WHO DECIDES HOW MUCH, WHAT FOR AND WHEN ?

Letting poor people determine what's good for them and manage their own development is the task that governments, donors and development organizations seem perpetually reluctant to do. Despite all the inspiring rhetoric you hear about participation, decentralization and community control, the hard facts of most development interventions reveal an iron grip on project-design, process and - most importantly - *MONEY*.

Even more disheartening is the scandalous inefficiency of the prevailing mechanisms which deliver aid intended to benefit the poor.

They're not exaggerating when people say that for every hundred dollars poured into poverty alleviation, only ten cents actually reaches the poor.

One way out of these inefficient and exploitative arrangements is making slow but steady inroads. Community development funds, which are lightly, flexibly and jointly managed by communities and local actors, are now appearing in several Asian and African countries, and providing badly-needed credit for housing, infrastructure and income generation to poor communities. In most of these countries, these are the only institutions which provide affordable, long-term credit to groups of very poor people.

These funds are peanuts compared to the Aladdin's cave of international development aid, but for efficiency, they've got the donor-driven, service-delivery paradigm beaten hands down. When development resources go into funds, the money circulates, helping people, creating assets, energizing community processes. And as money lent to families, communities and networks gets repaid, it goes back into the fund, where it starts circulating again, financing more housing and income-generating projects.

In these ways, the money ultimately serves many purposes, helping build a more confident, more equitable and more self-reliant community movement, and a more balanced, productive relationship between the city and the poor. And at the end of the day, all that money is still there, still available, still helping more people - in fact it's grown much larger. Compare that to conventional project funding where the money goes *whoosh*, and it's gone.

Asian Coalition for Housing Rights

HOUSING by People IN ASIA

Newsletter of the Asian Coalition for Housing Rights   Number 14, February 2002

Keeping it light : *Most of the funds described in these pages are managed by extremely modest administrative structures, so almost every penny goes directly to the ground, into housing, community improvement and income generation projects, emergency loans and informal debt refinancing. And their decision-making structures allow people to set rules, make decisions and monitor their operations.*

SPECIAL ISSUE : COMMUNITY FUNDS

To say that there's a gap between poor people's survival systems and formal development aid systems is putting it mildly. On one side of the gap are the poor, who are starved for resources and doing whatever they can to survive, breaking every rule and every standard in the book. And on the other side, are the development and finance sectors, swimming in resources but seemingly unable to crack the nut that is urban poverty with their rigid, disciplinary systems of development, which attempt to impose straight lines on a world that is all squiggles and zigzags. Again and again, we see development interventions that fail miserably, that don't match realities, that squander resources and – much worse – that corrupt local processes and do more harm than good. Or we see no intervention at all. The absence of mechanisms to bridge these informal sector needs with formal sector finance has opened room for all sorts of slimy informal intermediaries – money lenders, agents, politicians – who snatch money from the formal system and then pass it on to the poor, at triple the cost!

There is an urgent need for a new player in this costly and ineffective game of errors: a more specialist kind of institution which can mediate between the two systems and help resources cross the divide. Community development funds are one option - institutions which function like a bank but can work in much more flexible ways and at many different levels, to get the goods to the poor.

When bankers and the development gurus see that these institutions really work, that they actually get resources to the target groups which have been unreachable, and that they actually get the money back, then they have something they can safely pour their money into. But first they need a system which reassures them, which gives them what bankers call the *comfort factor*. There is an enormous potential in this community fund process if donor agencies recognize that they can become partners in this system. But they need to understand this other culture and flexibility which makes community funds work. You can't quantify and legalize and regulate this kind of stuff too much, or you endanger your ability to dovetail into the lives of poor people.

In this issue of *"Housing by People in Asia,"* we'll take a detailed look at several cases which illustrate how these intermediate finance institutions can work in several different contexts, to make loan and grant funding accessible to groups of poor people, to address a large and diverse range of collective needs - *and to do a lot more than that :*

- Set new standards of transparency and accountability.
- Make multiple, small-scale investments in many community-initiated urban development projects, including those where costs can be recovered and returned to support other initiatives.
- Support tangible outputs of value to the urban poor, in different sectors and areas, while supporting their organizations and responding to the multiple deprivations which most of the urban poor face.
- Help establish and strengthen long-term partnerships between community organizations, municipal authorities and the private sector, while stimulating new working practices.
- Provide poor communities and their organizations with opportunities to *learn by doing*.

What exactly is a community fund ?

Sorry, all definitions are still pending . . .

When we call something a *community development fund*, we're using short-hand for a diverse array of mechanisms that have been developed over the last ten years to try to deliver capital to poor people. The drawback of lumping all these things into a category called "community funds" is that people might begin to think they're all the same: that uTshani is the same as CODI is the same as Gungano is the same as Nirman is the same as Pak Ngum. In fact community funds are not all the same. They are different in experience, in age, in their origins, in their size and in the social context in which they operate.

Each of these funds has had to experiment, to explore different ways of running and to address some very difficult and ambiguous issues. They've been set up for very different reasons and in very different contexts. They've had very different histories. Some of these funds are very young, some are older. Some of them have been accepted or even initiated by the state, while others have had to be created totally independently of the state. Some of them are managed entirely by professionals with little community involvement, and others have the lightest possible professional support. They are different in their origins, different in terms of the historic circumstances of why they arose.

The important thing is that information is being shared, and the learning and experimenting and cross-pollinating goes on. Through exchanges and almost constant contact, these funds are all linked and learning from each other. The exchange of knowledge and information within the ACHR and SDI network helps that to happen.

The best thing since sliced bread?
The community fund model is not something that's all worked out, it's not all cut and dried, and it certainly isn't a simple formula. All these funds are evolving and adjusting themselves all the time, in response to problems and changing needs.

Delivering loan capital to the poor in very different contexts, in very different ways :

No matter what the context or the history or the structure, there is no simple formula for a community fund. People have to deal with a lot of complexities to work out the fund's structure, the internal procedures, the control mechanisms, the allocation systems, and the legal ownership of the fund. It's not just a matter of plonking a bunch of money down and saying *let communities manage it.* It is about building institutional frameworks that are linked to effective demand from communities, that can go to the state and big multilaterals and say, we can now handle this volume.

Even though some of these funds have come *"bottom-up"* from the communities, like Twahangana and Gungano and PUPDF, and others have come *"top-down"* from the state, like CODI, many of them are coming to the same sorts of conclusions about how they should operate. CODI, for example, has recently incorporated poor communities into its governance structure, and that was a difficult process, but necessary when you have a *"top-down"* approach that needed to adapt itself to a *"bottom-up"* demand. The savings funds which come out of community savings groups are completely different from the big capital funds, where the capital has been allocated by the state, or by Northern donors.

There are also great differences in local imperatives. In Zimbabwe, for example, the Gungano fund's imperative has been to deliver housing finance in a situation of enormous political upheaval and 90% inflation. With the uTshani Fund, the imperative was to provide bridge financing so that people could get access to state subsidies, and that has led to as many opportunities as challenges. In Cambodia, the imperative was to take swift advantage of resettlement opportunities in a context where the whole country was very raw and in the process of reinventing itself after 40 years of trauma.

Availability of funding also varies dramatically between funds. In the African context, for example, there are never enough NGOs for funders to channel money through, so it was far less difficult for the uTshani Fund to get its initial capital than for SPARC in India, where there are thousands of NGOs competing for funds. There, the Indian federation was doing massive projects including the resettlement of over ten thousands of families along the railway track, and constructing thousands of toilets - all in a situation where there either weren't any "top-down" capital funds coming, or they'd come only after the work was finished. To pre-finance all this work, SPARC and Nirman had to develop all sorts of systems for working very efficiently and juggling bridge financing from Northern donors to pre-finance all this work, which was only later reimbursed through the state and the World Bank scheme.

top-down meets bottom-up :

How professionals and people are getting mixed up in managing community funds

All these community funds have some level of professional administration. The actual mechanics of running funds and being accountable to potential external funds involve professional systems. They have to, otherwise people wouldn't hand over the capital. It's silly to believe they would. It's quite different when you're talking about community savings funds, which communities manage by themselves. But in all the big capital funds, like CODI, Nirman and uTshani, where you've got external capital allocated by the state or by Northern donors, it has to run through structures that are legally registered, with trustees and directors and all that. You're not suddenly going to have pavement dwellers spending their time maintaining complex spreadsheets! That's a romance which is not going to happen. But this doesn't mean professionals should determine how the loans get allocated, how decisions about that are made, and how the purpose of the fund is determined. There is a big issue about how professionals contribute within a structure of community funds in ways that don't take over from communities the decision-making and the prioritizing about how the money gets used. This isn't a question of whether your fund structures are "top down" or "bottom up," but what actually happens in the middle, *when top down meets bottom up*. Poor people aren't going to do everything, and professionals aren't going to do everything. But the goal is to find ways for professionals and communities to work together in real partnership, to manage these funds in ways which maximize the resources people from different interest groups have to offer, in all these different contexts, to help those who are poorest.

8 Advantages of the community development fund approach . . .

Community funds aren't the only way of getting capital to the poor, and not all funds deliver capital to the poor in the same way, but as a mechanism for doing that, the community fund approach offers several advantages :

1 **With community funds, money is "pulled" through the system by people's needs, rather than "pushed" through by external development agendas :** A fund can only supply capital, and you can't do anything effective with that capital unless there is an "effective demand" coming from communities. If communities are stuck in old systems of patronage and aren't organized, this demand gets skewed so only a few people benefit, or the money disappears. Most of these funds build on the financial and organizational assets that community savings generates. The needs and the projects are determined by people, *they* do the work and *they* manage the money, not agencies, not professionals, not NGOs. The fund is just a tool which helps them do that.

2 **Community funds offer a lighter, more flexible and more efficient way of channeling development resources directly to the poor**, without the very heavy and expensive baggage that comes with conventional development "projects", which eat up so much money, and without all the bureaucracy of state delivery mechanisms, where the money gets stuck in red tape, procedures and bureaucracy, or lost in corruption. When communities get involved in managing both the work and the money, it makes for much more efficient and balanced systems of maximizing available skills and minimizing costs. Plus, revolving funds allow communities to use limited funds many times over, creating more assets with each revolution, and doing so in creative, dynamic ways which create a lot of "value-addeds."

3 **Community funds give people a tool for both financial and political leveraging :** Funds can strengthen and support people's initiatives by putting resources and institutional muscle on people's side when they negotiate with their local, provincial or national governments, and help people to pro-actively put pressure on the system at various levels for changes which they consider necessary. This works in several ways: first, a fund can give communities an incentive to organize themselves by offering them additional resources if they do. In most cases, the money of the poor is the "golden kernel" of the community funds that are set up later. Then, the combined strength of their own savings and the fund which expands that, gives them a very powerful bargaining chip in their negotiations for land and resources with local, provincial and national governments, and when they try to leverage external capital from the state or financial institutions. In a lot of these funds, we see this happening again and again, where a very small fund, which is squarely in people's hands, attracts much larger money - from people's own savings, from municipalities and national governments, from donors, from bilateral and multilateral institutions, and from national and international financial institutions.

4 **Community funds open opportunities to build new forms of organization and ownership :** A fund which people feel ownership of can change power equations in communities. When community funds are tied to strong savings systems, it means the loan proposals that are coming out of a system that is democratized through savings. This gives people an alternative to the traditional patron systems to get what they need. Because a community fund is a communal resource and visible to everyone, it brings people together, opens up discussion within and between communities. People bring their needs to the table, talk, negotiate about what should be financed and how much, prioritize, decide together how best to use this limited resource to make the greatest change in people's lives. This decision-making process which funds facilitate is a network-building process at many levels - in the community, in the network, in the region and country - a horizontal "helping each other" process.

5 **Community funds help build transparency and accountability :** A big stumbling block in community development processes is that people don't know what money has come in, and the NGO grabs it, the donor agencies grab it, and the community becomes a recipient rather than a participant. Little wonder communities don't trust these systems they've been cheated by again and again. If everybody knows exactly what money is where, the whole relationship changes. Participation is all about controlling money. If a community can raise funds, save funds and manage funds in a transparent and accountable way, it has become empowered.

6 **Community funds are long-term :** Development is a long process, not a short-term project where your "outcomes" have to meet your "targets" in 3 - 5 years, no matter what happens. *That's not how change really happens.* Change takes time, and it almost never happens on schedule. Community funds are naturally long-term propositions, and become a resource for communities to do what they need to do, even if it takes a long time. When a process is there for good, it can afford to wait for communities to come when they are ready.

7 **Community funds can provide a mechanism for linking local and global resources :** Some community funds have come about with little decentralized pools of community capital from savings groups, which came together and seeded something bigger, which could then leverage external capital in central funds. And with other funds, all the capital was organized centrally, but then decentralized to help people create little pools of capital which communities could use, exactly the opposite way around. Either way it happens, links between the local resources and external resources are being facilitated by the community fund process.

8 **Community funds put a new spin on sustainability :** When finance people talk about sustainability, they say that if the cost of lending money isn't met by the payments which people give back, your systems aren't sustainable. But a lot of the most urgent development needs are in places where economic and political upheaval, war, bad governance and corruption have rendered entire societies unsustainable! In these situations, it's not a question of what's sustainable, but what's sensible, *what works?* Community funds can be *sustainable* in a very different sense, because the nature of the process is such that we get more back than we put in. When you look at the institutional capacity, political capacity, skills, mobilization of savings and leveraging of other resources, which are created in the process, you begin to see a fund as something that doesn't necessarily have to be financially viable, but is an incredibly effective development catalyst.

Community Funds in the ACHR network :

Learning from the region's expanding set of development fund models

ACHR has been promoting the concept of community-driven development funds for many years now, and has worked hard to help build this concept and strengthen its proliferation in several ways :

- **New Fund Initiatives :** Helping establish new funds and set up the kind of institutional arrangements which create space for the poor to become the main actors, together with other local stake-holders - especially government. In the long term, these institutional arrangements are much more important than the amount of capital in funds.
- **Learning :** Setting up exchange visits between people involved in managing funds in different countries (community leaders, NGOs, professionals) to visit each other, learn from each other's experiences, share ideas and understand the deeper aspects of community funds. The techniques involved in managing these funds aren't something you can find in the market, or in existing development finance systems, so you have to go straight to the groups who are actually doing it for advice.
- **Linking :** There are now several fund-related projects scattered across Asia and southern Africa. ACHR's work linking these groups into a "funds network" puts the collective strength and experience of all these funds at anyone's disposal in times of trouble. There is a lot of cross-pollination and many core ideas are common in several of these funds.
- **Saving :** Community funds mean nothing without the roots of solid community savings and credit organizations. Promoting and strengthening these processes, through community exchanges and advocacy, is also an important part of ACHR's fund promotion work.
- **Studying :** Coordinating with researchers, academics and development institutions in the North to crystallize the lessons from these funds and to disseminate their concepts to a wider audience through development literature and forums.

Empowerment = Control over money
Participation = Power to make decisions

Who decides how development resources are used? In many conventional development approaches, communities are allowed to "participate" as far as contributing labor and ideas, or perhaps cost-sharing, but they are almost never allowed to manage the money, or to even touch it. In the good name of accountability, it's kept firmly in the hands of the professionals and project managers, who dole it out in little bits, like feeding a baby who you imagine can't hold a spoon yet. This is not only disempowering, it works to further entrench the poor's age-old position as beggars, petitioners, recipients of somebody else's idea of what they need.

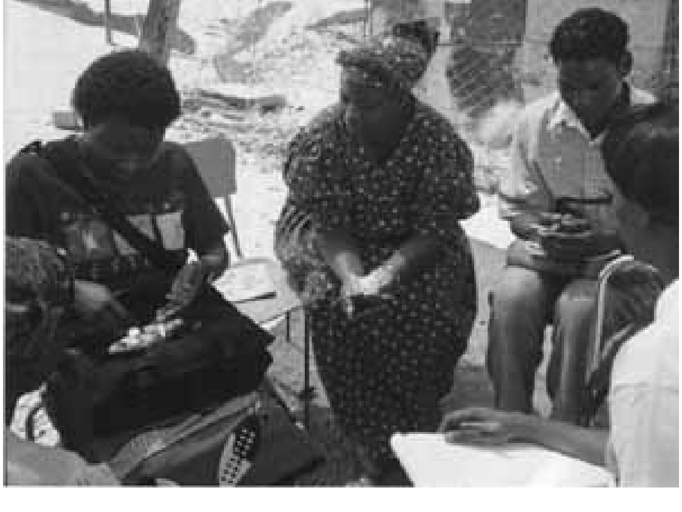
In fact the poor are the world's experts at managing money: money (or lack of it) is the touchstone of their lives, the topic of 95% of all conversation. The economic slight-of-hand with which the average slum mother keeps the rain out of her house and keeps her family fed, clothed, educated and in good health, on an impossibly small and irregular income, and under hostile, unhealthy and insecure circumstances, would shame any cost accountant into hiding behind his spread sheets. Bankers, development pundits and World Bank consultants have no monopoly on understanding money and how it flows. The survival systems and webs of mutual help by which poor communities survive are *financial management capacities* of the highest stamp, but because they are scattered, unorganized and easily exploited, all this potential has little clout. It's hard for middle class professionals to understand this, they're so caught up in accountability and the nomenclature of their own formal financial management systems.

Community funds are one way of tapping this expertise and bucking these tired, old inequitable relationships. They can support people-driven development in poor communities without dragging along all sorts of pre-conceived planning notions, because they are set up to fit the institution to what people need to do, not the other way around. The more open and flexible the fund makes itself, the more wide-ranging development activities it can support, the more aspects of people's lives it can touch, the more root issues of poverty it can address. The problems and needs in poor communities are complex and dynamic, and they interweave in ways which make it very difficult to separate issues of indebtedness to money lenders, for example, from problems paying school fees, or problems of sanitation from child education.

The funds profiled in the following pages are all managed in different ways, employ different decision-making procedures, involve different mixes of local actors and employ different systems for involving communities in their management and decision-making. But what they all have in common in that they operate in ways that are determined by the needs of the people who borrow from them, not by any external project agenda and not according to any fixed time-lines.

One very lousy haircut . . .

"Letting people decide" sounds simple enough. But in a development scene where most interventions in poor communities are busy culturing obedience rather than independence, that's easier said than done. *Feed your baby this way! Build your house like that! Shout at the government like this!* There are so many external agendas and development paradigms interfering in the lives of the poor in so many ways, and chopping up their needs into so many separate bits, that Jockin likens it to having two different barbers cut the sides of your hair, another to shave the back, and still another to slice off the front - so in the end you're head is all in tufts and patchwork! It's not surprising this stuff has a fragmenting effect on community movements, which are trying desperately to tie all these needs together. The poor know best what they need and what problems take priority in their communities. When resources (even very limited ones) are at their disposal, they can use them very wisely and efficiently.



