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Poverty Reduction in Urban Areas - 34

**Capital, capacities and collaboration: the multiple roles of
community savings in addressing urban poverty**

**Diana Mitlin
David Satterthwaite
Sheridan Bartlett**

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ABOUT US

Dr. Diana Mitlin works at the International Institute for Environment and Development (IIED) in London and the Institute for Development Policy and Management (University of Manchester). The major focus of her work is urban poverty and inequality, with a particular focus on urban poverty reduction programmes.

E-mail: Diana.Mitlin@iied.org

Dr. David Satterthwaite is a Senior Fellow with the Human Settlements Group at the International Institute for Environment and Development (IIED). He also teaches at the Development Planning Unit, University College London, and is an Honorary Professor at the University of Hull.

E-mail: David@iied.org

Dr. Sheridan Bartlett is a Research Associate at the Children's Environments Research Group at The Graduate Center, City University of New York, and a Visiting Fellow with the Human Settlements Group at the International Institute for Environment and Development (IIED). She works primarily in Asia on issues pertaining to children and their environments.

E-mail: sheridan.bartlett@gmail.com

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Human Settlements Group
International Institute for Environment and Development (IIED)
80-86 Gray's Inn Road
London
WC1X 8NH, UK
Tel: 44 20 3463 7399 (international); 020 3463 7399 (UK)
Fax: 44 20 3514 9055 (international); 020 3514 9055 (UK)

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SUMMARY

Introduction

This paper discusses ideas and methodologies on reducing urban poverty, paying particular attention to the changes that can be triggered by the practice of community savings. As local communities struggle to improve their development options, this practice has demonstrated staying power and relevance in many different nations, cities and contexts, in some cases producing lasting transformation.

Community savings are collective financial accumulations accrued by a defined (but often not formalised) group of people. The process involves the establishment and strengthening of local savings groups, in most cases residentially based (i.e. spatially defined), although similar systems have also been explored with trade or enterprise-based groups. Within these groups, members, often primarily women, pool small amounts of finance, in some cases with a defined savings period such as once a week or once a month and in other cases whenever income is available. Although the savings are individual, with each person recording and “owning” their own savings, there is a collective accumulation and management of the monies.

The paper describes recent experiences in collective savings among low-income urban citizens in towns and cities across the Global South, most of them residents of informal settlements. The practices of some of these groups have evolved into substantive institutional innovations centred on community savings funds. The changes in individual and collective relations, capacities and assets catalysed by these practices have raised incomes, consolidated and protected individual and collective assets and reduced political exclusion. The benefits extend beyond the immediate impacts. The practice can stimulate changes in a number of aspects of urban poverty, encouraging multiple reinforcing effects that help to move households out of poverty and demonstrating alternative relations with local government and other state agencies that support a more effective pro-poor and accountable state.

Two groups are unique in the degree to which they have built this kind of political movement on community savings capabilities, namely Slum/Shack Dwellers International (SDI) and the Asian Coalition on Housing Rights (ACHR). Both act as umbrella organisations for networks and federations of the urban poor that are centred on the practice of community savings and that have catalysed these practices into effective poverty reduction and pro-poor development. Much of the paper focuses on the activities of these organisations and their affiliates

Savings and the poor

Among development organisations on the ground, there is widespread recognition of the importance of savings to the poor and of the demand for secure opportunities for saving. Savings allow individuals and households to access basic goods and services. They smooth consumption for those with irregular and uncertain incomes, help household managers reduce and manage risk, and are a source of investment finance for asset accumulation and income generation.

But accumulating savings is difficult for low-income groups. Savings have to be protected from the immediate needs of the savers and the demands of other household members. Keeping accumulated cash within the dwelling can also put it at risk from non-household members. Saving with formal financial institutions is not a viable option for the poor because commercial banks are reluctant to provide them with services. At the same time, the use of informal lenders can be very costly. The need to keep savings secure and accessible has resulted in the development of a number of institutional innovations that have different characteristics and associated costs and benefits. They vary in their degree of formality, as well as in the strictness of their rules and regulations. Some involve an element of collectivity, while more modern variants deal with individuals, generally through a form of market relationship. Options include various reciprocal savings arrangements, microfinance institutions and community savings schemes.

Community savings – an avenue to pro-poor development

The practice of community savings can provide the secure and flexible financial services needed by low-income households, while at the same time triggering other changes that help to address the multiplicity of development needs faced by the urban poor. The practice provides local deposit facilities and offers security to help in the accumulation of funds. Savings scheme members form active local organisations able to consider how best to address their own needs and those of their families. The savings groups provide members with crisis loans quickly and easily, and over the longer term the accumulation of each member's savings provides them with a fund for housing improvements or income generation investments.

In addition to these individual financial services, and of particular significance to urban poverty reduction, the collective management of money and the trust it builds within each group increases the capacity of members to work together on development initiatives. Finance, rather than being a means of exclusion, triggers the formation of strong local organisations, as women combine to find ways to aggregate, protect and enhance their small change. Conditions for savings funds are not imposed from the outside, but are debated, agreed and accepted by members. The process builds individual and collective skills and inculcates changes in structured behaviour, including those around gender relations, democratic decision-making, leadership accountability and the capacities of groups to define their priorities and manage issues of representation. Community savings may also provide a forum from which to tackle discrimination and abusive relations within the household.

While some initiatives remain local, notable in recent years has been the aggregation of savings groups into city and national networks. These networks or federations are held together by numerous interactions, as members visit each other and learn from each other, including financial and information transfers, skills training, solidarity in political struggles and social support. The financial dimensions include the pooling of monies raised by community savings “up” the network into city, regional and/or national funds, as well as loan capital allocated “downwards” from these funds and sometimes “across” the network to support local savings group initiatives. In some cases, savings groups are the recipients of state subsidies (both financial and in kind).

Starting with emergency credit: Most community savings groups allow members access to credit quickly and easily when confronted with an emergency. What might be considered small annoyances for non-poor groups – a 10 per cent increase in the price of staple food, purchasing needed school books, losing a day's income to illness – can be emergencies for the urban poor.

One of the best-known examples of community savings was set up in 1987 as a crisis credit scheme by women from six pavement dweller clusters in Mumbai, who came together to discuss their needs. They formed *Mahila Milan* to support members to save and to provide emergency loans. They also formed a cooperative to seek land sites where they could build their own housing and to open bank accounts for members. They learnt how to get ration cards for members (for subsidised food and fuel), which had been denied them because they had no legal address.

The most common crises were health or employment related (paying for medicine or treatment; loss of income from ill-health or injury; confiscation of a vendor's goods by the police). They felt that if they saved a little together (as little as one or two rupees at a time), the pooled money could be used to respond to such crises, and so more and more pavement and slum dwellers joined these savings groups. Savers nominated one of their group to visit members daily, to collect savings and disburse credit, keeping careful records. This person sat on the local loan committee, which was in charge of managing the money, keeping records, conducting meetings and setting rules. These community savings schemes spread throughout India and have been widely adopted in many other nations, in large part because they work for urban poor women and there is no better alternative.

Savings and gender: The savings group is a supportive local social space, with members facing similar difficulties and challenges. Low-income women, dealing with multiple forms of discrimination inside

and outside their families, may have few alternative forms of support and limited opportunities to build relations with those beyond their street or neighbourhood. A savings group addresses needs other than access to credit:

- reciprocal help (borrowing and lending food; child care);
- practical support when needed to confront or leave abusive relations;
- a social space to share aspirations and to be challenged and supported to realise them;
- physical and emotional space to “get away” from the demands of household tasks and reduce the isolation that women may experience within their family;
- an altruistic element (helping the weakest and most vulnerable members of the community) that legitimates the activity to others and enhances participants’ sense of self-pride in their actions;
- through consolidation and networking with other groups, assistance for women in engaging with more powerful groups to secure goods and services and/or avoid eviction; and
- opportunities for women to be leaders and active public citizens in ways that do not generate opposition from men.

