

# HiFi NEWS

The newsletter of  
the Working Group  
on Housing  
Finance and  
Resource  
Mobilisation for the  
Habitat  
International  
Coalition

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## Editorial

**This HiFi News presents a collection of experiences from around the world. From Mexico, there is news of an award-winning savings and loan programme working primarily with women to improve housing. A second programme in Mexico is a new government funded initiative to offer subsidised loans to families in Mexico City. Both programmes build on innovations from the 1970s and 1980s in new efforts to ensure that housing improvements take place and people's own development activities are supported.**

From Africa, a grassroots exchange has brought together two well-established programmes, the Homeless People's Federation in South Africa and the Savings and Loan Network in Senegal. The report demonstrates the effectiveness of community exchanges as a way of sharing skills and spreading understanding. Through discussions and experiential learning, women from Senegal saw how they could use their finance to address their housing needs as well as pro-

vide capital for income generation. Updating information on other African programmes, the first issue of HiFi News shared information about the government housing finance programme in Namibia and this issue includes news from the Namibia Housing Action Group and the newly formed Federation of Saving Schemes. The first issue also included a summary of the work of the Rural Finance Facility in South Africa and this issue describes their recent work.

The Urban Community Development Office in Thailand has faced the dual challenge of the national economic crisis and a shift to funding community networks rather than individual community organizations. A short report from UCDO explains how it has responded to this situation. Finally, all housing financing initiatives take place within a broader framework of financial rules and regulations. The final item summarizes an analysis by Debora Cavalcanti of savings and loan regulations around the world.

## LATIN AMERICA

### The (UCISVER) Housing Programme

**Very small amounts of external aid are being used in Mexico to help women improve their housing, such aid leveraging local savings, government subsidies and legal tenure. The programme itself combines the development of low-income settlements, the redistribution of income, environmental improvements and changes in the way urban planning is undertaken. Activities involve low-income households in the state of Veracruz, although perhaps not those with the lowest incomes. The programme is centered on Xalapa but also operates in Coatepec (a small town near Xalapa) and in Martínez de la Torre, two hours away. Negotiations are now underway to extend the programme to Coatzacoalcos.**

The UCISVER Housing Programme builds on traditional rotating savings and credit associations (*tanda* or *vaqui-ta*) which are still widely used in Mexico by both the urban and rural poor. These enable the poor to save

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despite the lack of interest from formal sector banks and financial institutions. The traditional *tanda* is a way of saving for a small lump sum credit, whereby a group of people agree to save a certain amount each week or month and lots are drawn to determine when each will receive all the contributions. It is a credit system if you hit the jackpot in the first week or a savings system if you are the last to get your share.

The women taking part in this programme are members of a grassroots organization called the *Union de Colonos, Inquilinos y Solicitantes de Vivienda del Estado de Veracruz* (UCISVER) (the Union of Settlers, Tenants and those demanding Housing in Veracruz State). The union is based in Xalapa and is working throughout the state. Helping them is the *Centro de la Vivienda y Estudios Urbanos* (CENVI AC), an NGO based in Mexico City which has worked with the women to develop a strategy for housing improvement. The NGO continues to be involved in the programme and provides on-going technical assistance.

Through the programme, women's savings have been combined with seed capital donated by European NGOs and investment funds from Xalapa state and municipal governments to provide short-term loan finance for housing improvements. The programme operates with very small amounts of money, creating small local funds which serve groups of women in turn. The present value of the external finance is just under US\$ 3,000. Twenty per cent of the cost of the basic housing investment is provided through the savings of the participating families and 30 per cent was initially provided with the remnant of a long-forgotten donation by CIMADE (France) to support CENVI work with tenants in central Mexico City. Homeless International (UK) donated the money for building the show house. The value of the savings and loan finance is doubled through an additional subsidy in the form of donations of building materials made available by the state and municipal governments as a result of negotiations by UCISVER.