"Participation is all about controlling money: if a community can raise funds and manage funds, it has become empowered. And if it can't do that, there is no real participation.

(Arif Hasan)

Four Tips for setting up a community development fund :

1

Communities need to be prepared : You can't just drop loans and grants out of the air, *beneficiary style*, with no mechanism in place to handle that money and to manage it properly and equitably. This has been tried, with disastrous and wasteful results, and the money seldom reached the poorest. Communities have to do some homework first, so that when funds come in, they are strengthening and scaling up money management systems which have already begun, they're not starting from scratch. This is a question of both ownership and skills: people need to contribute something to feel the fund is their's, and they need to have developed some capacity to manage those resources and some readiness to make best use of this opportunity. In some funds, savings groups, community networks and federations are members of the fund - they contribute some part of their own resources to it and become "share-holders" of the fund, which becomes a blend of people's own finance and formal finance. As Jockin puts it, *"You can go ask someone for a cigarette, or you can ask him for a match, but you can't ask for a cigarette AND a match!"* In most of these funds, community savings and credit groups (and federations and networks of savings groups) are the main conduit of loans and the chief mechanism for managing collection of repayments and determining who gets loans, at the community level. Savings and credit is one of the best ways of preparing communities to maximize the benefits of community development funds, to make decisions communally, to survey needs, to develop systems for assuring the process anwers everyone's needs. If the community process is right, the fund will work well, if it's wrong, you'll have repayment crises and all the usual problems.

2

Making loans to groups rather than individuals : When an institution loans directly to individuals, it establishes a bilateral relationship between the fund and the borrower which bypasses community organizations. While it may deliver benefits to those individuals, it doesn't challenge the larger inequities behind urban poverty, or build partnerships, or strengthen the collective capacities of poor communities. But when an institution loans to communities, to networks and to groups, and allows the groups to figure out who needs what and to handle the on-lending and repayment process, it is tapping and strengthening their collective organizational abilities, and building their community organizations through the loan process. Funds which work in close partnership with people's organizations are some of the strongest, and make the best use of the resources. In these ways, community funds can break the bilateral relationship between funders and individual communities, which can't be sustained, anyway, without overwhelming the institution as the process scales up and as the task of managing all those individual loans gets heavier and heavier.

3

Funds need some kind of institutional support : A community fund needs a committed, long-term support structure to come with it. Besides access to finance, the always-changing people's process needs support on many fronts in order for it to expand upwards : helping promote a variety of development activities, throwing out new ideas, facilitating horizontal learning, documenting, report writing, negotiating with other layers in the power structure which might block the change process. To do all these things, you don't need to be a huge operation with big staff and shiny brass plaques on the door, but it shouldn't be the flaky *fly-in, fly-out* kind of operation a lot of development interventions set up, which also cannot be sustained. In very different ways, all the funds profiled in this newsletter operate not just as pots of money, but as active, sensitive development support organizations for a people's process. Many of them work more-less like NGOs, but with the built-in stability of a fund, which allows them to survive and to continue working, without having to keep begging the government or donors every month. It's also important that the institution be committed to facilitating learning - it may be swapping an idea one group has to negotiate free materials from a contractor, it may be about negotiation with local authorities, it may be about using local building skills.

4

The fund has to be directly accessible to the poor : For a community development fund to really work, it has to be directly accessible to poor communities, since they are the weaker groups in the power structure, and the group most in need of some resources which they can control. There are so many examples of unsuccessful community funds which are controlled by the wrong actors: local authorities, NGOs or private sector, which almost inevitably fall into the "intermediary" trap and become agents, taking control of the process and interrupting the growth of the communities. No matter how carefully you try to set conditions to make it open and participatory, it almost never works, because the most serious decisions, which have to do with money and how it's used, are not directly in people's hands. A fund is a means and not an end in itself - a means to achieve structural change n the way people control their own development process.

A little bit of fund can go a long way . . .

A lot of these funds started out with very small amounts of capital, and grew gradually, drawing in more resources as they gained in size, experience and richness of use. It's important to understand that even very small funds can kick off a whirlwind of change. In fact, sometimes it is wiser and more productive to start small and use those small funds to help establish your systems, to carry community organizations through the *R & D* stage, to build their capacity to absorb much larger funds, which will come later when things get going and the fund becomes an attractive point for injecting government funds, donor funds, private sector funds, etc.

There's also a kind of reverse logic that works with limitations. When you have to work with limited capital, lowish loan ceilings and real resource limitations, there is never enough to meet everyone's borrowing needs. That forces both the communities and the support NGOs to put on their thinking-caps, thrash things out collectively, set priorities, negotiate and make hard decisions about whose need is greater, which projects should go first and how much to lend. All this work helps people see the fund as a communal (but limited) resource which they all have to share, and works like an antidote against the "entitlement" thinking, in which people consider loans from the fund as a right, and end up just passively waiting with their hands out, asking *"More, more, more!"*

"In fact, it's better the fund not be too big," as Somsook often says. "It's not necessary that everything be in our hands. I think it can be quite a small resource and still do a lot. The funds that we give as loans to the communities are not so high, the loan ceilings are very low. *But the money is ready!* Any time a group wants a loan, we are ready. Money that comes to a people's process too quickly tends to create a lot of problems and erase all the good things, all the hard work – because people's systems aren't ready to deal with that yet. With less money, you get more learning. And when we concentrate on how things should be working among the people, instead of the amount, we'll unlock the resources which already exist, locked up in our society - *definitely!"*

Getting a lot more out than you put in . . .

When a community does savings and credit, people generate financial assets at the same time they learn financial and management skills. With these *financial assets* they can build houses, expand their microenterprises so that new jobs are created, or buy equipment which adds value to their labor and which can secure them in times of risk. The collective process in which savings is embedded also strengthens community organizations, provides a framework for participation, encourages accountability and more responsible leadership and builds the collective clout to negotiate with the state for resources. In these ways, something as simple as starting a savings group sets off a chain of events, which is all about drawing down resources and generating more and more assets which are in people's hands. All these assets are not something vague or intangible – it's possible to identify them and understand them in very specific ways, within the complex dynamics of urban poverty. In fact, there's a very nice system in fashion right now, the *sustainable livelihoods* model, which helps divide these assets into different categories:

- **financial assets :** savings, supplies of credit, funds, non-cashsavings like gold ornaments.
- **human assets :** skills that people learn, information, knowledge, ability to labor, health.
- **physical assets :** housing, basic infrastructure, transport, water, means production.
- **social assets :** community networks, collectives, relationships of trust, access to institutions.
- **institutional and political assets :** relationships, access to and influence on planning process.

Looking at assets in this systematic way can help us understand how community funds work and how funding which goes through mechanisms that are controlled by communities can make so much more effective use of development funds than formal sector delivery. In a housing process, for example, when communities contribute their unskilled labor, they add value to the cost of materials, and when they negotiate with skilled laborers, they get the cheapest rates and employ local people. They can buy materials at bulk discounts from local suppliers and can re-use building materials salvaged from their old houses. Quality control is guaranteed because it's their own houses they're building and limited resources have to be stretched. All these strategies for building better, cheaper and more appropriate houses are things people learn from each other, when their support systems make space for that learning, which in turn adds value to the whole process and creates more assets: financial, human, physical and social assets.

A lot of donors are now more conscious of the need to help communities invest in these assets, and realize that certain kinds of development mechanisms are better asset-generators than others. Here, for example, is a brief comparison between standard micro-finance and community development funds, as sketched out by Diana Mitlin and Ted Baumann in South Africa:

Microfinance vs. Community Development Funds

	Micro Finance	Community Funds
Objective	Addresses poverty by providing access to credit.	Addresses poverty by using finance as a tool to make relationships work better for the poor, and to create assets.
Additional support	Considers that the process should not be subsidized, and that technical assistance should be minimized for sustainability.	Because funds are embedded in a process of learning, federating and strengthening people's negotiating position, nobody's too worried about doing it as cheaply as possible.
Purpose of loans	Mostly for productive assets that will increase incomes and help loan repayments.	Anything people need: infrastructure, shelter, income generation. What is important is the collective process to determine that.
Role of Savings	Sometimes used, but mostly as a mechanism for collecting loan repayments and seldom organized collectively.	Savings is considered almost more crucial than lending, because it builds and strengthens communities in many ways, as well as building financial assets.
Attitude toward the very poor	Considered a bad credit risk and so tends to target the not-so-poor groups.	The needs of the poorest and most vulnerable are the main target, and if solutions work for them, they will work for the not-so-poor, not the other way around.
Target group	Individual loans to individual borrowers.	Individual and group loans to communities, collectives, networks and federations.
Purpose of collective process	Small groups sometimes used to reduce risk and to lower administrative costs.	Seen not as a means to assure loan repayment, but as the essential nourishment for development and for opening up of development opportunities to the poor.
Financial sustainability	Desirable. Seeks a process in which no external money is required to keep it going.	Considered almost irrelevant, considering the vast development resources that continue to be misdirected and lost. "Sustainable" in finance terms usally means the poorest in communities get left out.
Linking role	Tries to link the poor with the formal financial sector.	More interested in trying to link communities to state resources.

Ideas from some friends of funds :

The multiplier effect of community funds . . .

Forms of development financing in which poor people's organizations have a lot of control tend to give donors and development professionals the heebie jeebies. Funding a specific project, or making a lot of small microfinance loans is one thing, but plonking a large chunk of money into a community fund with open-ended uses and open-ended time frames is something else. *How do we know the money won't be squandered? What are your targets and outputs? What are your interest rates? How can it be sustained?*

Community funds are a development mechanism, not simply a means of delivering credit to the poor. When you use community funds as a development strategy, you get a lot more than you put into them, unlike conventional delivery-oriented project funding, where you get exactly what you paid for (*if you're lucky*) and not one bit more: a walkway, a house, a water tap, a micro-enterprise. The rich spectrum of value-added you get with community funds is not wishful thinking, but a phenomenon that has been borne out in various ways in all the funds we profile in this newsletter.

We'll start with brief stories by two friends in Northern agencies who have supported many of these development funds over the years and tracked their effects on the community processes they are part of. First, there is an extract from a paper by Diana Mitlin and Ted Baumann, which looks at the effectiveness of different ways of addressing poverty :

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Ask for a copy of a publication Diana produces called "Hi Fi News" which profiles some innovative housing and community development finance initiatives around the world.

What is risk?
Risk is about what can go wrong, how badly it can go wrong and what may happen as a result. The ability of the poor to manage and mitigate risk is closely linked to their capacity to negotiate with the state and other agencies for things they need.

The risks involved in financing the poor :

Evidence that banks aren't the only ones walking on a tightrope . . .

Ruth McLeod is the director of Homeless International, a UK-based funding agency which over the past 12 years has helped find capital for several of the community-driven development funds described in the following pages. As HI has developed its thinking around options for housing and infrastructure finance and struggled to break down the barriers which keep the poor from accessing the BIG capital on the financial markets, they have found themselves drawn into a detailed consideration of risk. Here is a brief introduction to some of these ideas, drawn from HI research documents.

When a company goes to a bank looking for a loan to finance its project, the bank will call in an army of accountants who dance on their calculators and determine exactly what the chances are that this project will fail. They've worked out all sorts of elaborate formulas which examine all sorts of variables to calculate the exact value of the potential risks involved (and potential profits), which are then factored into the terms of the loan. But when those same bankers are asked to loan money to the poor for a resettlement or slum upgrading project, they are usually stumped. When they carry out their standard risk analysis, the project fails because the real assets that the poor bring to the project - their knowledge,their organization, their time and their labor - don't fit into the standard risk assessment formulas. So the banks pull back from getting involved, the risks to them are seen as too high.

Great attention has been given to the risks entailed for formal financial institutions in providing finance to the poor, but little attention has been given to the risks that the poor - or the NGOs who work with them - must manage and mitigate when they seek to engage in collaborative partnerships with the state and with banks, to improve their lives and settlements. In fact, the poor have a lot more to loose than banks when they experiment, and the risks they take on to innovate in their own development are enormous: delicate survival strategies can crumple at the first failure, there's no back-up, no insurance policy, no rich relatives, no second chance.

The urban poor face a multitude of risks on a daily basis, ranging from the risk of inadequate food, right through to the risk of forced evictions and the destruction of shelter that they manage to create. Homeless International's research has led to the identification of 15 areas of risk which alliances of the urban poor and NGOs must manage and mitigate when they scale up their work to create secure shelter in partnership with the state and with financing from the formal sector. These risks include bribery and corruption risks, credit risks, natural hazard risks, organizational risks, participation risks, savings risks, etc.

For some, short-term risk management dominates their daily lives. For others, a longer-term perspective is possible, as is the potential to develop strategies to manage risk associated with investments aimed at escaping poverty altogether. This longer-term potential arises most often when the urban poor are organized, and when they have an institutional base and associated allies that provide a means to engage in pro-active negotiations with the state and with financial institutions. Access to capital funds and guarantees can make all the difference in determining how these negotiations turn out, because they provide a visible means to demonstrate how risks can be managed and mitigated on large scale projects initiated and led by the urban poor.

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Next step :

Exploring several new possibilities for funding community funds

There are innumerable ways of feeding community-driven initiatives with development resources - from donors, from financial institutions and from governments - which haven't yet been tried, or even thought up. Here are a few ideas still in the works :

1 CLIFF :

Sheela Patel (SPARC) and Ruth McLeod (HI) have been working to set up an innovative fund with DFID and Cities Alliance called CLIFF - Community-Led Infrastructure Financing Facility (CLIFF). CLIFF will provide 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. Access to such local resources is needed in order to implement demonstration projects and scale up slum rehabilitation, slum resettlement and basic infrastructure projects in partnership with local authorities. The CLIFF facility will be piloted in India, then replicated in a second country, starting in early 2002, with a fund of US$ 10 million and an expanded Guarantee Fund from Homeless International.

2 Asia Regional Fund:

Another idea which is still in the discussion phase is an Asian Regional Fund, which would have some resources in hand to support local funds in various countries, so when a new community fund is being set up, or when some groups need to experiment, we don't need to go to the donors every time.

3 SDI International Fund:

Another possibility being explored is an international revolving loan fund to be managed by the Slum/Shack Dwellers International network (SDI). The idea is to raise money through "direct mailings" and other means for specific projects, but with the understanding that any leftovers go into a pot for funding other projects in community infrastructure, housing or income generation, in countries across the SDI network, according to a network-wide decision-making process.

4 Social Investment Funds :

To find out how typical problems of Social Investment Funds in other countries were avoided in Thailand, by channeling them through local institutions and a national people's process, see the "SIF Menu 5" story in the CODI section ***(page 12).***

1. PAKISTAN

Orangi Charitable Trust Rural Development Trust

- **Started :** OCT in 1987; OPP-RDT in 1993.
- **Total capital in fund :** Rs 65 million (US$ 1.1 million) in OCT, and Rs 25 million in OPP-RDT (US$ 400,000)
- **Source of capital :** Loans from national banks and government poverty alleviation funds, grants from local charitable foundations and external donor funds (CEBEMO, WB, SNPO).
- **Purpose of loans :** to help small, established urban entrepreneurs and rural producers to expand their businesses in order to generate more income and employment opportunities
- **Interest charged :** at prevailing commercial bank rate (15 - 18% anually)
- **Loans disbursed :** OCT has loaned Rs 196 million (US$ 3.1 million), and OPP-RDT has loaned Rs 15.8 million (US$ 251,000).
- **Loans repaid :** Rs. 200 million (US$ 3.2 million) has been repaid to OCT, and Rs. 5.1 million (US$ 81,000) to OPP-RDT.
- **Beneficiaries :** 9,804 units (OCT) and 345 units (OPP-RDT)
- **How it works :** OCT and OPP-RDT make loans directly to individuals and increasingly through bulk loans to NGOs, community organizations, trade associations and farmers collectives, which then on-lend and manage selection of borrowers and collection of repayments.
- **Operational costs :** OCT and OPP-RDT have been able to keep their operational costs down to between 4% - 9% of disbursed loans.

Building on systems already in place :

Exploring new mechanisms and new partnerships to channel much-needed finance to Pakistan's informal entrepreneurs and rural producers . . .

The **Orangi Pilot Project's** loan program had its beginnings in Karachi's sprawling informal settlement of Orangi, where the lives of a million poor people are supplied, financed, serviced, governed, educated, transported, housed, doctored and maintained through a complex web of well-rooted informal systems. The informal sector - in it's variety, resourcefulness and flexibility - is certainly not perfect, but where the state has failed so markedly to answer almost any of these people's basic needs, the informal sector is the only option. When the OPP set out in 1980 to understand its force and to explore ways of improving it's effectiveness and equitability, the need for credit by informal entrepreneurs was just one of a long list of clear needs in Orangi, and the credit program was just one of several tools the OPP set up to address those needs. The credit program is not a stand-alone, but is deeply embedded in a complex and highly diverse community development intervention, which is now being replicated across the country, and is run on a few simple principles:

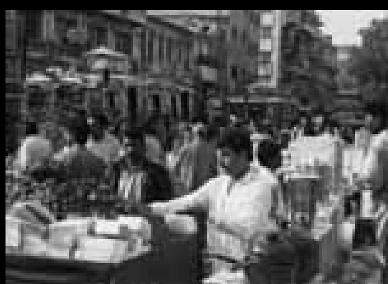
- **Loans are made only to established entrepreneurs** who already have a business and wish to expand it, or who have been engaged in a business and want to start on their own. A question about all loans is whether they will generate new jobs. By OCT's rough calculation, every Rs 5,760 loaned to a manufacturing unit has created a new job. No loans are given to first-time entrepreneurs.
- **Loans are given at prevailing bank rates, without collateral,** and the important thing is that someone has to vouch for new borrowers - either veteran borrowers, NGOs, community organizations or the program's social organizers, who must know this person and who take responsibility for getting the money back, and chasing any borrowers who default.
- **Lending capital from local sources :** To avoid the problems of being dependent on fickle overseas donor money, both funds have drawn as much of their lending capital as possible from bank loans, government poverty-alleviation funds and charitable foundations inside Pakistan. More than 70% of OCT's current capital comes from charitable foundations and donor sources within Pakistan.
- **Staying small and non-profit :** The loan program is run on a no-profit basis. As OCT and OPP-RDT have grown in size and coverage, there has been a conscious move to broaden the fund's scope and to decentralize its operation by increasing the bulk loans and credit lines made to intermediary organizations (volunteers, extension agents, NGOs, community organizations, producers associations and farmers collectives) which on-lend to people in their areas, set their own terms and procedures and manage collection. Nearly 40% of OCT loans have gone through 38 CBOs and NGOs in 111 cities and villages outside Karachi, and all of these loans have been repaid. Besides loaning start-up capital, OCT runs training courses which help many groups replicate the loan program elsewhere.
- **Savings is not part of the program :** Community savings is not a component of the OPP's credit program. But many of the enterprises which have received OCT loans were set up by entrepreneurs using their own savings or windfalls from their traditional *bishi-fund* savings groups.
- **Low overheads and sustainability :** The two funds are managed as a pair, simply and frugally and without subsidies by a small staff who all come from Orangi, earn very modest local salaries and sit in a single room borrowed from the OPP's Research and Training Institute, right in the middle of Orangi.
- **No secrets :** The accounts of both funds are now computerized. Full reports, which include detailed accounts of fund totals, loans, repayments, bad debts and operational expenses, are published in English and Urdu versions and widely distributed every quarter. OPP-RTI has recently begun a full evaluation of both funds, to see what impact they've made and whether they've made any difference to Orangi's poverty or not, and to identify problems and bottlenecks and see what needs to be done.