Savings and collective capacity: Informal savings groups do not in themselves change adverse external conditions and the relations that low-income households have with state authorities. But they provide the foundation for such changes, as members learn to support each other, to negotiate with local government, to undertake initiatives together, and to generate and realise aspirations. Community savings groups link with other groups to prevent isolation, maintain a focus on the bigger picture and understand how groups working together can address their needs.

The collective capacity of federated savings groups is important for the larger-scale initiatives they can undertake and the greater negotiating power they have with external agencies. For example, federations of community savings groups have demonstrated their capacities in many cities to map all informal settlements and undertake detailed household enumerations. In most cities in the Global South, between 30 and 60 per cent of the population lives in informal settlements. These surveys and enumerations are expensive and difficult for external agencies to undertake, and residents are often suspicious of outsiders. But community savings groups from within these settlements, supported by other savings groups, have shown their capacity in this regard and are able to present government with all the data and maps needed to understand the scale of the problem and plan for upgrading. This also strengthens their capacity to influence what is done.

Community savings and knowledge: Participation in a savings and federating process encourages new aspirations in low-income citizens. But these ambitions achieve little if they are not accompanied by the acquisition of critical capacities. The learning experiences associated with community savings are manifold. By setting up records, procedures and governance systems, and by managing their own funds, women and men within the savings groups gain skills and confidence in handling cash and in interacting with each other. This paves the way, at settlement level, for the collection of local information, discussion and agreement around community priorities, negotiating and working with local authorities, understanding and complying with regulatory systems, managing relationships and projects.

Throughout these processes, more experienced groups impart their skills to newer groups and, in some cases, newer groups have taught lessons to “older” groups. This process creates trainers from low-income communities, who voluntarily prepare others at scale through exchange visits. During these visits, members share ideas and experiences but also build solidarity and inter-dependence countrywide. Exchange visits help solidify networks and create stronger, larger groupings with a greater capacity to negotiate with external agencies.

Community savings and shelter investments: Most low-income households live in informal settlements because it is what they can afford. They cannot gain access to safe, secure housing without some form of collective investment capacity. But experience has shown how individually and collectively, savings group members can gradually develop their homes and settlements and negotiate public infrastructure and services, or negotiate for land on which to build homes at prices they can afford. As savings groups

begin to scale up and function through networks and federative structures, this provides a modality for previously isolated groups to draw in state finance. As the state engages with the outcomes and processes of community investments, so officials and politicians have a chance to reconsider their views about what is acceptable and not acceptable in housing improvements. In both upgrading and new house construction, community savings schemes are important for both their organisational capacities and their finance.

When community savings schemes have appropriate external support, the scale of what can be achieved is greatly increased. In Thailand, a central government agency, the Community Organisations Development Institute (CODI), was formed to channel infrastructure subsidies and housing loans direct to community savings groups in informal settlements. The savings groups plan and carry out improvements to their housing, or develop new housing, and work with local governments or utilities to provide or improve infrastructure and services. From 2003 to 2010, within the *Baan Mankong* (secure housing) programme, CODI approved 745 projects in 249 urban centres covering 80,201 households.

Community savings and political inclusion: In almost all urban contexts, success in most aspects of poverty reduction requires support from government. This means substantive changes in relations between those living in informal settlements and local government. The capacity building that comes with the community savings process contributes to this, as savings groups and their federations are noticed and taken more seriously. Federations in 16 nations have demonstrated their capacity to negotiate political inclusion by showing government what they are capable of and then offering to work in partnership. This often involves “precedent-setting” activities. For instance, in Malawi, South Africa and Zimbabwe, the federations have shown that they can build thousands of houses cheaper, faster and of better quality than government or private contractors. In India, *Mahila Milan* groups have built and help manage hundreds of community toilets. In Namibia, the federation convinced government to reduce minimum plot sizes and allow cheaper infrastructure, which meant more low-income households could afford a legal housing plot and afford to upgrade over time.

To sustain this pressure for political inclusion, the urban poor need to be organised and able to cope with slow processes that do not provide perfect outcomes; this also means being able to continue working when external support is not forthcoming. Savings groups are the glue that holds this together and they sustain themselves because they are useful to their members.

Community savings and poverty reduction: The importance of “assets” has long been recognised and applied to an understanding of urban poverty reduction. The effectiveness of community savings is in part due to its ability to improve the stock of assets held by low-income households and communities. The practice of community savings contributes directly to financial capital but also improves the stocks of physical, social, human and political capital. Community savings takes households beyond the simple accumulation of specific assets and strengthens their ability to use these assets strategically at the level of the community. Strong groups can sustain pressure on political systems, reminding politicians that democracy requires accountability and responsiveness to populations that face both structural and less predictable difficulties.

Finance to expand what is possible

The capacity to use assets strategically is essential to effective interventions carried out by savings groups and their networks and federations. But for these activities to expand sufficiently to meet the scale of the need requires financial capital well beyond the savings capacities of local groups, even when federated.

Community savings and financial markets: Despite the success in negotiations with various levels of government, there has been relatively little interaction between community savings and formal commercial finance. Savings finance alone is unlikely to attract the formal banking system, but loan finance offers a potential “win-win” situation, giving commercial banking services a chance to earn

money and the community groups the necessary blending of finance to undertake development activities. Here, community savings groups do not compete with formal financial institutions, and indeed they may enhance them – as these groups and their federations provide grassroots institutions that banks can work with.

Community savings and Urban Poor Funds: The emergence of Urban Poor Funds from community savings activity has become an effective and promising solution to the challenge of integrating external finance in ways that advantage the urban poor. An Urban Poor Fund is a pool of financial assets that advances loans to organised collectives of the urban poor who have demonstrated, through their savings group practices, that they are ready for additional investment capital to address their needs. The monies are allocated to securing land, building or improving housing, water and sanitation; in some cases, to improve access to financial resources for income generation. The savings groups then repay these loans, enabling them to be recycled to other communities.

These Funds are a means through which local and national governments and external agencies can channel support to savings group and federation activities in ways that nurture rather than undermine a horizontal, locally driven development process. Urban Poor Funds are “banks” that do things that conventional banks do not – namely, provide loans to community savings groups for collective investments. They greatly increase the scale and scope of what the federations can do. These Funds also provide an institution that is accountable to any external funder – but also fully accountable to the savings groups. They are a pivotal mechanism for securing pro-poor change, catalysing new possibilities for urban development, moving community savings from a neighbourhood to a citywide or national process, and making it possible to scale up from precedent-setting initiatives to predictable transferable interventions that can be undertaken throughout federation member savings schemes.

Within SDI, Urban Poor Funds are managed in most cases by boards, with federation members forming the majority, along with professionals and government officials; administrative support is generally provided by the federations’ support NGOs. A crucial contribution to the capital of any SDI Fund is the urban poor’s own resources. The significance of this contribution has less to do with its quantity (generally about 2 per cent of the equity) than with strengthening community ownership with respect to Fund management. The investment capital offered by Urban Poor Funds provides a trigger to catalyse contributions from local authorities and/or state agencies. SDI has also established an international fund (the Urban Poor Fund International) as a result of having secured donor funds that it can allocate itself across the network (rather than being directed by the donors). Since this Fund was initiated in December 2001, it has channelled around US\$ 10 million to more than 100 grassroots initiatives and activities in 17 nations. An estimated 84,000 women and men and 84,500 children have benefited from this support.