The programme operates with one group of seven women at a time. Each group member must save 200 pesos (US\$ 20) a fortnight for eight fortnights. The resulting 1,600 pesos saved is made up to 4,000 pesos by a short-term loan. To this amount, a subsidy of 4,000 pesos is added, either in the form of building materials or cash. The resulting sum of 8,000 pesos is issued every fortnight to each member of the group in turn, with the order being determined by lots. These loans are given out during the eight fortnightly savings periods. The repayment of the loan, on the basis of 50 per cent of the total costs, i.e. 4,000 pesos, commences immediately from the ninth fortnight, also at the rate of 200 pesos a fortnight. As soon as one group commences repayment, the first recipient of another group can receive her loan and subsidy. To date, seven "generations" of credit associations have completed the cycle and a further 12 are at the initial stage of saving and starting to take loans. Loan recovery has been virtually 100 per cent. In practice, the number of groups active at any one time depends primarily on the availability of funds from the state government, which are forthcoming but erratic and need to be re-negotiated periodically. Regarding financial subsidies, a great advantage is that the process is *transparent*. There are three components to the subsidy. First, the direct subsidy from local government which is half of the total value of the housing investment. Second, the donation from CIMADE. Third, the cost of UCISVER and CENVI support. There are six UCISVER organizers who support many issues such as health, education, housing and urban development. CENVI has two full-time architects in Xalapa, an additional staff member who provides part-time support and a monthly visit from CENVI's director. This subsidy is a combination of grants from other European NGOs, principally NOVIB, and unpaid work by the politically motivated UCISVER team.

The money (US\$ 800) is generally used for the construction of a 16-square metre core house with a separate sanitary unit which follows a house plan adopted by the organiza-

tion. The loan subsidy does not have to cover the cost of land or services, the land already having been secured as a result of previous negotiations with provincial and municipal governments, and the services being negotiated from state government and paid for separately. To obtain a plot of land, the women must be members of UCISVER and they must have completed payment of 4,800 pesos (US\$ 480) for the land.

In 1992, UCISVER and CENVI drew up an improvement plan for low-income neighbourhoods on the outskirts of Xalapa. Among other things, this plan proposed the creation of land reserves to help combat segregation and provide low-income families with an option for acquiring legal homes. This proposal was accepted by the state, however, most of the lots on the reserve were assigned by the usual clientelist mechanisms to PRI (the ruling party) adherents. Part of the reserve, however, was assigned to the UCISVER who negotiated a loan from the state government to buy the land. The housing loan scheme was devised following pressure from the state government to occupy the land or lose it.

The detailed development was laid out in the 1996 housing development plan for peripheral low-income neighbourhoods in Xalapa, also drawn up by CENVI and UCISVER, with the participation of UCISVER members. The plan proposes a number of innovations:

- incremental housing design: an expanding home from a simple 16-square metre building with sanitary unit to a multi-bedroomed two-storey house;
- traditional house design with verandas and balconies;
- a separate sanitary unit with a dry-compost dual-pit latrine, shower and sink. The waste water is filtered through four tanks, the first of which removes grease and soap and the next three containing charcoal, gravel and aquatic plants. The filtered water and compost can then be used for home-grown produce and gardening;
- an optional conventional inside bathroom is provided at later

stages. (At the moment, and for the foreseeable future, the land has no mains drainage);

- each plot measures 7x15 metres (105 square metres) and costs around 4,800 pesos.

In February 1999, additional capital will enable local funds to increase to US\$ 15,000 allowing the programme to expand. Further funding is being negotiated for a building materials production unit. This may also reduce the need for the additional unpaid subsidy provided at present by both UCISVER and CENVI, as the funding includes direct support to CENVI and UCISVER.

Xalapa has a population of over 300,000 and a 3.5 per cent growth rate. There are few options for low-income people and most of them are forced to occupy peripheral unserviced land. The UCISVER programme tries to offer a better alternative with planned participatory development. The scale of the programme is small when compared to the scale of need but the programme is important in demonstrating a different way of building housing. However, not all can afford to take part. Some say they can save US\$ 100 a month but this is not enough to join a housing loan programme. At present, the municipality (financed by the federal government budget) is offering a 3,000 pesos (US\$ 300) soft loan in materials and the UCISVER organizers are encouraging their members to go for it.

The project is organized by women for women. Occasionally, the male head of family is responsible for the loan but this is only permitted if the wife participates in the design of the house and other aspects of the programme. The fact that UCISVER is basically a women's programme affects negotiations with the authorities. They are often not taken seriously and they are frequently asked "...where are your (male) representatives?"

The UCISVER housing project was awarded one of the ten UNCHS Dubai International Awards for best practices in 1998.

