**Study into community-driven finance in Asia**

**Asian Coalition for Housing Rights (ACHR)**

**Narrative Report**

**Executive summary**

* This narrative report presents the progress of ACHR study on community-driven finance in five countries: Nepal, Sri Lanka, Thailand, Cambodia and Philippines.
* To progress the study two meetings were conducted in Cambodia and Indonesia in 2015 in which each country set up a study team, discussed details of the study, and presented the progress made in each country.
* The main lessons arising from the present study are the development of research skills of members of network organizations of the five countries participating in the study. As well as the holistic picture of the community-driven financial system in each country. Summaries and attachments present these results.
* The study experiences challenges associated with different progress made by country teams. ACHR is currently assisting the progress of the study in countries that have experience delays.

**Time period covered**

* June 1 to December 31, 2015

1. **Detail progress**

* The present study was kicked-off with a meeting in Phnom Penh – Cambodia. During the meeting the objectives, purpose and methodology of the study were discussed and agreed between representatives of five countries including Nepal, Cambodia, Philippines, Thailand and Sri Lanka. Study teams in each country were set up as well as a core team to coordinate the study with representatives of ACHR. It was agreed that the whole process would be carried out by the country teams whose members include community people, with extensive experiences in setting up and managing Community Development Funds (CDFs) in each country.

A work plan was agreed amongst participants comprising two main steps. The first step required the completion of a literature review and the provision of information from secondary sources on the big picture of the CDF system in each country. For this a guideline was circulated and discussed amongst all five countries (Attachment 1). The second step involved the development of a questionnaire (Attachment 2) to provide information on the actual situation of the CDF system in each country. The conclusions of the meeting were that each country team would send feedback and further comments on the draft guideline and questionnaire to the core team, start developing the first step of the study, and report their progress by October 2015.

* In October 2015 a second meeting was carried out in Jakarta. In the meeting each country team made a presentation about their progress on the study. The presentations included the history of the community-driven financial system in each country, the CDF structure, the main actors involved in the CDF process, the linkages with the formal sector, and the impacts of the funds until now. In the meeting the questionnaire to carry out the step two of the study was finalized. The conclusions of the meeting were that each country will send the completed literature review (step 1) to the core team by November 2015, and start carrying out the survey (step 2) in each country.
* Sri Lanka, Thailand, Nepal and Philippines have completed the first step of the study. The remaining country is currently finalizing the report and preparing to undertake step 2 of the study. A summary of the progress of Sri Lanka, Thailand Nepal and Philippines are provided below.

1. **Lessons learned**

* The present study has develop skills of the members of organizations of the five countries participating in the study (mostly composed by urban poor community people) on how to organize, develop and conduct research on their financial systems. These skills are important in order to collectively generate and document knowledge and information on existing community-driven systems from people that understand them the most, and can be replicated and applied in the future for further research.
* Until now the study has generated important lessons on the history of the community-driven financial system in each country, the different CDF structures, the main actors involved in the CDF process in each country, the linkages with the formal sector, and the impacts of the funds until now. This material will be used as baseline information and presented in the final report of the study. Below are the summaries of Sri Lanka, Thailand, Nepal and Philippines based on their completed reports. The three complete reports can be seen in Attachments III, IV, V, and VI.
* **Country Summaries**

**Sri Lanka:** The Community Livelihood Action Facility Network (CLAFNet) emerged as a collective initiative of the Women’s Development Cooperative Society (Women Coop), Sevanatha, Help-O, Peoples Company and other local groups, during the Tsunami reconstruction and rehabilitation period. The entire structure of CLAFNet is based on the community-based savings groups established by the Women’s Coop, which have a long trajectory in the country since 1989. The aim of CLAFNet is to promote and facilitate city-wide housing, upgrading and livelihood community-driven processes in a coordinated and partnership manner where the beneficiary families, especially women, can get the lead in decision making.

CLAFNet offers two major financial products, savings and loans and operates at the national level with the joint management of the Women’s Coop members, members of community organizations and SEVANATHA representatives. The interest rate charged by the fund is 8% and the funds are channeled through the Women’s Bank Centre. The member(s) access loans at 12% annual interest rate. The main source of the fund is donor’s contribution (such as ACHR) and interest from loans. No government funds are received yet. However, government and local authorities are supporting implementation of community-driven projects.

With support of the fund more than 12,000 families have been mobilised into the savings program. More than 3,300 loans have been given for housing related activities directly by the revolving fund. Mobilized community bank branches have issued around 15,000 loans.The capacity of urban poor communities at all levels has been improved. Strong links have been established with local authorities, national government and communities. Thanks to the activities supported by CLAFNet a city-wide upgrading perspective has been introduced, as well as more participatory approaches in housing and development.

**Thailand:** Thailand’s rapid urbanization during the 1960s resulted in the massive expansion of city slums. Slum eviction was the only measure employed by authorities to tackle the problem at the time. During 1970s, the problem became more severe leading concerned agencies to seek new solutions. The National Housing Authority (NHA) was set up in 1973 to address housing shortages for middle and low income people. NHA’s policy towards urban poor housing was more positive. Slum improvement was adopted as one of the options. As a result, low-income community people became active in solving their own settlement issues. A people-driven housing and upgrading process grew quite remarkably in the decade that followed. The political and social environment also provided space for the urban poor to form their own organizations and exert their rights. The people process became more mature and people began to organize collective savings to establish their own resource pools. From then on, the community development funds (CDFs) began to flourish.

Initially, the purpose of CDFs was to lend out money to members to cater urgent needs such as family sickness, schooling, housing repair, etc. Later on, savings were mobilized for broader purposes such as welfare, land and housing development, income generation, etc. However the funds were not sufficient to fulfill housing construction or upgrading needs.

The establishment of the Urban Community Development Office (UCDO) in 1992 was crucial to Thailand’s CDF system. At that time, relevant government agencies were trying to find a more sustainable and efficient approach for urban poverty alleviation. The solution was to create an instrument to facilitate urban poor organizations to be strong enough to solve their own problems. So, the UCDO was formed with the main purpose of strengthening urban poor organizations. With an initial capital of THB 1,250 million, the UCDO lent out funds to community organizations to support housing improvement, income generation, or enhance the capacity of savings groups. UCDO operated successfully until 2000 when it was transformed into The Community Organization Development Institution (CODI).

CODI’s “Baan Mankong” city-wide slum upgrading program started in 2003, and has tremendously contributed to accelerate the growth of CDFs throughout the country. Under the Baan Mankong program, a master plan is crafted by stakeholders to solve slum problems at a citywide scale. Well-managed people organizations with sufficient savings are eligible for a 15-year loan from CODI, plus an infrastructure grant from the government. The scheme enhances capacity building of CDFs across the country.

CODI encourages community organizations to link together to form networks based on a geographical relationship or a relationship formed around issues of mutual interest. For example, people organizations in the same sub-district or city have formed city networks, while several city networks have formed regional bodies that can then link up to a much broader level of governance. At the same time, people organizations with common ground are linked to each other by exchange visits permitting the sharing of views and experiences, as in the case of the community network of people living along the canals in Bangkok. These networks have committees operating at each level to attend directly the urban poor needs.

Apart from CODI, some local authorities also provide support to CDFs in their territory. For example, in many housing projects under the Baan Mankong program, local governments have allocated a budget to build infrastructure and public utilities, saving costs for CDFs. Also, central and local governments contribute to community welfare funds, another type of CDF which encourages low-income people to save for their own welfare. Welfare funds are a respond to the informal sector not enjoying the benefits of neither the government pension fund nor the social security fund.

At present, the CDF system in Thailand has grown deep and wide thanks to the understanding and continued support from public sector organizations such as CODI. The future challenge is to find a way on how to join hands with the private financial sector to strengthen CDFs in order to achieve mutual benefits and build a stronger model to support the urban poor in the country.

**Nepal:** The community-driven finance system in Nepal began in 1996 when women from a few informal settlements in Kathmandu Valley organized themselves by forming savings and credits (S&C) groups. The number of women-led S&C groups increased from merely three in 1996 to 53 in 1999, involving more than 900 families. Later, some of these S&C groups turned themselves from informal groups into cooperatives, becoming legal bodies under the Cooperative Act. In the following decade, the role of savings and credit cooperatives has expanded significantly in terms of number and activities. At the end of 2015, almost 27,000 families have participated in S&C cooperatives which are now worth more than 400 million rupees.

Urban Community Support Funds (UCSF) have also been established in different municipalities to assist urban poor communities facing evictions and involuntary resettlements. UCSFs are jointly managed by cooperatives, community organizations and the respective municipality. Sources of funds for USCF come from cooperatives, ACHR’s ACCA program and the government. In 2010, the Community Women Forum (CWF) was formed as a network to link these women-led cooperatives under one umbrella. CWF provides technical support and training to new and existing cooperatives and help facilitate inter-cooperative loan transactions.

Lumanti Support Group for Shelter is an NGO which has been working in Nepal since 1993. Lumanti plays the role of a facilitator in the development process and acts as a bridge between the community, community organizations and the government. It provides financial and technical support to cooperatives and the CWF, and also acts as linkage between CWF and donors. In addition, it focuses on building the capacity of the people so that they are capable of taking the lead in the development process.

In the past two decades, the community-driven financial system in Nepal has played a key role in the improvement of housing and livelihood of low-income communities. More than 6,000 families have benefited from loans taken from S&C cooperatives for housing construction and repair. In particular, women status in this men-dominated society has been much improved thanks to the success of these women-led collective savings and loans process. Lumanti also provides training to enhance capacity building for these women leaders as well.

The recognition by the public sector and the strong relationship with municipalities, has contributed to the accelerated growth of the community-driven financial system in Nepal. Moreover, this people-based finance system has recently established a relationship with private commercial banks, which is quite rare in many other countries. One of Nepal Central Bank’s directives supports commercial banks to invest 2% of their total profit in the deprived sector. That means they need to allocate such amount for improving the living conditions of the poor. This can be in terms of Corporate Social Responsibility program (CSR) or to provide subsidized loans to poor communities for housing or livelihood support. Lumanti has been able to utilize this channel and help link cooperatives with commercial banks, a promising step in strengthening a tie between formal and informal worlds.

**Philippines:** The history of community funds in the country and its evolution requires a discussion of the history of the Homeless People’s Federation Philippines (HPFPI) and its implementation of the savings scheme among informal settlement communities. The HPFPI has its beginnings in the community-based development program of the Vincentian Missionaries Social Development Foundation (VMSDFI). The concept of savings was introduced by Fr. Norberto Carcellar, C.M. after attending exchange visits to India in 1995. The savings phenomenon started in Payatas and gain momentum throughout the country during the years 1995-1998.

At present, a total of 7,673 members are actively doing savings in 25 cities located in 5 regions including, the National Capital Region, Bicol Region, Central Visayas Region, Western Visayas Region and Mindanao Region. To date the federation has 139 member associations and 205 savings groups.

The savings program starts as a group of 8-10 members in one area. If there are many groups located in one settlement, these can form a community or association (registered with the government) especially if they have an issue on land security. Each savings group has a leader and a collector which remits savings to Area Resource Centres. Once a group joins other groups and become a community association (CA) or homeowners association (HOA), their savings are turned over to be managed by the newly formed organization with its own set of officers. The current set-up and structure of the system is now being revised and improved by the federation taking the Sri Lanka model as an example to encourage increased participation of all members in various community activities.

Savings have helped build networks of communities which help each other. For example if a community lacks money, it can ask the other communities for a loan. In the National Capital Region, inter-lending among communities is a common practice. Most of the funds are used for securing land, shelter, disaster recovery and livelihood activities.

The process in the Philippines has also ccapacitated communities in managing their own funds, win support of local governments and strengthening ties between them and communities through the signing of Memorandums of Agreement (MOA) and the institutionalization of partnerships.

1. **Challenges**

* The study has experienced differences among the progress made by each country team. This is due to the high workload of team members who also have other work responsibilities, such as the increased workload following the massive earthquake in Nepal. As well as limited experience in conducting research work, communication barriers, and shortage of staff. As such some country reports are not finished as scheduled. ACHR is sending a team to assist the countries that have experience delays.