The Asian Coalition for Community Action Programme (ACCA) is another example of how a Fund can scale up the work of community savings. Set up and managed by professionals within the Asian Coalition for Housing Rights, the programme offers funding for grant and loan activities with the understanding that loans will be used for the higher-value investments. Groups are encouraged to begin savings processes as soon as they engage with the programme. From 2009 to the end of 2010, small upgrading projects have been financed in 310 informal settlements in 55 cities in 13 countries. These were all proposed and planned by communities through a citywide process of prioritising and agreement, and are being implemented by community people themselves. There have also been a number of larger initiatives targeted at infrastructure improvement, upgrading and relocation.

Conclusions

The objectives and achievement of the practice of community savings are cumulative. When residents begin, there is only community savings. At the next level, as groups begin to work together, members benefit not only from community savings but also from financial accumulation at the city level; then at both city and national level; and finally at the international level. Local savings schemes, often with relatively narrowly focused activities, can catalyse a more substantive process of pro-poor change as groups network and federate together. When neighbourhood groups come together at the city level, they

are able to press for political change, including changes to laws and regulations and greater inclusion in political decision-making. They can also begin to address the stigma frequently associated with living in informal areas. Groups provide solidarity for each other, enabling problems in one area to be addressed through strengths in others. Strong city-based movements can then link at national and international levels to negotiate for and use additional support.

International agencies are uncertain about how to address urban poverty at scale in low- and middle-income nations, although some of the innovations they have funded have proved valuable. One of most difficult constraints they face is the unwillingness and/or inability of city and municipal governments to address poverty. How can international agencies support urban poverty reduction on the ground in ways that reach and support the lowest-income groups and that encourage more pro-poor and effective local governments? These mostly women-led community savings groups are clearly one answer, functioning as powerful catalysts in reducing poverty. As they consolidate partnerships with the state, they are promoting and securing change in local governments.

1. Introduction

This paper is about the role of savings in urban development and poverty reduction – and especially the role of informal community savings groups. Many such savings groups have importance far beyond the amounts saved and loaned. They need to be understood, rather, in terms of the inter-relationships they stimulate between individual agency, group activity, economic growth and collective democratic political practices.¹

Achieving development is difficult; that is widely recognised. It requires the more or less simultaneous achievement of economic, political and social progress that brings benefits to those with the lowest incomes or least assets. Much attention has been paid to issues of national economic development and the advancement of rural areas; much less has been paid to the towns and cities of the Global South² that are now home to nearly two-fifths of the world's population and are projected to account for more than 90 per cent of the world's demographic increase in the next 20 years.³ This paper deals with issues of urban poverty and the realities of the “street”; it discusses ideas and methodologies about how to reduce poverty, with particular attention to community savings. Community savings groups are interesting, in part because they have been created and recreated in many different urban settlements across the world, mostly by low-income groups. But they are also interesting because the ideas have in some cases produced institutions with longevity – both in terms of the life of the organisations and in the changes in behaviour they have generated. As local communities struggle to improve their development options, the practice of community savings has demonstrated staying power and relevance in many different nations, cities and contexts, in some cases producing lasting change.

Community savings are collective financial accumulations accrued by a defined (but often not formalised) group of people. The process involves the establishment and strengthening of local savings groups, in most cases residentially based (i.e. spatially defined), although some similar systems have also been explored with trade or enterprise-based groups. Within these groups, members, often primarily women, pool small amounts of finance, in some cases with a defined savings period such as once a week or once a month, and in others whenever income is available. Although the savings are individual, with each person recording and “owning” their own savings, there is a collective accumulation and management of the monies.

This paper describes recent experiences in collective savings among low-income urban citizens in towns and cities across the Global South. Most come from savings groups formed by residents of informal settlements which now house around 900 million people globally.⁴ The practices of some of these groups have evolved into substantive institutional innovations centred on community savings funds. The changes in individual and collective relations, capacities and assets catalysed by these practices have raised incomes, consolidated and protected individual and collective assets, and reduced political exclusion. The benefits extend beyond the immediate impacts. The practice can trigger changes in a number of aspects of

¹ These are the very issues raised by Putnam in his account of the historic development in northern and southern Italy, although the context is very different. Putnam, Robert D. (1993), *Making Democracy Work: Civic Traditions in Modern Italy*, Princeton University Press, Princeton, 258 pages.

² This term includes all nations that the United Nations defines as less-developed nations, and this broadly coincides with all low- and middle-income nations.

³ United Nations, Department of Economic and Social Affairs, Population Division (2010), *World Urbanization Prospects: The 2009 Revision*, CD-ROM Edition – Data in digital form, POP/DB/WUP/Rev.2009, United Nations, New York.

⁴ The data on the scale and nature of informal settlements is inadequate in many nations to be able to provide exact numbers. But it is common for 30–60 per cent of the population of urban centres in low- and middle-income nations to be in informal settlements while UN estimates suggest around 900 million people living in “slums”.

urban poverty, encouraging multiple reinforcing effects that help to move households out of poverty, and demonstrating alternative relations with local government and other state agencies that support a more effective pro-poor and accountable state.

There are two groups that are unique in the degree to which they have built this kind of political movement on community savings capabilities – Slum/Shack Dwellers International (SDI) and the Asian Coalition on Housing Rights (ACHR). Both act as umbrella organisations for networks and federations of the urban poor that are centred on the practice of community savings and that have catalysed these practices into effective poverty reduction and pro-poor development. Much of the paper focuses on the activities of these organisations and their affiliates.

The paper begins with a discussion of the significance of savings in the life of the poor and the limitations and contribution of various modalities for saving. This discussion acknowledges the importance of individual savings in addressing the problems of low-income households and the strength of multi-faceted approaches. The practice of community savings is not seen as an alternative to individual savings but should be considered as complementary, with each contributing to strong urban livelihoods and robust systems to address poverty and inequality.

Section 2 provides an overview of community savings as a practice, its emergence, the factors leading to its increased spread and its broader relevance to problems of urban development and poverty reduction today. Sub-sections describe the role of community savings groups with regard to emergency credit, gender relations, the capacity for collective action, and knowledge formation. The aggregation of these groups into networks and federations is discussed, along with the broader range of action this makes possible and the evolution of tools for addressing shelter investment and political inclusion. Although the social and behavioural aspects are central to the achievements of these groups and their networks, the financial aspect also remains key, as is demonstrated by the discussion of the emergence and effectiveness of Urban Poor Funds (Section 3) at city, national and international levels, which makes it possible to build successfully on the changed relationships with the state that underpin pro-poor development.

Savings serve many different needs for low-income households, as can be seen in the complex set of savings strategies they have developed. A major reason is the need to reduce and manage the risks related to low, irregular and uncertain incomes. Savings provides some kind of insurance against adverse shifts and it may be all that is possible if incomes are too low, irregular or unpredictable to cover the costs of formal insurance.⁵ An analysis of detailed financial diaries of low-income households in Bangladesh, India and South Africa found that “...money management is, for the poor, a fundamental and well-understood part of everyday life...a key factor in determining the level of success that poor households enjoy in improving their own lives.”⁶ The study concludes that while the actual amounts saved may be small, even the low-income households in these three nations rarely consumed every penny they earned, “managing” their household finances by saving when they can and borrowing when they need to. In a study on risk and responses among the urban poor in Lucknow, India, “liquid” savings were used at times of stress in nearly 23 per cent of households.⁷ However, the households

⁵ Matin, I., D. Hulme and S. Rutherford (2002), “Finance for the poor: from microcredit to microfinancial services”, *Journal of International Development* 14: 273-294. Insurance becomes an option when risks are lowered and incomes higher, but most low-income groups in urban areas in low- and middle-income nations face so many high risks with regard to income, assets and health because of poor quality housing that lacks infrastructure and services, that no insurance scheme is viable. Even for the purchase of standardized insurance products that are available, incomes are too low to afford the premiums.