**Contact:** Cilla Connolly, Cenvi

## Housing Improvement Programme, Mexico

*Programa Mejoramiento de Vivienda is a new financing programme for housing improvements and incremental housing now offering support to low-income households building their own housing in Mexico City. The programme is supported by a number of groups and, particularly, the Institute of Housing (a government agency), FOSOVI (a Mexican NGO), Caja Popular (a low-income savings and loan fund) and the Union Popular Revolucionaria Emiliano Zapata (through their own savings fund). A number of grassroots organizations are also taking part as users of this programme.*

A range of loans from 300 to 2,000 pesos (equivalent to US\$ 30-2,000) are offered with the average household loan being about 1,600 pesos. Households can take out several loans up to around 1,600 pesos (with more being available for particularly high-cost developments). Loans have to be repaid within three years.

A 15 per cent subsidy is provided if the repayments are made on time and a further 5 per cent if repayments are made early. This means that people tend to take out smaller loans because they want to be sure that they can repay them quickly and therefore secure the subsidy. Five per cent of the loan value is provided to borrowers as a subsidy to pay for technical assistance and other support which is required. The subsidy funds are provided by the government.

The terms and conditions of the loans vary depending on who is giving the loan. The participating organizations in the programme have each chosen to work in a specific area within the city so, families living in different settlements may be offered different conditions. Both FOSOVI and the Institute of Housing base their interest rates on the annual increase in the minimum wage plus an additional 6 per cent. The *Caja Popular* and the *Union* both charge 30 per cent a year. Inflation in Mexico is now about 20 per cent per year.

Loans are given to individuals but

some communities say they will manage the loan finance collectively and make a group application. In order to enter the programme, would-be borrowers have to save 10 per cent of the amount that they wish to borrow and saving is collectively organized (as is traditional in Mexico).

The programme was initiated in November 1998 and, by the end of February, loan finance will have been made available to 300 houses in four pilot areas. It is now the intention to scale up activities and offer 3,000 loans in the forthcoming year, and then to expand.

The government was reluctant to pass over their subsidy and credit funds to be managed by an autonomous body but, eventually, they agreed. The programme is based on an open co-financing scheme with the INVI (Institute of Housing of the Federal District) as the main contributor. FOSOVI, the *Caja Popular* and others contribute between 10 and 40 per cent of programme costs. It is anticipated that new partners from the NGO and private sectors will be integrated in the near future. The financial operation as a whole is managed by *Caja Popular*, an independent operator with experience of providing financial services to low-income communities. A second operator, FINCOMUN (a local credit union), will soon join the programme.

During the pilot phase, a total investment of around 5 million pesos (US\$ 500,000) was provided with almost 40 per cent coming from the partner organizations. The investment for this year is expected to be at least 45 million pesos (US\$ 4.5 million).

The programme is governed by a ruling body of seven members. Two are from the Institute of Housing and act on behalf of the government, and FOSOVI, the *Caja Popular* and the *Union Popular Revolucionaria Emiliano Zapata* each have one representative. (The other two members are observers with speaking but not voting rights: the auditor general's representative and an advisor.) The Board meetings are also attended by grassroots organizations seeking to have their members' applications approved.

**Contact:** Enrique Ortiz, HIC

**Senegal/South Africa: A grassroots exchange**

**The Women's Savings and Loan Network in Senegal visit the South African uMfelanda Wonye - March 1999**

In March 1999, a group of women from the Savings and Loan Network in Senegal visited the South African Homeless People's Federation. The idea behind the visit was simple: the Senegalese Network has a rich 12-year experience in savings and loan schemes for income generation activities but lacks concrete experience in people-driven housing processes. From the South African Federation's experience, the Senegalese women wanted to draw lessons on how poor women can develop technical competence in design and layout, affordability studies, brick-making, house design and construction. In exchange, the Senegalese wanted to share with the Federation their experience in employment creation and micro-activities - a field that the Federation is keen to develop.

From March 10-15, the Senegalese delegation composed of Ndella Dieng (chairperson of the Cooperative), Aminata Mbaye (convenor of the Financial Management Committee), Ndeye Astou Ndao (Board member) and accompanied by Yara Abdul-Hamid (translator/facilitator at Enda Graf) exchanged stories and experiences with the South African *Umfelanda Wonye*. The group visited a number of housing savings schemes near Cape Town and Johannesburg, meeting with the national chairpersons, Patricia Matolengwe and Rose Molokoane and visiting two *uFundeZufe* ("learn until you die" regional centres).