Tackling big problems of informal debt :

Repayment problems in OCT have been quite small: in 400 cases, legitimate misfortunes like disaster, fire, injury or death have prevented borrowers from repaying, and in only 349 cases have "*bullies, swindlers, crooked losers and absconders*" refused to repay their OCT loans at all. All together, these defaults amount to only 5% of total OCT loans.

But there have been loan repayment problems with loans made to fisherfolk and farmers through the rural fund. The culprit hasn't been disaster or deviousness, but sweeping changes in the rural economy which have made a lot of people rich, but left most of Pakistan's farmers and fishermen deeply in debt and reliant for their survival on money lenders and middlemen, who charge interest rates upwards of 120% per year. The scale of informal debt in Pakistan (both rural and urban) is staggering. In many cases, debts just keep compounding, being passed-on from generation to generation, without ever being paid off.

The idea of giving loans to these rural producers was to help wean them away from the money lenders. Loans were supposed to be used to buy whatever seed, fertilizers, nylon nets or materials they needed to plant the year's crops or catch the season's fish. But the depth of their indebtedness only became clear after many used the loan money to pay off some of their informal debts, and were then forced to go right back to the money lenders to finance their farming and fishing. All of which made repaying their RDT loans an added



difficulty. If the fund were to loan enough to repay their informal debts *and* support the season's production, they'd have trouble making such large repayments, the capital would be exhausted and the loan program would be curtailed. It's a tough situation, and the loan fund is searching for ways to help deal with it.

A few notes from the OCT and RDT lending portfolio :

The process of selecting borrowers from both funds is casual, and draws heavily on the myriad informal networks and grapevines which now knit Orangi's lanes and neighborhoods to OPP. Some are introduced by the program's four social organizers (whose job is to be "busy-bodies" and to roam around fishing for clients, within Orangi and in other areas of the city and the country), some walk in or are recommended by other borrowers, while increasing numbers borrow through NGOs and community collectives in their areas. In the loan office, everybody sits down, has a cup of tea and talks things over. Decisions on loans are usually made right then and there. The people making decisions on loans all come from Orangi and often know the loan clients personally. The approval process works on the principals of neighborly links and good will. And as OPP's sanitation and other programs are replicated in other parts of Karachi, in other cities and in rural areas, these links have formed networks which now criss-cross the country.

1 Loans to small local schools : OCT has given small grants to help entrepreneurial young college gaduates set up or upgrade 85 small schools, mostly in Orangi, where 8,000 poor children are now being educated. These children couldn't afford the high fees in established schools, had no schools close to home, or worked in the carpet and embroidery workshops during the day and needed schooling at night.

2 Loans to manufacturers : OCT has helped upgrade and expand 65 bakeries, producers collectives of 146 Benarsi saree weavers, 10 carpet weavers, 46 cosmetic factories, 29 die makers, 117 embroidery workshops, 20 furniture workshops, 197 clothing factories, 18 kite makers, 42 leatherworks, 19 paint-brush makers, 49 printing presses, 191 shoe makers, 29 steel fabricators, 100 molding shops, 22 woodworks, 4 ice factories, and 142 other workshops.

3 Loans to traders and service providers : To 91 clinics, 54 butchers, 175 cloth shops, 38 cold drinks shops, 1,055 provisions stores, 34 crockery shops, 44 decorators, 230 electrical shops, 21 junk dealers, 89 medical stores, 65 packing shops, 116 pan shops, 671 small businesses, 97 stationary shops, 477 stitching centers, 143 motorcycle taxis, 318 shoulder-bag peddlers, 22 typing institutes and 88 video shops.

4 Loans to upgrade "thallas" : Ninety-three percent of Orangi's 250,000 houses have been built with financial and technical assistance from the local building-component manufacturing yards, operated by entrepreneurs. These yards exist in all neighborhoods and are known as *thallas*, their owners as *thallawalas*. The *thallawala* provides materials on credit to house builders. He also helps design houses, takes on house-building contracts or supplies masons to those wishing to do the unskilled work them-selves. The *thallawala's* intervention has improved housing quality in Pakistan's informal settlements, but the problem is, his materials, house designs and technical advice tend to be substandard. So OPP-RTI has helped upgrade the thallas by offering skills training to the masons and carpenters, and provided advice and loans to mechanize the block-making and introduced mechanized block making machines, prefabricated roof and floor slab elements which make cheaper, stronger and better quality houses. With loans from OCT, 53 *thallas* have now been upgraded, and have increased their staff by 300%. These *thallawalas* have also increased their incomes and the incomes of those they employ, mainly because their upgraded *thallas* are now exporting blocks, lintels and pre-cast roofing elements to the rest of the city.

5 Loans to women entrepreneurs : About twelve percent of OCT's loans have been made to women entrepreneurs, to expand 289 stitching centers, 161 provisions shops, 152 informal schools and crèches, 54 embroidery workshops, 55 dairy cattle operations, 47 clinics, 10 beauty parlors, 19 women work centers, 79 miscellaneous small businesses and 58 garment factories.

6 Loans to farmers and fisherfolk : Although the Government of Pakistan runs all kinds of agricultural credit programs, there is still a huge need for credit by the majority of small farmers and fishermen who cannot access those loans. The OPP's *Rural Development Trust* gives loans (mostly through farmers collectives and NGOs) for the purchase of seed, fertilizer, pesticides, tractor hire and to survive from sowing to harvesting. The loans are mostly repayable after sowing and the amounts are based on how many rupees per acre per season is required for farming rice, vegetables, cotton, wheat, etc. So depending on what they are growing and how big their fields were, the farmers are given the loans. Most farmers who have taken these loans have repaid them and borrowed again for the next season. Loans have also been given for paving water channels, installing motorized pumps to drain water-logged farmland and setting up fish farming.

● Another development fund being assisted by the OPP-RTI :

In Faisalabad, the OPP has worked with the Anjuman Samaji Behbook community organization to help poor residents install "primary" water and sewer lines in lanes outside their houses, using their own labor and funds. With a grant from the UK-based Water Aid, ASB and OPP have set up a revolving loan fund to help finance the "secondary" lines which connect the "primary" lines to the city's mains.

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2. 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, Japanese OECF.
- **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 :** 1,503 million Baht (US$ 33.4 million Baht)
- **Loans repaid :** 427 million Baht (US$ 9.5 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. 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 running CODI. 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.

Making development budgets work better :

CODI experiments with innovative, flexible, efficient ways of channeling government resources to support what poor people are doing . . .

Under the fiscal budget system, development plans for the country are set and budgeted for in two-year periods, during which time all that money has to be spent, according to the plan, even if the situation in the country has changed completely and that money isn't needed. And because these plans are made by politicians and policy makers in centralized orgaanizations, billions of Baht of public resources get eaten up without making sufficient change, without ever reachingthe poor.

The *Community Organizations Development Institute (CODI)*, which is both a development fund and a government public institution, has managed over the past ten years to catch some of these public resources and channel them in new ways directly to Thailand's poor communities. Of all the funds profiled in this newsletter, CODI is the largest, the most amply resourced, and the most experimental in institutionalizing the development fund idea and scaling it up into a national process. CODI's broad experiments in decentralizing control and management of these resources to communities - and to large networks of communities - have been like a laboratory for managing various kinds of community development funds on a national scale, for the whole region to learn from.

The *Urban Community Development Office (UCDO)* was first set up in 1992 with an initial grant of 1.25 billion Baht (US$ 34 million) from the Thai government, as a special revolving fund to support urban community development activities and to provide low-interest loans to community organizations for emergencies, housing and income generation. Though technically under the *National Housing Authority*, UCDO had much greater independence and flexibility than other government organizations. Eight years later, over half of Thailand's 2,000 urban poor communities were UCDO members, linked together into 120 community networks and involved in a wide range of community development activities like housing, environmental improvement, income generation, community enterprise and community welfare.

In October, 2000, UCDO merged with the *Rural Development Fund* to become CODI. The royal decree which brought CODI into existence allows development activities launched under UCDO to continue, but greatly expands the organization's scope, paving the way for big changes in how it works and how it relates to the poor community organizations (now both urban and rural) it supports. By making CODI an autonomous legal entity with the status of a *public organization*, the decree gives CODI greater access to both government and outside resources, more independence and much-expanded possibilities for supporting collaboration between community groups in urban and rural areas. CODI can now apply directly to the budget bureau for government funds, as other government departments do, and can direct these resources quickly, flexibly and directly to the process on the ground, without having to go through dozens of departments and bureaucratic log-jams.

Managing a community development fund is different than managing a government organization in the conventional way. Because CODI isn't the one making plans or implementing projects, the needs are defined by the people, who set their own plans and implement their own projects, and CODI provides whatever resources and institutional support those processes require. Because the CODI fund isn't locked into that fiscal budget system, it can bend according to changing needs and adapt itself to suit whatever people are doing. It can create room for participation and change from the "ground up", even when that involves all sorts of messiness, informality and non-standard procedures, which are very different from other government departments.

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Some grand totals on CODI credit

(As of January 1, 2002) Exchange rate: 45 Thai Baht = US$ 1.00

		Interest rate	Loan term	Loans disbursed	Loans repaid	Beneficiaries
1.	Housing development loans	3% and 8%	15 years	541.5 million Baht	136.5 million Baht	53,777 households in 826 communities, in 76 provinces. (items 1–8)
2.	House improvement loans	8%	15 years	113.8	53.1	
3.	Income generation loans	8%	5 years	207.7	145.1	
4.	Revolving fund loans	10%	3 years	81.0	71.8	
5.	Revolving network loans	4%	5 years	8.4	4.9	
6.	Community enterprise loans	4%	7 years	59.9	10.2	
7.	Bank guarantee Loans	bank rate + 2%	varies	0.5	0.5	
8.	Revival loans	1%	5 years	4.5	2.1	
9.	Network Strengthening	1%	5 years	251.0	--	2.3 million households
10.	Economic crisis loans	1%	5 years	240.0	2.5	25,995 households

TOTAL • 1,503 million Baht of loans disbursed • 427 million Baht repaid • 2.38 million household beneficiaries

Seven ways to boost a changing process . . .

After ten years experience working throughout the country, CODI is still emphatically in the R & D mode, learning from the strengths that poor people all over the country already possess, and looking for tactical ways of intervening to help that strength develop and link together. If the loan system can keep adjusting itself and moving along with the dynamics of change in the communities, the community process will change also. And be-cause things keep changing, CODI has kept on experimenting with new tools for supporting this growing, dynamic people's movement in Thailand, through new models, new funds and new tools such as the ones that follow, described very briefly in the following three pages :

1 Original UCDO Fund

Uses loans made to community savings groups as an incentive to bring people in poor communities to work together, to learn how to develop and manage their own funds and link with other communities.

1992 : UCDO's original fund began by offering three kinds of loans to community savings groups (not to individuals): housing loans, income-generation loans and revolving fund loans. The relationship was a direct, bilateral relationship between the institution and the individual community, which manage decisions about loans to individual members and repayments.

The idea behind this system was to promote and strengthen community-driven savings and credit groups as the primary unit of people-driven development. UCDO loans boost communal lending, which strengthens the group process in communities, which then helps them tackle other issues collectively which they could not tackle individually - housing plans, negotiating with external agencies for land, etc. When savings groups are supported to link together and learn from each other through exchanges and joint ventures, networks develop, which then give people even greater clout to negotiate and do things, enter into partnerships with government, now that they have the power of numbers and organization. In these ways, the savings and credit groups were seen as a bridge between poor communities with their informal systems, and the formal and governmental financial systems.

As the savings groups grew in number and strength, and began linking into networks, the fund has responded by expanding lending for community enterprises by networks and more and more loans went to networks, which then worked out their own systems for on-lending to their member groups.

Original UCDO Fund :

In the first 8 years of CODI / UCDO, the fund disbursed loans totalling 1 billion Baht (US$ 22.5 million) to 36,308 households in 418 communities around the country. The availability of this loan fund helped to boost the communal savings of 100,000 households in 852 savings groups to over 500 million Baht (US$ 12 million) and generated assets in poor people's hands worth at least another 2 billion Baht (US$ 45 million).

2 UCEA Fund

Uses small grants to communities for environmental improvement projects to build a process of collective prioritizing, sharing and collaboration at local, regional and national levels.

1995 : The Urban Community Environmental Activities fund was set up in 1996, with a grant of US$1.3 million from the Danish Government. Community members get together, discuss environmental problems they face and work out detailed project proposals to build wells, drains, walkways and water-supply systems, to bring to their city-wide community network for more discussion. The only rules are that projects cost less than 100,000 Baht (US$ 2,300), be built with community labor, benefit most in the community and involve at least 20% cost sharing from the people, in cash or labor.

Proposals are screened in big meetings by local and provincial committees (which include a majority of community members, with municipal and district officials, NGOs and academics), in order to weigh each project's urgency and feasibility. The idea behind these mixed committees is to exchange ideas, bring different perspectives into the process, draw on internal and external experience from several sectors and lay the basis for local collaboration on other issues. Budget ceilings of 1 million Baht per network ensure there's a lot of discussing and weighing of priorities, since this generally isn't enough money for all the projects.

By the time proposals come to the national committee in Bangkok, which is also mixed, they've already been screened by the networks, and about 99% are approved. In this many-layered consideration process, the actual approval is less important than the mechanism of learning, cross-checking and collaboration which each of the steps builds and consolidates.

UCEA Fund facts :

- **Grant ceilings :** 100,000 Baht per community, and 1 million Baht per network.
- **Total Projects :** 196 projects (Phase 1)
- **Total grants :** 18 million Baht (68% of actual project costs)
- **Community contribution :** 8 million Baht (32% of actual project costs)
- **Benefeciaries :** 40,588 households in 222 communities in 48 networks.

3 Revival Fund

Channels small loans to community savings groups struggling to find their way out of loan repayment crises, as a tool to help start lending agian, restructure internal debts and revive the group.

1998 : Savings groups often flounder when unpaid loans diminish their liquidity, so there's no money for loans when people need them and members lose confidence. This problem became widespread in the aftermath of the 1997 economic crisis, which hit Thailand's poor communities very hard with loss of jobs, loss of income and increasing indebtedness. Injecting a little external capital at the right moment was often a big help in relieving this problem, rebuilding group structures and confidence in the savings system, pulling in more people, boosting incomes and getting things going again.

Repayment problems usually begin when savings groups break down and people stop repaying their loans to the groups, so then the groups can't repay their loans to CODI. Often the basic concept of helping each other wasn't strong. Problem loans are a good indicator that there's something wrong with the savings group - with not only the financial management system within the group, but the leaders or political structure inside the community. And when these problems arise, the first task is to try to rebuild the group.

The revival fund is one technique to use *VERY* small loans to help rebuild the groups and was set up for this specific purpose in 1999. The fund can loan up to 100,000 Baht to savings groups facing internal difficulties, on terms that are much more flexible than other CODI loans, to beef up their lending capital or re-organize their credit activities through whatever strategy is determined by the group. It's not big money, just enough to change attitudes.

Revival Fund facts :

- **Loan ceiling :** 100,000 Baht per savings group (US$ 2,200).
- **Terms :** 5 years maximum term, 1% annual interest, repayable in 6 monthly installments, with 2-year grace period during which only interest is due.
- **Total amount loaned :** 3.8 million Baht (US$ 85,000)
- **Total beneficiaries :** 4,689 households in 127 community savings groups.

4 SIF Menu 5 Fund

Channels grants to urban community networks, which design, budget and implement programs to assist their most vulnerable members, in the country's first community-driven national welfare program.

1998 : As part of the World Bank's *Social Investment Fund* support to Thailand during the economic crisis, CODI coordinated with *SIF* to develop a community welfare system using the urban community networks as the central organizing units. For CODI, this was a chance to demonstrate new ways of using SIFs, to find new ways for communities to work together and to help Thailand's community organizations develop systems for taking care of their most vulnerable members.

Community leaders developed a "10 step" process which began with community meetings and surveys to determine the needs of disadvantaged groups in each community and to decide what types of welfare activities could be undertaken, who they'd benefit, how they'd be managed and how much they'd cost. Programs included scholarships, grants and loans for elderly citizens, grants for medicines and people with HIV, hospital fees, rehabilitation of drug addicts, income generation loans for the unemployed or handicapped. In developing these local welfare systems, there was much sharing of ideas and cross-checking between communities and between networks, which led to a streamlining of the process and a constant interplay of standards and local variation and adjustment.

The SIF Menu 5 process is an important example of how when social investment funds from external donors are fed through local institutions and a community process, the resources actually reach the poorest and the community process is strengthened – locally, regionally and nationally.

SIF Menu 5 facts :

- **Total projects :** 82 projects
- **Total grants :** 238 million Baht
- **Benefeciaries :** 39,879 households in 959 communities in 88 networks.
- **How it's used :** In most cases, communities opted to use about one-third of the resources for welfare grants and about two-thirds as revolving funds for medical expenses, school fees, income generation, etc.

5 Miyazawa Fund

Uses lessons from the Revival and SIF funds to channel external capital to savings groups in trouble, and draws on the strength of networks to help communities set systems for handling their debt crises.

1999 : The 250 million Baht Miyazawa Fund was only a fraction of the Japanese OECF's huge economic aid package to Thailand during the crisis, and provided loans to communities to revive savings groups with repayment troubles, especially those which happened when people lost jobs and incomes, and became deeply indebted to informal money lenders to survive.

All the networks organized an intense process of surveys, discussion and problem identification at community, network and regional levels, and develop detailed network-wide proposals which were discussed in regional meetings, which gave leaders a chance to help each other to make proposals stronger and clearer. By the time proposals reached the national committee, which included community representatives from the 7 regions, the work of assessing and refining the proposals had already been done by peers, through three layers of checks and balances, within the communities, within the city network and between networks in the same region.