**ATTACHMENT I**

**Guideline for interim report on community-driven financial systems:   
review of secondary sources**

1. **Country context and current situation on housing and urban poverty**

|  |  |
| --- | --- |
| **Topics** | **Description** |
| Describe urban poor population and characteristics |  |
| Identify and describe main government organisations, housing policies and poverty reduction programmes |  |
| Describe role of private financial institutions for the urban poor (if any) |  |
| Describe the role of urban poor organisations |  |
| Describe the role of international organisations and NGOs |  |
| Progress made for urban poverty and housing and challenges remaining |  |

1. **History and evolution of community-driven financial system(s) and community network**

Please provide a time line describing the main steps that the country has experienced on establishing the community-driven finance system ***(Please identify the amount and sources of initial capital for the funds. And how has this amount(s) evolved until today)***

|  |  |
| --- | --- |
| **Year** | **Activity** |
| *(e.g. 1990)* | *Savings groups formed by 10 members* |
|  |  |

* Identify which organisations have played an important role in the evolution of the community-driven financial systems

|  |  |
| --- | --- |
| **Organisation** | **Role** |
|  |  |

* What have been the challenges faced by this process? And how have these been solved

|  |  |
| --- | --- |
| **Challenge** | **Solution** |
|  |  |
|  |  |

1. **Fund(s) structure and scale**

Please provide a *diagram* illustrating how the community-driven financial system is structured in the country. Take into account:

* + *The different scales in which the funds operate (community, neighbourhood, city, province and/or national scales)*
  + *Identify how does the money flows into the communities*
  + *The relationships between different funds*
  + *Are the funds revolving funds or different?*

Additionally please complete:

|  |  |
| --- | --- |
| What are the different uses of these funds? (For example housing, infrastructure, livelihood, emergencies, etc) |  |
| What financial products are available to urban poor communities (loans, grants, etc) Are these available to groups and/or individual families? |  |
| Specify sources of income/contributions to the fund(s) (for example interest from loans, community groups, government, donors, NGOs etc.) |  |

1. **Fund(s) impacts until now**

|  |  |
| --- | --- |
| Physical impacts (housing projects, infrastructure) |  |
| Social impacts (networks, confidence, capacity building) |  |
| Political impacts (partnerships, MoUs, etc. |  |
| Economic impacts |  |
| Environmental impact |  |
| Other |  |

1. **Links to formal financial systems**
2. Identify the fund(s) relationship of the funds with the private financial system (if any)
3. Identify relationship of the funds with government
4. **Please provide the list of references that you have used to complete the report**

**……………………………………….**

**ATTACHMENT II**

**Questionnaire on community-driven financial systems**

**General**

1. Name of CDF ………………………………………………………………………………………
2. Location (sub district/city/province/state…………………/ …………………………./ ………………………..
3. CDF start date (month /year) ………………./………………………
4. Purpose of setting up CDF (may choose more than one)

…………… a) Housing and land (e.g. buying new land, improving existing house, building new house)

………….. b) Livelihood improvement

………….. c) Small enterprise

………….. d) Other (please specify) ………………………………………………………………………

1. Type of CDF

…………. a) Co-operatives (legal entity under a law)

………… b) Formal organization (either registered or endorsed by authority)

……….. c) Informal organization (not recognized by law or any authority)

……….. d) Other (please specify) …………………………………………………………………………..

**Membership and management**

1. Number of founding members ………………….. comprising ……………..men …………….women
2. Number of current members ………………….. comprising ……………..men …………….women
3. Who are CDF members? (may choose more than one)

………. a) Families in the same community

………. b) Families from other nearby communities

………. c) Various savings groups in the same city

………. d) Other (please specify) ……………………………………………………………………………..

1. How is CDF management/committee selected?

……… a) By members

……… b) By community leader

……... c) By local government

……… d) Other (please specify)

1. How the decision-making is done at CDF?

…….. a) By chairman/head of CDF

…….. b) By CDF committee

…….. c) By all members

…….. d) Other (please specify)

1. How often does CDF hold meeting with members?

…….. a) More than once a month

…….. b) Monthly or quarterly

…….. c) Once or twice a year

……… d) Less than once a year

1. How would you rate the participatory level in the CDF?

………. a) High

………. b) Medium

……… c) Low

……… d) None

1. Has CDF’s financial account been properly prepared and audited? ……………..Yes ……….. No
2. If yes, who is the auditor?

……… a) Self-audit (by CDF own staff)

……… b) Professional auditor

……… c) Government official

…….. d) Other (please specify)

**Savings and loans**

1. What is the required amount of savings per member?

……….. a) Daily savings (How much?………………….)

……….. b) Weekly savings (How much?………………….)

……….. c) Monthly savings (How much?………………….)

……….. d) Other (please specify……………………………………………………………)

1. Any other conditions for savings? If yes, please specify ……………………………………..
2. Any penalty if member cannot meet required savings? Please explain. ..……………………………………………………………………..
3. Are there requirements /conditions for members to meet before taking a loan? (May choose more than one)

……….. a) Minimum membership tenure ………………………..

……….. b) Minimum savings amount ……………………………….

……….. c) Loan guarantee ………………………………………………..

………. d) None

………. e) Others …………………………………………………..

1. Please give details of loan characteristics. A separate sheet may be attached if there are more than one product types.

* Maximum loan amount ………………………………
* Interest rate ……………………………………..
* Loan tenure ……………………………………..
* Loan repayment schedule (e.g. daily, weekly, monthly………………………………….)

1. Since the beginning of CDF, how many families have received loans from CDF? ……………
2. What is the total loan amount given to member families? ……………………………..
3. How many of these loans are bad loans (overdue more than six months)?.................

**Funds from external sources**

1. Has CDF received funds from sources other than members’ savings? ……… Yes……… No
2. If yes, please give following details of each funding sources.

|  |  |  |  |
| --- | --- | --- | --- |
| Name of sources |  |  |  |
| Type (grant or loan) |  |  |  |
| Total received amount (USD) |  |  |  |
| How many times has CDF obtained funds from this source? |  |  |  |
| What do you like most of this source? |  |  |  |
| What should be improved? |  |  |  |

**Impact**

1. Please give details of projects financed (either partially or wholly) by CDF funds.A separate sheet may be attached if needed.

**Infrastructure/sanitary projects**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Detail (such as walkway, toilets, etc.) | Completed  ( Yes/ No) | Budget amount (USD) | Implementing  year | Benefited families |
|  |  |  |  |  |
|  |  |  |  |  |
|  |  |  |  |  |
|  |  |  |  |  |

**Housing projects**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Detail | Status | Budget amount (USD) | Implementing  Year | Benefited families |
|  |  |  |  |  |
|  |  |  |  |  |
|  |  |  |  |  |
|  |  |  |  |  |

1. In implementing the above projects, what were the important factors which contributed to the success of the projects? (May give more than one)

……………………………………

…………………………………..

…………………………………..

1. What difficulties did CDF face during project implementation?

…………………………………..

…………………………………..

…………………………………..

1. What are social benefits of CDF? (Please rank)

……… a) Stimulate savings behavior

……… b) Improve financial discipline

……… c) Strengthen society bonding (tend to elderly, disables, poorest, etc.)

…….. d) Improve women social status

…….. e) Improve technical skill

…….. f) Better environment and livelihood

…….. g) Improve relationship with government

…….. h) Others, please add ……………………………………….

1. What are CDF weaknesses?

…….. a) Rely heavily on community leader

…….. b) Process takes a very long time

…….. c) Loans are too small

…….. d) Non transparency process

…….. e) Others, please add ………………………………………..

**Link to formal financial system**

1. Has CDF ever borrowed funds from local banks or any other formal financial institutions? …………Yes ……………… No (If no, please skip to question number)
2. If yes, please give details of the borrowing;

|  |  |  |  |
| --- | --- | --- | --- |
| Name of lenders |  |  |  |
| Type (e.g. bank, ..) |  |  |  |
| Amount (USD) |  |  |  |
| Interest rate (%) |  |  |  |
| Loan tenure |  |  |  |
| Loan security |  |  |  |
| Usage conditions |  |  |  |

1. What are the main reasons to borrow from the above institutions?.............................. ………………………………………………………………………………………….
2. For CDF which has never borrowed from formal financial institutions, please give reason for not having done so. ………………………………………………………

**Relationship with government**

1. Has the government been involved in the establishment, or implementation of CDF? .........Yes, please specify ……………………………………………………….

………. No

1. Has the government offered any kind of assistance to CDF?

………..Yes, please specify …………………………………………………………

……….. No

1. Has the relationship between urban poor communities and local/central government improved after CDF has been formed?

……….. Yes, please specify ……………………………………………………….

……….. No

1. Has the government changed its policy towards the urban poor as a result of CDF implementation?

……….. Yes, please specify ………………………………………………………….

……….. No

**Future Direction**

1. Do you think CDF can continue its operation as is in the next five years? Please give reason.

…………………………………………………………………………………………………………………………………..

1. Do you think CDF would need financing from external sources in the next five years?

…………Yes, please indicate the type of finance (grant/loan/both)

………… No

1. Please list five most important factors for CDF future operation.
2. …………………..
3. ………………….
4. ………………….
5. ………………….
6. ……………………
7. What are CDF disadvantages now and in the future?
8. ………………….
9. …………………
10. ………………..
11. Please give your view how to overcome those disadvantages.

……………………………………………………………………………………………………………………….

……………………………………………………………………………………………………………………….

1. Please add any comment or suggestion you may have about CDF.

……………………………………………………………………………………………………………………….

…………………………………………………………………………………………………………………….

……………………………………………………………………………………………………………………….

……………………………………………….

**ATTACHMENT III**

**Community-driven financial system in Sri Lanka**

1. **Country context and current situation on housing and urban poverty** 
   1. **Urban poor population and characteristics**

Sri Lanka shows low urbanization rate compared to other countries in the region. The total population of the country, as per the 2012 census, is 20,359,439 people. The annual growth rate remains below 1% for last census period. Urban population of the country represent only 18.2% of the total population. But these statistics do not represent the real situation of urbanization of the country, as the government definition for ‘urban areas’ is limited to administrative boundaries of Municipal Councils and Urban Councils. The urbanized fringe areas are not officially considered as urban. The total urban population of the country is 3,704,470 and around 60% of the urban population live in the Western province mainly in the District of Colombo where the urban population reaches 77.6%.

For measuring poverty, Sri Lanka uses the official poverty line (OPL) determined by the information of household income and expenditure survey (HIES) from the Department of Census and Statistics (DCS). The latest National OPL (real total expenditure per person per month) for October 2015 is LKR 3,901. Based on the OPL, the Poverty Head Count Index (HCI) is 6.7% in 2012/2013. Poverty HCI for the urban sector is 2.1%, while for the rural and estate sectors are 7.6% and 10.9% respectively. However, the expenditure chapter of the same report state that mean household expenditure for the country is LKR 41.444 and for urban sector it is LKR 58,930. Therefore, the real picture on urbanization and poverty is not reflected from official data sources.

* 1. **Main government organisations, housing policies and poverty reduction programmes**

Sri Lanka has been recognized as a country with pro-poor housing policies since 1970’s. Some of the key policies are mentioned below:

* **Housing Rent Act No.7 of 1972**

Under this Act tenants were protected by establishing rent ceilings and a rent control board was established for regulating the rental housing sector

* **Housing Property Law No 1 of 1973**

This policy vested excess houses from owners and transferred ownership to tenants. A Common Amenities Board (CAB) was established

* **State Mortgage and Investment Bank Act No 13 of 1975**

The State Mortgage Bank was established to fulfil housing finance requirement of all income groups

* **Urban Development Authority (UDA) Act No 41 of 1978**

The Urban Development Authority was established with the aim to implement major urban development projects and housing programs. A Slum and Shanty Division was established under the UDA.

* **National Housing Development Authority Act No 17 of 1979**

The National Housing Development Authority facilitated housing programmes for poor, middle income and other groups through direct government interventions including:

* Hundred Thousand Houses Program [1978-1984]

During the implementation of this programme the government changed its approach from provider to facilitator and implemented two major participatory housing programs known as:

* Million Houses Program [1985-1989]
* 1.5 Million Houses Program [1990-1994]
* **Local Authority Housing Act No 63 of 1979**

This Act empowered local authorities to issue house ownership to low income households living in municipal houses and land, and expanded the mandate of local authorities to provide basic services to low income settlements.

* UNICEF assisted the Urban Basic Services Project in Colombo and other major towns.
* **Presidential Task Force Report on Urban Development and Housing 1994**
* Established the Real Estate Exchange Limited [REEL] Program to Provide the urban poor with high rise condominium housing
* **Housing Development Finance Corporation Act No 60 of 1997**
* Provided loans and other financial assistance for housing purposes to middle-upper class citizens
* Develop infrastructure and amenities in housing schemes
* **Urban Settlement Development Authority Act No 36 of 2008**
* Develop basic services improvements in low income communities in urban areas
* “Janasevana” National Housing Program implemented by the Ministry of Housing through NHDA and USDA
* Improvement of existing urban housing schemes
* **National Housing Policy of 2014**
* Supported the quantitative and qualitative improvement of national housing stock by state and private Sector investment
* Promoted participatory housing approaches
* Provided adequate financial support
* Increased the supply of rental houses
* Promoted eco Friendly, energy saving and resilient housing technologies
* Expanded the housing financial market
* Promoted research and development in the housing sector
* **Urban Regeneration Project of the Urban Development Authority**
* Resettlement Program to provide low income families with permanent houses in G+12 housing schemes.

During the late 1980’s, the Sri Lanka government started a new program to address the problems of housing and poverty. “Janasaviya” or poverty alleviation program started to address the poverty issue of the people in urban, rural and estate sectors. The Janasaviya Department was established. Social and community mobilization was one of the key areas emphasised by the program. The programme provided grants at the initial stage, and gradually improved the family economy with soft loans for micro enterprises and income earning opportunities. The poor were organized with the political objectives and later the program became politicised.

After the change of government in 1994, under the leadership of HE the President Mrs. Chandrika Kumaranathunga a new program was introduced with similar principles, named as the “Samurdhi” program. A community banking system was introduced at the grassroots level but the community involvement in decision making was marginal and the government dominated the program.

