The fund makes only bulk loans to savings groups, not to individuals. To be eligible for loans, groups must have been saving daily for at least 6 months and demonstrate their capacity to work together. No collateral is required on loans: savings groups guarantees the repayment.

## INDONESIA :

**It's no easy thing starting a community savings movement in a huge country of 17,000 islands, but Uplink is making a stab at it . . .**

**Urban Poor Linkage (Uplink)** is a network of poor community groups, professionals and NGOs in 14 Indonesian cities, working to establish strong, independent city-level and national networks of urban poor communities which can develop and promote just and pro-poor alternative social, economic and cultural systems in Indonesian cities. The network is coordinated by the Jakarta-based NGO Urban Poor Consortium (UPC).

Over the years, many teams of Indonesian community leaders and their NGO supporters have visited the community-managed savings processes in Thailand, India, Cambodia, Philippines, Nepal and other places, where they saw very poor communities using the simple tool of saving and lending to organize themselves, build their own resources and use the strength savings built in their communities to deal with serious problems like land tenure, eviction, housing, welfare and access to basic services. Some groups caught on to the idea and started savings in their communities back in Indonesia, but only in a scattered way, and not with much strength.

Then, in 2002, the second Asian People's Dialogue meeting was organized in Indonesia, which brought together poor community groups from 13 Asian and two African countries to compare notes and bring their regional strength to support Indonesia's poor communities at a time when some big evictions were happening in Jakarta. At the APD-2 meeting, one of the suggestions that came out strongest from all these foreign visitors was, "Start saving!"

**CONTACT :** Ms. Wardah Hafidz, Uplink,  
c/o Urban Poor Consortium  
Kompleks Billy Moon H1/7,  
Jakarta 13450, INDONESIA  
Tel (62-21) 864-2915  
Fax (62-21) 8690-2408  
e-mail: [upc@centrin.net.id](mailto:upc@centrin.net.id)  
web: [urbanpoorlinkage@yahoo.com](mailto:urbanpoorlinkage@yahoo.com)



*It is vital that in the long run, communities of the poor, as the main group seeking social justice, own and manage their own development process and become central to its refinement and expansion. Community savings and credit is a powerful way to help that happen.*

## Community savings in 10 Indonesian cities : Not just a way to get cheap loans to poor people, but a new tool for vulnerable communities to build their strength from within . . .

**M**any of the Indonesian groups from different parts of the country who joined the APD-2 meeting were interested, and they invited Patrick and Rose (two national leaders from the South Africa Homeless People's Federation) to come back and help them set up savings groups. The two trips that Patrick and Rose subsequently made gave a big boost to the savings process in Indonesia. Since then, UPC and the Uplink network have worked with ACHR to promote the community-based savings and credit and fund movement in many cities around Indonesia.

Uplink is now supporting savings and credit activities in ten of its 14 member cities. These savings groups operate in some of the country's poorest and most vulnerable urban informal settlements, and include members who are laborers, garbage recyclers, pedicab drivers, market vendors and cart vendors. For Uplink, the savings program is an important part of its larger organizing activities around the issues of land, housing, access to means of employment and disaster rehabilitation. Uplink writes, "With information and networking, people are aware of their problem and manage to formulate solutions toward the problem. And with saving money, people are more able to fulfill their necessities through two types of saving : short term saving and long term saving."

Although the community savings and credit movement in Indonesia is still somewhat young and fairly small in scale, in a context where there are strong traditions of protest and anti-state activism, the expansion of this more pro-active and negotiation-oriented strategy is an important step forward for Indonesia's urban poor, and has led to some important breakthroughs in negotiating for land, housing and access to public markets, particularly in the cities of Jakarta, Surabaya and Makassar. So far, there is no national or city-based urban poor development fund, but as the collective savings of these groups grows, there is increasing discussion of when and how to set up Indonesia's first urban poor development fund, to encourage these groups (which now only save) to start giving loans for various purposes. ACHR continues to work with Uplink and UPC to support this national community savings process, and to explore ways of setting up the fund.

### Community saving in Indonesia :

	City	Number of groups	Number of members	Total savings
1.	Tasikmalaya	14	569	US\$ 2,019
2.	Manado	10	174	US\$ 391
3.	Kendari	8	24	US\$ 200
4.	Palu	14	638	US\$ 465
5.	Palembang	3	103	US\$ 185
6.	Surabaya	10	354	US\$ 6,430
7.	Pontianak	8	125	US\$ 787
8.	Makasar	8	757	US\$ 720
9.	Pare Pare	10	437	US\$ 1,100
10.	Jakarta	62	1,825	US\$ 7,309
	<b>TOTAL</b>	<b>171 Groups</b>	<b>5,006 members</b>	<b>US\$ 19,606</b>





## FIJI ISLANDS :

### Another South Pacific island country joins the community savings club . . .

**The island nation of Fiji, in the south Pacific, is the newest member in the distinguished club of poor community savings and credit movements in Asia. There are already 45 poor communities in the capital city of Suva with active savings groups, with about 30,000 members and combined savings of US\$ 5,600.**

Although this beautiful country is a hot destination for affluent surfers and beach-lovers, it has some big problems of poverty and housing and uncertain land tenure, not to mention the coups d'état, ethnic strife and political turmoil.

In the past few years, there have been growing numbers of evictions in Fiji - evictions of both farmers from their rural land and of urban squatters from their informal settlements in the city. Ken Fernandez, who works with ACHR's Eviction Watch Program, has made several visits to Fiji to better understand the land and housing rights situation there and to share ideas with some of the NGO and research groups that are involved in issues of low income housing and land rights. The notes on this page are drawn from his reports.