Networks have taken Miyazawa loans to finance community enterprise projects, refinance problem loans, repay high-interest informal debts and boost revolving fund loans within savings groups. Each network developed its own systems for making decisions about loans and ensuring the process was open, flexible, transparent and participatory. The soft repayment terms gave networks a lot of freedom in how they managed the loan capital and freed them to concentrate on designing lots of flexible credit processes tailor-made for their community groups and to revolve the capital many times.

Miyazawa Fund facts :

- **Loan ceilings :** 500,000 Baht per savings group, 5 million Baht per network
- **Loan terms :** 5-year repayment in 6-monthly instalments, with 2-year grace period during which only interest is due (1% for networks, 2% for communities)
- **Total loans disbursed :** 240 million Baht (147 projects)
- **Beneficiaries :** 25,995 households in 700 communities in 66 networks.

6 Mixed Fund

Using government funds through a combination of grants and loans as tools to broaden the community network process and help networks link together and set up their own development projects.

2000 : In the past few years, CODI has emphasized the formation, strengthening and linking of community networks in order to create a stronger platform for these community organizations to share ideas, to work together and to have a say. This 500 million Baht fund is another tool in these efforts. It channels government resources to community networks in 4 ways to create space for people to come together, plan and implement their own development projects, from the bottom up. It's not government or CODI setting up the policy or planning the projects or activities :

- **Provincial linking grants:** *(60 million Baht)* 800,000 Baht to each province (76 total) to make its own plan to link all the existing groups in the province together (rural and urban) through exchanges, seminars, meetings and committees.
- **Grants for network-based projects :** *(150 million Baht)* Offers small grants (up to 200,000 Baht) to urban and rural networks to fund network-wide projects : welfare, community planning, agriculture, community improvements.
- **Loans to networks :** *(250 million Baht)* Loans up to 5 million Baht per network, at 1%, repayable in 5 years, for setting up saw mills, rice banks, paying off informal debts - *anything!* Only for networks with some experience managing funds.
- **Partnership grants :** *(70 million Baht)* Used to support joint projects by communities, civic groups and NGOs: recycling, community infrastructure, welfare systems, livable cities project, young architects. No ceiling on grants.

Network Fund facts :

The consideration process : The 500 million Baht is now in people's hands in 30,000 rural and urban communities, in 74 provinces. Networks in urban and rural areas invite provincial-level mixed committees to see their proposed ideas, Then it goes to the regional committee, then to the center, which links the 5 regions. so the project consideration process itself becomes another tool to get people from different networks to work together.

7 Elderly Welfare Fund

Grants to provinces to make space for elderly citizens in various community networks to link together, decide what they would like to do as a group, and then design and implement their own welfare and development programs.

About 10 million people in Thailand are older than 60, and about 1 million of these are poor. To help this group, the government's Social Welfare Department's Elderly Welfare Program runs 20 old-folks homes, 18 elderly health care centers and a network of elderly support groups to provide medicine, health care and social support. But with an annual budget of only 1.5 billion Baht, the program can provide only bare-bones assistance to about 200,000. What about the other 800,000 elderly poor? In December 2000, the *Urban Community Foundation,* an adjunct to CODI, was sub-contracted to set up a national community-driven welfare system for the elderly, as a next step after the experiences of SIF, using 80 million Baht granted from the Miyazawa economic assistance package.

The process : A "mixed" committee was set up (including 5 national community leaders and representatives from UCF, Welfare Department, NHA, BMA and academe) to coordinate the process. The fund was divided so each of Thailand's 76 provinces would receive a million Baht to work out it's own mechanism for disbursing welfare funds to elderly groups in the province. Working committees of elderly people in each province were set up to help networks within the province gather together elderly community members to carry out surveys, identify needs and decide how to improve the welfare of elderly. Proposals from the networks then went to provincial committees, also composed of a majority of elderly community members, which helped improve their projects. Meetings in the 5 regions followed, providing another platform for the groups to exchange ideas and improve the proposals which were to be forwarded to the national committee. By the time proposals started coming to the national committee in June, they had been through several layers of refinement and discussion and were quite polished.

Several ideas were common to most of the proposals: Most called for members of elderly savings groups to contribute nominal amounts to the fund, by investing in small "shares" of about 10 Baht each month and most included plans to use the money in ways which allow the fund to sustain itself, keeping a portion of the fund to use as grants (for medical expenses, food and health care for the sick, funeral expenses, elderly social activities like exercise groups, music and temple visits.) and a portion to use as revolving loans for income generation and health-care needs.

A breakthrough : This was the first time all these old folks had the experience of being part of a large group of their peers, and certainly the first time they'd been able to decide how to run their own welfare assistance program! And this one million Baht fund in each province become their collective asset, a node, a collector-together of people, a catalyst, even though so small. The fund, even though very small, gave them the power to make decisions. This is not much different than any other kind of community organizing, but here, the constituency was old folks, and their being organized is not only to channel these small community welfare resources, but to create conditions which help them become self-determining, respected senior members of the community. Many of the elderly groups have already used the fund to leverage additional local resources for their activities, and have begun a dialogue with the Social Welfare Department about linking some of the department's programs with the Elderly welfare network.

Two elderly welfare fund models :

1 Trat Province's elderly explore ways of making their fund so sustainable that "not a single Baht gets lost."

The elderly groups in Trat Province decided that only ten percent of the million Baht in their province would be used for welfare grants, and 900,000 Baht would be used as a revolving fund for the old people which would provide loans to support their jobs or informal businesses. That way, in one year, they will get 10% interest on those loans, and that interest will be used for the welfare giveaways. So they began linking the old people in different communities to work together, and the one million Baht is growing through this working process.

2 Satun Province works out a system in which a communal rubber plantation - and not usury - sustains their elderly welfare activities.

The group of mostly Muslim elders in Songkhla Province proposed using 200,000 Baht for emergency grants for medicines, health care and funerals, and using 800,000 Baht to buy a mature rubber plantation, as a communal asset which belongs to the elderly group and as an alternative to using the million Baht as a revolving fund to loan out at interest, which is considered sinful in Islam. They calculated how much profit the plantation will produce and for how long, and worked out how the proceeds from this rubber plantation could support their elderly group's activities. They figured that this would increase their fund at a much better rate than the bank could provide. And when the rubber trees stop producing, they still have the assets of the wood - and the land! - and can start planting again.

All white hair in this meeting :

A big seminar was held in Chiang Mai on 24 January 2002, to celebrate the approval of all 80 million Baht. Hundreds of old people from around Thailand were assembled to present their experiences and to explain their welfare projects in a discussion. The Welfare Minister was also there, to learn a thing or two about how to design a welfare program for the elderly poor - a program which doesn't treat Thailand's elderly poor citizens as useless beggers in need of welfare assistance, but which allows them to work together actively, and with dignity, as senior "assets" in their communities.

Elderly Welfare Fund facts :

- **Total budget :** 80 million Baht
- **Total projects :** 66 projects
- **Total grants :** 67 million Baht
- **Benefeciaries :** Poor and elderly groups in 74 out of 76 provinces in Thailand.
- **How it's used :** In most projects, the groups decided to divide the provincial grants into three parts: a small part to support elderly people's activities, a small part for welfare grants, and a BIG part for a revolving loan fund. Many groups have successfully used their provincial fund to leverage more resources from local administrations and the Welfare Department.

3. SOUTH AFRICA

uTshani Fund

- **Started :** 1994
- **Total capital in fund :** 59 million Rand (US$ 5.1 million)
- **Source of capital :** South African Homeless Peoples Federation contribution (2%), government grants (25%), local and overseas donors and banks (51%), interest earned on loans (23%).
- **Purpose of loans :** Land purchase, housing, infrastructure, income generation, bridge financing for government housing subsidies .
- **Interest charged :** 12% annually (for housing and land purchase), 24% annually (for income generation)
- **Loans disbursed :** 60 million Rand (US$ 5.1 million)
- **Loans repaid :** 24 million Rand (US$ 2.03 million)
- **Total Beneficiaries :** 9,870 households
- **How it works :** Regional Federation bodies propose loans after community savings schemes put forward their members' loan proposals. Savings schemes prepare their own affordability assessments and building plans. If region approves, and agreed-upon procedures have been followed (transparency, etc), then uTshani Fund issues loans. Bulk loans are made to savings groups, which distribute the funds in the form of building materials, and manage accounting and repayment.
- **Operational costs :** It costs about 1 million Rand to run the uTshani Fund each year, of which about two-thirds goes into administration and staff (which includes federation-member field workers), and one-third supports federation training and networking. These expenses are covered by a 1% running cost levied on federation-channeled subsidies, and grants from overseas donors.

People-driven shelter in South Africa :

Using flexible, innovative housing finance to help demonstrate that when people do it, it's cheaper, better and reaches the poorest . . .

The South African Homeless Peoples' Federation (SAHPF) and its NGO partner, People's Dialogue on Land and Shelter, founded the uTshani Fund in 1994. The Fund was capitalised by small amounts of donor funding that were used for demonstration loans. These experiences were quickly leveraged into a substantial capital injection by the new democratic South African government (1996). However, subsequent capital contributions have been made by donors, principally European NGOs and bilateral agencies.

The uTshani Fund gives group loans for housing, land, infrastructure and income generation. About 90% of borrowers are women, most are shack-dwellers. Loans are only given to Federation members, which is one reason uTshani is able to operate outside of normal banking laws. The fund also serves as a conduit for the ANC government's national housing subsidy program. Bridging loans are given, up to a ceiling of Rand 10,000 per household, which are recovered when the subsidies come through. The uTshani Fund was established for three reasons:

- **To make finance available to the poorest :** There was (and still is) no other source of affordable, accessible housing finance for the very poor. The uTshani Fund was set up to respond to Federation members' desperate need for better housing.
- **To mainstream people-driven development :** SAHPF and People's Dialogue wanted to demonstrate the effectiveness of people-driven housing, particularly in the context of the new democratic government in South Africa, hoping that the government would mainstream the grassroots systems that were being pioneered.
- **To make room for innovation :** The experimental fund offers room for the Federation and People's Dialogue to innovate without being dominated by donor priorities and restrictions.

Loans from the uTshani Fund are secured only by borrowers participation in local savings schemes - a condition of Federation membership. There is no formal collateral or legal security requirement. Daily savings is required as a part of savings scheme membership, and no fixed amounts are required. Loan repayments have mostly been made monthly, although recently there has been an effort to encourage daily loan repayments. Like all Federation activities, horizontal learning via exchange programs is a constant feature of uTshani systems.

Strengths: uTshani Fund is genuinely people-driven, empowering, and women-focused. It is cost-effective compared to private sector housing finance and delivery mechanisms (*see box below*). Most importantly, it reaches beneficiaries ignored by commercial banks and contractor driven housing schemes in South Africa. It has been a unique learning experiment, and has played an important role in spearheading similar community fund initiatives in the SDI network, particularly in Africa.

How investments in people multiply :

1 Overall assets created . . .

People's Dialogue has received R79 million Rand (up to the end of 2000) on behalf of the Federation (R31 million for community process support, R48 million as uTshani capital). These "investments" have created assets which include the present and future value of community savings funds, the market value of houses that have been built (over and above the subsidies received) and the future value of the loan fund. Taking a very conservative view and figuring in only those assets which can be easily quantified, this R79 million investment (US$ 6.8 million) has generated a present value of R540 million (US$ 47 million)! That means that in just 8 years, the uTshani process has created assets worth SEVEN times the value of the fund's original investment - all of which is in the pockets of South Africa's poorest urban citizens.

2 Housing assets created . . .

The overwhelming bulk of the "value added" as a result of Federation activity can be attributed to housing. In contrast to most privately-developed state housing in South Africa, a Federation house is worth 3 - 5 times more than the resources put into it (based on offers from potential buyers) because of free labor, bulk materials buying, recycling shack materials and collective construction and quality control. Families that have secured houses through Federation membership have received assets that will benefit them for years to come. Also, though only 9,870 families have taken uTshani loans to buy land and build houses (or got their subsidies through uTshani), the process has created opportunities whereby another 20,000 very poor people have secured land, by stimulating them to come together, organize, strategize and negotiate access or purchase land.

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uTshani is the Zulu word for "grassroots" and that's where the 1,500 autonomous savings schemes of the South African Homeless Peoples Federation have drawn the resources, the skills, the persistance and the courage to build over 10,000 houses for some of South Africa's poorest citizens.

Subsidy and entitlement troubles :

A people's movement struggles with some built-in contradictions

UTshani Fund has experienced problems that are rooted in more fundamental contradictions in South Africa. Simply put, uTshani Fund is supposed to be a bridging finance mechanism for the national housing subsidy, an entitlement for all low-income South Africans who have never had a 'formal' house. In practice, the Federation and People's Dialogue have been much more successful in mobilising low-income households to take up housing opportunities via the uTshani Fund than in recovering subsidies. Encouraged by their own success and to an extent even by government, Federation members have been quick to take Utshani loans and build houses, but government has been slow to approve and release the subsidies that would retire these loans. *Some subsidies are still outstanding after five years.* Many Federation members, who justifiably expected these loans to be retired by subsidy releases, stopped repaying their uTshani loans in frustration. This combination of slow subsidy recovery and poor loan repayment led to major cash flow problems for the Fund in 2000-01. The table below illustrates the gap between loans given and subsidies received.

The South African government is now uTshani Fund's main debtor, with over 32 million Rand in subsidies outstanding. By contrast, Federation members currently owe uTshani only 8 million Rand.

Part of the problem has been that the South African subsidy system is poorly designed. Its processes are set up for private developers rather than a people's housing process, particularly with respect to land for new development. Budget allocations for housing subsidies are also declining. This has meant that provincial governments tend to drag their feet on Federation subsidy applications – partly because many of the houses are already built, courtesy of the uTshani Fund.

A related problem for a people's organisation is that the Federation has tended to place a higher value on mobilising new members and issuing uTshani loans than on building strong savings schemes able to manage repayments. Without solid grassroots organisations, the Federation has been slow to appreciate and react to the government's failure to make good on its subsidy obligations. This tendency has been encouraged by uTshani Fund's willingness to keep releasing loans even in the face of poor loan recovery.

The gap between uTshani loans given and subsidies received :

Province	*Houses built*	*Total Loans given*	*Subsidies to be given*	*Subsidy funds received (as a % of total loans given)*
Eastern Cape	848	R 4,987,514	R 1,741,979	35%
Free State	306	R 2,073,147	R 695,800	34%
Gauteng	1,025	R 9,579,187	R 0	0%
KwaZulu-Natal	2,085	R 18,575,408	R 1,049,750	6%
Mpumalanga	60	R 582,084	R 0	0%
North West	290	R 1,555,433	R 602,700	39%
Western Cape	2,674	R 18,628,139	R 8,217,861	44%
TOTAL	**7,261**	**R 55,980,912**	**R 12,308,090**	**22%**

Five lessons :

In response, People's Dialogue and the Federation have embarked on a wide-ranging process of internal restructuring. Grassroots leaders have discussed the fund's activities and how practices can be improved. Federation members across the country have been involved in considering what they want from uTshani and how it can help them address their needs. During this process, certain key lessons have been embedded in new lending practices:

1 LESSON: In a housing subsidy environment, a revolving fund must be clear about its role, when one of its goals is to build a strong social movement of the poor. It must not confuse the wish to meet immediate housing needs with the goal of supporting a people's organisation to obtain resources from the state for the poor. uTshani bridging loans will now only be disbursed when subsidies are expected soon. Non-subsidy loans are to be for smaller amounts to support incremental housing.

2 LESSON: Fixed loan amounts (R10,000) for fully built houses encourage the Federation to target households who can afford to *'keep up with the Joneses'* by adding their own individual savings and building 3 or 4 room houses. This may exclude the very poor. Decision: uTshani's focus to be on small loans for incremental housing.

3 LESSON: It's tempting for leaders of a people's shelter movement like SAHPF to mobilise new members with promises of housing loans. But this contradicts the Federation's goal to mobilise people to gain access to their entitlements – in this case, the housing subsidy. So, decisions about loans are now to be mediated by grassroots fieldworkers who will ensure that proper procedures are followed and that ordinary members take the lead in initiating loan applications. More generally, uTshani is to be given a degree of independence from the 'mobilising' functions of the Federation.

4 LESSON: Access to land is the single most important issue facing the urban poor. Decision: uTshani will focus on using its resources to get land for development by the Federation.

5 LESSON: uTshani Fund's first eight years show there's no substitute for a revolving fund controlled by a poor people's organisation. Had donor considerations or professional microfinance experts dominated its formative years, the fund would not have created so many assets in the form of houses and community revolving funds. It's also unlikely the Federation would have learned any useful lessons for itself or its partners in SDI from the problems it has faced. The independence and freedom to experiment have led to a different balance sheet from conventional micro-finance programs, which would have stressed on high levels of repayment and creating a viable financial institution. But they would have done less to multiply the assets of the very poor and would not have been interested in supporting learning and knowledge development with grassroots organizations like SAHPF. South Africa's savings schemes know that uTshani Fund is ready to help them address their needs and their agenda for the 21st century.

FUND DONORS :

Some long term friends among Northern donors :

Just as community development funds are long term propositions, so too have the relationships between several donor organizations and these funds been very long term. A few deserve special mention who have worked to provide the urban poor with the funds necessary to learn, experiment and build relationships, with the understanding that solutions have to be driven from below, rather than by professionals who believe they have the answer.

Misereor : which has provided both start-up and continuing funds in South Africa, India and Cambodia, and funding support to many other emerging SDI community networks throughout Asia and southern Africa. This has never been a matter of simply signing cheques, but of actively seeking out committed people in these various countries and bringing them together in the very early stages of these movements, so that they could learn from each other and start creating the international linkages which have built the ACHR and SDI networks.

Homeless International : for it's long-standing support for the Indian and Cambodian processes, its exploration of some of the first international exchanges, and its hard work to supply grants to support these projects and stock these community funds of several other of the groups in the ACHR and SDI networks. Homeless International has also worked closely with groups in India, Zimbabwe, Cambodia and Thailand to study gaps in housing finance for the poor, and explore ways of plugging those gaps with innovative new bridge-financing and guarantee arrangements.

Selavip Foundation : with its continued willingness to back initiatives that are a priority to groups of the urban poor, with flexible, ready assistance. Father Anzorena's Selavip Newsletter has also played a major role in opening up the ideas and experiences behind most of these community development funds to the wider development audience.

CordAid and DFID : for their continuing support for start-up and on-going community processes and community funds in several SDI countries, both directly and through the auspices of ACHR.