Once the Network developed skills in financial management, savings mobilization and loan disbursement, it decided to diversify its activities by setting up a housing cooperative. Since its creation in 1990, the Housing Cooperative, which counts more than 780 members, has been struggling to obtain land. After long and difficult negotiations with the Ministry of Urbanism and Housing, the Cooperative purchased, in 1994, a 1.5 hectares plot of land which will provide shelter for 67 families from the Cooperative (see HiFi News No.3). Since then, little progress has been made. Rather than seeking advice from technicians, professionals and government officials, the Housing Cooperative decided to draw lessons from the experiences of other grassroots organizations in Africa.

**First Impressions, Common Approach, Objectives**

From the onset of the visit, the commonalities between the two grassroots organizations' approach were apparent. The Senegalese were surprised by the extent to which the two organizations shared the same vocabulary. Ndella Dieng, chairperson of the Cooperative, exclaimed at the end of her stay in Victoria Mxenge: *"We've experienced a 'mirroring' effect through our contact with the Federation. We hear the Federation women talk and we feel like we're still in the midst of a meeting in Senegal, since the same vocabulary is used: 'mutual learning processes' (rather than training); 'network of community based schemes' (as opposed to pyramid structure); opportunity-driven approach' (rather than problem based); facilitator (rather than technician or professional)."*

Through their dialogue with the Homeless People's Federation, the Senegalese and South Africans observed that:

- Saving is the central component of both organizations. The techniques of savings mobilization, however, differ. The South Africans use daily savings collection, whereas the Senegalese Network uses deposits. In Dakar, 26 savings stalls have been set up in market places - where women are known to spend a good proportion of their time, either as market vendors or as consumers - to maximize the amount of savings collected and to discourage money lenders.
- Savings collection are an "entry point" into a community, rather than a financial transaction. Savings mobilization enables the organizations to enter the community, mobilize people and encourage community based initiatives. Ndeye Astou, Board member and savings manager in Senegal, affirms: *"When women deposit their savings, we offer technical advice and we encourage women to network, to exchange experiences. We also organize meetings to encourage the community to collectively analyze their own situation."* Likewise, the treasurer of a housing and savings scheme in Cape Town says, *"...because of daily savings, we are always in contact with our members; we always enquire about their family, their economic activities and their house."*
- Financial capital exists and circulates within low-income communities, even amongst the marginalized. In Garankuma, near Johannesburg, blind residents were the initiators of the savings scheme; in Dakar, physically handicapped people are at the forefront of Pikine savings scheme. The question is how to mobilize local savings and re-circulate these within the community so that the largest number of people benefit, especially the poorest and the "powerless".
- The principal objective of the grassroots organizations and their support organizations is to value and develop human resources. Community-to-community exchange visits, study tours, collective analysis and brain-storming enhance poor people's capacities to

	Senegal	South Africa
Established	1987	1993
Number of members	20,000	100,000
Total savings	US\$ 1.3 million	US\$ 500,000
Loans primarily for:	income generation	housing

analyze, experiment, evaluate, innovate and create.

### Housing Processes: Technical or organizational issue?

Since its establishment, the Housing Cooperative in Senegal has worked primarily on savings mobilization, relying on the government for land acquisition and on professionals for the more technical issues of housing development. During their visit to South Africa, the women realized that poor women themselves could control the entire housing process – from savings mobilization to house design and construction. However, the three Senegalese women reiterated during their visit: *“We’re not positive that we can develop the necessary technical capacity to undertake such work.”* Ndeye Astou Ndao expressed an additional worry: *“Now that we have concretely witnessed the South African women’s work, we know this can be done. Can we do it? I just hope that we can convince the women back home that it is feasible.”*

The Federation women repeatedly insisted that women can easily develop housing related technical skills; and that the technical component is secondary to organizational development and mobilization. Patricia pointed out that the South African women were able to develop their technical skills through exchange visits with the Indian organization, *Mahila Milan*. *“We didn’t know either how to conduct affordability studies, make bricks, design plans or construct houses but we experienced and we learned. And now we teach women from other countries, such as Zimbabwe.”*

The repeated reassurance by the Federation women assuaged their worries and first-hand observation of the South Africans making bricks and designing plans finally convinced the Senegalese women that they too could acquire “professional skills”. The Senegalese enjoyed the Federation women’s down-to-earth explanation of technical issues. Aminata Mbaye claimed: *“When I asked the technician (who works with us in Dakar) to show us how layout plans are designed, he used such a sophisticated*

*jargon that I barely understood a word he said. In Protea South, during our last evening, we asked a woman to draw us a plan. When she explained house modeling, I understood and felt that I too could do it.”*

### Mobilization Revisited

Undoubtedly, the “success” of both organizations is based on social mobilization. Both organizations started small and scaled up rapidly. The first groups of women – in Victoria Mxenge in South Africa and Grand Yoff in the Senegal – initiated community-to-community training sessions and the networks of savings schemes expanded swiftly in both countries.