⁶ Collins, D., J. Morduch, S. Rutherford and O. Ruthven (2009), *Portfolios of the Poor: How the World's Poor Live on \$2 a Day*, Princeton University Press, Princeton and Oxford, page 3.

⁷ Savings were most commonly utilized in response to social events such as marriage. This reflects the “planned” nature of these events, which allows households to plan and manage finances for this purpose

using savings in this way tended to be in the top two income quartiles of the urban poor; the lowest income households did not have savings and had to take loans. Savings can be important in avoiding debt and its associated costs. The lowest-income households can often only get credit from money lenders and then have to cope with what are often very high interest rates; community savings options have emerged to deal with such realities.

In addition to providing greater financial security, savings are needed for lifecycle events such as marriage and funerals. The importance of savings for shelter investments is also widely recognised. In India, more than 80 per cent of housing finance comes from private savings, sale of assets and non-formal sources of credit.⁸ It is estimated that only 5 per cent of those moving out of Indian informal settlements into formal areas accessed formal housing finance to facilitate this move.⁹ In Botswana, savings were again a critical source of funding for housing investment.¹⁰ A study in Rio de Janeiro (Brazil) found that more than 60 per cent of households in one *favela* used their savings to acquire housing, irrespective of whether they had bought the property or constructed it.¹¹ In Angola, less than 2 per cent of the investment that urban families put into housing comes from banks; most funding for housing is borrowed from the extended family (62 per cent) and from friends (27 per cent).¹² Savings are also important for income-earning opportunities, including the construction of rooms for rent and enterprise investments. Finally, and in addition to other reasons for savings, there are investments in human capital (education, training, work experience) that may only produce income in the medium to long term.

It is clear, then, that households save for a number of significant reasons. A further question is the modalities of saving: how do households save? There are six main institutional responses: saving with formal financial institutions; saving at home; informal reciprocal savings associations; informal money lenders; savings with microfinance institutions (MFIs); and community savings (see Table 1).

The first option is hardly relevant for the poor because of the reluctance of commercial banks to provide them with services. Tova Solo, formerly a lead urban specialist at the World Bank, reports on a set of surveys of the “unbanked” in Colombia, Mexico and Brazil and notes that “... in these countries, somewhere between 65 and 85 per cent of households do not hold any kind of deposit account in any formal sector financial institution.”¹³ Formal bank accounts are usually not accessible to residents of informal settlements, often because they fail to meet the legal requirements. Other problems include the high costs of maintaining savings accounts, as well as more subtle forms of discrimination. Solo describes the response when a focus group member was asked why he hadn’t gone to a bank when he needed a loan. “Laughter filled the

over time; Kantor, P. and P. Nair (2003), “Risks and responses among the urban poor in India”, *Journal of International Development* 15: 957-967.

⁸ Biswas, S. (2003), “Housing is a productive asset – housing finance for self-employed women in India”, *Small Enterprise Development* 14(1): 49-55.

⁹ Somik, V., Suri A. Lall and U. Deichmann (2006), “Housing savings and residential mobility in informal settlements in Bhopal, India”, *Urban Studies* 43 (7): 1025-1039.

¹⁰ Datta, K. (1999), “A gendered perspective on formal and informal housing finance in Botswana”, in G. Jones and K. Datta (eds), *Housing and Finance in Developing Countries*, Routledge, London, pages 192-212.

¹¹ Sundgren, H. (2003), “Globalization urban trends, mega city and development of informal settlements: A case study of ‘illegal’ housing market in *favela* Rio de Janeiro”, mimeo, Royal Institute of Technology: Stockholm, Sweden.

¹² MINUA, *Perfil Urbano em Angola*, Luanda 2005, quoted in Cain, Allan(2007), “Housing microfinance in post-conflict Angola. Overcoming socioeconomic exclusion: land tenure, credit and basic services”, *Environment and Urbanization* 19(2): 361-390.

¹³ Solo, Tova Maria (2008), “Financial exclusion in Latin America or the social costs of not banking the urban poor”, *Environment and Urbanization* 20(1): page 48.

room and one voice spoke up: ‘Don’t you see how we look, compañera? We just aren’t the kind of people the banks would want.’”¹⁴

The costs of this lack of access are considerable. Solo reports that information from the Central Bank of Mexico suggests that cash transactions can cost up to five times more than payments by cheque and up to 15 times more than electronic payments. Many of those living in informal settlements and/or who are low paid have no choice but to pay cash despite the costs incurred through (for example) transport. “To sum up,” she concludes, “it is expensive not to have a bank account. Costs vary. For those involved in small businesses – who are saving on the side and are using credit – having to rely on informal financial systems can cost up to 15 per cent of incomes in Mexico and up to 20 per cent in Colombia.”¹⁵

In the absence of formal alternatives, low-income households turn to other forms of savings. Solo reports, for example, that “...about half of the unbanked reported holding liquid savings...Savings options reported by the unbanked were, in order of popularity: cash under the proverbial mattress; informal savings clubs (*tandas* in Mexico, *cadenas de ahorro* in Colombia) or savings clubs in commercial stores – something akin to “lay-away plans” linked to specific items; and loans (interest bearing or interest free) to relatives and friends.”¹⁶ While at times the various approaches available to the poor can be represented as a continuum, they are distinctively different in a number of ways, with different kinds of savings responding to different needs. A summary is offered in Table 1.

Table 1: The different needs for loans and the different sources from which these can be drawn

	Household savings	Reciprocal savings	Informal lenders	MFIs	Community savings
Consumption smoothing and crisis response	Possible but limited; hard to accumulate	Possible, but lack of flexibility in payments	Expensive, particularly if in response to a crisis	Often lack of flexibility; reluctance to offer consumption loans	Helpful, and quickly and easily available
Risk management	May be hard to reduce some risks (e.g. lack of infrastructure and services); may be helpful in other cases if it can be protected	May be helpful; the capital may be used for small investments to enhance incomes and/or improve human capital	Expensive	Helpful; as with reciprocal savings, MFI loans may help investments and enable diversification of incomes	Helpful; investments may improve incomes; investments may also reduce expenditures and so have fewer financial crises
More expensive lifecycle events (e.g. marriage, funerals)	Unlikely to be sufficient for lifecycle investments	Helpful – may be too small especially for a low-income group	Used for this but limited affordability; families struggle to repay	May be helpful but may not be available for lifecycle events	May be too small; may not be available for lifecycle events
					Cont overleaf

¹⁴ Solo 2008 op. cit., page 52.

¹⁵ Solo 2008 op. cit., page 56.

¹⁶ Ibid., page 53.

Investments to reduce expenditure on basic services and housing (individual)	Suitable for small individual investments	Helpful if small individual investments	Generally not used; may be possible for individual investments	Helpful and growth of shelter microfinance; investments are individualised housing improvements	Helpful – individual and collective investments in housing, and secure tenure and/or basic services
Income enhancing	Too small for significant investments	Possible if sufficiently flexible; often small for productive investments	Expensive	Helpful; growth of microfinance is related to providing finance for enterprise development; may lead to repayment problems	Helpful in some cases; some community savings does not lend for enterprise development
Human capital (e.g. education)	Helpful	Helpful	Possible	Possible, may not be allowed	Helpful

Saving at home appears to continue, in part because of convenience and immediacy. However, keeping savings in the house involves considerable risks, including the risk of theft and difficulties in refusing requests from friends and relatives for financial assistance.¹⁷ Social pressure to provide financial assistance to a large network of kin means little prospect of saving larger amounts.¹⁸ Women may be particularly vulnerable to demands from more powerful male relatives, and savers may themselves be tempted to use their savings to address priority needs. Melanie Manuel, a community leader with the Poor People’s Movement in South Africa, showed how she challenged the male leaders to recognise the scale of women’s savings, but also how women sought to protect this resource: “How many pockets do you have? You, as a man, you have five pockets. As women, we have pockets everywhere – you will not find my pockets.”¹⁹ In West Delhi, residents of one squatter settlement used “money guards” as a means of saving: rather than leave savings in their own household where it would be more accessible in times of pressure, small savings would be deposited with trusted associates for safe keeping.²⁰

Such domestic pressures may be the reason why reciprocal lending is so widespread. These transactions include the exchange of small amounts of cash or in-kind food support. A structured approach to this kind of collective solution is a ROSCA (Rotating Savings and Credit Association), or group-based savings activities in which the individual savings of each member are pooled and provided to each group member in turn. Funds do not accumulate over time, but rotate around until all members have benefited from a lump sum. The duration is dependent on the type of ROSCA, and funds can rotate daily, weekly, monthly or even annually. Thus, group members pool their savings in order to lend to each other. Trading activities, in particular,

¹⁷ Lacoste, J. P. (2001), “What kind of saving products do poor women need? The experience of SHDF”, *Small Enterprise Development* 12(3): 59-63; Ruthven, O. (2002), “Money mosaics: financial choice and strategy in a West Delhi squatter settlement”, *Journal of International Development* 14: 249-271.