11 Community Development Funds :

		Started	*Total capital in fund*	*Source of funds*
1	**Pakistan - OCT / RDT**	1987	**Rupees 65 million (US$ 1.1 million)**	Bank loans, government loans, donor funds, Infaq Founda- tion (local).
2	**Thailand - CODI**	1992	**2,890 million Baht (US$ 64.2 million)**	Government of Thailand, Japanese OECF
3	**South Africa - uTshani Fund**	1994	**59 million Rand (US$ 5.1 million)**	Federation contribution, government grants, local / overse banks and donors
4	**Cambodia - UPDF**	1998	**Riels 1.4 billion (US$ 365,000)**	Federation contributio Municipality grant, Pri Minister's monthly gra donor funds.
5	**Zimbabwe - Gungano Fund**	1998	**Zim$ 12.1 million (US$ 242,000)**	Federation member savings, loan from S. Federation, donor grants.
6	**Namibia - Twahangana Fund**	1995	**N$ 2.4 million (US$ 300,000)**	Government grants, donor grants, loans from Namibia's "Buil Together" program
7	**India - Nirman**	1999	**Rs 319 million (US$ 6.5 million)**	Donor grants, bank loans, and governme RMK loan funds
8	**Philippines - PUPDF**	2000	**Pesos 85 million (US$ 1.7 million)**	Homeless Federation contribution, founda tion loans, governme and donor grants
9	**Lao PDR - Pak Ngum Fund**	2000	**48.6 million Kip (US$ 5,400)**	Donor funds (via ACH
10	**Vietnam - 5 City Funds**	2001	**1.05 billion Dong (US$ 70,000)**	Donor funds (via ACHR), UNCHS/UNDF Provincial Cities Proj
11	**Sri Lanka - Sakasuru Fund**	2002	**Rs 1 million (US$ 11,100)**	IYHS prize money to Sevanatha, donor fu

	Purpose of loans	*Interest rates charged (per annum)*	*Beneficiaries (Cumulative)*	*Loans disbursed (Cumulative)*	*Loans repaid (Cumulative)*	*How the fund works*
-	income generation loans to urban entrepreneurs, rural producers and women entrepreneurs	**15% - 18%** (prevailing commercial bank rates)	**10,149**	**Rupees 143 million (US$ 2.2 million)**	**Rupees 212 million (US$ 3.35 million)**	OCT and OPP-RDT make loans directly to individuals, and increasingly through bulk loans to NGOs, community organizations, trade associations and farmers collectives, which then on-lend and manage selection of borrowers and collection of repayments. Loans only to established small entrepreneurs. OCT's operational expenses are kept very low (about 4% of loans disbursed).
	Housing, income gen., infrastructure, community enterprise, revolving fund, bulk loans to networks.	**8%** Housing, income gen. **4%** community enterprise and bulk network loans **1%** crisis and revival loans	**2.38 million**	**1,503 million Baht (US$ 33.4 million)**	**Baht 427 million (US$ 9.5 million)**	CODI makes bulk loans and grants, from a variety of funds, to savings groups, communities, community networks and provincial networks, which on-lend to communities and individuals and manage loans and repayments. A national community advisory committee of 25 senior community leaders guides the organization's policies and projects. Community leaders on board.
as	Land, housing, infrastructure, income generation, bridge financing for subsidies	**12%** (land and housing) **24%** (income generation)	**9,870**	**60 million Rand (US$ 5.1 million)**	**24 million Rand (US$ 2.03 million)**	uTshani Fund is owned by the South African Homeless People's Federation. Makes bulk housing and infrastructure loans to community savings groups, which on-lend to members and manage accounting and repayments. Loan proposals from savings schemes go through a regional process to help refine them and assure they are prepared in a democratic, transparent way.
n, me nt,	Housing, income generation, infrastructure, food production, emergencies.	**8%** housing and livelihood **4%** (bulk loans to district federations which on-lend at **6% - 12%**)	**2,389**	**Riels 1.4 billion (US$ 368,757)**	**Riels 347 million (US$ 90,750)**	The Urban Poor Development Fund is governed by a mixed board (which includes a majority of representatives from the Solidarity for the Urban Poor Federation) which sets policies and approves bulk loans to communities and district federations, which manage collection and repayment to UPDF. Loan consideration and disbursal is increasingly being decentralized to the districts.
A.	Housing, land purchase, income generation	**15%** (housing and land) **4% monthly** (income generation)	**2,762**	**Zim$ 4.9 million (US$ 98,000)**	**Zim$ 419,079 (US$ 8,400)**	The Gungano Fund belongs to the Zimbabwe Homeless People's Federation leaders and makes loans only to its members, and only to groups, which on-lend to their members and manage collection and repayments. The fund's board includes a majority of federation members, along with representatives from SDI and Dialogue on Shelter, the federation's NGO partner.
l	Housing, infrastructure, land purchase and income generation	**9%** (housing and land) **24%** (income generation)	**982**	**N$ 3.8 million (US$ 524,000)**	**N$ 626,000 (US$ 44,300)**	The Twahangana Fund belongs to the Shack Dwellers Federation of Namibia, who take all decisions about allocations and manage record-keeping and collection of repayments. Loans are only made to savings groups, not to individuals. A special federation loan team helps communities prepare loan applications, and over-all accounts are kept by the NGO Namibia Housing Action Group.
nt	Housing, infrastructure, income generation	**12%** (housing, infrastructure), **24%** (income generation, which includes 12% compulsory saving)	**141,012**	**Rs 255 million (US$ 5.7 million)**	**Rs 44 million (US$ 1 million)**	Nirman finances the housing, infrastructure and livelihood projects of the National Slum Dwellers Federation and Mahila Milan women's saving collectives. Loan requests come from local federations and decisions are made collectively, on the basis of local people's needs and the political and financial leveraging that can be gotten out of the process - and whether the money is available!
- nt	Housing, land purchase, infrastructure, income generation, bridge-financing for CMP	**18%** (income generation) **9%** (land and housing)	**3,707**	**Pesos 68 million (US$ 1.4 million)**	**Pesos 1.5 million (US$ 30,000)**	The Philippines Urban Poor Development Fund is divided into several autonomous city-based funds, which make loans to individuals and registered housing associations which are members of savings groups in the Philippines Homeless People's Federation. Each city federation determines how the funds will be used and manages collection and repayments.
IR)	Income generation, food production, education, welfare, health care, emergencies.	**18%** is charged on loans to networks, which on-lend to savings groups at **24% - 60%.**	**2,039**	**48.6 million Kip (US$ 5,400)**	**47.8 million Kip (US$ 5,300)**	The Pak Ngum Fund is managed entirely by a committee of representatives from the 30 village savings groups, which have organized themselves into 6 networks throughout Pak Ngum District. Bulk loans are made to networks, which on-lend to savings groups, which in turn on-lend to their members, according to rates, terms and procedures set collectively within each group.
ect	Income generation, community infrastructure improvements, house improvement.	*Interest rates vary between cities. Each city sets its own rates and terms for loans.*	**1,900**	*figures not available*	*figures not available*	The 5 City-level Community Development Funds are each managed by a mixed committee comprising a majority of poor community leaders and officials from various levels of local government, which set all the terms and loan policies for that city, and manage collection and repayment. Loans are made in batches through the community savings groups.
nds	Income generation, housing, infrastructure, bridge-financing for community contracts with municipalities	*Terms and interest rates not yet set.*	*Nobody just yet!*	*check back in a year*	*coming soon*	The fund will be managed and controlled by poor people, with only some administrative and facilitating inputs from NGOs. Loans will be made to members of savings groups, whose members contribute some amount as "share-holders" in the fund, and who will have a say in the funds policies. The systems for determining loan procedures are now being formulated by a core group of senior community leaders from several large community federations.

4. CAMBODIA

Urban Poor Development Fund

- **Started :** 1998
- **Total capital in fund :** Riels 1.4 Billion (US$ 365,000)
- **Source of capital :** Contribution from SUPF Federation, grant from Municipality of Phnom Penh, Prime Minister's monthly contribution, donors (Selavip, Homeless International, Misereor, Rausing, ACHR-TAP)
- **Purpose of loans :** Housing, income generation, environmental improvements, food production, emergencies.
- **Interest charged :** 8% annually (for housing and income generation loans), 4% annually (as bulk loans to district federations, which on-lend at 6 - 12%).
- **Loans disbursed :** Riels 1.6 billion (US$ 411,637)
- **Loans repaid :** Riels 353 million (US$ 90,463)
- **Total Beneficiaries :** 2,892 households
- **How it works :** UPDF makes housing and food production loans directly to communities, after a consideration process by the district units of the UPDF's CBO partner, the Solidarity and Urban Poor Federation, which manages collection and repayment of loans. UPDF also makes bulk loans for income generation and grants for infrastructure projects to the federation's district units, which on-lend to communities, which in turn on-lend to individuals. 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 :** The budget for all of UPDF's administrative costs, staff salaries and development support activities are subsidized by a US$ 20,000 annual grant from ACHR (which includes donor funds from Homeless International, Misereor and ACHR-TAP).

Starting from scratch in Phnom Penh :

Using a small, flexible development fund strategically to help rebuild a people's process in a context where people have been broken . . .

The *Urban Poor Development Fund* was set up in March, 1998 as a joint venture of the *Solidarity and Urban Poor Federation (SUPF)*, the *Municipality of Phnom Penh* and *ACHR*. The idea was to create a revolving fund to provide affordable credit to poor communities for housing and income generation, through their savings groups and federations, and the fund was specifically set up at that time to help find an alternative solution to an eviction situation. The fund is managed by a "mixed" governing board (which includes a majority of community leaders, and representatives from the Municipality, ACHR, other NGOs and other local and international development agencies) and a small development support staff, with as little bureaucracy and as much flexibility as possible.

UPDF's task is 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 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.

It's hard to imagine a more difficult context than the one in which UPDF operates. Decades of war, political upheaval and unspeakable hardship have torn communities apart in Cambodia, scattered people across the country, obliterated their links with the past and almost halved the population by starvation, disease and killing. It is heavy stuff, and its ripples in Phnom Penh's poor communities still make concepts of trust, hope and self-reliance extremely tricky. As the country gets back on its feet, and money pours into it's capital city's free-wheeling economy, poor migrants from the provinces are drawn to the city for jobs in the new factories, on the construction sites and in the burgeoning service and tourism sectors. For the poor, Phnom Penh is a city of hope and opportunity, but when it comes to finding decent, affordable places to live, most have no option but to build shacks in the city's 500 informal settlements on open land, and along roadsides, railway tracks, canals and rivers, where conditions are unhealthy and insecure.

Cambodia, unlike its neighbors Thailand and Vietnam, still has no formal support systems for the poor: no housing board, no ministry of housing, no legislative mechanisms for regularizing informal settlements, no government programs to provide basic services or to support people's efforts to improve conditions in their settlements. There is no housing finance to any sector - poor or middle class. And the municipality, which has been overburdened with challenges such as flood control, crime and economic development, has been unable to respond to the needs of the city's growing poor population. On the other hand, because the country has for so long been considered one of the world's development basket cases, it has been bombarded with so many international agencies and so much development aid, which intervenes in virtually every conceivable sector of the country's development and governance. All this expertise and all this aid money has certainly done a lot of good things for Cambodia, but it has also left the whole country - the urban poor included - in the begging mode, waiting for hand-outs instead of finding space for their own organizations and their own solutions to evolve.

A process born in collaboration . . .

Since 1993, a close network of ACHR groups in India, Thailand and Philippines have been assisting poor communities in Phnom Penh to organize themselves and take control of their own development. These efforts have drawn on experiences and borrowed tools from several prominent grassroots-driven processes around the Asia region: community enumeration, settlement mapping, model houses, savings and credit, exposure visits to see community-driven initiatives in other countries. All these activities were new to Cambodia, and it was trial and error. Some things caught on, though, and in 1994, the *Solidarity for the Urban Poor Federation* was established. SUPF is a large-scale people's organization, working in about half the city's 500 poor settlements, helping people come together, pool their own resources and work out their own solutions to problems of tenure, housing, basic services and employment. Partnership with SUPF has been one of the critical elements in the evolution of UPDF. There were experiments injecting a little external capital in those first savings groups, to help them draw in more members and make more loans, but these stabs at setting up a "fund" ran into problems of leadership and accountability and floundered. But the idea of a fund to provide a support system for this growing poor people's movement didn't go away.

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Two of the region's resource people, with different experiences of community funds, have poured their ideas, energy and hearts into the UPDF: Jockin Arputham (Indian National Slum Dwellers Federation) and Somsook Boonyabancha (CODI). In the following three pages, Somsook gives us a guided tour of the milestones in UPDF's evolution . . .

"Moving in the right direction better"

If it is used judiciously, a community fund can be a flexible but powerful form of intervention, and can help build a strong community process even in a situation like Cambodia's, where so much has been broken, and where there is a chronic shortage of indigenous professionals, social workers or intermediaries to help support and balance such a process. If we read the politics and the relationships correctly, we can use this fund strategically, in ways which allow the people to move in the right direction, better. How? You can set conditions for using the fund which make people come and work together, make decisions and compromises together. And depending on how you set those conditions, you can encourage this working together to happen in individual communities, or in groups of communities, or across the whole city.

1 Using the fund to promote a people-driven housing model . . .

LOANS FOR HOUSING : The UPDF came into existence in response to an urgent need for housing finance, when 129 families in the roadside settlement at Toul Svay Prey found themselves threatened with eviction, to make way for a municipal drainage project. After some exposure trips to India and some negotiations between the community leaders, the municipality and the community's enthusiastic District Chief, it was agreed that the people would find land and build a new community.

The project made a strategic first case for the UPDF because of the collaboration it involved. The new land was chosen by the community, purchased by the Municipality and developed by the UNCHS Project, according to layout plans the community drew up with young architects from the *Urban Resource Center*. The District Chief helped negotiate, UPDF provided loans, the community built their own houses and SUPF turned each step of the process into training for communities in the city. Each family borrowed $400, which was enough to build the basic brick *core house* the people developed with the URC. The community's savings group manages loan repayments, which are collected daily, weekly or monthly, depending on people's earning, with 20% of the repayment going into mandatory saving, as a pad against any repayment problems. The community then repays UPDF monthly. The project was training for everyone involved, and was the city's first chance to see how effectively communities can plan and undertake a voluntary resettlement process which works for everyone.

The availability of housing loans was one of the key factors in persuading the municipality to give land and the UNCHS to provide infrastructure. So with housing loans available, there's no reason why we couldn't put all these collaborative elements together again in other projects. To borrow architect's language, with these first housing loans, *the function determined the form* of what UPDF was about. From day one, we all agreed that UPDF would only work if the people feel the UPDF is *their* resource, and if they are involved in it fully, and so when UPDF was officially set up, SUPF's $3,000 contribution made them the first share-holders in the fund, and SUPF representatives sat on the UPDF board.

The Municipality was quick to see this collaborative housing process as being a convenient supplement to their own development plans for the city of Phnom Penh. In December 1999, a second batch of loans were made to families being relocated at Toul Sambo, a government resettlement colony 24 kilometres outside the city. Toul Sambo was nobody's idea of a glorious second case for UPDF, being so far from the city and so short on community participation. Nobody was keen to move there, but when federation members from several inner-city communities were evicted, they had little choice but to take up the city's offer of *free resettlement plots* out there at Toul Sambo, where living conditions were pretty bad. UPDF responded to their need with small housing loans of $200 - $400, which the families decided repay in daily installments of 1,000 Riels (US 25 cents). Housing loans for several more communities undergoing relocation followed on the heels of Toul Sambo.

Housing loans from UPDF :

- **Total housing loans disbursed : Riels 252 million?? (US$ 221,900)**
- **Number of beneficiaries : 646 families in 6 communities**
- **Average Loan size : Riels 1.5 million (US$ 400)**
- **Interest rate : 8% annually**
- **Loan term : 5 years**
- **Amount repaid to date : Riels 76 million (US$ 20,000)**
- **Loans : Housing loans are not made to individuals, only to communities, which are responsible for collecting individual loan repayments, dealing with defaults and bringing the monthly bulk loan repayment to UPDF.**

2 Using the fund to help decentralize the federation process . . .

LOAN APPROVAL THROUGH DISTRICTS : In 1999, SUPF found itself increasingly bogged down in federation politics: savings groups were slumping, the community leadership was stuck, there were lots rumors of corruption, and the whole federation process was in danger of becoming a bottleneck rather than a bridge to resources and other actors. This lead to idea of decentralizing the federation into more autonomous, *khan units* in each of the city's seven districts (*khans*). These *khan unit*s had their own committees of savings group leaders, and could now work more closely on issues facing communities within that district. This process opened up a lot of room for new leaders and new initiatives from within the federation. There was no longer a central committee holding budgets and making all the decisions, and the city federation became a loose platform for sharing ideas. UPDF decided to help strengthen these *khan units* by bringing them into the loan management process – informally at first and later more structurally. It was agreed that loan requests would come through a process of discussion and evaluation in the *khan units* before being approved by the UPDF board, giving the *khan units* responsibility for taking an active role in helping facilitate whatever projects were approved within their districts. In some of the early housing projects, community leaders in the *khan units* actually signed the loan contracts, as guarantors. In these ways, the relationships between actors in the project process were somewhat formalized in a contract. These kinds of formalities may seem insignificant, but they represent a ceremonial translation of the social processes which bind people together, rather than a legal process.

3 Using the fund to get people to organize . . .

LOANS FOR FERMENTING FISH : The UPDF's third loan took a detour from house-building into the pungent realm of fermented fish. Through SUPF's active women's group in Roessei Keo District, 356 families in 19 riverside communities took loans to purchase the silver *riel fish*, earthen crocks and equipment necessary to make *prahok*, the popular Khmer-style fermented fish. In six or eight months, the fully ripe *prahok* comes out of the crocks and goes to market. The loans were scheduled to match this cycle: during the fermentation, families paid only the interest, and when the *prahok* was sold, repaid the loans in full. The 1999 - 2000 *prahok* loans were such a success (100% repayment!) that proposals for second and third loans were approved and disbursed in subsequent *prahok* seasons.

When the idea came to UPDF, everybody saw an attractive loan proposition: the objective was clear, the simple procedures for making *prahok* were all known, the market was assured, the term was short and returns on the investment were guaranteed. But instead of simply giving income generation loans to individual families, we proposed a district-wide process in which the women set up a special committee to survey all the families involved in the *prahok* business. *Prahok* became a tool for linking communities in the district and strengthening the community process. The District Chief, who had joined SUPF leaders on exposure visits to Thailand and India, was supportive of the process sat on the committee.