Comparing the practices and approaches of both organizations, the Senegalese women observed that the Federation continues to centralize social mobilization and participation whereas the Senegalese Network has – to a certain extent – become bureaucratized. As the women have developed their financial skills, they have gradually come to place less emphasis on mobilizing people and infusing the savings and loan schemes with the “Network spirit”.

### Centrality of National Leaders

In Cape Town and Ouakassie, the Senegalese women also noticed the centrality of national leaders (Patricia and Rose) in the Federation housing process. Initially, the Senegalese questioned whether the decisive role of the leaders was a mobilizing factor or whether it led to a centralization of power and decision-making. However, their later impression was that the members were more organized in the presence of national leaders. During a discussion between the Senegalese and the savings schemes in Ouakassie, Federation members explained that the leaders “accompany” the members until the women build their self-confidence and self-reliance. A Federation member in her sixties told the Senegalese: *“Rose is young enough to be my daughter but she is like our teacher. She taught us a lot. Before I wouldn’t even speak in public but*

*Rose kept on encouraging me until now I feel very sure of myself.”*

The Senegalese women told the Federation members that the Network had had, in the past, acute internal problems. In the early 1990s, the founding members of the Network wanted to monopolize decision-making powers and had prevented the younger members from becoming autonomous. The Senegalese explained that they solved this problem by decentralizing the management of the Network, despite opposition by the founding members.

### Support NGOs

The role of support NGOs was discussed during the exchange visit. Both organizations stressed the crucial role played by the NGOs in the development of their activities. The concepts of partnership, alliance and autonomy underscore the relationship between the NGOs and the grassroots organizations. Nevertheless, both the South Africans and the Senegalese perceived that the relationship could sometimes be fraught with tension and contradiction.

### Concluding Comments

The March visit was an “exposure visit”, for the organizations to get to know each other, to share stories and experiences. Both the grassroots networks and the support organizations perceived the visit as a starting point, the beginning of a mutual learning process. The South Africans suggested that the next step could be a delegation composed of representatives from *Mahila Milan* and the South African Federation visiting Dakar, to share with a wider group of Senegalese women their expertise in housing processes.

**Contact: ENDA**

## Namibia Housing Action Group

Eight years ago, a voluntary association of housing groups was established under the name Namibia Housing Action Group (NHAG). The Association started with three established housing groups and, by September 1998, had grown to include 33 groups. Savings have always played an important part in the activities of housing groups and it is they who actually initiated credit unions in Namibia. However, despite being the founding members, the groups experienced difficulty in managing the credit unions and were unable to tie the credit union savings with house loans. At first, they started with separate advance savings for housing but then, the NHAG Association initiated a savings and loan scheme called the Twahangana scheme, managed by the members.

In September 1998, NHAG and its support services reflected on their progress and impact, with the assistance of consultants. There was much frustration, as few houses had been built and only a tiny proportion of the

urban poor were being reached. Learning from the experiences of other people's organizations based on housing savings schemes, proposals for restructuring were considered. Members went to visit the Homeless People's Federations of South Africa and Zimbabwe and talked to all the groups on their return. At the end of October, the decision was taken to change the Association to a Federation of Saving Schemes with the support services becoming a separate NGO.

By the end of March 1999, the Federation had grown to include 70 member groups and 1,800 individual members. Involvement is now 200 per cent greater than it was a year ago and savings total about Namibian \$110,000. Ten groups have started building with loan finance and there are some 50 members with housing loans. The momentum behind building is now growing rapidly.