¹⁸ Chamlee-Wright, E. (2002), “Savings and accumulations strategies of urban market women in Harare, Zimbabwe”, *Economic Development and Cultural Change* 50(4): 979-1005; Dowla, A. and D. Alamgir (2003), “From microcredit to microfinance: evolution of savings products by MFIs in Bangladesh”, *Journal of International Development* 15: 969-988.

¹⁹ Meeting of community savings networks in Cape Town, Community Organisation Resource Centre, 15 December 2010

²⁰ Ruthven 2002, op. cit.

stimulate the emergence of new savings and credit groups, offering traders a number of benefits, including capital accumulation and bulk purchase.²¹ A study of 150 female urban market traders in Harare found that multiple membership of *ma rounds* (a type of ROSCA) was relatively commonplace.²² Most ROSCAs require daily or weekly deposits, but several asked for larger monthly deposits, which excludes anyone but relatively well-off traders. New traders cannot join until they prove their reliability; low-income traders are excluded out of a belief that they cannot meet regular deposits; and wealthy traders cannot find groups with a high enough level of deposit to meet their needs.

The discipline associated with ROSCAs appears to be one reason why women prefer these to keeping money in the house. It's been found to be the case even for members of annual or bi-annual groups that have experienced a degree of financial mismanagement.²³ Women say that without this mechanism to encourage longer-term savings, the temptation to spend these small amounts on household expenses is too great.²⁴

Other self-help financial groups of the poor differ from ROSCAs in their greater accumulation of funds over time. Bouman refers to these as Accumulating Savings and Credit Associations, or ASCRAs. Their funds serve two primary objectives: to provide funds when needed for consumption, consumer goods or school fees; and to fund working capital where members cannot access bank credit.²⁵

Cox and Jimenez suggest that much of the empirical evidence on household risk sharing through social networks is related to rural households, and that less is known about urban households.²⁶ Both lower levels of reciprocity and the greater availability of jobs may deter urban risk sharing. In their analysis of private transfers in Cartagena, Colombia, Cox and Jimenez find that one-third of 369 households in their sample were transfer recipients, 39 per cent were givers and the rest were not involved. These transfers were found to be motivated by the need for insurance.²⁷ Alvi and Dendir find that among the urban poor, common informal mechanisms such as reciprocal lending are less feasible, as the urban environment does "...not ...generally favour informal networking and reciprocity, relative to the rural poor."²⁸

To help address the problems related to such reciprocal arrangements, there are a range of informal urban commercial financial services. Schindle documents the complex networks of informal credit among low-income female market traders in urban Ghana, where there are more than 4,000 *susu* collectors who visit their clients every day over a certain time period (usually one month), collecting a fixed sum each day. At the end of the period, the *susu* collector returns the aggregate sum to the client, keeping one day's deposit for his or her services. The process encourages savings discipline and keeps savings "hidden" and free from claims from other household members. Over time, the relationship that savers build with their *susu* collector may also result in the possibility of small loans and more flexibility regarding repayment in difficult

²¹ Bouman, F. J. (1995), "Rotating and accumulating savings and credit associations: a development perspective" *World Development* 23(3): 371-384.

²² Chamlee-Wright 2002, op. cit.

²³ Chamlee-Wright 2002, op. cit.

²⁴ Gugerty, M. K. (2007), "You can't save alone: Commitment in rotating savings and credit associations in Kenya" *Economic Development and Cultural Change* 55(2): 251-282.

²⁵ Bouman 1995, op. cit.

²⁶ Cox, D. and E. Jimenez (1998), "Risk sharing and private transfers: what about urban households?" *Economic Development and Cultural Change* 46(3): 621-637.

²⁷ Ibid.

²⁸ Alvi, E. and S. Dendir (2009b), "On consumption insurance in poor urban areas: evidence from Ethiopia", *Journal of International Development* 21: 700.

times.²⁹ Women place high importance on making and maintaining these social connections to ensure access to credit from these sources when a shock or crisis occurs.

There is also a wide range of opportunities with more emphasis on lending than on saving. But the high cost of informal sector borrowing reduces the value of these services. Interest rates of 10 per cent a month are common and they may be considerably in excess of this. Avoiding the costs of such transactions is a major motivation for households to save.

There has been a considerable expansion and deepening of savings opportunities, reflecting the greater understanding of savings over the last 10 years. Until the late 1990s, microcredit agencies operated primarily as lending institutions for low-income customers rather than offering their clients a range of financial services tailored to their needs.³⁰ There was increasing recognition, however, that the design and delivery of financial services to low-income households could be improved if the industry recognised their existing money management efforts.³¹

The shift from microcredit to microfinance represented a shift towards a wider range of services to meet the complex financial needs of low-income households in a way that is "...convenient, appropriate, safe and affordable."³² Loan programmes were complemented by savings programmes, in recognition of the importance of household savings to livelihoods and poverty reduction and the frequency with which even low-income households saved significant amounts. The shift was significant, in part because it recognised the *protective* role of microfinance in responding flexibly to the high levels of risk and insecurity faced by low-income households. Safesave and SEWA, for example, have developed models of financing that bring daily savings with low transaction costs to the doorsteps of low-income households in urban Bangladesh and India, respectively.

At the same time, the need for shelter improvements has encouraged MFIs to extend lending into this area.³³ Shelter microfinance loans range between US\$ 500 and US\$ 5,000, considerably larger than enterprise loans and reflecting the larger scale of investment. Loans are generally for building additional rooms, replacing traditional building materials with more permanent materials, improving roofs and floors and adding kitchens and toilets. Investing in improved facilities is popular, and SEWA estimates that "...almost 35 per cent of housing loans from SEWA Bank are utilised for installing infrastructure such as a private water connection or toilet."³⁴ As with enterprise lending, the contribution of savings is evident. Microfinance institutions may, if their rules allow, provide savings facilities for housing investment. In the case of the Kuyasa Fund in South Africa, staff estimated in 2007 that only 35 per cent of the 6,000 "borrowers" had taken loans. The remaining 65 per cent had used the Fund to save an estimated R 16 million (US\$ 2.3 million) for housing improvements.³⁵ This finding broadly coincides with Solo's study, discussed above, in which a survey of "unbanked" poor urban residents in Brazil, Colombia and Mexico revealed deposit schemes for savings to be the most in-demand financial service.³⁶

²⁹ Schindle, K. (2009), "Credit for what? Informal credit as a coping strategy of market women in Northern Ghana", *Journal of Development Studies* 46(2): 234-253.

³⁰ Rutherford, S. (1998), "The savings of the poor: improving financial services in Bangladesh", *Journal of International Development* 10(1): 1-15.