Since both programmes where driven by political interests, every change in the political sphere adversely impacted the program. In 2005 a new president was elected and the program was changed once again. It was named as “Gamidiriya” and some additional elements were introduced to support entrepreneurships development. The government was changed in January 2015, making the “Gamidiriya” programme slow down and no new program has been introduced.

* 1. **Role of private financial institutions for the urban poor**

In Sri Lanka 25 licensed commercial banks, 9 licensed specialized banks, 48 licensed finance companies and 9 special leasing companies are operating in the formal financial sector. These institutions are registered and monitored by the Central Bank.

Most of the above financial institutions have been are engaged in micro finance lending to the poor. But their products follow formal banking procedures developed for SME loans and non-financial supports are not offered. Another salient feature of these programs is that they operate only in comfort zones and there is no intention to reach the real poor.

* 1. **Role of urban poor organisations**

Attempts to organize the urban poor in Colombo officially started in early eighties under the Urban Basic Services Project (UBSP) of the Colombo Municipal Council, and later in other Local Authority Areas. The efforts where driven by organizations known as Community Development Councils (CDC) and formed for each settlement with the support of Health Warden of the Local Authority. These societies were registered with the health department of the council and once registered these were eligible to obtain services and benefits from the council. The CDC is responsible for solving all issues faced by the community. In the beginning community needs were very much focused on health facilities, basic services, land tenure and housing. Later, the same organizations were involved in government development programs such as the Million Houses Program. These CDCs represent the entire community in the settlements and are vertically linked to the Municipal District Level CDC committee and the Housing and Community Development Committee at the city level. However horizontal linkages with other CDCs are weak and there is no organization to represent the low income sector of the city which constitutes almost 50% of the population.

* 1. **Role of international organisations and NGOs**

Involvement of international organizations and NGOs at the grassroots level is minimal in urban areas in Sri Lanka. There are some projects implemented by organizations; yet these focus only at the project level rather than city-wide. International agencies such as UNICEF, GTZ support city wide programs especially in the Colombo city.

Long term engagement of NGOs with the urban poor is low compared to the situation in the region. SEVANATHA is one of the NGOs that work closely with urban poor and Municipal Councils for last 25 years.

* 1. **Progress made for urban poverty and housing and challenges remaining**

Pro-poor housing policies that have been implemented during last few decades have tremendously contributed to improve the quality of lives of urban poor in Sri Lanka.

Compared to rural and estate sectors, the urban sector shows low level of deprivation. However, according to a multi-dimensional definition of poverty most of the population is living in underserved settlements are fall under the category of poor as they do not enjoy land rights, floor area, hygienic environmental conditions, basic services, and access to formal finance.

A city-wide survey conducted in 2012 by SEVANATHA and the Colombo Municipal Council has identified four categories of USSs as follows

* Fully Upgraded – 39.3%
* Upgraded– 54.5%
* Underserved – 5.9%
* Extremely Poor- 0.3%

Most of the settlements upgraded under the government programs are improved in physical terms however tenure security has not transferred to families. This is one of the challenges faced by the urban poor in cities. Limitations associated with the CDCs establishing linkages between each other and organizing as a low income sector is another challenge.

1. **History and evolution of community-driven financial system(s) and community network**

The history of community finance in Sri Lanka is recorded from the beginning of the last century. In 1906 British colonial administration introduced Thrift and Credit Cooperative Societies (TCCS) for improving the living standards of the poor. These societies functioned properly till the early 1940’s, later multi-purpose cooperative societies were introduced and play a prominent role diminishing TCCS. The situation became worse in 1970’s when the Department of Cooperatives of the Government decided to wind up functions of remaining TCCS. In the late 70’s the TCCS movement was revived under the name of “SANASA” focusing on poverty alleviation in rural areas. The SANASA movement has expanded from 1,500 primary Thrift and Credit Cooperative Societies (PTCCS) to 8,500 PTCCS from early 1980’s to late 2000s. This movement is very active especially among the rural poor and operates in three layers federated vertically. The first tier is the grassroots level or village level, the second tier is the district union level and the third and highest tier is the National Federation.

The ‘Samurdhi Bank Societies” are another type of community financing system introduced in 1996 by the government as part of its poverty alleviation program. This program also focuses on the rural poor but the operational structure is completely dominated by the bureaucracy.

The savings movement under the Women’s Cooperative started in the slums of Colombo city in 1989 in parallel with the Urban Housing Sub-Program under the Million Houses Program of the Government. The movement was initiated by a group of community activists led by Mr. Nandasiri Gamage, who serves the program as the General Manager at present. The initial capital of the program was only LKR 45 collected from the compulsory savings at the first group meeting. Later the movement expanded to other areas of the country and has increased its membership to up to 80,000 people. The savings programme offers two major financial products, including savings and loans, and provides more non-financial products to the membership. At present, the Sri Lanka Women’s Development Cooperative Society is the national community movement fully managed by poor women. There are other community financing programs implemented in rural areas within limited geographical areas.

The Sri Lanka women’s development co-operative society (and similar kind of organizations) came out from the “community” with the real feeling of their own challenges, and started a sound social mobilization campaign and has become a strong community movement. Dependent poor become independent as an organization. During implementation of their programs the Women’s Coop understood the importance of making partnerships, especially with the organizations that have technical capacity to facilitate the housing programme.

With this background, the Community Livelihood Acton Facility Network (CLAFNet) emerged as a collective initiative of the Women Co-op, Sevanatha, Help-O, Peoples Company and other local groups, during the Tsunami reconstruction and rehabilitation period. The aim of CLAFNet is to promote and facilitate the community driven processes in a coordinated and partnership manner where the beneficiary families, especially women, can get the lead in decision making. ACHR with its long standing understanding and the relationship with Sevanatha and Women’s co-op reinforced this program with the flexible funding support. The experience of this partnership approach revealed the importance of joint involvement and inter-dependency in development, and it has proven that sharing skills between different actors lays the foundation for building a strong community sector, and for planned targets to be achieved qualitatively and quantitatively satisfying beneficiaries and authorities. This effort was further strengthen by ACHR -ACCA program in 2009, leading CLAFNet to implement activities with a broader vision able to transform the conventional project and isolated approach to a macro city level perspective.

1. **CLAFNet structure**

CLAFNet operates at the National level with the joint management of Women’s Coop members, members of other community organizations and SEVANATHA representatives. It is registered as a guarantee and decisions are taken at the National Steering Committee. The fund operates based on savings groups established by Women’s Coop and other partner agencies. The main objective of the fund is to promote housing and city wide upgrading of low income settlements. The entire program is based on small groups that are formed under the Women’s Coop and other agencies.

All small groups meet weekly and decisions are taken in these meetings. Group leaders are appointed among members and take the lead in the group. Group leaders represent the group at the primary bank branch level. The primary branch consists of all small group leaders in the area/city. Group leaders and facilitating members of Sevanatha create the City Management Committee at the city level. The City Development Fund (CDF) operates jointly by this team and decisions are taken at the City Development Committee (CDC) and concurrence is given for implementation.

CLAFNet is responsible for providing technical support services and required training inputs to the USUP programme at the city level. CLAFNet Steering Committee (SC) reviews the progress and allocates necessary resources to city level. Steering Committee meets monthly and city level team members and CLAFNet members constitute the membership of the SC.

This fund facilitates starting the city process at the initial stage, and provides financial support until the city accumulates sufficient funds to issue loans to their members. However, the main financial product of the fund are loans, mainly for housing but livelihood, agriculture and other loans are also issued based on community needs. This revolving fund provide non-financial products such as housing advisory services, support business plan preparation, coordinate partners for community needs etc.

The interest rate charged by the fund is 8% and the funds are channelled through Women’s Bank Centre and the Primary Branch. The member gets loan for 12% annual interest rate. The total management cost of the operation is done with service charges constituting 8% of loans.

**Diagram 1. CLAFNet Structure**

**City Level Revolving Fund Management Committee**

**City Development Committee (LA Level)**

**External Sources**

**Domestic Sources**

**Managed by Group Leaders of WC**

**Service Fee**

**Capital**

**0.8%**

**10%**

**12%%**

**Interest**

1. **Fund’s characteristics**

|  |  |
| --- | --- |
| **What are the different uses of these funds? (For example housing, infrastructure, livelihood, emergencies, etc)** | The fund mainly focuses on housing improvement. But loans are also issued for purchasing land, agriculture, water supply, toilet construction, income generation and other requirements decided by the people. |
| **What financial products are available to urban poor communities (loans, grants, etc) Are these available to groups and/or individual families?** | A loan is the main financial product. Grants are not issued directly from the revolving fund. However CLAFNet coordinates grants from external sources such as Decent Poor fund. |
| **Specify sources of income/contributions to the fund(s) (for example interest from loans, community groups, government, donors, NGOs etc.)** | The main source of the fund is the donor’s contribution and interest from loans. No government funds are received yet. However, Government and Local Authorities are providing cash and supporting implementation of community projects. |

1. **Fund(s) impacts until now**

|  |  |
| --- | --- |
| Physical impacts (housing projects, infrastructure) | With the support of the fund over 12,000 families were mobilised in to the savings program. More than 3300 loans were given for housing related activities directly by the revolving fund. Mobilized community bank branches have issued around 15,000 loans.  A compressed soil cement brick making factory was started as a joint venture with the women’s coop bank branch to produce alternative building materials. |
| Social impacts (networks, confidence, capacity building) | The capacity of urban poor communities at all levels has been improved. Women leaders responsible for housing have been given basic construction training. Strong links have been established with Local Authorities, National Government and communities. The fund issues loans to women members to buy computers to automate branch activities. |
| Political impacts (partnerships, MoUs, etc.) | Thanks to the fund city-wide upgrading has been introduced in cities as well as more participatory approaches in housing and development. Settlement and land mapping exercises supported by CLAFNet and the Women coop allows local authorities use the city-wide approach and recognize saving groups at the city level. |
| Economic impacts | Community capital has increased and City Funds have been established. The National fund of LKR 100 million is available for people to access financial facilities. |
| Environmental impacts | With loan facilities, the urban poor’s housing conditions have been improved. Small infrastructure development projects have contributed to environment improvement. |
| Other | Government Agencies such as National Housing Development Authority become partner with the program and support grassroots activities. A new model of partnership has been established and operates smoothly. |

1. **Links to formal financial systems**

There are no strong linkages with formal financial system other than using for financial transactions.

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**ATTACHMENT IV**

**Community-driven financial system in Thailand**

1. **Urbanization, Evictions and the emergence of people organizations in Thailand**

The 1960s was a crucial period for urbanization in Thailand. Thailand was driven to expansive development with its first National Social and Economic Development Plan as a policy and guideline. Growing cities became a strong magnet for internal migration of the rural poor, especially to Bangkok for opportunities to keep their hopes alive. The influx of migrants, however, was conflicting with the limited city space which was very scarcely shared with the new comers who took part in building the city. These migrants ended up squatting on vacant space they were able to find, not too far from their workplace. Demolition of slums went alongside endless urbanization. In those years slum demolition was common and there was hardly any opposition from community people. A special unit was established by the authority particularly for slum demolition.

In the 1970s, the problems of housing and evictions became deep, wide and unresolved. The scale of the problem, accordingly, induced more attention to the issue and efforts were made by concerned agencies to search for solutions to the urban poor housing problems. The year of 1976 was a significant year, when a more optimistic attitude towards urban poor housing was announced by the very first UN Habitat Conference held in Vancouver. This new trend opposed eviction of slums and supported the urban poor freedom to build their community the way they like. The new attitude towards urban poor housing influenced the National Housing Authority of Thailand (NHA) which had been established in 1973. Its policy was shifted from relocating the evicted communities to flat buildings to upgrading the urban poor actual communities. This new approach inferred NHA’s new attitude towards the urban poor communities: recognition of the urban poor’s existence and their rights to live in the city.

With regard to the changing tide which took placed in the earlier decade, the people process progressed remarkably during 1980 - 1990. The social and political context of the time also provided space for the people’s development: the change of housing policy to support slum upgrading influenced society to adopt a more positive attitude towards slums; the more democratic political context offered space for the urban poor to negotiate for their rights that had been denied by the past governments. There were people organizations, which linked together as networks. The people turned away from their former confrontation strategy to seeking recognition by strengthening their development capacities. The people process became more mature and different models to solve the urban poor housing problems were experimented and tried out in search for better and more relevant solutions. Moreover, the people began to organize a saving process to establish their own resource. During this period the Poverty Alleviation Policy marked by the National Social and Economic Plan was in highlight. Pursuing this, studies were conducted which eventually led to the establishment of the Urban Community Development Office (UCDO) with its task to provide secure housing to urban poor communities and this was an important step towards poverty alleviation.

The establishing of the UCDO in 1992 was a critical point in the time line of the people process. The people became fully mature taking the key role in solving their housing problems. The UCDO provided loans for land and housing and subsidy for the development of infrastructure to communities which were able to organize themselves and save. Community saving groups and cooperatives were mushrooming and they linked together as networks in all the regions throughout the country. [[1]](#footnote-1)

1. **CODI’s Baan Mankong and The City Development Funds in Thailand**

The urban poor rarely have any access to formal financial resources for development to better their livelihood and living condition. Being deprived of basic necessities and services with almost any institutionalized financial resources tremendously affect their life, dignity and capacity to do something for them. Informal loans with high interest rate had become their only choice but it is a vicious cycle that only makes their condition worsen. It seems the only way to give themselves opportunities to improve their life and to build up their capacity is to cultivate their own resources. Attempts were made by organizations and agencies to bridge this gap. Two remarkable models were initiated in south Asia in the form of micro-finance, the Garmeen Bank in Bangladesh and The Women’s Bank in Sri Lanka. In recent years, the City Development Funds (CDFs), another form of accessible finance for the urban poor, has been rapidly expanding. CDFs respond not only to the people’s needs but also are instrumental to the people-driven process.