The Federation was approached recently by the municipality to help establish savings schemes in six informal settlements with 3,500 families which have been targeted for upgrading using KFW (German government) funds. The Federation moved

amazingly quickly and there are already savings schemes in most of the settlements. Some of the municipal town planners and the consultants had reservations about the Federation working too fast and not fitting into the social system designed and proposed by the Germans. Under their system, the informal settlements are first divided into blocks of about 30 households each and then the savings schemes follow these physical plans. But people are already saving and schemes are spreading like wildfire. The Federation is also now ready to start enumeration and wants to bargain, "selling the people's information" to the municipality and its consultants. The University will help NHAG to deal with the computer analysis of 3,500 forms as practice for statistics students. The response from Windhoek municipal officials to these plans was that they agreed with the idea of "people's information for people's development" but they would prefer that enumeration should not start with those blocks where upgrading is planned. This is to avoid any confusion since the consultants are to be responsible for collecting certain information. It also appears that they have little confidence that the people can manage this process.

## Rural Finance Facility

Rural Finance is one of South Africa's leading micro-finance organizations. The group is made up of Rural Finance Facility, an NGO which finances rural micro-enterprise, and Rural Housing Finance (Pty.) Ltd., a wholly owned, for-profit subsidiary which finances low-income housing. Since the first loan was disbursed in 1993, the group has grown to a 90-person team serving over 10,000 clients in six provinces. The following tables provide a short summary of the work to-date.

These figures do not capture the growing excitement about our work, the gathering momentum of our methodology which is increasingly "owned" by clients and staff, and the widespread recognition which our name is starting to enjoy.

	Loans disbursed since inception		Number of clients (current)
	Total number (million Rand)	Total value	
Micro-enterprise	19,444	5.4	5,278
Housing	10,395	7.3	5,485
Total	30,839	93.0	10,763
	Gender % female clients	Rural/urban % rural dwellers	On-time repayment
Micro-enterprise	88	100	94
Housing	12	35	76
Total	49	66	Not applicable
	Financial self-sufficiency(%)	Number of staff	Clients per loan officer
Micro-enterprise	60	57	195
Housing	114	33	366
Total	Not applicable	90	Not applicable

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## Thailand: Urban Community Development Office

### Update on Activities

The Urban Community Development Office started work at the end of 1992. The objective of the Office is to support the development of low-income communities in towns and cities throughout Thailand through the provision of loan finance linked to savings.

By the end of April 1999, the Office had achieved considerable success (see Table 1).

### The Impact of the Financial Crisis

The Urban Community Development Office had its worst financial performance to date in 1998, as the impact of the Thai economic crisis hit many low-income communities. Most community saving groups faced problems with repayments and new groups face particular difficulties as they are not strong enough to deal with growing livelihood crises and hence repayment problems. Their weakness reflects the weakness in the UCDO process that seeks to strengthen and improve saving activities as a root to stronger communities. The situation seems to have improved recently.

### New Types of Loans

Both as a result of the crisis and in order to respond to the needs of community networks, the Office has introduced two new types of loans and adjusted the terms and conditions of existing loans.

Network loans were introduced at the end of 1998. These allow community networks to develop and strengthen their financial systems. Networks can borrow up to 1 million Baht in the first year and take further loans of up to 2 million Baht three times during the following five years. These loans are to be repaid within five years and the repayments need only be made twice-yearly, allowing the networks maximum flexibility in how they manage these funds. Up to April 1999, four networks had taken loans, mostly for network community enter-

prise projects; the total amount borrowed was 3.6 million Baht. Network loans are expected to grow as networks with large existing loans convert to network loans and other networks apply for additional capital.

The interest rate is 4 per cent per annum which allows the networks to add a margin of 4-6 per cent in those cases where they pass the loans onto the savings organizations which are their members. (Such loans are broadly comparable to the interest rates charged by UCDO if the savings organizations apply directly to them (between 8 to 10 per cent)).

UCDO hope that community groups will understand the potential of network loans and learn how to operate them effectively. The role of the Office can then change substantially as it shifts from working directly with savings groups to working with networks of savings organizations, ensuring they have the loan capital needed to meet the needs of their members and otherwise supporting their work.

Reconstruction loans are granted to groups with internal financial difficulties. The loans can be used to restructure or re-organize their activities through a strategy that is determined by the group. Groups can obtain up to 100,000 Baht for three years with an interest rate of 1 per cent a year and repayments twice a year. The loan was introduced in May and since then two groups have secured reconstruction loans.

Finally, the interest rate on housing construction loans to individual house builders has been reduced from 10 per cent to 8 per cent so that it is the same as the rate charged to construction projects in which families build together. This change was introduced both to reduce the financial burden on borrowers and also because it was recognized that as this investment process does not differ so much from collective housing loans there is no particular reason why differential interest rates should be charged.