³¹ Matin et al. 2002, op. cit.

³² Matin et al. 2002, op. cit., page 273.

³³ Daphnis, F. and B. Ferguson (eds) (2004), *Housing Microfinance: A Guide to Practice*, Kumarian Press Ltd., Bloomfield CT; Ferguson, Bruce (1999), "Microfinance of housing: a key to building emerging country cities?" *Environment and Urbanization* 11(1): 185-199.

³⁴ Biswas 2003, op. cit., page 51.

³⁵ Mills, Sophie (2007), "The Kuyasa Fund: housing microcredit in South Africa", *Environment and Urbanization* 19(2): 457-469.

³⁶ Solo 2008, op. cit.

MFI practice follows something of an orthodoxy (although there are exceptions). Good financial services for low-income households recognise that they have savings at their centre and require the following characteristics: savings need to be close at hand, quick to access, flexible and safe; the process needs to be regular, flexible and affordable (to ensure ease of making deposits) and should instil a savings discipline in the clients.³⁷ The importance of payment regularity (for savings and/or loans) is often mentioned in the context of improving livelihoods and associated practices towards the securing of assets. Savers and staff alike perceive there to be a moral virtue in regular repayments, in addition to the evident benefits of financial accumulation. In this context, agencies that support savings may seek to do more than simply provide financial services; many see their work as part of a more significant development agenda. They may seek to change individual behaviours (with a discourse that emphasises the “discipline” of savings and the importance of enabling strategic agency) and/or to change financial institutions so that they are more adept at addressing the needs of lower-income households.

The discussion above highlights the characteristics that household members seek in personal financial services related to savings:

- ease of saving;
- protection of savings monies (from family and non-family members);
- ease of access to savings to address needs as required;
- freedom to borrow for emergency, consumption, lifecycle events, collective investments, individual investments; and
- encouragement to maintain a flow of savings (discipline).

The next section discusses some of the ways in which the practice of community savings provides these characteristics and services, while at the same time triggering other changes that help to address the multiplicity of development needs faced by the urban poor. Proponents of community savings recognise the multiple forms of savings institutions that exist, and in many cases members of community savings groups supplement this activity with the use of other modalities. They are well aware, however, that in addition to providing basic financial services, community savings is particularly suited to bringing a community together and assisting its members to work to address collective development options, often including access to secure tenure and basic services in an urban context.

2. Community savings – an avenue to pro-poor development

The practice of community savings emerges from a desire for basic financial services, but also from a commitment to strengthen social capital for some of the most disadvantaged urban dwellers. The mechanism of saving collectively appeals particularly to women because they see the multiple benefits that arise from coming together in small groups and collecting available finance (pennies, cents, rupees). The practice of community savings provides local deposit facilities and offers security to assist in the accumulation of funds. Savings scheme members form active local organisations able to consider how best to address their own needs and those of their families. The savings groups are immediately useful, providing members with crisis loans quickly and easily. The accumulation over time of each member’s savings provides them with a fund for housing improvements or income generation investments.

However, in addition to these individual financial services, and of particular significance to urban poverty reduction, the collective management of money and the trust it builds within each group increases the capacity of members to work together on development initiatives. The practice of community savings offers benefits that cannot be realised through individualised

³⁷ Rutherford, S. (2000), “Raising the curtain on the “microfinancial services era”, *Small Enterprise Development* 11(1): 13-25.

savings and loans. Finance, rather than being a means of exclusion, becomes a trigger for the formation of strong local organisations, as women combine to find ways to aggregate, protect and enhance their small change. Conditions for savings funds are not imposed from outside the group, but are debated, agreed and accepted by members. The process builds individual and collective skills, and inculcates changes in structured behaviour that assist those living in informal settlements to move towards a new development practice and to achieve material improvements in their well-being. At the settlement or group level, these changes in practice include those around gender relations, democratic decision-making, leadership accountability and the capacities of groups to define their priorities and manage issues of representation. While many savings institutions help women to protect their savings, community savings may also provide a forum from which to tackle discrimination and abusive relations. Saving as a group also helps to develop the financial skills needed for investments in infrastructure and services and hence improvements in access to water and sanitation.

While some initiatives remain local, what has been notable in recent years is the aggregation of groups using community savings approaches into city and national networks. As mentioned above, the most notable of these networks are Shack/Slum Dwellers International (SDI) (see Box 1 and Appendix 1) and the organisations participating in the Asian Coalition for Community Action (ACCA) Programme of the Asian Coalition of Housing Rights (see Boxes 10, 11 and Appendix 2). In the remainder of this paper, a number of examples are drawn from the practices of these groups to illustrate how they have realised the potential of the community savings approach and participated in its evolution. These savings group networks or federations are held together by numerous interactions, as they visit each other and learn from each other, and include financial transfers, information, skills training, solidarity in political struggles and social support. The financial dimensions include the pooling of monies raised by community savings “up” the network into city, regional and/or national funds, as well as loan capital allocated “downwards” and sometimes “across” the network to support the initiatives of the local savings groups. In some cases, community savings groups are the recipients of state subsidies (both financial and in kind).

The following sub-sections will discuss these different aspects of community savings in greater detail.

2.1. Starting with emergency credit

The practice of community savings is attractive to low-income groups because the only credit usually available to them (for example from a moneylender) has high costs. It also generally means that their savings are more secure. Their savings record within their savings group becomes the basis for accessing credit – and so credit can be acquired by households without the collateral that banks or other formal credit institutions require and at a much lower cost than credit from moneylenders and shops. In many informal savings groups, there are also far fewer rules regarding what the credit can be used for, in part because members know each other very well and hence can manage with much lower levels of collateral.

Many informal savings groups formed by those with limited incomes and limited or no access to formal savings schemes are set up to allow members access to credit quickly and easily when confronted with an emergency. What might be considered small annoyances for non-poor groups – a 10 per cent increase in the price of staple food, purchasing needed school books, getting health care, losing a day’s income to illness – are emergencies for most of the urban poor.

The crisis credit scheme set up by women pavement dwellers in Byculla (Mumbai) in 1987 is an important one because the scheme they developed has been so influential in encouraging and

supporting comparable schemes in India and in many other nations.³⁸ It was set up by residents from six clusters of pavement dwellers, who came together to discuss their needs. The first outcome was the formation of *Mahila Milan*, a federation of the six pavement clusters, to support members to save and to provide emergency loans. It also formed a cooperative to seek land sites where they could build their own housing (and so leave the pavements), open bank accounts for members and ensure that everyone obtained a ration card (for access to subsidised food and fuel).

The most common crises these women experienced were health related (the need to pay for medicine and treatment and the loss of income from ill-health or injury) or employment related (for instance, the confiscation of a vendor's goods by the police or the payment needed to get these goods back). Savings schemes that could provide crisis loans began when everyone felt that if they saved a little together (even as little as one or two rupees at a time), this could act as a pool where all the money was their own.

Every pavement or slum dweller saver was part of a savings group of around 15, one of whom was nominated to visit each group member (or person wishing to join) to collect savings and disburse credit, keeping careful records. This person also sat on the loan committee for that settlement, which appointed three people to be in charge of managing the money collected, keeping records, conducting meetings and setting rules. SPARC, a local NGO, put aside the capital equivalent to compensate for any loss.

Since most savers were illiterate, *Mahila Milan* provided each woman with a plastic bag with coloured squares that showed how much they had saved – pink Rs. 1, yellow Rs. 2, green Rs. 5. Savers could get money at any time by going to the group member who was the savings manager. When a saver had a crisis, the savings group helped them out, not only with credit but also in other ways.