The foundation of CDFs is networks of community saving groups (see diagram 1). In Thailand saving activities have long been introduced by government agencies but these saving schemes were not sustainable because the people were not placed at the centre of the process. However, different forms of saving activities in which the community took the key role gradually emerged. With the establishment of the UCDO, the people were provided with a channel to necessary resources for development which rendered maturity to the people process in Thailand.

The Urban Community Development Office (UCDO)[[2]](#footnote-2) and its Baan Mankong Project (Secure Tenant Project) was established in 1992. It managed the national fund granted by the government of 1,250 million baht (about US$ 28 million). “The programme sought to improve living conditions and increase the organizational capacity or urban poor communities through the promotion of community savings and credit groups and the provision of integrated loans at favorable interest rates as wholesale loans to community organizations.”[[3]](#footnote-3) The Baan Man-Kong project, hence, was a catalyst to the formation and expansion of saving groups which strongly link as networks at different levels. The programme also encourages participation of the local authority and other concerned agencies to work alongside the community in partnership, which is essential for CDFs and the citywide upgrading. Strategically, housing development is merely a tool to build up community capacity and confidence to enable them to become the key actor to solve their own problems.

It was pointed out by Sripanich, Nitivattananon and Perera in their research entitled “City Development Fund: A Financial Mechanism to Support Housing and Livelihood Needs of Thailand’s Urban Poor”[[4]](#footnote-4) that CODI’s budget made the program unstable in the future. The change of the government housing policy will certainly affect the program’s budget[[5]](#footnote-5).

The launch of ACCA[[6]](#footnote-6) program which provided grants to urban poor development projects in Asia was seen as “a great opportunity to strengthen the emerging city fund movement through the two CDF pilot projects”[[7]](#footnote-7). The first two CDFs were established in Bangkhen District in Bangkok and in Chumpae District in Khonkaen Province. Table 1 shows ACCA seed funds to seven towns in Thailand (as of November 2011). The success of these two projects inspired CODI to establish 300 more CDFs in the next two year but only 65 were successfully established by March 2012.[[8]](#footnote-8) At present, CDFs have been established all over Thailand. The rapid growth of CDFs in Thailand was possible because the foundation for it has been strongly built, as earlier explained and as referred to by Sripanich, Nitivattananon and Perera: “from the 1970s - 2000s, it was found that the community-based financing system has been embedded in the housing development process in terms of saving groups and cooperatives, which became fundamental for the establishment of community funds, both national and city level.”[[9]](#footnote-9) Furthermore, the people’s potential in managing CDFs successfully encourages local authority and other concerned agencies to contribute to the CDFs.

**DIAGRAM I. Structure of CDFs in Thailand**

Administration Cost 2.64 million baht

Government subsidizes through CODI

Seed fund 20.4 million baht to land and housing security fund

Welfare Fund

Community Fund

Land and Housing Security Fund

Members’ contribution of 200/yr, 100 goes to the Land and Housing Security Fund, the other 100 baht goes to CDF for activities concerning land and housing

Seed fund 20,000 Bhat to each CDF (300 funds in total)

Member’s contribution to the welfare fund

1. **Why are CDFs important?**

The answer is suggested by Diane Archer in her article “Finance as the Key to Unlocking Community Potential: Savings, Funds and the ACCA Program”[[10]](#footnote-10). She points out how CDFs are important to larger-scale improvement as it is impossible for the limited community fund to support big projects. Only when they combine their funds together, large-scale project is then possible. She further explains that as CDFs are managed by the network of communities, the people can use the fund to truly respond to their needs. It supports different funds and provides loans and grants for different purposes and extends its benefits to members beyond housing to other areas such as welfare and insurance funds. According to community members, the welfare fund essentially fills the lack of state welfare. It covers for necessary expenditure members have to cope with from birth to death.[[11]](#footnote-11)

Archer adds that CDFs can also act as a “buffer fund”[[12]](#footnote-12) providing loans to communities while waiting for CODI loans or as a “buffer margin” when there is delay of repayments from members. In the south of Thailand, furthermore, the fund supports people who are not eligible for the government support and services.[[13]](#footnote-13) Finally, “CDFs can reach out to the poor who cannot afford to be part of CODI’s program, the gap which prevented CODI from becoming truly citywide”.[[14]](#footnote-14) An active CDF can initiate on-going activities which bring actual change to the people’s life.

**Table 1: ACCA Contributions to CDFs in Thailand (as of November 2011) (Source ACHR 2011)**

|  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **CITY** | **SAVINGS INFORMATION** | | | | **CITY FUND** | | | | | | | |
| No. of savings groups | Date Savings Started | No. of savings member | Total amount of savings (US$) | Date City Fund Started | Funds from ACCA | Funds from community (shares  or  savings) | Funds  from govern-ment | Funds from others | Total capital in City Fund | Members of CDF before ACCA contri- bution | Members of CDF after ACCA contri- bution |
| Chum Phae | 12 | 2003 | 996 | 233,000 | 12/08 | 30,000 | 236,000 | 666 | - | 266,666 | 350 | 995 |
| Bang Khen District, BKK | 12 | 2004 | 2,500 | 719,665 | 2005 | 30,000 | 936,666 | - | - | 966,666 | 750 | 2,539 |
| Ubon Ratcha Thani | 21 | 2009 | 6,571 | 46,666 | 10/10 | 20,000 | 101,333 | - | - | 121,333 | 500 | 6,571 |
| Rangsit, Pathum Thani | 18 | 2009 | 1,953 | 309,500 | 10/09 | 20,000 | 15,126 | 500 | - | 36,626 | 400 | 1,673 |
| Hua Hin | 4 | 2009 | 344 | 28,290 | 10/10 | 20,000 | 16,931 | - | - | 36,931 | 75 | 188 |
| Nakhon Sawan | 13 | 2006 | 1,397 | 250,000 | 4/10 | 20,000 | 10,339 | 119,166 | - | 149,505 | 440 | 882 |
| Koh Kwang, Chanaburi | 6 | 2003 | 965 | 83,333 | 11/10 | 20,000 | 17,157 | - | - | 37,157 | 497 | 965 |
| **Totals** | **97** |  | **15,926** | **1,687,120** |  | **163,000** | **1,334,552** | **120,332** | **3,000** | **1,620,884** | **3,021** | **13.913** |

1. **The Structure and Mechanism of the City Development Funds in Thailand**

To understand CDFs and how these operate, there is a need to comprehend the whole structure of the urban poor funds in Thailand which can be seen as ‘three-level funds’.[[15]](#footnote-15)  At the bottom of diagram 1 are community members who are the foundation of CDFs. These members form community funds and CDF is established from combining a portion of a community fund of at least three communities. A contribution from communities’ savings varies, depending on an agreement of each CDF. Apart from these combined funds, CDFs are also granted a seed fund of 20,000 baht from CODI. Each CDF contributes 50% of community member yearly saving of 200 baht/household to the Land and Housing Security or National Fund. The other 50% is added to the CDF as a fund for immediate support relevant to Land and Housing Security. This fund is used for short-term revolving fund to members as well.[[16]](#footnote-16) At the top of the diagram is the Land and Housing Security Fund. From CODI’s grant of 26.4 million baht: 6 million was distributed to all CDFs (20,000x300) or 20,000 baht for each CDF; 1.64 million baht is devoted for the administration cost and 867,000 baht was used as a seed fund for community leaders welfare, leaving the total amount of 17.76 million baht as the seed fund for the Land and Housing Security or National Fund (see diagram 2).[[17]](#footnote-17) There is also a yearly contribution of 100 baht from members to the National Fund.

Each fund has its own role and purposes. The community fund is an essential ground for CDFs. As it is a small fund, it provides small loans to members for urgent or day-to-day matters or those involved with their livelihood such as income generation, children schooling and informal debt repayment.[[18]](#footnote-18) At this level, typically, there are four types of saving: a member’s individual saving of 30-500 baht/month; a saving for repayment of land and housing; a saving for welfare fund (1baht/day) and a saving for the land and housing security fund (200 baht/year).[[19]](#footnote-19)

The people see CDFs as instrumental to strengthen urban communities with their own resources. The combined funds enlarge people’s resource as well as the people’s capacity. Such capacity is beneficial for negotiation and recognition by the authority. With their own fund, the people are freer to initiate development projects to improve the condition of the urban poor on a larger scale.Practically, a welfare fund is the first and foremost benefit each CDF provides to its members.

Lastly as shown in the diagram is the Land and Housing Security Fund. This important fund ‘focuses on reducing financial risks of member when they cannot repay housing loans. It provides housing loan payment for the members who have passed away, or have become disabled.’[[20]](#footnote-20) The fund extends its support to repair houses that are deteriorating or severely damaged by disasters.

CDFs are operated by a committee which comprises of community fund committee members/community leaders/members whose community fund composes the CDF. “A city committee is very important as it plays a leading role in setting up and running a CDF. The organizational structure, finance and accounting system, regulations and monitoring system of a CDF are directly under the city committee’s jurisdiction. It also has to closely monitor community members’ needs in order to make the CDF work for the people.”[[21]](#footnote-21)

The Community Housing Security Welfare (CHSW) Committee comprises of representatives from The National Union of Low Income Community Organizations (NULICO), CODI and community. It has its own operation and regulations separate from the city committee. The city committee is responsible for screening the proposals for the CHSW committee to consider (See diagram 1).

1. **The Present Situation**

The document prepared by CDFs committees pointed out the areas that need to be improved in the management of the community funds which are the foundation of all CDFs. It was seen that the community funds have not grown enough and have not been operated to full capacity. There are areas, where the community funds could have more impact. Some funds only fulfill the Baan Man-Kong’s Project’s requirements. The fact that most members are those who confront housing problems is a crucial indicator. However, the community funds and CDFs open space for community members to use their capacity and for more community members to step out to join in the process to improve their life. The management of the community fund all by the people themselves is a tangible success. It reveals the people’s capacity to deal with their own problems which enable them to gain confidence and trust from the authority. [[22]](#footnote-22)