Every year, when the district gathers all the *prahok*-making into a joint loan proposal, the bottom line is always *very high* - $50,000 or $60,000 - since so many people are vieing for this opportunity. And every year, we play tough and impose ceilings that are well below the amount being proposed - $20,000 or 30,000. And every year it's very painful for committee members who have worked so hard and had so many meetings!

The importance of ceilings : If you don't have ceilings, people will start looking at UPDF loans as an entitlement – a thing they have a right to - and grab as much as they can, instead of seeing UPDF as a communal (but limited) resource which has to be shared. Lowish ceilings force people to talk with each other, set priorities, compromise, negotiate who to pick, who to reject, how much to give. All this work is a potent community-process strengthener, and brings out all kinds of creativity in the process. Loan ceilings have been one of the key elements in UPDF's strategy for building a people's process in Cambodia. We apply the same technique with housing loans to *individuals* as with loans to *groups*. In each case so far, people started off asking for very big loans of $1,000, which they'd have a hard time repaying. The UPDF Board pushed these proposals down too, with ceilings of $400 (later $500) per family. This ceiling makes people think a lot harder: how to economize, recycle, find other resources and use this $400 to make as good a house as possible.

Fish loans in Roessei Keo :

- **Total fish loans disbursed : Riels 485 million (US$ 126,147)**
- **Number of beneficiaries : 1,064 families in 61 communities**
- **Average Loan size : Riels 450,000 (US$ 120)**
- **Interest rate : 8% annually**
- **Loan term : 1 year**
- **Amount repaid : Riels 251 million (US$ 66,000)**

4 Using the fund to break the isolation of individual communities . . .

LOANS TO DISTRICTS FOR INCOME GENERATION : The need for credit by small entrepreneurs in Phnom Penh is huge, and after the implementation of the fish loans, SUPF members in other districts were clamoring for their share of the UPDF kitty. The big question was how to open up the fund for income generation loans in a way that would allow large numbers of people to benefit, but would also create a new system in which communities work as a group, rather than in isolation. The experiment began in May 2000: each of the federation's seven *khan units* were invited to propose income-generation loans up to a ceiling of $ 5,000 per district. Loans would be issued to each district to help establish a revolving fund, from which savings groups could borrow, to on-lend to their members in short-term income generation loans.

Each *khan unit* had to open a joint bank account to receive these loans, and in which some of the each group's communal savings would be kept - it was up to them to decide how much stays in the communities and how much in the district account. Then, when people took loans from this district revolving fund, they'd partly be borrowing from their own communal savings, and partly from the UPDF capital. Needless to say, this was not an easy process! People who barely trusted the others in their own community were now being asked to trust all the other communities in their district!

The power of a little outside money can really help get things going, even if it's not very much money. When people know an outside resource like this is available to them, it works as an incentive to pull them together to work as a group. And because they are the ones setting the systems and making the decisions – not professionals or bankers - they're free to do it in ways that fit their needs and suit their realities.

It took three months of hard work and three big public workshops to get these district loan funds off the ground. Each district made its own survey, gathered all their loan requests together and presented their proposal to the UPDF board in these big, public meetings, with all the other districts sitting there. Each district was left to devise its own systems for managing the loan and repayment process, setting interest rates and loan terms, and deciding how the members, savings groups and the district would interact. Don Penh District, for example, charges borrowers 12% annual interest, which includes the 4% which goes back to UPDF, 4% to subsidize the *khan unit's* administrative costs, 2% to the community's savings fund, and 2% to keep in the district fund for emergencies.

Checks and balances: There are always problems in people's processes when leaders start getting dictatorial or somebody grabs the power or the money. In order to help the loan system balance handle these problems, we added two conditions. First, the loans are made in two installments, and the *khan unit* can only get the second installment after making a full, public report on the performance of the first batch of loans. Second, the *khan unit* has to present its loan application by their district's *Community Development Management Council (CDMC)*, as another horizontal check mechanism, another layer of social control.

Income generation loans :

How it works : The $5,000 is a loan from UPDF made to the "khan unit" at 4% interest which has to be repaid in 3 years. The khan unit on-lends to community savings groups in the district, which the make loans to individual borrowers at interest rates of about 12%. The idea is that the district and the community can both add a small margin on top of the 4% to support their development activities and to increase their collective loan funds. All the loans are for income generation projects, most are short term, so the community groups can revolve the money several times during the 3 years. Each district sets its own system for managing loan selection and repayment.

5 Using the fund to seed other partnerships . . .

GRANTS FOR COMMUNITY INFRASTRUCTURE IMPROVEMENTS : UPDF's environment-improvement grants were another pitch to boost the federation process. First each *khan unit* carried out a survey of environmental problems in settlements in the district, then helped the communities work up simple project plans for constructing toilets, pumps, wells, sewers, walkways, water supply, up to a ceiling of \$700 per project. When all seven districts presented their projects in the meeting, it added up to tens of thousands of dollars! So as with the income generation loans, we pushed it down with a ceiling. This time there was no district ceiling, but there was a \$13,000 ceiling for the *whole city*, which got the seven districts to work together. So they had to go back, adjust, economize, negotiate and work together as a whole city to prioritize the projects into three categories: *"most urgent", "less urgent"* and *"can do later."*

Work began with the *"most urgent"* projects, the money was released and within six weeks, the first 22 projects were completed. The people did all the work themselves, contributing their own labor, materials and cash. When the other communities asked for money to start doing their *"less urgent"* projects, there was a discussion that if UPDF simply continued to finance these projects, outside the system, it would be find, but there would be *no change*. Now we've had this experience, which demonstrates that people can make their own community improvements better, cheaper, faster and more appropriately than the formal system, why not go to the UNCHS project, which has millions of dollars specifically for this purpose, show them this new way of doing it, and ask them to fund the other projects?

So everybody turned and marched with their proposals to UNCHS, which after several meetings, was persuaded to grant \$40,000 for the next set of projects. You can't just tell people to fight for something they don't know about yet. First they have to have a concrete experience like this, which shows them that this is the way to do it, and which gives them the confidence to do what they *know* they can do. These first environmental improvement grants helped make that happen.

Environmental Grants :

- **Total grants disbursed (220 projects): Riels 485 million (US\$ 126,147)**
- **Total beneficiaries (first phase) : 1,560 households in 20 communities**
- **Average project cost : Riels 2.3 million (US\$ 600)**

6 Using the fund to build a community where there was none . . .

LOANS FOR FOOD PRODUCTION : UPDF's most recent loans are a response to the urgent needs of hundreds of families who have lost their houses, belongings, jobs and support systems in a series of catastrophic fires which destroyed their inner-city settlements recently and triggered large-scale evictions of informal communities. Most had no choice but to accept the government's offer of unserviced plots in large relocation colonies outside the city, where they are now struggling to survive in bad conditions. People urgently need to produce food, to feed themselves and to sell for income, and both SUPF and UPDF have been looking for ways to help. A set of food-production projects were quickly gathered, budgeted and submitted to the UPDF board, which included a wide variety of pig and chicken raising, vegetable gardening and fish farming, all involving different amounts of money and different loan terms, and added up to a hefty \$30,000. Here were the same problems with individual loans as with the earlier income generation loans, in which loans will become something people feel they have a right to, rather than something which comes from a very limited resource which belongs to them, but has to be shared.

So instead of making individual loans, which would be impossible for UPDF to manage, we decided to make bulk loans as a revolving fund to the communities, and then let them hold meetings, carry out surveys and go into all the complications of setting up their own collective system for giving and managing small loans for food production projects. We proposed a loan ceiling of \$3,000 per community to start, with very flexible repayment conditions which give the community room to develop their system and to use this loan as their own revolving fund. The ceiling is very small, given the scale of need in these resettlement colonies, but it's a start. Besides boosting food production and incomes, this loan mechanism uses something they all need as a mechanism to get to know each other, work together and start working out their own self-support system. And in this process, they are building up a community out there, in very difficult circumstances, where scattered people from around the city have been dumped, and where no *real community* yet exists.

Food production loans :

How it works : Bulk loans of up to \$3,000 are made to each community, at 4%, on a 5 year term with a 1-year grace period (during which only interest is due) with half-yearly repayments. Communities then work out their own terms and systems for on-lending to families for their food production projects.

Some grand totals on UPDF credit

		Total loans disbursed	Number of households / communities benefitting		Average loan	Interest (Annual)	Loan term	Amount repaid
1.	Housing and land loans	US\$ 253,756	734	(7 communities)	US\$ 346	8%	5 years	US\$ 19,453
2.	Fish loans	US\$ 126,147	1,064	(61 communities)	US\$ 120	8%	1 year	US\$ 66,082
3.	Income generation loans	US\$ 23,228	561	(59 communities)	US\$ 42	4%	3 years	US\$ 3,739
4.	Bank collapse loans	US\$ 2,024	208	(6 communities)	US\$ 10	—	1 year	US\$ 1,038
5.	Water supply loans	US\$ 482	23	(1 community)	US\$ 21	8%	1.5 years	US\$ 151
6.	Food production loans	US\$ 6,000	302	(2 communities)	US\$ 20	4%	5 years	--
	Totals:	**US\$ 411,637**	**2,892**	**(136 communities)**				**US\$ 90,463**

5. ZIMBABWE

Gungano Fund

- **Started :** 1998
- **Total capital in fund :** Zim$12.1 million (US$ 242,000)
- **Source of capital :** Federation members' savings, loan from South African Federation, Northern donors (Misereor, HI, Rausing and Selavip).
- **Purpose of loans :** Housing, land purchase, income generation.
- **Interest charged :** 15% annually (for land and housing), 4% monthly (for income generation).
- **Loans disbursed :** Z$1.8 million (housing), Z$3 million (land), Z$100,000 (income gen.). Total - Z$4.9 million (US$ 98,000)
- **Loans repaid :** Z$ 419,079 (US$ 8,400)
- **Beneficiaries :** 51 (housing), 2,671 (land), 40 (income generation) - Total 2,762 households.
- **How it works :** The fund belongs to the Zimbabwe Homeless People's Federation, and makes loans only to it's members, and only to groups. A fund committee comprising reps. from each city where the federation is active, along with NGO and SDI reps hasn't been operationalized yet, and decisions about loans so far have been made informally, on the basis of where federation groups have successfully negotiated for land.
- **Operational costs :** A margin for administrative expenses is built into the fund through a system of small, monthly federation contributions, but as long as Zimbabwe's economic upheaval continues, admin. costs have been met by Dialogue on Shelter, the federation's NGO partner, from their program budget (donor funds, mainly): Z$125,000 (US$ 2,500) so far.
- **Exchange rate :** Z$50 = US$1 (official rate we use here), Z$300 = US$1 ("parallel" rate).

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This fund's roots are in people's savings :

Gungano is the *Shona* word for *"gathering"* and is descriptive of the way the *Zimbabwe Homeless People's Federation* and it's capital fund work. In Zimbabwe (*as in Namibia, see next page...*) people started first with daily savings groups, which gathered poor community members together and gave them a means of taking care of their immediate needs by taking small loans from their communal savings. Next they began to save for housing, which gathered enough resources to begin negotiating for land. Part of these savings were then gathered into a separate common fund, and that was the beginning of the Gungano Fund. External resources came later, and the first came not from donors at all, but from the South African Homeless People's Federation, in the form of a long-term capital loan of 250,000 Rand (US$ 22,000) when the fund was officially launched. With this pool of capital, it becomes possible to go to donors and financial institutions and say, now come and match us. So Gungano is a fund that grew directly out of a poor people's federation savings process, and which belongs to the federation.

Originally, the idea of Gungano was to provide finance for the federation's housing projects and to leverage external capital to do this. More recently, after negotiations with local authorities around the country, the fund has also begun giving loans to purchase land. Because of delays in securing land, as well as a need for larger livelihood loans than the savings groups could afford to give, the federation decided to give income generation loans from Gungano (*see box below*). All loans - housing, land and income generation - are given to groups (not to individuals) which are responsible for on-lending to their members, collecting repayments and repaying Gungano. With housing loans, the group makes a contract with Gungano, and then makes contracts with all their members, who prepare cost estimates and income information, according to a system borrowed from South Africa's uTshani Fund. Loans of Z$50,000 - 100,000 per member are repayable in monthly payments of Z$1,500. But these figures change rapidly, given Zimbabwe's staggering inflation rates of 60 - 100%.

The country's economic situation has put the Gungano Fund in a bind, as building materials costs have skyrocketed, and the real value of loan repayments has plummeted. Making the fund "financially sustainable" in this context would mean charging astronomical interest rates to compensate for inflation, which would push monthly repayments far beyond the average household income of federation members of Z$1,000 (US$20). Under these conditions, it's not possible for Gungano be financially sustainable and to serve the poor at the same time. So the fund has been used more as a tool for leveraging land and resources, locally and internationally, and has enabled the federation to continue its housing and land tenure activities at a time of acute economic crisis and political instability.

But the crisis has also forced state institutions, which have no capacity whatsoever to act, to open up to the ideas of others, and this has given the urban poor opportunities they've been fighting for since independence in 1980. The federation has been quick to take them up, and has emphasized negotiating with councilors and officials to make land available for housing. The existence of the Gungano Fund has given them a powerful bargaining chip in these negotiations, by reassuring local authorities that the federation and it's member saving schemes are legitimate and serious partners, with which the local authorities can do business. As a result of persistent pressure from the federation, members in 10 cities have so far been given land for housing 2,671 families.

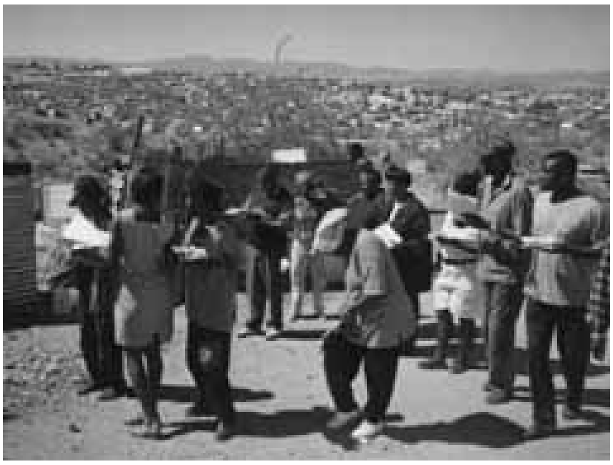
In Mbare, "it's hard not to be rich" . . .

Here is how a community group worked out a revolving loan system which works for them - first using only their own savings, then tapping the Gungano fund once their system was working, to scale it up. Women in the federation's Tatambura Savings scheme in Mbare had seen other groups in the federation mess up on income generation loans: people didn't repay, leaders took the loans, groups couldn't manage it, lots of problems. So they decided they wanted to create a successful income-generation loan model, to show how it could work. They called their program *"Its hard not to be rich."* They started first with their own savings money first, and created a mini-income generation fund, from which they gave 20 short-term group loans (2 months at 4% monthly interest) to women who would run individual enterprises, but work collectively to manage the loans and repayments. Mbare is Harare's inner-city market, and all these women had stalls already. There were four groups: one sold vegetables, another sold ropes, one made plastic bags from roofing sheets and the last made *"clay soil"* (a traditional mineral supplement for pregnant women). Each group bought their materials in bulk to stock their stalls, and repaid their loans weekly. Everyone repaid, and in the final accounting, these women got back double what they had borrowed at the end of two months. The next group was 40 people, and for these loans, they combined a loan from Gungano with their own savings to scale up this activity and the value of this resource. They are now in the third round of loans, and the program has been such a success that groups from South Africa have come to learn how to do this.

6. NAMIBIA

Twahangana Fund

- **Started :** 1995
- **Total capital in fund :** N$ 2.4 million (US$ 300,000)
- **Source of capital :** Government grants, international donor grants, loans from government's "Build Together" program.
- **Purpose of loans :** Housing, infrastructure, land purchase, income generation.
- **Interest charged :** Housing (9%, 11-year term), income gen. (24%, 1 year max. term)
- **Loans disbursed :** N$ 3.8 million (housing), N$440,000 (income generation) : *Total :* N$4.2 million (US$ 524,000)
- **Loans repaid :** N$ 325,000 (housing), N$ 300,000 (income generation) : *Total :* N$ 626,000 (US$ 78,200)
- **Beneficiaries :** 278 (housing), 704 (income generation). Total : 982 households
- **How it works :** The fund belongs to the Shack Dwellers Federation of Namibia - the network of 180 saving schemes in Namibia, which take all decisions about loan allocations and manage record-keeping and collection of repayments. A governing body of regional federation facilitators is responsible for the fund , saving schemes are recipients - They will give approval to the members of the saving scheme. A loan team from the federation will help make sure all the preparation work is done, (costing of houses, plans approved, members have secure tenure on land, regular savings amounting to 5% of loans amount available for security, etc.)
- **Operational costs :** Administration and book-keeping of the fund is done by the federation's NGO partner, Namibia Housing Action Group, and paid for out of their project budgets.



"A shack is not a house. Staying in a shack is not safe. If we live in a shack in Namibia, we consider ourselves homeless."

(Edith, federation leader.) With a N$15,000 loan, the federation can build a solid, 34 square meter cement-block core-house with two rooms and a bathroom. Compare that with developer houses of the same size, which fetch N$70,000 - 100,000.

Twahangana means "We are united" . . .

The Shack Dwellers Federation of Namibia is a national network of over 180 community savings and credit schemes, a third of which are in the sprawling informal settlements surrounding Windhoek, where about 17,000 families - half the city's population - live in extreme poverty, in shacks made of flattened oil drums, tin sheets and timber from packing crates. Besides Windhoek, the federation is active in about 70 towns and villages around the country, where poor communities have come together to develop collective solutions to problems of housing, land, basic services and income. The Twahangana Fund (*Twahangana* means *"We are united"* in the Oshiwambo language) belongs to the Shack Dwellers Federation and provides loans for housing and income generation to it's members, through their saving schemes. The contribution of the federation's activities has been recognized by the Minister of Housing, who agreed to add a million Namibian dollars to the fund on the strength of the impressive savings accumulated by federation groups.

The Twahangana loan application process is managed entirely by savings groups and the Federation, which sets the terms and procedures. There are constant exchanges between cities and between communities, in which experienced groups help familiarize newer groups with loan procedures, book-keeping techniques, and administration before loans are allocated. The fund has so far given loans mostly for housing and income generation. Housing loans of up to N$15,000 (US$ 1,875) per household are given only to groups, which prepare costings, organize the permissions and collectively manage the construction process and collect repayments from group members. Income generation loans are managed in a similar way, using the group system, in which individual borrowers make a contract with the group and the group makes a contract with the fund, so if somebody doesn't repay, the group has to cover it. As one federation member put it, *"The loan money is our money and not somebody else's. We have to look after it."*

The availability of housing loans from Twahangana, (as in Zimbabwe and South Africa) has given the federation a powerful bargaining chip in it's negotiations with the city for land, and for basic services. In Namibia, municipal land is often sold to squatters for the cost of developing the land, but when private construction firms are contracted to build the roads, water lines and sewers, it makes the land costs unaffordable to the poor. The federation has now negotiated with the city to test in 15 settlements another way of doing it, in which the city brings trunk infrastructure to the edge of the settlement, and people lay their own internal services, at a fraction of the cost. This pilot upgrading scheme is now taking place in 15 Windhoek settlements.