People who needed credit said how much they wanted, for what purpose and how and under what terms repayment would be made. *The borrower decided on the terms of repayment.* When questioned, the women who set up the scheme said that borrowers decided because it is their money – although it must be repaid. Almost everyone repaid their loans. In one or two instances, the savings collectives decided not to accept repayment because of bereavement. Loans were also used to help those unable to repay – for example, a woman who had taken a loan for a business that had had its stock confiscated got another loan to help restock her business and gradually repaid both loans. No interest was charged, although for loans for a small business, there was a Rs. 1 fee. The women setting up the scheme felt it was wrong to charge interest on loans.

The procedure for receiving up to Rs. 100 was very simple – only the savings group manager needed to approve the loan. Larger loans of up to Rs. 500 were available with the agreement of three people; loans larger than this needed the approval of the loan committee.

This informal emergency credit scheme was not seen as an alternative to a formal savings account but, rather, as the means to help get such an account and to put savings into it. All members were encouraged to have savings accounts in banks and were helped with the formal procedures to obtain these – for instance savings for housing. The crisis credit scheme served to meet their emergency needs and so helped to ensure they did not deplete their housing savings. By 1993, *Mahila Milan* had helped members open 600 accounts and proudly showed records of more than Rs. 900,000 saved in these accounts.

³⁸ Patel, Sheela and Celine D'Cruz (1993), "The *Mahila Milan* crisis credit scheme; from a seed to a tree", *Environment and Urbanization* 5(1): 9-17.

It was from the experiences of these informal savings groups in Byculla that *Mahila Milan* savings groups developed all over Mumbai and in many other cities in India – and these then inspired and supported comparable women-led savings groups in many other nations.

In the 20 or so slum, shack and homeless people's federations that are affiliated to Slum/Shack Dwellers International (see Box 1), of which *Mahila Milan* is a member, there are now around 50,000 community savings groups. Members are encouraged to support the practice of daily savings, whereby the savings group manager visits each member every day to encourage frequent contributions. Most of the federations' members do not actually contribute every day but more typically every three or four days, reflecting the cycle of their income-generating activities. The importance of the daily savings visit, however, is that it opens up to these members the possibility of adding to their savings each day. Thus, they save whenever income is available rather than having to respond to time periods (weekly or monthly) that do not correspond to the realities of informal employment. The savings are held at the settlement or community level (although as groups become a network, part may be deposited at the city or national level) and may be used for both individual and collective needs.

The practice does not, as noted above, eliminate interest in other forms of saving. Members can have formal savings accounts, as in the case of *Mahila Milan*, and other modalities are also common. Women members of the Win savings scheme, for instance, which is part of an SDI-affiliated federation in Kleinskool, Port Elizabeth, South Africa explained in 1999 how they had their own *stokvel*³⁹ in addition to their savings with the federation. This was a fairly selective process and not all members participated as not all felt able to do so. There was a similar experience in Zimbabwe. Beth Chitekwe-Biti, director of the support NGO for the Zimbabwe Homeless People's Federation, explained: "Merry-go-rounds? There are merry-go-rounds in the federation leadership. The leaders in Harare have one for Z\$ 2,000."⁴⁰ This was in addition to their participation in community savings. These individuals want to accumulate capital, but they believe that this requires a different kind of savings from community savings, one that is exclusionary and selective and that reduces financial risks for its participants. Such selection is very much part of group-based reciprocal savings. Community savings is by nature inclusionary, drawing in all members of the neighbourhood, whatever their financial circumstances. *For community savings groups to carry out their supportive role, it is important that they are not tasked with conducting selections (and exclusions) based on financial circumstances.*

This model of community savings proved popular because it served the needs of the lowest-income groups and was within their reach. Access to credit was quick and through local women they knew and indeed had appointed themselves. Each group could adjust the rules to serve themselves, although there were some standard practices. From these savings groups, with their capacity to provide emergency credit, other initiatives could be built – for instance, support for members to get formal savings accounts in banks and to save for housing. And from the subsequent federation of these informal savings groups came the capacity to do so much more – in "slum" upgrading, in building new homes, in improving infrastructure and services and in mapping and enumerating informal settlements, as will be described in detail in other sections. Indeed, SDI affiliates (grassroots federations and support NGOs) have viewed the practice of community savings primarily as an organising strategy.⁴¹

³⁹ A *stokvel* is a burial society to which members contribute, generally on a monthly basis, and the society makes a payment to assist with funeral costs.

⁴⁰ Beth Chitekwe, personal communication.

⁴¹ D'Cruz, Celine and David Satterthwaite (2005), *Building Homes, Changing Official Approaches: The Work of Urban Poor Federations and their Contributions to Meeting the Millennium Development Goals in Urban Areas*, Poverty Reduction in Urban Areas Series, Working Paper 16, IIED, London, 80 pages; Patel and D'Cruz 1993, op. cit.; Mitlin, D. (2008), "With and beyond the state: co-production as a route to

Box 1: Slum/Shack Dwellers International

Shack/Slum Dwellers International (SDI) is a transnational network of grassroots organisations and federations. Membership is made up primarily of people belonging to women-led savings schemes based in informal settlements with insecure tenure and inadequate shelter. SDI members share a methodology that uses community savings to rebuild neighbourhood social capital; peer exchanges to offer skills, ambition and confidence to the urban poor; and federative structures to institutionalise learning and negotiate political deals with local, city and national governments. A common initial challenge is to find ways in which local residents in informal settlements can work together to achieve a locally determined development plan. The methodology is notably resistant to domination by professionals – SDI believes the solutions have to emerge from the shack/slum dwellers themselves. The activities are centred primarily on tenure security, basic services and, in some contexts, housing and/or income generation. Where international donor finance is available, it is used to catalyse state contributions – aiming at solutions that can be replicated at scale. What is remarkable is the rapid spread of SDI: 10 years ago, there were just six SDI affiliates; current members and associates are listed below. This growth demonstrates an interest within grassroots communities to work with both community initiatives and political change to address the needs of low-income settlements.

Fully fledged federations exist in the following countries:

- **Asia:** Cambodia, India, Nepal, Philippines, Sri Lanka, Thailand
- **Africa:** Ghana, Kenya, Malawi, Namibia, South Africa, Tanzania, Zambia, Zimbabwe, Uganda
- **Latin America:** Brazil

Savings groups have been formed in the following countries, although fully fledged federations have yet to emerge:

- **Asia:** Indonesia, East Timor, Mongolia
- **Africa:** Lesotho, Swaziland, Madagascar, Angola
- **Latin America:** Colombia

Countries exploring options to engage the SDI network as an affiliate include:

- **Africa:** Mozambique, Nigeria, Sierra Leone
- **Latin America:** Argentina, Venezuela

SOURCE: SDI secretariat.

2.2 Community savings and gender

“We came to town for a better life. But it is a troubled life. We are alone. We rent this broken house, without it we are homeless. Because we only have little money sometimes, we are not secure in our living. We are prisoners of our poverty. There is no one to talk to, no one to share my troubles with, no one to discuss solutions with. I joined the federation and learnt to save and loan. The savings group women all know each other. We all help each other in our troubles. We sing and dance! In our group, we share ideas, so many ideas. We are rich with ideas.”⁴²
(Mary – Chilindi, Malawi)

Multiple experiences with community savings suggest that women find it a more attractive strategy than men. In SDI savings groups, men typically make up only about 10 per cent of the members. There are good reasons for the popularity of these groups with women. While many

political influence, power and transformation for grassroots organisations”, *Environment and Urbanization* 20(2): 339-360.