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**ATTACHMENT V**

**Community-driven financial system in Nepal**

1. **Country context and current situation on housing and urban poverty**

|  |  |
| --- | --- |
| **Topics** | **Description** |
| **Describe urban poor population and characteristics** | Urban poor populations are increasingly marginalized from various societal necessities such as adequate housing, proper sanitation and financial stability The urban population in Nepal is gradually increasing. Without access to employment networks or moderate financial flexibility, the majority of urban poor remain to stagnate in unfavourable conditions unable to climb the social-economic ladder.  The influx of people for rural to urban, especially in case of Kathmandu, has put a lot of pressure in the existing facilities such as electricity, water supply and housing. People with less economic resources, marginalized one are bound to live in slums, informal settlements. Following characteristics define the urban poor:  **Condition of Housing:** This is the principal indicator of the poor people. As mentioned earlier, their houses are temporary in nature constructed with bamboo, plastic sheets, reused bricks. For the poorest, the houses are in dilapidated condition and need urgent repair. Two or more families are leaving in one rented apartment or old dilapidated house.  **Occupation and Income:** Most of the people do not have regular job and are not engaged in a fixed job. Only one or two persons of the family work for the living. For families engaged in traditional agriculture, the yearly harvest in the farm is very less and they need to invest more money than what they can get from there. And very often they need to take hefty loan for the purpose.  **Children and Youth:** Poor people prefer sending children to government run schools as it is free. Generally children from poor families drop out after primary school. In fact, more number of children in the families, poorer the family and there is more likely of children dropping out of school. Usually it is the girl child who is made to leave the school to help out the mothers. Youth are unemployed and can be seen playing carom board in the communities. They do not have access to youth support programs from the government. They are often addicted to drugs, alcoholism.  **Social Status:** The Nepali society is very much caste based and discriminatory towards lower caste. People who are poorest of the poor in the communities are the so called “untouchables” who are marginalized. They cannot enter the “high caste’ families’ houses. They are not allowed to touch the communal tap stands. They usually avoid social gatherings and tend to distance themselves from rest of the community members.  **Legal Status/ Access to basic facilities:** Most of the informal communities are settled in vacant government lands and sometimes in private lands thus they do not have any legal right to be there. They are not recognized by the state. Many of the people do not have citizenship certificates, migration certificates, birth of their children are not registered. They do not have access to basic facilities. Either they need to share common tap stands or they need to buy water for drinking purposes. Some of the families in the other cities use hooks to steal electricity for their homes. Very often they get punished by the law or have risk of getting electrocuted |
| **Identify and describe main government organisations, housing policies and poverty reduction programmes** | The main government organizations dealing with issues of urban development, housing policies and poverty reduction programmes are as follows:  **At the central level:**  **National Planning Commission:** The National Planning Commission (NPC) is the apex advisory body of the Government of Nepal for formulating a national vision, periodic plans and policies for development. It is headed by the Right Honorable Prime Minister. The NPC assesses resource needs, identifies sources of funding, and allocates budget for socio-economic development. It serves as a central agency for monitoring and evaluating development plans, policies and programs. The NPC also serves as an intellectual hub for the exchange of new development ideas and proposals from scholars, private sector, civil society, and development partners  **Ministry of Urban Development:** It is engaged in formations of policies, regulations related with urban development.  **Department of Urban Development and Building construction**: It is a technical division of the Government of Nepal which is responsible for implementing the urban development plans developed by the government.  **Ministry of Local Development and Federal Affairs:** It is accredited with the role of coordination, cooperation, facilitation and monitoring and evaluation of activities undertaken by local bodies. It is responsible for contributing in poverty reduction by mobilizing local means and resources, utilizing skill and technology to the optimum level and creating employment opportunity.  **At the district and City Level:**  **Municipality:** The local government or the municipality plays the key role in setting up the development projects and programmes in the cities. They allocate their annual budget based on the periodic plan prepared with consultation of all the stakeholders in the city. A portion of their annual budget is kept for development of the poorer section of the city such as the slums, marginalized groups. Ward citizen forums are formed at every ward of the city to discuss about various development issues in these areas. Various programmes such as trainings programmes for the women and the underprivileged groups are developed with consultation of the ward citizen forums. These are the representatives of the people in the wards.  **District Development Committee (DDC**): It a government agency at the district level responsible for determining the budgets and development programmes for the districts including poverty reduction. Local Self-Governance Act (Section 212) has made provision of District Information and Documentation Center (DIDC) at District Development Committee (DDC) of each district of Nepal. The Act has stated that there shall be one Information and Documentation Center in each District Development Committee to identify the real situation of the district and enhance the planned development process.  **Poverty Alleviation Fund:** One of the key poverty reduction programme formulated by the Nepal government is establishment of Poverty Alleviation Fund. The Government of Nepal created PAF to reduce extreme poverty in Nepal. Poverty Alleviation Fund (PAF) was established in 2003 as a special and targeted programme to bring the excluded communities in the mainstream of development, by involving the poor and disadvantaged groups themselves in the driving seat of development efforts. So, PAF seeks to improve living conditions, livelihoods and empowerment among the rural poor, with particular attention to groups that have traditionally been excluded by reasons of gender, ethnicity, caste and location.  PAF aims on bringing the level of poverty down to 10 percent in 20 years in pursuant with the long term goal of Government of Nepal; With the recent addition of 15 districts, the total programme districts of PAF have reached to 55. PAF has developed Direct-funding mechanism to community for the effective implementation of the sub-projects proposed by the community. It provides resources directly to the poor, and thereby expects to bring efficiency and transparency of the work, and ensure community ownership. PAF is guided by the principle that the poor themselves are the best source of information and the best to manage their needs and resource.  **Shelter Policy:**  Nepal had announced a Shelter Policy in the year 1996 (MHPP 1966) according to which the objective was to fulfill the needs of housing by the year 2006. This emphasizes on "shelter" as a basic need. The Government had switched its role from that of an executioner to that of a facilitator. It also stressed on role of private sector in provision of adequate housing to compensate for the prevailing deficit. |
| **Describe role of private financial institutions for the urban poor (if any)** | Nepal Ratra bank is a government run central bank of Nepal and is responsible for monitoring and providing guidelines for operation to all the commercial banks and private financial institutions. One of their directives for commercial banks is that they need to invest 2% of their total profit in the deprived sector. That means they need to invest this for improving the living conditions of the poor. This can be in terms of CSR or provide subsidized loans to the poor community for housing or livelihood support. Lumanti has been able to utilize this norm and helped to link the cooperatives with the commercial banks for loans in subsized interest rates. Moreover, some commercial banks like Laxmi Bank and NMB Bank have provided low interest housing loans for poor communities in Pokhara, Biratnagar, Tansen and Lekhnath Municipalities. |
| **Describe the role of urban poor organisations** | Before the Urban poor in different communities were scattered and disorganized. Saving became a way to organize the communities and build their capacity. The community organizations were formed and brought the people together so that they have collective voice. Collectively they are able to put their issues and problems before the concerned authorities. This has helped to give space to the community organization to act as a group. |
| **Describe the role of international organisations and NGOs** | Lumanti Support Group for Shelter, an NGO working in Nepal since 1993 has always believed that the responsibility of development of the settlements must be given to the communities themselves. Lumanti plays the role of a facilitator in the development process and acts as a bridge between the community, community organizations and the government. It focuses on building the capacity of the people so that they are capable of taking the lead in the development process. |
| **Progress made for urban poverty and housing and challenges remaining** | The urban poor communities in case of Nepal are very active and are leading the development process in their communities. They are now organized and have various groups formed to address various issues such as Sanitations, Youths.  The major change can be seen in the women in the community. They were usually dominated by the men folk, were never given space to share their problems. Saving became a way to bring these women together and discuss their issues. Women in groups got space for discussing their issues, problems and finding solutions among themselves. They became financially empowered and started getting involved in community development as well. |

1. **History and evolution of community-driven financial system(s) and community network**

|  |  |
| --- | --- |
| **Year** | **Activity** |
| **1996** | Begun to organize women from various settlements through S&C groups in informal settlements in Kathmandu Valley. A total of three S&C groups (participating 117 members) were formed in 3 informal settlements in Kathmandu with monthly saving of NRs. 5. |
| **1997** | S&C groups expanded to 18 from three in 1996. All in informal settlements in Kathmandu. Team of S&C group members paid exposure visits to India and Cambodia |
| **1998** | S&C group numbers kept increasing and reached to 28. |
| **1999** | Number of S&C groups reached to 53 along with participation of 911 saving members from informal settlements. |
| **2000** | Idea floated to explore possibilities of promoting groups into formal legally acceptable institution/link as saving and credit cooperative. Group visited Thailand and Cambodia. |
| **2001** | Process initiated to get registered the groups into savings and credit cooperative under the Cooperative Act |
| **2002** | Established three Savings and Credit Cooperatives (SCC) namely Jyanjyoti, Navadeepjyoti, Pragati cooperatives in the informal settlements. |
| **2003** | S&C leaders were imparted leadership management training  All S&Cs arrived at a situation of covering their own operating costs  Urban Community Support Fund to assist the urban poor communities in Kathmandu with support from Kathmandu Municipality. Kirtipur Housing project to rehabilitate 44 evicted families from Vishnumati River Bank. |
| **2004** | All SCCs celebrated their annual function independently by inviting similar groups in other communities, provide housing loan. |
| **2005** | Operate 2 more cooperative in slum area in Kathmandu. enter – lending. |
| **2006** | Expand Saving Credit programme in other Municipalities Dharan, Kohalpur and Bharatpur, 2 more cooperative operate. |
| **2007** | Saving and credit cooperatives expanded in 10 more peri urban communities in Kathmandu Valley. Saving activities expanded to new municipalities namely Biratnagar Itahari and Birgunj. The concept of network for linking all the women led cooperatives promoted by Lumanti was developed and started operative informally. |
| **2010** | Community Women Forum (CWF), network of women led cooperatives was formally registered.  Urban Community Support Fund (UCSF) established in Birgunj |
| **2012** | Number of cooperatives affiliated to CWF reach 24. UCSF established in Kalaiya. |
| **2014** | CWF supporting cooperatives in managing the accounts and providing technical support needed for the cooperative management. UCSF established in Ratnanagar. |
| **2016** | Saving and credit cooperatives expanded to new districts and municipalities. No. Of cooperatives affiliated to CWF reach 30 |

* 1. **The Increment in collective over a period of time. Please note that all figures are in NRs. 1US$=NRs 108**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **year** | **No.of group** | **No of Member** | **Total saving** | **Total share and other fund** | **outstanding loan** |
| **1996** | 8 | 117 | 20,500.00 |  | 10,500.00 |
| **1997** | 18 | 300 | 205,010.00 |  | 150,000.00 |
| **1998** | 28 | 698 | 555,273.00 |  | 425,000.00 |
| **1999** | 53 | 911 | 900,000.00 |  | 875,000.00 |
| **2000** | 91 | 1098 | 2,119,733.00 |  | 2,119,733.00 |
| **2001** | 110 | 1929 | 3,304,187.00 |  | 2,939,002.00 |
| **2002** | 114 | 1953 | 4,383,272.00 |  | 3,806,919.00 |
| 2003 | 122 | 2039 | 7,338,678.00 | 473,200.00 | 7,207,005.00 |
| 2004 | 114 | 2010 | 8,253,555.00 | 495,000.00 | 8,504,500.00 |
| **2005** | 126 | 2138 | 10,255,685.00 | 550,000.00 | 10,505,255.00 |
| **2006** | 156 | 2651 | 13,110,755.00 | 1,194,300.00 | 16,483,925.00 |
| **2007** | 317 | 6783 | 39,695,000.00 | 2,812,300.00 | 28,608,284.00 |
| **2008** | 397 | 8583 | 45,351,516.00 | 12,401,278.00 | 55,152,361.00 |
| **2009** | 463 | 11032 | 108,673,948.00 | 16,924,777.00 | 100,845,228.00 |
| **2010** | 506 | 12831 | 123,881,065.00 | 20,135,291.00 | 121,624,771.00 |
| **2011** | 530 | 13105 | 156,996,599.00 | 3,683,152.00 | 252,865,169.00 |
| **2012** | 630 | 14259 | 160,199,748.00 | 40,365,672.00 | 259,154,758.00 |
| **2013** | 993 | 21799 | 219,711,940.00 | 60,643,014.00 | 298,067,901.00 |
| **2014** | 1093 | 23500 | 224,863,623.00 | 59,725,409.00 | 303,596,390.00 |
| **2015** | 1126 | 26838 | 400,493,707.00 | 102,219,538.00 | 505,590,958.00 |

1. **Role of key organisations**

|  |  |
| --- | --- |
| **Organisation** | **Role** |
| Lumanti Support group for Shelter | * Provide financial and technical support to cooperatives and CWF * Provides revolving loans and acts as a linkage between the CWF and donors. * Helps in capacity building of financial institutions * Organize training workshops. * Follow-up and monitoring of groups |
| Community Women Forum | * Inter –cooperative loan transactions * New groups and cooperative formations and technical assistance to them * Aims for social and political empowerment of women through economic empowerment. * Training provision * Follow-up and monitoring of groups |
| Women led Saving and Credit Cooperatives | * provides financial services and social support to its members * Acts as a major link between Lumanti and the members. * Promotes IG activities and economic empowerment of the community women. * Linking women with other development actors such as Municipality etc. * Supports improvement of housing conditions * Leadership development |
| Municipality | * Links the communities with the government plans * Training Provision. * Help in accessing land to informal settlements. * Helps in establishing Urban Community Support Fund in the cities and facilitating the process for community engagement.. * Helps in capacity building of the community organizations, cooperatives. |

1. **Challenges experienced**

|  |  |
| --- | --- |
| **Challenge** | **Solution** |
| Registration of the cooperatives linking all the wards in the city in the beginning because Nepal cooperative law states that the working area of a cooperative is only 5 adjoining wards. Thus it narrowed down the working area, limiting the linkage with all the saving groups in the city. | Was later established as special case encompassing all the saving groups in informal settlements. |

1. **Structure of Community-driven finance in Nepal**

The following diagrams provide a guide towards how the community-driven financial systems are structured in Nepal. As well as the structure of community based financial institution.

Formal Institutions

Semi-Formal Institutions

Informal Institutions

Banking Institutions

Non-Bank Financial Institutions

S&C Cooperative Societies

NGOs with NRB license for limited banking transactions

Postal Banks

Community based Organizations

Village Banks

Friends & Relatives

Local Moneylenders & Merchants

Central Bank

Finance Companies

Insurance, Provident Fund, and Stock Exchange etc.

Other Banks

Commercial Banks

Development Banks

State owned & Partly State owned Banks

Joint Venture Banks

Private Banks

Development Banks

Rural Development Banks

Cooperative Act 2048 (S&C Cooperative)

Society Act 2034

Permitted by NRB for Limited banking transaction

NGOs approval under financial intermediary Act

Cooperatives with limited banking transaction provide saving and credit services to members & collect saving from non- members.