Partners in "Build Together" Fund :

The federation and NHAG have negotiated very hard with municipalities over the years to get access to the government's *Build Together Fund*, which is Namibia's main low-income housing finance instrument. The program has recently been decentralized, so the central government disburses grants for low-income housing to municipalities, which administer those funds according to procedures they set locally. In Windhoek, the municipality manages the scheme through a housing committee which now includes federation members, and several of the federation housing projects have been financed with Build Together funds, channeled through the Twahangana Fund. Here's what the Minister for Housing said : *"This is the easiest way for the municipality to handle Build Together funds because the Shack Dwellers Federation deals with individuals, collects the money and brings it back to the municipal coffers."* Of all the housing given by the Twahangana Fund, approximately one third were effectively bridging loans, as Build Together negotiations were in process with various local municipalities.

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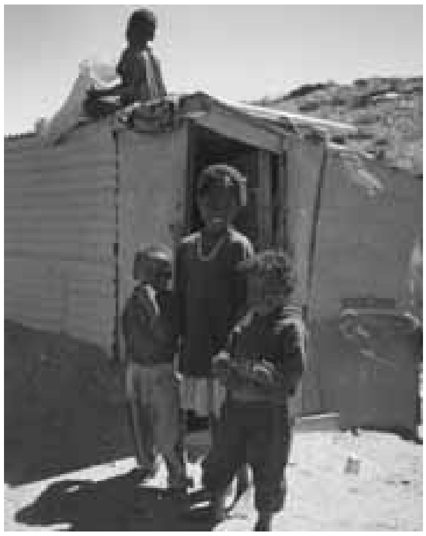


7. INDIA

SPARC Samudhaya Nirman Sahayak

- **Started :** 1999
- **Total capital in fund :** Rs 319 million (US$ 6.5 million)
- **Source of capital :** Donor grants from Misereor, Cordaid, Selavip, Homeless International; loans from HUDCO, Citibank, Rashtriya Mahila Khosh (government)
- **Purpose of loans :** Livelihood (income generation), housing, infrastructure.
- **Interest charged :** 12% annually (24% for livelihood loans, which includes 12% for compulsory savings, which are then lent back to people for consumption loans, because no external people give loans for consumption loans.)
- **Loans disbursed :** Rs 255 million (US$ 5.7 million)
- **Loans repaid :** Rs. 44 million (US$ 1 million)
- **Beneficiaries :** 11,262 households (livelihood), 125,000 households (infrastructure), 4,750 households (housing). Total 141,012 househonds
- **How it works :** In most cases, the demand comes first through the local federations to NSDF, and then within NSDF, the decision is made on the basis of how important this process is, based on local people's needs, the political leveraging they can get out of doing this, *and whether we have the money!* When we have a list of project proposals in front of us, then we talk together and decide how and how much we can disburse. But it's all done together.
- **Operational costs :** About 5% of the turnover from all the loans. That includes not only the management and administrative costs, but also all the technical assistance.

A new partner in the Indian federation's efforts to finance people-driven projects . . .

SPARC Samudhaya Nirman Sahayak ("Nirman" for short), was set up in 1999 to manage a growing set of large revolving loan funds which provide financing for livelihood, housing and infrastructure projects being undertaken by SPARC's partner organization the National Slum Dwellers Federation. Here are some details about this new initiative, drawn from a recent conversation with Sheela Patel, who is both director of SPARC and the manager of Nirman :

What's the idea of Nirman? Most of the bridge funds that various donors have helped us set up are still being managed by SPARC. They now add up to whopping US$ 5.6 million, which can completely skew the budget of a small NGO like SPARC, and overwhelm our ability to deal with other smaller and more specific activities. So we decided to set up a separate institution to manage these funds for the federation, whose activities and finance needs will grow a hundred fold in the coming years. We hope that as our work on the ground expands and develops, more and more individuals, communities and federations will come up with projects on the basis of their negotiations with authorities. The innovation in this is that livelihood loans go to individuals, housing loans go to cooperatives, and infrastructure loans go to city federations.

Why is Nirman a non-profit company? Trusts and charities in India aren't allowed to take loans, or to buy and sell property without government permission. So if these things are going to be done in partnerships with people's organizations, the "non-profit company" format is more easily able to do those things in India. Members of NSDF and SPARC are on the board.

How will Nirman work with SPARC and NSDF? The beauty of Nirman is that it only takes on projects recommended by NSDF and SPARC, with the assumption that all the organizing work will be done beforehand by the Federation, Mahila Milan and SPARC. The goal is that SPARC will continue to work with many different organizations and communities, set up federations and work with them in different cities, do exchanges and all those kinds of things we do. And the minute those processes produce projects, instead of SPARC managing them, they will be handed over to Nirman.

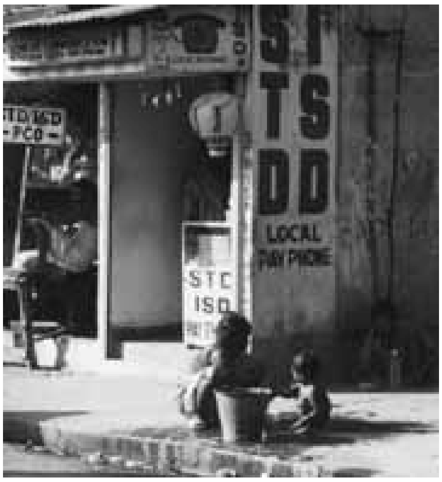
Why hasn't the government been able to reach the poor with finance? We still don't have a national government which is ready to give this degree of flexibility to people. For the last 50 years, the government has seen itself as the major development player, and has set up very complex institutions, whose existence cannot be justified if you give the money to someone else! So if there is a HUDCO in place, for instance, with all those people and all those offices and infrastructure - why would the government give any money to Nirman? There is a very intrinsic government belief which continues to dominate formal development in India, however much we disagree, that the government is going to deliver development.

How can Nirman help the poor obtain secure housing? Even though there are a variety of state housing subsidies, entitlements and special government loan programs, securing land tenure in urban India can be close to impossible for the poor. In most cities where the federations have begun constructing houses, communities have obtained provisional land tenure, but the federation has had 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 large bridge funds to enable construction to start, which then triggers the release of more land and subsidies, and enables more loans to be released.

How will Nirman help finance the federation's infrastructure projects? The federations in three cities are now undertaking municipal contracts to build community toilets, for which the municipalities only give money after the work is done. The infrastructure loans are being used to pre-finance this work.

"In India, the zeros can overwhelm you . . ."

You can't forget how large India is. 50 million people live in poverty in Indian cities! It's very difficult to conceive of things which are at an Indian scale! We are hoping that Nirman will spawn many other Nirmans, because even Nirman's ability to service our own federation is questionable. *It's too big.* The projects that we are doing right now are not even a fraction of the need. We are doing just 5 – 15 major projects, and all of these are in only 3 cities – the others are all small projects. So supposing tomorrow we did such big projects in 10 cities, the money we would need would be *colossal! And in terms of where India needs help, even that would be nothing!* One of the problems we face in India, in addressing development and financing is that if we compute with numbers, the zeros overwhelm us! But if we go with the process and we continue to see an exponential growth of that process, where people take more and more charge of their things, then the role for intermediary institutions like SPARC and Nirman becomes limited and "playable".



Loans to NSDF / MM projects from Nirman : *(in Indian Rupees)*

	Total given in loans	Number of households	in how many communities	in how many cities	amount repaid
Livelihood loans	34 million	11,262	185	20	25 million
Infrastructure loans	100 million	125,000	625	4	10 million
Housing loans	121 million	4,750	17	9	9 million
Total *(Indian Rupees)*	255 million	141,012	827	20	44 million
(US Dollars)	*($5.7 million)*				*($1 million)*

For every one livelihood loan the Mahila Milan takes from these external funds managed by Nirman, there are 25 or 50 or even hundreds given locally, from their own communal savings. We don't even attempt to gather that information on all these loans, because it would require an army to get that data.

Stone soup :

Once upon a time, a very hungry young man wandered into the town square looking for something to eat. His pockets were empty, though, and when he asked if anyone could spare a crust of bread, all he got were scowls and curses. So, hungrier than ever, he wandered down to the river, and began tossing stones into the water. Suddenly an idea came to him, and with one of stones in hand, he returned to the market, where he gathered a crowd of curious townspeople. "With only this magic stone, I can make delicious soup," the young man announced, "and if some kind person would just lend me a brazier and a big pot of water, I'll show you." A brazier and a pot-full of water were produced, the young man placed the stone inside and began stirring. After cooking a while, he tested a spoonful of the soup appraisingly and said, "It is coming along nicely, but just a few onions and potatoes would make it so much tastier." So a shopkeeper dashed off to bring onions to contribute to this fantastic soup made from a stone! After adding these, the young man took another spoonful, and said, "It's really very good, but much tastier it would be for a nice fat chicken," which an eager housewife quickly produced from her basket to add to the pot. Calls for salt, pepper, herbs and barley were likewise eagerly met, and finally, when savory aromas rose from the pot, there was enough of the marvelous "stone soup" to feed everyone!

Stone soup has a lot of parallels with the way poor communities manage money. The poor, especially poor women, tend to think that they have no assets, no ideas, no capacity to help themselves or anybody else. Yet when lots of poor people start putting very small amounts of money together in a common pot, it grows exponentially. Initially, the monetary value of the pot may be small, but what it creates in the form of organization, cooperation and agreement to honor transactions is something the outside world sees as having greater value than the amount of money they've saved.

In these ways, modest savings grow gradually into communal funds, which can lend money to buy rice for the next meal, or medicines for a sick child, or vegetables to sell in the market. For those who save and those who borrow, it is a system that is easy, friendly, always available. And nobody has to humiliate herself by begging for loans in times of need. So because the system works for them, people invest more and more of their daily earnings into these savings schemes.

When many communities put their savings together and set terms for savings and loans, they are creating "institutional arrangements" which have almost as much power as that magical stone. Like the stone, this can draw large numbers of people into a common project and into a process of setting rules to manage resources. And like the stone, this creates a legitimacy which draws other resources to it, draws more and more outsiders to make contributions to this pot of credit. Gradually, larger and larger numbers of households get access to a system which keeps their money safe, gives loans with minimum fuss, and to which they can go for all their needs.

Community organizations are not *empty vessels* but serious creators of resources. The only reason they haven't been able to leverage the larger resources they need for their housing and infrastructure projects is that their informal systems are still largely considered "illegal" and unacceptable to financial and government institutions. If these institutions can adapt their systems to include a recognition of how important an asset *"stone soup"* is, they will find it much easier to contribute the most valuable asset they have to offer - *capital*. Without this recognition, we'll get stuck in a kind of tug of war, with the financial muscle and stiff regulations of big resources on the one side, and the increasingly organized demand of the urban poor on the other.

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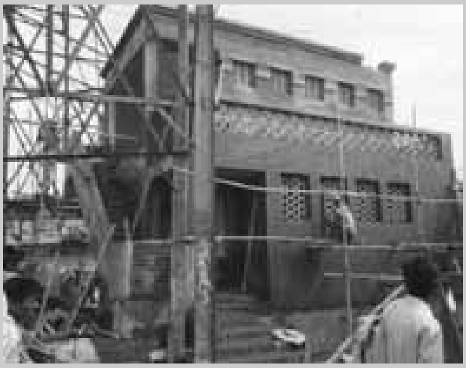

A new one for the pot : CLIFF

A big, experimental contribution is about to be added to Nirman's stone soup, in the form of a *Community-Led Infrastructure Financing Facility* (CLIFF), which Sheela and Ruth McLeod at Homeless International have been working on. Next year, CLIFF will bring in about $5 million in direct grants (as a revolving fund for pre-financing projects) and another $1 –2 million in guarantees from international agencies, to encourage Indian banks and Indian institutions to give Nirman loans, which will have to be paid back. The design of CLIFF came out of the fact that all the loans to federation projects so far have generated significant possibilities and opportunities and expanded the federation's legitimacy in the local areas. And the most important thing is that "effective demand" is being generated from communities, at terms that they are comfortable with.

8. PHILIPPINES

Philippines Urban Poor Development Fund

- **Started :** 2,000
- **Total capital in fund :** 85 million Pesos (US$ 1.7 million)
- **Source of capital :** Contribution from Philippines Homeless People's Federation, loans from local and international foundations, grants from Philippines national government and donor organizations.
- **Purpose of loans :** Housing, land purchase, infrastructure, income generation and bridge financing for government mortgage programs.
- **Interest charged :** 18% annually (for microenterprise) and 9% annually (for land and housing).
- **Loans disbursed :** 68 million Pesos (US$ 1.4 million)
- **Loans repaid :** 1.5 million Pesos (US$ 30,000)
- **Total Beneficiaries :** 3,707 households
- **How it works :** PUPDF is divided into several autonomous city-based funds, which make loans to individuals and registered housing associations which are members of federation savings groups and share-holders in that particular city-based fund. Decisions about how the funds will be used, who will get how much in loans are being made communally by community members in the funds, who also manage repayments and prepare accounts.
- **Operational costs :** PUPDF is still in the process of forming itself. So far, management costs are small, since administering the loan process and collecting repayments are being handled by local savings groups, as part of their daily savings process. VMSDFI provides fund-raising and accounting support as part of it's regular federation-support program.

"Making a house for people's funds . . . "

The *Philippines Urban Poor Development Fund (PUPDF)* is actually a blanket name for what is actually a growing family of city-based revolving funds which provide low-interest loans for income generation, housing, infrastructure, land acquisition, bridge financing for slow-moving government finance schemes or any other activities proposed by the *Philippines 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 VMSDFI 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 small amounts of their savings each month as "shares" in the fund.

Over the past few years, VMSDFI, 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. PUPDF 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. VMSDFI has the role of fund-raising and keeping track of loans and repayments through reports from the federation's four regions: North Manila, South Manila, 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 themselves comprise a combination of three funds:

- **Fund for micro-enterprise development**
- **Fund for infrastructure and site development**
- **Fund for land and housing.**

The fund was officially launched in a national meeting and model house exhibition held in August 2000 in Payatas, Manila's largest slum, a month after hundreds of scavengers had been tragically killed when a portion of the mountainous dump in the center of Payatas collapsed. At the meeting, groups from cities around the Philippines presented their land acquisition and housing projects to the local and national governments, and showed what they were doing to solve the problems of living in such dangerous and insecure conditions. The dialogue that began on that day led to a rapid series of breakthroughs for the federation, including an agreement from the President of the Philippines to give a matching grant of 15 million Pesos to top off 15 million Pesos of people savings, as seed money to establish the PUPDF. That breakthrough didn't come out of the blue, but represented years of preparation and investment by large numbers of very poor people to develop their own solutions to the problems they face with access to secure land, housing, basic services and livelihood.

It has been said that a single community dollar is equal to a thousand development dollars, *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 begins with people's own savings, it's theirs, they own it. Without this, development and improvements have no meaning.*

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The poor are already a fund :

Community savings and credit is the best preparation for managing larger capital through the city-based development funds . . .

So far, two of these city-based funds are in operation: Payatas in North Manila and Iloilo in Visayas, where the community savings and loan processes are large, well-established and strong. A third fund is now being set up in Muntinlupa, in South Manila. Before similar funds are established in other cities in the federation, the local groups have to prepare themselves to manage these *external* funds democratically and transparently. And the best preparation for this is to first practice managing their own *internal* funds, through their savings and credit activities.

The common denominator throughout the *Philippines Homeless People's Federation* is savings. All groups that are part of the federation are actively involved in running savings and credit programs in their communities. The money they save together creates a revolving community fund, from which members take loans for emergencies, for day-to-day needs, for improving their houses and for setting up and expanding small businesses. These micro-enterprise activities have bolstered incomes while strengthening the communities' financial and organizational capabilities. Members also save for land and housing in special housing savings accounts, and many take part in community-based health-care insurance schemes which groups in several cities have initiated, open to the poorest and most vulnerable in poor communities, such as disabled persons, PTB patients, drug addicts and the elderly.

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 deposit the rest once a week to their *Area Resource Centers (ARC),* 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 and cross-checking rituals which ensure that everyone can understand and everyone can take part in the decision-making process, so responsibilities and information are shared. Yearly interest rates of between 12% and 18% are charged on loans, a small percentage of which goes into supporting the administrative costs of the local ARCs. The rest goes back into the community's loan fund, where it remains in constant circulation.

Communities that are developing their own land acquisition, housing and infrastructure plans go through a range of preparations before it comes to taking loans for land and housing. First they have to open special housing savings schemes and register themselves as "Community Associations" - the legal status that is required to negotiate as a group with government bodies and finance institutions for finance and land. Then groups have to explore affordable house designs and construction techniques, understand the legal aspects of land acquisition, and search for land.

Making ourselves ready :

"President Estrada came here in Payatas because he wants to know about the savings group from the Lupang Pangako Savings Association. Without savings here in Payatas, maybe the President of the Philippines would not help the urban poor people, not only in Payatas but nationwide. This kind of program helps the urban poor to upgrade their lifestyle. Here in Pyatas we have four problems: land and housing, livelihood, medical and education. So if you have savings, maybe you will have no more problems. Right now, in our Barangay Payatas, we already saved 72 million pesos for microenterprise. And we are continuing our savings for land acquisition. Our first loans for socialized housing in Golden Shower and Montalban have just been released."