Today, about half the population of Fiji stays in the capital city of Suva. There are about 190 informal settlements around the city, with a population of about 100,000 people. Many of these settlements first began 20 or 30 years ago in remote areas outside the city where nobody bothered much about the land. But as the city has expanded, many of these settlements are now in prime locations, and are facing eviction from the land which has now become valuable real estate.

**CONTACT :** Mr. Semiti Qalowasa  
Ecumenical Centre for Research, Education  
and Advocacy (ECREA)  
5 Bau Street, GPO Box 15473,  
Suva, FIJI ISLANDS  
Tel (679) 330-7588, Fax (679) 331-1284  
e-mail: researchers01@ecrea.org.fj

## Community savings starts in the Fiji Islands : The threat of eviction gives people the push to start saving . . .

**P**oor communities in Fiji are not much different than in other Asian countries. Many residents are rural migrants who come to the city looking for work, but can't find affordable housing, and so they occupy small plots of open land (40 - 80 square meters) and build their own houses. Conditions can be pretty bad in these settlements, but many communities are slowly making improvements using their own resources. In Jittu Estate, one of the largest slums in Suva, with over 2,000 households, the community has built a concrete walkway and begun looking for ways to bring piped water into the settlement. These initiatives by the community might be lacking in technical know-how, but they demonstrate a strong desire by people to improve their living conditions.

Muanivatu is another informal settlement of about 50 families which has been under threat of eviction for some time, to make way for a municipal project to build a children's park or a sewage treatment plant - it's not quite clear which. The city has offered them land for resettlement at Velar, which is 14 kilometers away, but for many good reasons, the people want to stay at Muanivatu. A local priest suggested that if they built a church in their settlement, it would make it almost impossible for the city to evict them. And so the community's first savings initiative was started to raise funds to build an eviction-stopping church! Complications followed about getting permission from the real land-owner to build the church, though, and the people ended up going to the Ecumenical Centre for Research, Education and Advocacy (ECREA) to ask for help.

About this same time, a few workshops had been organized to look at the issues of eviction and land rights in Fiji's squatter settlements. After the second workshop, which included some NGOs and community people from squatter settlements, the idea of community savings came up, as a strategy to get vulnerable communities to begin working together, building trust between their members and starting to create a collective resource which they could use for their housing in the future.

With support from ECREA, the community at Muanivatu resumed their saving, and another community savings scheme was also launched in the Jittu Estate settlement. After another workshop in November 2006, organized by the University of the South Pacific, community leaders from several other informal settlements got together with ECREA and decided to save 1 Fiji dollar a day. In each settlement, they would form groups of ten people, and each group would have two representatives to collect the savings deposits each day from the group members (no loans, only saving). Once a week they would meet in the settlement to go over the accounts and discuss other issues. Once a week the representatives from all the settlements would get together in the ECREA office, or in one of the settlements for more discussion and comparing of notes on the savings.

In January 2007, another workshop was held with 30 community leaders from seven informal settlements (Wailoku, Biliwai, Marata, Koio, Jittu Estate, Muanivatu and Muslim League). It was at this workshop that the group decided to organize themselves into a network and call themselves the **People's Community Network**. They shared stories about how they were saving, how they started their small groups, how they dealt with problems of trust, how they kept the money safe, how they got new members to join the saving scheme, etc. It was all very new and people were open to ideas. But one idea everyone understood was that this was their first step in breaking their dependence on outsiders for whatever things they need.

A committee was formed at the end of the workshop comprising two representatives from each settlement. The committee meets once a month to review the savings in each community and discuss the issues that arise at the community meetings. A lawyer is assisting them to register their network (100 years as a British colony, some things rub off...) The People's Community Network (PCN) has now grown to involve 45 poor communities and have saved about 10,000 Fiji dollars (US\$ 5,600), which they will save with ECREA until the new network has its own bank account.



*An NGO coalition to support the new savings network has also emerged, and with the PCN and the University, they are spreading the word of savings and people are now helping themselves in poor settlements in several parts of the Fiji Islands.*

## Sixty-six million community dollars . . .



### Community savings in Asia :

Country	Year started	Number of members	Number of cities	Total savings
INDIA	1985	52,690	56	US\$900,000
SRI LANKA (WB)	1989	60,000	200	US\$ 6.7 million
THAILAND	1992	1.5 million	225	US\$ 44 million
CAMBODIA	1993	15,460	14	US\$ 238,268
PHILIPPINES	1995	47,930	26	US\$ 1.4 million
NEPAL	1997	6,710	9	US\$ 601,439
SRI LANKA (WDBF)	1997	50,000	22	US\$ 9.09 million
VIETNAM	1999	29,633	8	US\$ 974,000
LAO PDR	2000	33,691	12	US\$ 2.15 million
INDONESIA	2002	5,006	10	US\$ 19,606
MONGOLIA	2005	875	14	US\$ 15,353
FIJI ISLANDS	2006	30,000	1	US\$ 5,600
<b>TOTAL</b>		<b>1.83 million members</b>	<b>597 cities</b>	<b>US\$ 66 million savings</b>

### ACHR

Asian Coalition for Housing Rights  
 Secretariat : Somsook Boonyabancha  
 TAP : Maurice Leonhardt  
 73 Soi Sonthiwattana 4, Ladprao 110  
 Bangkok 10310, THAILAND  
 Tel (66-2) 538-0919 Fax (66-2) 539-9950  
 e-mail: [achr@loxinfo.co.th](mailto:achr@loxinfo.co.th)  
 Website : [www.achr.net](http://www.achr.net)

### Are you on our mailing list?

If you'd like to be on the mailing list for future ACHR publications, please send your mailing address and contact details to Tom at ACHR. It's always nice to hear a bit about the work that you or your organization is doing, also.

"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*