**Saving & Credit Cooperative**

**Provide saving and credit services to members only**.

NGO

Cannot provide financial services

License to financial transaction

Can provide saving & credit facility

1. **Why saving is Important?**

Saving has proved to be a powerful tool that increases community participation in development activities. In an impoverished community where its members have the mentality that development is not for them and that destiny has made them poor to remain so economic empowerment tends to have the greatest impact. Once economically stable the members feel more socially valued and also report improved relation among family members and neighbors from different social strata. As the community members experience change as a result of participation in development programs, they tend to participate more in such activities. These members are now more active in social development and participate more in various other projects that we introduce. The issue is not anymore about survival but rather about lifting the standard of living and developing the community

The saving is important because:

* Increase economic self-reliance through access and control over financial resources.
* Strategic for organizing and Linking communities at city level, at national level
* Provide housing finance on reasonable and equitable terms.
* Increase access to and opportunities for women to generate income.
* Promote and strengthen community based financial institution.
* Policy advocacy on community finance.
* Linking communities with commercial sector and government agencies

**The following diagram illustrated how the groups, cooperatives, CWF and Lumanti work together:**

Saving Group

Saving Group

Saving Group

Saving Group

**Roles and responsibilities of organizations involved in the savings and cooperative process:**

LUMANTI

* Provide financial and technical support to cooperatives and CWF
* Provides revolving loans and acts as a linkage between the CWF and donors.
* Helps in capacity building of financial institutions
* Organize training workshops.
* Follow-up and monitoring of groups

COOPERATIVE

* provides financial services and social support to its members
* Acts as a major link between Lumanti and the members.
* Promotes IG activities
* Supports improvement of housing conditions
* Leadership development

CWF

Network of cooperatives

* Inter –cooperative loan transactions
* New groups and cooperative formations
* Aims for social and political empowerment of women through economic empowerment.
* Training provision
* Follow-up and monitoring of groups

Coop

Coop

Coop

Coop

Coop

Coop

A savings and credit group is a group where its members save communally and obtain loans whenever needed at a low interest rate. A financial cooperation formed on the basis of membership is a democratic, non-profit organization. Members invest by buying shares. As the group goes on profit the members will get share dividends. Each member has equal right in the decision and policy making process. Each process needs unanimous agreement for implementation. Remaining under the law, the members themselves elect a working committee and then make policies and decide on roles and responsibilities of members and workers. As long as the group is small the treasurer does the work of the manager in the group.

Principles of Savings and Credit Groups:

1. Open and Self willing establishment: Anyone willing to respect laws, do their duties and use the services can be a member of the group.
2. Democratic Control: One man one vote policy. Members are directly involved in the election. All members regardless of their savings or shares, they have the same voting right. However, you can represent for absent members of the group during elections. It is a sovereign organization run by its members under its rules and regulations. The executive committee is elected and its members are paid a salary.
3. Equality: People from all race, gender, caste, religion and political view are considered equal in this group.
4. Membership Service: This group provides service for the social and economic development of all its members.
5. Membership Bonus: Members receive reasonable interest rate on their savings to motivate savings. A certain amount of net income is saved in the reserve fund. The working community decides whether to distribute the remaining as dividends to shareholders or spend on community reform, sponsor someone, scholarship funds.
6. Economic success: To make the group stable it should have enough savings and eventually be able to provide consistent service to its members.
7. Education: The group organizes talks in order to teach the members strategies to economize, entrepreneurship, social and democratic savings, and ways for self sustenance. Suggests correct use of loans and awareness of their roles, responsibilities and rights along with information about social and economic development. Necessary information are made available to members.
8. Support between groups: the groups help each other, as per their philosophy, in a local, national and international level.
9. Social duty: The group will always be dedicated to make people aware about the ways MFIs work so that there is faster social development and human resource mobilization and growing social justice. Members who achieve the goals set by the group will be eligible for the services. The executive committee will make decisions on basis of group interest.

Principles for savings and credit structure:

A savings and credit group is an organized, self-governing institution. It is important for an institution to function with a set of guidelines to be effective:

* Boundary: The institutions have defined aim and objectives, working area, membership and various other rules and have them implemented.
* Recognition: The members make their institution recognized as a successful model of team work.
* Collective Decision: There is democracy within the system. The members have the option to change any part of the institution through an election in the general assembly if they wish to as a team.
* Balance between income and expenditure: Any institution should be able to break even if it wishes to stay in the market.
* Monitoring: periodic inspections are necessary to check whether activities of the institutions are going on as they are supposed to and whether they are within the rules and regulations of the institution.
* Reward and Punishment: Rewards are important to motivate good deeds and punishments are necessary to discourage bad ones. This helps the institution to function smoothly.
* Conflict Resolution: For a mutually acceptable working relationship the process and conflict resolution is extremely important
* Nesting: S&C groups are connected to other groups through a network in order to expand services and for growth.

Elements for organizational development:

* Structure: The organizational structure theses S & C groups are horizontal and democratic structures where all the members have similar rights and power within the institution.
* Strategy: As a group they set rules and regulations and plan to achieve objectives.
* Staff: The human resource necessary to achieve objectives is extracted from the community itself.
* Skill: The knowledge, experience and talent required in members and workers. For example, in a S & C group, economizing skills, business skills and participation are important skills that members learn in course of time.
* System: Everything within an organization must have a system, such as the administrative system, accounting system, Information system, human resource development system, Assessment system.
* Style: We have a democratic style of governance.
* Shared Values: Our common objective stems from our shared values such as equality among all kinds of human beings, right to basic needs and education etc.

The steps to group formation are outlined in the following diagram.

Diagram 3. The steps to group formation

Description of steps

1. Initial site visit:

* Identification of working area through research.
* Measure community size. A group functions best when its members represent only a limited geographic area because it allows smooth function and greater sense of unity and trust.
* Note economic indicators
* Find out the language spoken and literacy rate
* Identify gender issues, cultural norms
* Financial sector involvement.

2. Information collection:

* strategy planning
* demand and problem analysis (right based approach)
* mission, vision
* goal set, competitors
* collaborators, supporters
* model and operating mechanism

3. Orientation:

* Firstly, it is important to make steady contact and build a good relationship with the intended community. Conducting programs to let the people know about the benefits of microfinance is very important.
* Discuss the objectives of starting such a group and what are the problems that will be addressed and can be addressed through the group.
* Explain the difference between community based and capital based institutions. List the available financial resources and demonstrating why their community based group will serve them the best.
* Commencement introductory training
* To start such a group one needs to know the theories of saving and credit groups and financial cooperatives
* During orientation we stress on the importance of savings, how it can be done and for whom it is the most important. It included explanations of why the urban poor with little source for emergency funds, less and unstable income should save for a secure future. The major aims and objectives of savings are listed below:

1. To fulfil present and future needs of members and encourage the community to work as a team
2. To develop helping behavior, respect for one another, independence and economization.
3. To uplift the social and economic standard of living
4. To create employment and develop entrepreneurship to alleviate poverty
5. To develop feelings of self-confidence and self-dependency
6. To show members the importance of participation and partnership
7. To make necessary capital at a local level available locally by developing a financial system.

We also give Information about loans:

1. A loan is defined as a sum of money that it lent to a person or group for a certain period of time at a certain interest rate. According to the internal rules and regulations of a group/cooperative, the members are provided with loans which should be paid in instalments along with the principal and interest.

Loans can be largely divided into two categories:

1. Productive Loan: This loan is for any productive economic activity; namely agriculture, business, cottage industry, other income generating activities.
2. Social Loan: This loan is for activities other than income generating ones; such as: education, health, emergency, daily purposes etc.

ii. Who may receive loan:

1. Those who save regularly
2. Those who are trustworthy to the group
3. Priority is given to borrowers who want productive loan.
4. Those committed to one’s own and the groups social and economic development
5. Those who follow the process of borrowing.

4. Exposure visits and sharing:

* Observing an existing savings and credit group is powerful learning tool. Besides, the community members tend to get a great deal of confidence boost and enthusiasm to begin a group of their own. Lumanti has been taking active and dedicated members to various global destinations for exposure visits. Besides the some exemplary financial institutions in Nepal itself the exposure visits have been in Thailand, Sri Lanka, Kenya, India, Canada, Pakistan, Bangladesh, Cambodia etc.

5. Savings and credit group formation

* A group should have 10-30 members.
* Members should be aware of the requirements for the functioning of such a group.
* Members should trust each other and believe that they are equally responsible members of the team.
* If a member is passive and nonparticipating, she can be replaced by someone more active and willing.
* Discuss the basic policies for approval and get it signed by all the members in the group.
* Collect membership fees, entrance fees, share amounts and first savings
* Distribute pass books.

Character of group members

1. Those with similar economic and social standing
2. Enthusiasm, eagerness/ energy and capability, equality.
3. Those with a communal aim
4. Entrepreneurship and diligence
5. Unselfish and helpful
6. Same geographic habitation
7. Disciplined, economizing and farsighted
8. Active, outspoken
9. Trustworthy and trusting of group members
10. Treats other members equality

6. Management committee formation:

* Choose chairperson, treasurer and secretary
* Explain the roles and responsibilities of the executive committee and the members.
* Training for the executive committee members
* The executive community should meet regularly
* Help the community in savings and loan.

*Role, Rights and Responsibilities*

Chairperson:

1. keep close contact with group and make other contacts
2. organize the group
3. lead arguments and come up with appropriate decisions
4. take part in group activities and involve other members as well
5. To supervise each group activity
6. Act as a link between the members and Lumanti or CWF; disseminate information from Lumanti/CWF to the members and take information from members to Lumanti/CWF.

Secretary:

1. Organize meetings and inform members. Keep records of meetings.
2. Assist the chairperson
3. Inform members about group related information
4. Monitor financial records
5. Take responsibility for any savings and credit activity.

Treasurer:

1. The treasurer should keep an account of the amount of savings that each member makes per month.
2. The accounts for savings should be done transparently and in an organized fashion
3. Accounts keeping
4. Make appropriate use of capital and fully responsible for credit transactions
5. Give information about savings and credit to members.
6. Assist secretary and chairperson
7. Take part in group activities

Members:

1. Submit collected savings account to group leaders
2. Regularly attend group meetings
3. Actively participate in group activities
4. Appropriately use group service
5. Receive information about group activities and help/contribute when necessary

Policy formulation

* Make policies regarding savings, loans and interest.
* Makes policies regarding membership
* Members may make any policy through discussion and unanimous vote if they deem it necessary**.**

Documentation

The group should keep a record of the following things for clarity and to track the progress of the group.

* accounts/ book-keeping
* Individual savings and loan record.
* Income and expenses
* Group loan and savings record.
* Cash flow
* Copy of approved policies
* Rights, roles and responsibilities

Meetings

* Monthly meetings should be fixed to collect savings and approve and distribute loans.
* Loan distribution decision making is based on group perspective, attribute of the borrower and cost of lending.
* Monthly orientation on various topics such as legal rights, sanitation, health, family planning, income generating activities.
* Address community needs such as sewage construction, pavements, toilet construction, community taps in collaboration with Lumanti, the community and the ward.
* Monthly monitoring, level follow-up, program planning, monthly reports.
* Develop an action plan.
* Identify mutual problems and work together to solve it.

Regular meetings are very important in order to communicate information to members and to maintain a good rapport with members and to avoid conflict and misunderstandings. Planning the meeting ahead of time and making it known to the members and subjects for discussion should be prepared for a well-organized. The following are a few things to keep in mind while conducting meetings it make it more effective and productive:

* 1. Focus on the subject to be discussed. In the meeting
  2. The meeting should be democratic and participatory.
  3. It should not be influenced by any one interest group.
  4. Every member is free to give her opinion
  5. Decisions should be based on facts and evidence
  6. If decisions are not unanimous, there should at least be a majority agreeing it.

1. Phases of team spirit development in the group:

Usually, when there is economic deprivation in a community the members living in it do not have a healthy social rapport with one another. So it is likely that in when a group is in its initial phase there will be a concern for immediate gratification rather than long term development, ignorance of prevalent social problems and lack of trust, helping behaviour, proper communication, and understanding of the value of team work.

In the second phase the members will have realized that there is little a group can do when its members do not trust or help each other. By this point they will begin to know each other better and will start gaining trust and developing helping behaviour.

The next obvious phase is when the group will have developed a sense of team and will be executive to attain the objectives and greater aim of the organization. The members will have improved their personal economic and social status and will orient towards solving social issues. Members will be mature enough to accept constructive criticisms and work to improve their own behaviour.

Theoretically, the fourth stage is the most mature a group can be. A group may or may not reach this stage. In this stage the members will be more concerned about the group and social problems rather than their personal gains. They will be steady at community development. Members will be more responsible and will try to strengthen their own personalities by assessing their actions and striving to improve. Full participation, clear division of work and responsibilities, optimum utilization of resources, transparency and interdependency are extremely important factors when it comes to developing unity and team spirit in the group.

1. Transition from saving groups into cooperatives

There are strong reasons for groups to unite into cooperatives. As a group matures it will be capable of attaining higher objectives and at the same time it will face various limitations. The following points describe how forming cooperatives will help to tackle those limitations and move on to greater success:

* Groups are not legally recognized institutions. By morphing into a cooperative the groups will gain a legal background and the members will be legally bound to their roles and responsibilities under the cooperative act. They will be able to take government security, supervision and guidance. Legal rights of cooperatives are elaborated further in this document.
* The amount of capital available to a savings and credit group is small which is why there may not be enough capital available to meet the loan requests of members all the time. On the contrary, some other groups may have lots of idle capital in their account. When groups form a cooperative, the capital will be allocated and utilized more efficiently. Similarly, a group of cooperatives have formed a network so that inter-cooperative loan is also possible. This also ensures better allocation of resources.
* A registered group can also obtain revolving loans from various other government and non-government organizations if they need more capital. For example: Habitat for Humanity provides loan for housing through Lumanti and CWF( Community Women’s Forum) the cooperatives may obtain housing loans and technical support too. Lumanti itself provided financial support in terms of loans if the cooperatives cannot meet the members’ demands.
* Without a legal framework and limited growth a savings and credit group cannot last for a long time. A cooperative has a higher sustainability since it has ample opportunity for growth with legal support.
* Groups will enjoy product diversification once they merge into a cooperative. With more capital and improved organizational capabilities a cooperative can provide more services to its members such as different types of savings and loans.
* Once cooperatives break even and start earning profits they will be able to invest in social development activities and income generating (IG) activities.