(Ricardo Boy Awid, President of the Scavenger's Association, Payatas, speaking during the model house exhibition in Payatas in November, 2000)

Some busy Pesos : 35 million saved, 107 million 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, it gets busy. It helps start and expand small businesses, helps people in a crisis, helps pay school fees and doctor bills, helps build stronger communities, helps generate more assets, more money and more options for people's futures. Over **35 million Pesos** have been saved in the federation so far, but **107 million Pesos** have been given in loans. That means that all that money has been loaned out and paid back three times in just a few years, creating assets and increased wealth worth well over 200 million pesos in 29,200 households. All this in a group of communities with an average household income of just 3,500 Pesos a month! Here are the cumulative national savings and loan figures as of 30 September, 2001 (in Philippines Pesos) :*

	Number of members	*Date established*	*Total community savings*	*Land / housing savings*	*Loans disbursed*	*Loans repaid*	*Contribution to the Fund*
Payatas / Quezon City	7,160	June 1995	15 million	88,000	70.2 million	53.1 million	36,300
Muntinlupa / Sucat / Rizal	5,778	February 1998	4.6 million	1 million	9.6 million	6.5 million	63,400
Pili / Bicol Region	2,356	March 1997	480,000	--	476,000	2.4 million	--
Iloilo	3,382	August 1997	2.7 million	2.7 million	10.2 million	7.7 million	96,500
Mandaue / Cebu	5,422	January 1997	5.6 million	895,000	7.7 million	4.9 million	9,500
Davao	2,546	December 1999	1.2 million	213,000	1.5 million	826,000	88,000
General Santos	1,083	September 2000	455,000	48,000	1 million	526,000	34,000
Glan / Saranggani	696	September 2000	1.9 million	1.6 million	605,000	320,000	5,000
Surigao del Norte	528	November 1997	432,000	--	2.9 million	2.4 million	--
P.S.H.I.	260	October 1998	921,000	1 million	--	--	40,000
TOTAL *(in Phil. Pesos)*	29,211 members		35 million	7.5 million	107 million	79 million	373,000
(In US Dollars)			($ 700,000)	($ 150,000)	($ 2.1 million)	($ 1.6 million)	($ 7,460)

9. LAO PDR

Pak Ngum Fund

- **Started :** 2000
- **Total capital in fund :** 48.6 million Kip (US$ 5,400)
- **Total savings in 30 villages :** 196 million Kip (US$ 21,700)
- **Source of funds :** ACHR (funds from DFID, Misereor, Selavip, Homeless International)
- **Purpose of loans :** income generation in agriculture, animal raising, weaving, product production; education, welfare, health-care and emergencies.
- **Interest charged :** 1.5% monthly interest (18% annually) charged to networks, which on-lend to savings groups at 2 - 5% monthly interest (24% - 60% annually).
- **Loans disbursed :** 48.6 million Kip (US$ 5,400)
- **Loans repaid :** 47.8 million Kip (US$ 5,300)
- **Total Beneficiaries :** 2,039 households
- **How it works :** The Pak Ngum Fund is managed entirely by a committee of representatives from the 30 village savings groups, which have organized themselves into 6 networks throughout the Pak Ngum District. Loans from the fund are made at 1.5% monthly interest (18% per annum) to village savings groups (not to individuals), via their networks, subject to a ceiling of 10 million Kips (US$ 1,100) per network and a repayment period of up to one year. Savings groups on-lend to individual members according to rates, terms and procedures set by each group.

***The village headman in Baan Nong Phuweing**, who went on one of the trips to Thailand, was so sold on the savings group idea, that when he came home, he helped rally women from almost all the village's 78 families to join, and continues to use the temple's loudspeaker to call everyone to come save.*

***Just $5,000 dollars!** But this extra resource has pulled over 2,000 women in 35 communities together. And look at what such a small investment has been able to do as the money has revolved : it's helped increase incomes, improve lives, create new leaders, pull in new savers, establish self-sustaining self-help mechanisms in vulnerable situations. And that original investment is still there, still in people's hands,still growing!*

Tiny development fund greases the wheels of community self-reliance in rural Lao :

There aren't many cars to be seen on the dusty pink roads which criss-cross the rice-paddies and forests of Pak Ngum District, which lies just south-east of Vientiane, the sleepy capital city of Lao PDR. It's mostly dogs, chickens, cows and women on bicycles with basket-fulls of vegetables tied on the back. Life moves gently in the villages along the way, where the wooden houses are built on stilts, and the babies sleeping in hammocks underneath are unlikely to be disturbed by anything more noisy than a temple's bells.

Over the past year, the Lao Government's *Women's Union* and the NGO *Foundation for Community Development* have been working with women in this district of mostly poor farmers to plan several 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 invited to bring their experience to Lao to help set up savings and credit groups.

Besides making frequent visits across the boarder to Lao (with everyone loaded into a van), the Thais have invited teams from Pak Ngum (including women's savings group leaders, officials from the Women's Union, an some local and district officials) to Thailand 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 exposure visits to Thailand brought a lot of energy and gave fresh ideas to the women - many of whom had never been outside of the district - and convinced them to come back and set up their own savings and credit groups.

They started out with 21 groups, but within a year, 30 villages had savings groups, which eventually divided themselves into five networks of six or seven clusterd villages each. At first, the women gave loans only from their pooled savings, but within a few months found their limited capital fell far short of meeting their groups' credit needs - particularly the need to pay off high-interest debts to informal money lenders. So in March 2001, the *Pak Ngum Development Fund* was launched, with a very modest US$ 5,000 grant from ACHR. The idea was to channel a little supplemental capital into the savings groups in order to strengthen and expand them, to bring more people into the process, to help develop the skills to manage a communal resource, and to enable these poor village women to improve their members quality of life - on their own steam. The fund is a tool to strengthen these self-support systems at all levels - in the village, in the network, and in the district.

Making good use of some good ideas from outside and some good support from inside . . .

The government in Lao PDR has promoted village savings cooperatives in the past, but these schemes were run through the mostly-male traditional leaders and district-level government channels. There was cheating, corruption, a lot of people lost their money and most of these schemes failed. *"It was like a bad dream,"* as one leader put it. So when the idea came up of trying again, a lot of understandably mistrustful women were reluctant to go down that path again.

A few things helped change their minds. First, these new savings groups were to be based in the village, controlled and operated by village women (whose families had lived together for generations), and all the money stayed right in the village. No government control, no traditional leaders, no outsiders. Secondly, the exposure trips to Thailand showed how community-driven savings and credit can actually become a tool for tackling the larger development issues behind rural poverty. 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 gather members. Pak Ngum District's governor, who also traveled to Thailand, has become one of the fund's biggest supporters.

Back to the old theme of informal debt . . .

Most farmers in Lao 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. In the past few decades, though, the Government has aggressively promoted high-yield, single-crop farming and marketing techniques which require expensive seed, fertilizer and pesticides. The idea was to increase yields and increase incomes, but in order to pay for these expensive inputs, farmers have had to borrow money at high interest rates until sowing time. Common practice in Lao is that shops will sell farmers their seed and fertilizer on credit (with interest calculated in bags of rice), or else buy the crop in advance ("green rice") at prices haggled down to far below market value. If weather conditions lead to a bad yield, farmers may find their entire rice crop going to these shops, with nothing left over to feed their families, and having to borrow more cash to buy the family's rice - at high market rates - just to keep from starving. More and more farming households find themselves being impoverished by these new systems, and huge amounts of village resources being swallowed up in these informal lending systems. At first, many of the women took loans from their savings groups to pay back these high-interest loans from the money lenders and "green rice" buyers. But now, since cheaper loans for farming are available from the savings group - and the fund - fewer and fewer loans go to buying off informal debts.

Jampeng used to be buy "green rice" *from farmers in need of credit in her village, Baan Don Sangpai. She used to buy at least 100 sacks of rice each year, on this advance system, but since the savings group fired up, business is down. This year she only bought 10 sacks. It's a loss of business for her, but a big step forward for her village, whose surplus now goes into the fund, not into her pocket.*

The principle of responsiveness :

Policies and procedures in Pak Ngum are set by the communities to suit their needs and are most emphatically NOT engraved in stone . . .

1 **Managing the fund :** Each network has its own committee made up of the leaders from all the savings groups. Each network chooses two of its leaders to sit on the Pak Ngum Fund's management committee. This is the committee which oversees the lending process, sets and adjusts procedures and keeps accounts. Loans of up to 10 million Kip (US$ 1,100) 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. The fund's first year has been a constant process of assessment and readjustment, in which rules and procedures have been chucked out and re-written several times, and the administrative relationship between the district-wide committee, the networks, the savings groups and the members keeps being adjusted.

2 **Each savings group sets it own system :** Each savings group sets its own interest rates, terms and systems for selecting borrowers and giving loans - from both their own savings and from the fund. The important thing is that everything is flexible: when rules and procedures aren't working for anybody, they can be discussed and adapted. It's up to the group members.

3 **How groups use loans from the 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 go to help weaker, newer groups with less savings.

4 **Interest rates and loan terms :** Networks borrow from the fund at 1.5% monthly interest (18% yearly), and then the savings groups on-lend to members at 2 - 5% monthly interest (24 - 60% annually). These interest rates may seem high, but they're a lot lower than the 15 - 20% (monthly) 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 the savings groups and the fund, which both grow very fast at these rates.

5 **Purposes of loans :** In *Baan Phongkham*, for instance, loans for chicken raising are repayable in four months, after the chicks mature, but loans for rice farming are repayable in 9 months, after the harvest, both at 5% monthly interest. Loans for emergencies and health care are made at 2% monthly interest. In *Baan Tachaan*, where many women earn extra money weaving silk and cotton when they aren't working in the fields, they are anxious to stay out of debt, so loans for weaving materials have to be repaid within a few months, as soon as their scarves, sarongs and cloth can be sold in the market. In *Baan Nong Phuwieng*, many members take loans at 4% monthly interest to raise pigs or to set up stills for brewing *Lao Ka*o, the fiery local liquor made from sticky rice.

Next steps . . .

The Thai team is helping explore ways to strengthen the role of the networks in the process of helping weaker savings groups get stronger, through more exchanges between villages, inter-lending and using the group process to tackle village-wide and district-wide development problems. More exposure trips to Thailand are also being scheduled to bring community leaders from the remaining 23 villages without savings in Pak Ngum District, which is to become an official example for replicating in rural districts across Lao. And in a country of only 5 million mostly-rural people, that's not an impossible idea.

CONTACT :

For more information about the Pak Ngum Fund in Lao PDR, please contact CODI in Thailand (details on page 10)

10. VIETNAM

5 Provincial Cities Funds

- **Started :** 2001
- **Total capital in fund :** US$ 70,000
- **Source of capital :** UNCHS/UNDP Provincial Cities Project, ACHR (Donor funds)
- **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 :** 400 households in 30 savings group (income generation) and 1,500 households (infrastructure improvements).
- **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. These committees collectively determine how the fund will be used, and sets all the loan terms, requirements. Loans are made only to community savings groups.
- **Operational costs :** A small administrative grant of US$ 200 is given to each city's committee to cover expenses.

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As part of the process in these five cities, 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 Thailand and India, in which people have a chance to help each other fine-tune their systems for considering loan applications, collecting repayments and managing accounts.

A little capital helps loosen stiff systems :

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 12 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 is more severe (and where many earn as little as 90,000 Dong -US$6 - a month), these informal savings systems are real lifelines for the poor. But these groups are scattered, and their ability to help each other is extremely limited. So at the end of 2000, ACHR worked with the UNCHS/UNDP Provincial Cities project to first strengthen and link these scattered savings groups together, and then a year later, to set up *Urban Community Development Funds* in each of the five cities covered by the project: Viet Tri, Hai-Doung, Hue, Quy Nhon and Cantho.

The idea of these new, experimental funds was to strengthen the linkages between these scattered savings groups together and to help them to boost their income generation and community upgrading activities by providing them access to some external capital. By strengthening these savings groups as the basic unit of self-help, a community development fund can help support 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, which topped off some resources left over from the UNDP project's revolving fund, which altogether gave each of the five cities about US$ 13,000 as seed money to start their community development funds. Savings group members borrow from the funds for house improvements, infrastructure and income-generation projects. One of the key ideas behind the fund is that savings groups in each city will be 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 mixed committees comprising representatives from communities, the wards, the city government, and the Women's Association.

"Squishing" all those steps into one flexible fund committee . . .

A lot of time was spent discussing how the funds should work in each city. For the Vietnamese, the most natural answer was to let the municipality take care of the fund, and when communities needed loans, they'd apply through their village, then the block, then the ward, and then the municipality - all those layers of official approval. When a team of community leaders from the Thai networks came to Vietnam to join one of the workshops, they were horrified! *"You don't need this system!"* they said, *"We have enough problems with the bureaucratic system in Thailand, and we don't like it, because it tells us we need these papers, these documents, this proof, that approval. So many steps! Why should we follow a system that we aren't comfortable with, when we can make an alternative?"*

This was something new in Vietnam. So a new model was proposed. Instead of having five or six layers of approval, loan applications have to go through, why not SQUISH those layers into a single mixed committee, which has all the players on it (community leaders, representatives from the municipality, the Women's Association, block leaders, ward leaders) to cut right through all the steps and all the stiffness of that formal system. Then let the community savings groups propose their members' loans, as a group, directly to this communal fund committee, where all the loan negotiations happen. Then people start having a little freedom, because this is partly people's own money they've saved and put together as a saving group, so they have the right to make decisions about it.

11. SRI LANKA

Sakasuru Fund

- **Started :** 2002
- **Total capital in fund :** Rupees 1 million (US$ 17,000)
- **Source of capital :** IYHS prize money to Sevanatha, donor funds.
- **Purpose of loans :** Income generation, housing, infrastructure, bridge-financing for community contracts with the municipality.
- **Interest charged :** Not yet determined.
- **Loans disbursed :** The Sakasuru Fund is expected to start lending in April 2002.
- **How it works :** As much as possible, the fund will be managed and controlled by poor people, with only some administrative and facilitating inputs from NGOs. Various local and national government agencies will be included in the information loop about the fund, but will not be directly involved in the fund's management or decision making. Loans will be made to members of savings groups, who will contribute some small amounts as "share-holders" in the fund, and who will have a say in the funds policies. The systems for determining loan procedures are now being formulated by a core group of senior community leaders from several large community federations in Sri Lanka, with Sevanatha facilitating the discussions.
- **Operational costs :** Until the details are worked out, Sevanatha will provide administrative support to the fund, through it's own project budgets.

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Brand new fund starts with a cool million :

The newest fund in the network hasn't begun operating yet, but they've got some capital and have initiated a broad discussion process to work out the details. The *Sakasuru Fund* takes it's name from the Sinhalese word for "thrifty". Last year, when the Colombo-based NGO Sevanatha was given the IYHS Award, they decided to use the 1 million Yen prize money to start a community development fund in Sri Lanka. When they topped this off with Rs 250,000 of donor money from their own project budget, it came to a neat one million Sri Lankan Rupees, which is seed money to attract more funds later, especially from local and government sources.

Besides carrying out a range of it's own development work on a variety of issues, including solid waste disposal, savings and credit, community upgrading and housing, Sevanatha has increasingly played a support role to individual poor communities and to several large community organizations through it's *Urban Resource Centers* in Colombo and several other Sri Lankan towns. Organizations such as the *Women's Bank ("Kanta Bank")* and the *Women's Development Bank Federation (WDBF)*, and several other community federations in other parts of Sri Lanka have strong links with Sevanatha.

Sevanatha had been wanting to set up a fund for some time, as an extension of the savings and credit groups it had helped establish in Colombo. So they called together a group of people who had experience in community savings and fund management to talk about how the fund should be set up and to develop procedures. Included in this discussion group were representatives from Women's Bank, the Women's Development Bank Federation, as well as leaders from community organizations in other parts of Sri Lanka. Earlier this year, some of the group traveled to Thailand with some municipal officials to spend some time learning about CODI and it's programs and methodologies.

The Sakasuru Fund is still in the process of being organized, but some guiding principles have been agreed upon: that the fund will involve a people-centered and community-driven process, with a very light, efficient administrative management structure, and that the urban poor are the beneficiaries of the fund, and will be represented in majority in the decision making and implementing of the fund, and that communities who are members of the fund will contribute some small amount, so all of them are share-holders in the fund, and that savings groups will need to be fairly well established in order to be eligible for loans. The three main objectives of the fund are :

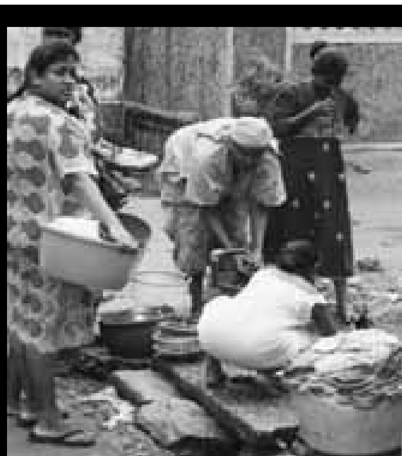
- to enable poor communities to access credit for livelihood, housing and community improvements
- to develop the capacities of communities to manage their own development process
- to strengthen the partnership between communities, NGOs and authorities to improve the living and social conditions of the urban poor in Sri Lanka.

POSSIBILITY :

Using the fund to provide bridge-financing for community contracts . . .

The community contract system, which is a leftover from the now-defunct "Million Houses Program" in Sri Lanka, continues to be used as a means of channeling government development resources to poor communities for infrastructure improvements and health programs, through *Community Development Councils* in each community. The way it works is that communities organize themselves, plan the project and carry out the work themselves, then the government reimburses them for the work, according to certain fixed rates for roads, drains, sewers, toilets, water supply systems, etc. For the government, the community contract system is a means of spreading scarce development resources over a wider ground, and for communities it's a chance to upgrade their settlements and generate some employment locally in the process.

The problem with the system has been that the work is paid for only after it has been completed, and after the city has sent it's engineer to come measure it and file a report, which has to go to a clerk, who has to approve it and send it on to another clerk. It generally takes several months to get the cash. Changes in these contractual procedures are slow in coming, and in the mean time, if people want to do community contracts, they need to muster their own funds - sometimes considerable funds - to buy all the construction materials and tools. Some have these resources, but others don't.



In recent years, many communities have come to Sevanatha asking for help, and several times, Sevanatha found funds to lend them, on an ad-hoc basis, until they can get paid by the city and repay the loan. For the Sakasuru Fund, such very short-term (2 - 4 months) bridge financing loans will be a very attractive prospect, allowing the money to do a lot of good for a lot of people, but to turn over and be made available to others very quickly.

The hair and the mountain . . .

There's an old saying in Thai, that a hair held up in front of the eye can block out an entire mountain. In all these stories about community development funds, we've been doing a lot of talking about *hairs.* We've gone on and on about skill-building and idea-sharing and communal resource management, as though these were brand new notions, right off the shelf. The mountain which looms behind all these little hairs is the fact that all this knowledge and all these abilities are already there in people. The trouble is, their systems of self-reliance have been stunted by patronage, their confidence battered by authority, their trust whisked away by inequities in governance and their long traditions of mutual help all but erased by systems of control which force them to ask permission to survive. The community savings process is a way for people to reclaim a little territory of their own, where they can develop and exercise some systems of their own. When these savings groups link together larger networks and federations, and when those networks and federations have some additional funds at their disposal, then you're starting to see that mountain again.

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