**Contact: Somsook Boonyabancha**

**Table 1.**

Member organizations:	826 communities
Number of community networks:	45 (provinces/districts)
Members with saving activities:	538 groups
Total number of members:	69,802 persons
Total saving of member organizations:	462.43 million Baht (37 Bht/1 US\$)
Total assets of member organizations:	1,138.28 million Baht
Total loans approved:	791.96 million Baht <sup>a</sup> .
Families benefiting from loans:	32,456 persons
Total loans disbursed:	745.39 million Baht
Outstanding loans:	491.78 million Baht <sup>b</sup> .
Uncertain repayments:	84 groups
Current non-repayment rate:	6.27 per cent <sup>c</sup> .
Total capital value of the Fund:	1,669.54 million Baht <sup>d</sup> .
Total number of staff:	133
Percentage of income/total Fund:	6.43
Percentage of expenses/total Fund:	3.94
Percentage of net income/total Fund:	2.49

- Housing loans constitute 54 per cent of the total value of loans disbursed.
- Housing loans constitute 67 per cent of the total value of loans outstanding.
- Some two thirds of non-repayment is related to income generation loans and 5 per cent to housing loans. The rest is accounted for by loans to establish community revolving funds.
- The total capital value of the Fund in 1992 was 1,250 million Baht.

## Synthesis of answers concerning loans and regulations savings

A recent review by Debora Cavalcanti of members' experiences with government regulations for savings and loans brought together a number of conclusions. Responses were received from a number of countries including Argentina, Brazil, France, the Philippines and Sri Lanka.

The review focused on savings and loans activities among low-income groups. There are evident difficulties in characterizing the poor across countries and there are no easy trans-national indicators to "measure" the poverty. However, a number of common characteristics emerged.

One important characteristic is the need for people to find a solution to their problems by way of community and collective action. Other characteristics include the needs related to food (the frequency with which meals are taken can be indicative of a lack of money); homelessness; and a lack of access to essential services such as water and energy. Also included are groups such as informal sector workers, street workers, the disabled and old people who are normally abandoned by their families, young people without work experience and people with psychological problems.

### Savings

National laws and regulations. Respondents from almost all the countries have problems with the national bank and reg-

ulatory authorities and often the legal position is unclear in both law and practice. In Brazil, for example, it is possible to lend but it is illegal to collect money (i.e. to save collectively) if you offer loans. There are attempts to change this situation and offer appropriate financial standards for micro-finance programmes with a social orientation.

The importance of regulation is recognized by many of those responding to the questionnaire. However, they also believe that it is necessary to legalize savings groups and allow NGOs and CBOs working with savings and loans for development to find an intermediary role between the informal and formal financial sectors.

**Savings and loans.** In a number of countries, savings and loans activities take place within the legal framework of cooperatives. But many argue that there is a need to look for an alternative even in the short term. Within any legislative framework, it is important to link the informal and formal sectors, improving their interface and setting up an adequate framework.

**Saving opportunities.** Many of the respondents stress that the savings culture is not so developed in the communities in which they are working. One way to develop savings may be to initiate a number of related activities which offer immediate benefits to those struggling to secure their livelihoods.

There are many reasons why it is not possible for the poor to save in formal banks throughout the world. Restrictions include illiteracy, time to reach the branch, minimum amount required for the first

deposit, acceptance of a poor person as a client. Moreover, the administration charges are often high and the poor cannot afford these services.

### Loans and Lending

Lending to the poor is the big challenge. Some people consider it impossible for the poorest to save anything. But if the government has a social programme with grassroots organizations in order to help people address their own development needs then it may be possible for them to access loan subsidies. If it is too hard to obtain funds for loan repayments, these could be in the form of work in the community.

It is generally agreed that terms and conditions have to be related to the household incomes of the target group. The people themselves should decide the terms and conditions without being over-burdened by rules from the external groups supplying the funds. For the poorest, a simple credit programme is not enough. There is a need to link loans with a programme to help people address the psychological effects of poverty as well as to help them realize their financial needs through employment.

Respondents have a range of different opinions about the use of subsidy funds. One group considers that the subsidy should be used to assist learning about savings and loans processes and activities. Another group considers the subsidy to be a state obligation, a way of redistributing national production to low-income communities to help the development of the poor.

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