The following diagram illustrates what the structure of a cooperative looks like:

General assembly

Election

Account committee

Loan Sub - Committee

Executive Committee (Chairman, Vice-chairman, Secretary, Treasurer, Members)

Educational Committee

Manager

Workers

Workers

**Cooperative Formation Steps**

1. Savings and credit groups from 5 wards of the same geographic area are united to form one cooperative.
2. In the orientation process the members receive additional information about savings and loans. A sample savings and loan policy from one of the cooperatives is given further in this document. Members are taken for exposure visits as well. The officials are given on the job trainings regarding administration management and accounting.
3. Next, the cooperative is registered. The group should have at least 25 members for registration. The members should discuss about which district to register in.

After the members are ready a primary meeting is conducted to for a bylaw for the cooperative. The members must be shareholders. The members themselves will make a policy on the minimum shares to be bought. Membership fees, entrance fees, share amounts and first savings are collected. Members vote to pass policies and each member has one vote to give. There must be a unanimous agreement for a policy to pass.

After 3 months of registration the cooperative must conduct a primary general assembly. 60 % of the members should be present for the primary general assembly to be conducted. An accounts committee, Educational Sub Committee and a Loan Committee is formed. These committees have 3 members each. In this assembly the appointed executive committee members will present an financial report and an overall report of the 3 month old cooperative. The members may bring up requests for policy change. The policy can be modified through voting and unanimous agreement.

1. The cooperative is now fully functional. The different committees should meet regularly or periodically. The cooperative will be open on certain days of the week for transactions. A representative from each group is chosen to a group coordinator. Group meetings will stay intact as prior to cooperative formation.
2. The followings issues should be discussed and decided at the general assembly :
3. Conducted to discuss the annual report, yearly financial statements, profit distribution into various funds, policy certification, and make next year’s action plan and to elect new board members.
4. Present the auditors report
5. The Board directors changed bi-yearly. They have to hold meetings every month.
6. Every page of The General assembly report should be signed by the board members.
7. Stipulate total capital amount
8. Share counts, Share prices, amount of shares to be sold initially and deposit of share amount in banks.
9. Rights given to appointed committee members.
10. About merging groups into one cooperative and about its joint finances.
11. Miscellaneous

The roles, rights and responsibilities

Group Coordinator: Roles, rights and responsibilities

1. Call meetings whenever necessary.
2. Collect monthly savings and deposit it in the cooperative
3. Disseminate information from CWCF or Lumanti to individual members.
4. Monitor loan and savings activities.
5. Inform members about their S&C situation
6. If a member needs loan, fill the request form on her behalf and take approval from all the group members.
7. Submit the collected amount of savings and loan repayment to the co-operative.

Executive Committee: Roles, rights and responsibilities.

1. Provide new membership
2. Make rules regarding to take and give inter-group loans
3. To decide the interest rate on savings and various types of loans.
4. To keep accounts of expenses
5. To establish or dissolve sub-committee.
6. To give administrative job to a worker from the executive committee or to appoint an official for the job.
7. Do all the necessary legal work for the administration.
8. To submit an annual budget and action plan for approval in the general assembly.
9. To establish electoral sub-committee during election for new committee members.
10. To complete works given to them in the general assembly.

The members save for various purposes such as regular saving, children saving, saving for education, for housing purposes etc. Members need to save for at least six months to be eligible to take loan for different purposes.

There are five types of savings available for members:

* 1. Compulsory savings
  2. Optional savings
  3. Piggy bank savings
  4. Children savings
  5. Fixed savings

1**. Compulsory savings:**

* 1. Members must save a minimum of Rupees 50 or any amount above 50 divisible by 10 by the 15th day of every month
  2. Members who do not save within the 15th day will be charged a 10% of the savings amount as fine.
  3. Members are not allowed to submit previous months’ savings the next month.
  4. If a member wishes so, she can submit her savings of 6 months at a time.
  5. Members are not allowed to withdraw their savings for at least 3 years. After 3 years members will be allowed to withdraw their savings according their withdrawal policy.
  6. Members will receive 8% interest on their savings.
  7. The interest will be added to their savings account every 6 months
  8. Savings should be done through the team co-coordinator.
  9. Savings should be done on monthly group meetings.

**2. Optional savings:**

2.1 With a minimum of Rupees 500 in their account, members can save and withdraw at any time.

2.2 This type of savings receives an annual interest of 7%.

2.3 The interest will be given for the minimum balance of the month.

2.4 The interest will be added to their savings account every 6 months.

2.5 Members can withdraw at the co-operative office after filling up a required form.

2.6 A written notice is required if member wishes to close the account. He fee to close this account is Rupees 100.

**3. Piggy Bank saving:**

3.1 The minimum monthly savings is Rupees. 30. Otherwise, savings will not be collected for that month and interest will not be received.

3.2 Along with the members, their children are also eligible to start this kind of saving.

3.3 A fees of Rs. 10 Rupees in charged to start this savings and a charge of Rupees 120 is made for the box box and keys.

3.4 The keys will remain with the group coordinator. The member shall open it on the day of required savings.

3.5 This type of saving should be done for a year at least. Members will receive 5% interest on this saving. The principal amount and interest can be withdrawn at the end of the year.

3.6 Savings cannot be withdrawn before a year. If a member wishes to do so, she will have to pay service fees and 2% of the amount as fine.

3.7 If a member does not save for 3 months without notice she can be removed from this service. If a member does not save of 6 months they will not receive the interest on the principle amount.

3.8 A member who has given a written request for withdrawal will be able to withdraw the saved amount only after the approval of the executive committee.

3.9 There should be a minimum balance of Rupees 300 even after withdrawal.

**4. Children savings:**

4.1This account can be opened for children under 13 of members.

4.2 A minimum of amount 20 or an amount more then 20 divisible by 10 should be deposited in this account on the 15th day of every month.

4.3 Other policies are the same as required saving policies.

**5. Fixed savings:**

5.1. The immediate family of the member can also open such an account in the cooperative.

5.2. The member should approve of her family member opening an account and they should have a official document proving their family ties.

5.3. A member should pay a starting fee of Rupees 10 and the family member will be charged a fee of Rupees 20.

5.4 The opening amount of this type of savings should be Rupees 10,000.

5.5. If a member needs to withdraw the amount before the stipulated time, they can withdraw it as a loan.

5.6 The interest rate for this loan will be 2% more than the interest rate they were receiving. The member will only receive only 50% of the deposited amount as loan.

The interest of this account varies according to the time interval it is kept:

**6 months: 7%**

**1 year: 8.5%**

**1.5 years: 9%**

**2 years: 1.5 %**

**3 years: 10%**

**Co-operative Loan policies:**

For members who have been saving regularly for a certain period of time (1 year at least), the cooperative will lend loans under certain conditions. Loan transactions are done in the cooperative itself. The members may submit the instalment principal and interest through group coordinator if she wishes to. Other members from the group should give approval for the borrowing. The borrower should make it clear in written form for what the loan is required. The borrower will have to fill up a legal document and a form before the executive committee will discuss for approval of the loan**.**

There are certain things that the co-operative /group should consider in the decision making process to approve loan requests:

1. Character of the borrower:
   * How regularly does the person save
   * how effectively did the person pay her pervious loan
   * His social behaviour; is she trustworthy or is she capable of misusing the loan because of weaknesses like substance addiction or alcoholism.
   * Whether she intends to benefit herself and her family and/ or the larger community by her activity.
2. Capacity to pay:

* Assets
* Source of income
* Willingness and skill to start income generating activities

The procedure to take general loan is as the following

* Written Application and scheme
* Assessment of the required amount and requested amount
* Decision; If the executive committee is not satisfied more information is requested.
* If satisfies a loan request is made to the loan committee.
* If the loan is approved, it can be lent after make a legal certification of the borrowing and if not, a written notification of why it was not approved should be provided to the member.
* Stipulate instalment and interest rate.
* Show group guarantee or appropriate papers (land boundary papers, citizenship paper, certificate of land ownership, share certification, receipt)
* The loan can be delayed if the group/co-operative does not have sufficient funds to distribute

The executive committee should make it a point to keep a check on the loan after it is lent.

For those who are not used to dealing with money can use some help to allocate the amount in the most productive manner. The following things can be done after the above procedure:

* To check whether the borrower has used the money appropriately and as planned or not.
* Whether the borrower needs help/ suggestion in the activity they wish to invest the money in.
* Whether the borrower requires and wants any kind of skill development training.
* To arrange a site visit for the observation of the kind of activity the borrower wants to begin.
* To help and guide the borrower so that she is able to repay the loan within the time frame.
* In case the borrower is unable to repay, investigate why the borrower was unable to repay and shift the deadline and reset instalments.
* For borrowers who are unwilling to repay the loan, request repayment and make them understand the importance to respect rules for the smooth functioning of such a system and issue a warning.
* If the member is still unwilling to repay the loan, take necessary action against the borrower according to the policy.
* To investigate the gains of investment.
* To make a record of the borrower so that they can refer to it the next time she wants a loan

Uses for the loans are as shown in the following diagram:

1. **Structure of Urban Community Support Fund**

In some of the municipalities where the communities are active and have strong saving network, Urban Community Support Fund was established. The Cities where UCSF was established are Kathmandu, Birgunj, Kalaiya and Ratnanagar. The structure of UCSF is such that the community organizations have a lead role. A committee is formed for management of the fund. The municipality chief executive officer is the chair of this committee and the community organizations such as the cooperative, Federation of Informal Settlement act as the secretariat for the fund. A policy and guidelines for management of the fund is endorsed by the committee. The cooperative collects the requests for loans for various purposes from the communities and are classified according to the purposes. The committee meets for discussing these, loans are approved through these meetings. The funds are mobilized through the cooperatives. They are responsible for monitoring and repayment of the loans.

|  |  |
| --- | --- |
| What are the different uses of these funds? (For example housing, infrastructure, livelihood, emergencies, etc) both from the cooperative and UCSF. | The loans are taken for various purposes such as housing, initiating income generation activities, education, for emergencies, foreign employment, for construction of sanitation facilities, installation private pipelines for water, for purchasing land for housing and agriculture, initiating communal income generating activities, for repaying loans which were taken in high interest from moneylenders, for health treatments, for cultural celebrations, for starting agriculture |
| What financial products are available to urban poor communities (loans, grants, etc) Are these available to groups and/or individual families? | Loans are used for housing, initiating income generation activities, education, for emergencies, foreign employment, for construction of sanitation facilities, installation private pipelines for water, for purchasing land for housing and agriculture, initiating communal income generating activities, for repaying loans which were taken in high interest from moneylenders, for health treatments, for cultural celebrations, for starting agriculture Members also save for purposes such as welfare with which grants are provided to the needy families. Loans are available to groups as well as to individual families. |
| Specify sources of income/contributions to the fund(s) (for example interest from loans, community groups, government, donors, NGOs etc.) | The source of contribution to the cooperatives funds is entirely the saving of the members and some portions from the interest earned from the loans. In case of Urban Community Support Fund, the contribution is from the government and from ACCA and other donor agencies. |

1. **Fund(s) impacts until now**

|  |  |
| --- | --- |
| Physical impacts (housing projects, infrastructure) | More than 6000 families have take loans for housing construction and repair from 30 cooperatives since their initiation. Linkage with municipality’s budget for infrastructure development in the poor communities. Municipalities have started to allocate budget for community development. |
| Social impacts (networks, confidence, capacity building) | The community women have now access to finance are economically empowered. They are now very confident. Various trainings on capacity building have been provided to the cooperative leaders. The women who were not recognized by their own husband, now have high status in the society.  Lumanti has been vigorous in its push to connect women’s organizations to other intricate networks consisting of government agencies, financial institutions and sister organizations. Women’s savings groups are created with the sole purpose of becoming fully self-sufficient and autonomous. Once credit and savings co-ops are established, Lumanti aims to enable the organization to build away from the NGO and to field relationships with local offices that can provide the support needed to flourish. By making solidified connections with municipality governments, umbrella savings organizations and neighboring women’s groups, there is great likelihood that a savings and credit group will excel once the organization is created. |
| Political impacts (partnerships, MoUs, etc.) | Political leaders, Municipalities have now partnered with the poor communities, example Urban Community Support Fund. The poor people share the same platform with the municipalities. |
| Economic impacts | The women in the community has huge capital which are mobilized for various purposes mentioned above. They do not need to depend on other sources for improving their lives and their communities. |

1. **References**

Shaping Own Destiny: Experiences of Micro Finance Programme in Slum and Squatter Communities in Kathmandu and Lalitpur Cities; Lumanti Support Group for Shelter.

The Status of Lumanti’s Savings and Loan Cooperative throughout Nepal; Lumanti Support Group for Shelter.

Sustainable Microfinance: Modest Interest Rates, Minimizing Operational Costs, MaximizingImpact; Whitney Fisher

Other reports prepared by Lumanti on Saving and Credit Cooperatives.

**.........................................**

**ATTACHMENT VI**

**Community Development Fund in the Philippines**

1. **Country context and current situation on housing and urban poverty**

The Philippines is one of the most rapidly urbanizing countries in Asia and it has been estimated that almost half of its total population will be urbanized this year.[[23]](#footnote-23) Urban centres such as Metropolitan Manila attract migrants from rural areas in search of better opportunities, resulting in the increase of the number of families living in these centres. In mid-2015, the estimated number of families that have settled informally in urban centres throughout the country is about 1.5 million, and forty percent of this number or 600,000 families reside in Metro Manila. Needless to say, slum communities are the most visible manifestation of urban poverty in the country.

The actors involved in addressing poverty and housing development include the following government agencies:

* Department of Social Work and Development
* National Housing Authority
* Social Housing Finance Corporation
* Housing and Urban Development Coordinating Council
* National Statistics Office
* Department of Interior and Local Government
* Philippine Commission on the Urban Poor
* National Anti-Poverty Commission
* Department of Public Works and Highways

In addition, local government units (barangays), non-governmental organizations and people’s organizations also participate in efforts to address poverty and housing problem in the country.

1. **History and Evolution**

The history of community funds in the country and its evolution requires a discussion of the history of the experience of the Homeless People’s Federation Philippines (HPFPI) and its implementation of the savings scheme among informal settlement communities in Barangay Payatas and Quezon City during the mid-90s.[[24]](#footnote-24) The HPFPI is a network of urban poor communities throughout the country that undertakes savings as one of their basic ‘rituals’ and which has been able to mobilize and leverage external funds in support of its various initiatives.

The HPFPI has its beginnings in the community-based development program of the Vincentian Missionaries Social Development Foundation (VMSDFI), which set up a development program supporting waste pickers and a microfinance facility in Payatas in 1993. However, the facility was found to be problematic because it could not be scaled up, with only 350 persons signing up in 2 years. Also, the facility was not sustainable, being mainly dependent on the staff doing all the work of “screening, organizing, monitoring and collecting.”[[25]](#footnote-25)

It was then that the concept of implementing a savings program was thought as a solution to the limitations of the microfinance facility. Fr. Norberto Carcellar, C.M. who was then the VMSDFI Executive Director became aware of the savings scheme being implemented by other countries especially in India and South Africa. In 1995, he attended a training course in India which focused on the task of communities and self-help groups in providing microfinance facilities. Including control mechanisms such as passbooks, receipts, loan forms and other documents that were needed for the facility operations.[[26]](#footnote-26)

In June of the same year, the savings program was put into operation in Payatas with Fr. Carcellar enlisting the participation of the first group of savers in the parish. Soon after that, more groups of savers came to the parish to ask for savings orientation and in a years’ time, about 2,000 savers joined the programs. After 2 years and a half a total number 5,300 savers representing 540 savings groups were formed in the area.[[27]](#footnote-27)

The savings phenomenon that started in Payatas ‘caught fire’ and momentum throughout the country during the years 1995-1998 as the implementation of the savings program spread to other communities in various cities such as Muntinlupa, Iloilo, Mandaue, Bicol region, and Mindanao. This may be considered as the “consolidation and expansion”[[28]](#footnote-28) period for the newly established community finance system.

Also during that period, Fr. Carcellar and the communities participated in many international community exchanges, including a visit to Mumbai - India in 1997, which inspired the participating community leaders to encourage more communities to implement and join the savings program in the Philippines.[[29]](#footnote-29) After the visit to Mumbai, the first Area Resource Center (ARC) was established to manage the collective savings of 7-10 saving groups.

In 1998, the people started to invest their savings on land due to massive threats of eviction among communities in Payatas. That same year, the federation recorded its first direct land purchase in the municipality of Montalban (now Rodriquez), Rizal by the Payatas Scavenger’s Homeowner’s Association, Inc. (PSHAI).

The savings of the people have helped build networks of communities which began to help each other in buying land, construction housing, etc. For example if a community lacks money, it can ask the other communities for a loan. In the National Capital Region, inter-lending among communities became a practice and member communities loaned out their savings to each other with an interest of 6% per year.

1. **Funds structure and scale**

At present, a total of 7,673 members are actively doing savings in 25 cities located in 5 regions including, the National Capital Region, Bicol Region, Central Visayas Region, Western Visayas Region and Mindanao Region. To date the federation has 139 member associations and 205 savings groups.

The savings program starts as a group of 8-10 members in one area. If there are many groups located in one settlement, these can form a community or association (registered with the government) especially if they have an issue on land security. Each savings group has a leader and a collector which remits savings to Area Resource Centres. Once a group joins other groups and become a community association (CA) or homeowners association (HOA), their savings are turned over to be managed by the newly formed organization with its own set of officers.

The current set-up and structure of the system is now being revised and improved by the federation taking the Sri Lanka model as an example to encourage increased participation of all members in various community activities. The new savings scheme supports the idea that within group savings the coordination of tasks would not only be assigned to the leader and collector but to all 10 members of the group. Each member will have different tasks to manage, such as a specific investment need like livelihood, health, land housing etc. The members will then rotate to handle the different tasks. If the savings group is part of an association, its savings members can easily convene to discuss specific issues. For instance, all members in savings groups assigned to handle livelihood issues can convene and discuss possible projects for the association.

**The figure below describes how Area Resource Centers (ARC) operate in cities.[[30]](#footnote-30)**

ARCs undertake (a) savings, (b) shelter and land acquisition initiatives, and (c) other community development programs such as rehabilitation of disabled persons. The ARC is responsible for accepting funds from savings groups (e.g. from SG A). They may also supervise satellites where satellites have been established in some communities (e.g. satellite A, B, C).

Local associations are set up in communities which are working on land issues. These local associations may have satellites in their communities which receive the savings of residents through their savings groups or low-income housing groups (e.g. Local Assoc C having Satellite C collecting savings from SG C and LIHG C). Other members of Local Associations (such as Local Assoc B and D) remit their savings directly to the ARC since they may be located near the ARC and have relatively few members, and thus do not have satellite offices.

- savings groups (SGs) or low-income housing groups (LIHGs)

#### ARC

**Savings**

**Rehabilitation of Disabled People**

**Land & Housing**

SG C

LIHG C

Local Assoc A

SatelliteA

Local Assoc D

Local Assoc C

Local Assoc B

SatelliteC

SG A

LIHG

LIHG

SHG

SatelliteB

The types of savings that communities are implementing include the following:

1. **Compulsory or group savings**: About 7-10 persons form a savings group. The maximum amount for a loan which members can receive is discussed and approved by the group. The group can use the multi-purpose loan for livelihood, education,and daily consumption needs.
2. **Urban Poor Development Fund**: This is the savings association that assists each member of the association with community loans. The community can propose a loan for land acquisition, housing and basic services needs. Loans can also be accessed at the city level to be used for down payment for land.
3. **City Fund**. This is the association’s contribution and can be accessed as loan at the city level.
4. **Welfare fund**. This is the member’s daily or monthly contribution for emergency needs at the city level. Members can use the funds for emergencies such as death, hospitalization, disaster events and education.

The first 3 funds above are revolving, but the welfare fund is of free assistance to those who contribute daily or monthly to the fund. The federation promotes group and community loans but not so much individual loans. Communities can access loans from the following sources:

* SDI’s UPFI, ACCA,REALL,UNESCAP from the Philippine Alliance
* Government funds through SHFC for CMP programs
* Interim financing some of the LGU’s(local government units)

1. **Fund management structure and decision-making**

Community savings are used to leverage and get more funds from other sources such as government. To date the communities’ Urban Poor Development Fund amounts to USD 88,924.00

Member communities contribute to funds by accessing loans at 6% interest**.** The membership of communities starts with savings group and as the savings expand, the members are organized to address the issues they are facing such as security of tenure, upgrading needs, and others. Funds are also offered to member communities and other community networks that are doing savings and loans. A community that intends to access a loan is required to submit a board resolution agreeing to access the loan and indicating for what purpose.

The regional office of HPFPI is the holder and manager of funds. It has a committee coming from different communities that discuss and decide on project proposals. The management of fund is selected by community representatives changing by the time the association elects a new set of officers every 3 years.

1. **Impact of funds, role and Impact of ACCA**

Alongside activities like savings mobilization, land acquisition and network formation, initiatives such as community upgrading, including housing and site development, and disaster interventions are undertaken by the federation to improve tenure security and living conditions of member and network communities.

Provision of various types of housing projects reflect the Alliance’s bias for supporting disaster affected communities, or communities living in risky areas through long-term reconstruction initiatives, attainment of tenure security, and relief support.

|  |  |
| --- | --- |
| **Shelter initiatives (as of 2015)** | **No. of households/units** |
| Permanent Housing | 659 families |
| House repair/improvement | 342 families |
| Transitory housing | 3 communities, more than 50 units (to be verified) |

|  |  |  |
| --- | --- | --- |
| Upgrading projects (as of 2015)\* | No. of communities | No. of families benefitted |
| Path walks | 3 | 58 |
| Drainage systems | 2 | 92 |
| Electrification | 6 | 114 |
| Bridges | 6 | 733 |
| Communal toilets | 3 | 487 |
| Water systems | 3 | 90 |
| Community centers | 2 | 502 |
| House repair/re-blocking | 1 | 29 |
| Riprap/road access | 2 | 136 |
| Landfill | 2 | 31 |
| Site development | 1 | 135 |

(\*to be updated)

The community upgrading projects above have created the following impacts:

* Strengthen relations of community members by doing activities collectively;
* Capacitated communities in managing their own funds, obtaining construction materials and building systems of transparency in implementing saving and development activities, ultimately strengthening community-driven processes;
* Influence communities to undertake savings and win support of local governments, leading to strengthening ties between them and communities through the signing of Memorandums of Agreement (MOA) and the institutionalization of partnerships
* Helped get the practices of HPFPI recognized by other people’s organizations and non-government organizations in and out of the country;
* Facilitated the collaboration of HPFPI with other alliances and strengthened relations within the global network of the urban poor
* Promoted the role of technical professionals as “facilitators” in poor communities and building technical capacity on aspects of slum upgrading;
* Resulted in partnerships between the federation and academic institutions that formalized the participation of students in community initiatives.
* Strengthen the federation and the network’s capacities in terms of savings mobilization, partnership and alliance building, and in developing mechanisms that enable pro-poor policies supporting a community-driven approach to secure land and housing,
* Developed the federation’s flexibility in dealing with the bureaucratic and changing political environment,
* Developed capacities and lessons applied in current projects supported by other international networks and partners
* Changed the mindsets and perception of the government towards the urban poor, resulting in the government acknowledging the positive aspects of community-driven development and their potentials to scale-up

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1. This historic time line was shared by Somsook Boonyabancha via an interview [↑](#footnote-ref-1)
2. It was later renamed “The Community Organizations Institute” (CODI) when the rural fund was combined to the urban fund. [↑](#footnote-ref-2)
3. Boonyabancha, “Urban Community Development Fund, Thailand”, page 3 [↑](#footnote-ref-3)
4. Sirpanich, Nitivattananon and Perera (2015) [↑](#footnote-ref-4)
5. Sirpanich, Nitivattananon and Perera, p 370 [↑](#footnote-ref-5)
6. Asian Coalition for Community Action [↑](#footnote-ref-6)
7. Sirpanich, Nitivattananon and Perera, p 370 [↑](#footnote-ref-7)
8. Sirpanich, Nitivattananon and Perera, p 370 [↑](#footnote-ref-8)
9. Sirpanich, Nitivattananon and Perera, p 370 [↑](#footnote-ref-9)
10. Archer (2012) [↑](#footnote-ref-10)
11. Powerpoint Presentation [↑](#footnote-ref-11)
12. Archer (2012), p 432 [↑](#footnote-ref-12)
13. Archer (2012) p. 433 [↑](#footnote-ref-13)
14. ACCA Fifth Year Report (2014), p. 52 [↑](#footnote-ref-14)
15. Sirpanich, Nitivattananon and Perera, p 371 [↑](#footnote-ref-15)
16. Powerpoint Presentation [↑](#footnote-ref-16)
17. Powerpoint Presentation [↑](#footnote-ref-17)
18. Sirpanich, Nitivattananon and Perera, p 372 [↑](#footnote-ref-18)
19. This contribution is optional [↑](#footnote-ref-19)
20. Sirpanich, Nitivattananon and Perera, p 372 [↑](#footnote-ref-20)
21. Sirpanich, Nitivattananon and Perera, p 371 [↑](#footnote-ref-21)
22. Powerpoint Presentation [↑](#footnote-ref-22)
23. In Philippines Population Live, the country’s urban population is estimated at 44.9% of the total in 2016. <http://www.worldometers.info/world-population/philippines-population/> [↑](#footnote-ref-23)
24. Sandra Yu, “Documentation of the Experience of the Homeless People’s Federation Philippines”. Second Draft, June 2003. [↑](#footnote-ref-24)
25. Ibid. [↑](#footnote-ref-25)
26. Ibid, p.4 [↑](#footnote-ref-26)
27. Ibid. [↑](#footnote-ref-27)
28. Ibid. [↑](#footnote-ref-28)
29. Ibid. [↑](#footnote-ref-29)
30. Ibid, p. 8 [↑](#footnote-ref-30)