⁴² SDI (2007), *Voices from the Slums*, Shack/Slum Dwellers International, Cape Town, page 71.

women participate in savings groups to address their financial and/or residential development needs, the benefits extend beyond these two dimensions and include the opportunity both to address their emotional needs and build their political agency. It is hard to separate these different needs. Improving material conditions and improving the sense of well-being and happiness are clearly related. For the women, the latter is closely tied to their gender roles and responsibilities. The family remains a central unit for women in the organisation of their lives and the achievement of security, but it also remains a context in which they are constrained. While family can be a powerful source of support, often these intra-family links are difficult because of the hierarchies and other stresses embedded in these relationships. Women have to manage difficult situations with their current and ex-partners, their mothers and mothers-in-law, their children and, in some cases, other relatives. At the same time, they care for these people and want to be responsible for meeting their needs. *The experience with savings schemes suggests that women engage with savings groups in part to support themselves through these realities.* It is easier for women to build supportive relations outside the family if they are easily accessible and viewed as complementary to the family by powerful figures within the family – as community savings groups usually are. The fact that they reinforce women's existing reproductive role (through activities to provide family members with health care, improved basic services, addressing housing improvements) reduces the likelihood of a patriarchal challenge to this alternative non-familial space. The altruistic element (helping the weakest and most vulnerable members of the community) is seen as "morally legitimate", and this enables women to defend their participation when it is criticised within the family.

Savings groups have a number of characteristics that contribute to the quality of women's lives. They are spatially proximate, offering a supportive social space with relatively low transaction costs. These women have few alternative forms of support open to them, although some may be active in faith-based organisations. In many cases, they have limited opportunities to build relations with those living a greater distance from their homes. A savings group can offer specific assistance that reduces vulnerability and insecurity, with some or all of the following benefits:

- practical support in child care and food provision;
- support to confront or leave abusive relations, or at least challenge the accompanying and damaging sense of guilt;
- a social space to share ambitions and then be challenged to realise them;
- physical and emotional space to get away from the on-going demands of household tasks even for a short period – a space for women-to-women dialogue that reduces the isolation that women may experience within the family;
- enhancement of women's social status and sense of pride through their involvement in support for the weakest;
- the self-organisation, which does not require women to negotiate difficult external relations with external groups until the group is more established; and
- the opportunity and support, as the group consolidates and networks with other groups, to engage with more powerful groups to secure basic goods and services (and it is not possible to address most material needs without this).

These groups also offer opportunities for women's leadership to emerge, as they are encouraged by the process to be active public citizens in a very different way from their submissive gendered role. The practice does not demand an active public role for all its participants, but it opens the possibility to women who are interested in exploring these roles and choosing their own pace. Savings schemes routinely produce women able to be effective leaders in their locality and at the regional and national levels. In each SDI-affiliated federation, for example, there are existing and emerging leaders, with the savings groups supporting leadership capacities in the following ways:

- providing a reference (peer support) group for women who take on this leadership (public) role; women can share their ambitions within the group and this articulation

- helps them realise these ambitions;
- developing activities that “demand” that women are active. Mama Magoda in Fistantakrall (South Africa), for example, found herself having to take the lead in a government-financed housing development for low-income residents when the male community leadership tried to make a deal with commercial contractors;⁴³ women can be forced to be proactive when male leaders outside the federation threaten what has been achieved;
- reinforcing (and legitimising) a public role for women in addition to their private family role; and
- creating strong bonds between women, which helps them to do many things that improve their lives.

Taking on this kind of leadership involves challenging traditional expectations. But savings schemes provide support for practices of resistance, both public and private. One of the leaders in the Philippines, for instance, spoke about how, when she first began to take a leadership role in the federation, her husband locked her out of their house and sometimes burned her clothes in his anger. Over time, he came to accept her choices and she became a national and international leader.⁴⁴ Challenging norms happens at the community level too. Savings groups help women to negotiate change without immediate threats and through demonstrated gains that have, in a number of cases, led to longer-term change. In Zambia, for example, the savings schemes faced considerable opposition to women’s participation from local men. The members designed a short theatre sketch to demonstrate how both men and women could benefit from activities. Two years later, according to the national leadership, they rarely faced this problem and no longer needed to perform the sketch.⁴⁵

The federation is dominated by women, but they are conscious that they have to bring their husbands with them, and that this requires addressing their families’ needs and those of the community. Women from a savings group in Paradeep (Orissa) ,who had designed and built their own community toilet, suggested that what they needed next was a loan programme for their husbands – mostly fishermen who needed credit to help mend or replace their nets. This understanding of their “real politics” influences the way in which they then proceed. As they work together to address their basic needs, there is an almost inevitable engagement with state agencies because women cannot solve problems on their own. Their lobbying of local authorities and state authorities is characterised by patience and the construction of strong personal relationships.⁴⁶ Over time, the women leadership that emerges from community savings has a chance to redefine the politics of the settlement and the city. For example, women campaign for access to water by bringing their children with them to “sit in” government offices to which they are refused access. Sometimes, this engagement is specifically focused on issues affecting women. In Mumbai, for example, *Mahila Milan* groups work with the police to set up community police stations in informal settlement slums. Once established, one of their tasks is to close down many illegal drinking places, helping to reduce alcohol abuse and hence domestic violence.⁴⁷ The groups may also offer those involved in illegal drinking support to develop alternative livelihoods.

Community savings groups, in short, help women both to address their gendered needs and to take on a public role. A new member of a savings group in Namibia, part of the Shack Dwellers

⁴³ Magoda, personal communication, 1999.

⁴⁴ Presentation to Rajandapur Conversation, Dhaka, January 2009.

⁴⁵ Discussions on a field visit, August 2007.

⁴⁶ Appadurai, A. (2001), “Deep democracy: urban governmentality and the horizon of politics”, *Environment and Urbanization* 13(2): 23-43.

⁴⁷ Patel, S. and D. Mitlin (2010), “Gender issues and slum/shack dweller federations”, in S. Chant (ed), *The International Handbook on Gender and Poverty*, Edward Edgar Publishing, Cheltenham, pages 379-384.

federation there, captured these dual benefits, both personal and political. “After independence...” she said, “...I did not feel the independence. But now with the federation, I feel the independence as I also have a say in things. If I want to talk, there is someone from the federation who passes by. If there is a problem, one can call on a sister from the federation.”⁴⁸

Box 2, which describes the history and work of the Poor People’s Movement in South Africa, shows how savings have been used as the basis for multiple interventions that allow for experimentation to address women’s needs and development aspirations.

Box 2: The Poor Peoples’ Movement (PPM) in South Africa

In November 2000, women from the townships of Cape Town and rural settlements in the West Coast came together and started a community-managed savings scheme with the vision of building a better future for themselves and their families. By 2001, the savings groups within the West Coast and townships of Cape Town had grown and the movement had expanded to Karoo and Northern Cape. In May 2002, all the various savings groups came together and federated as The Poor People’s Movement (PPM) – a social movement of the rural and urban poor. Today the PPM consists of more than 100 mainly women-led savings groups that function as a network of small community-based organisations and grassroots development entrepreneurs, and who over the years have demonstrated their resilience and will in supporting its membership in “Moving from poverty to prosperity”.

Currently, the movement is active in four provinces of South Africa (the Western Cape, Northern Cape, Eastern Cape and Free State). There are 2,246 rural and 2,560 urban members. While women remain the primary social actors that benefit from the work, their experience has shown that women will almost always include their family – particularly their children – and current statistics on beneficiaries reflect this. Present savers are divided between women (75 per cent), young people and children (17 per cent) and men (8 per cent). At the heart of the PPM is the simple act of women and their families saving together on a regular basis. The movement also uses other social technologies such as campaigns, social mapping/enumerations, horizontal exchanges, community dialogues, peer educators recruitment and training, and capacity building geared at improving the lives of its membership and building vibrant, sustainable and self-reliant communities.

The PPM mobilises targeted communities around a host of savings instruments and group savings (which meet household and small emergency needs) that are compulsory for all members. Members save what they can regularly (daily preferred but not always feasible) and in 2010, groups collectively saved more than R 85,000 in group daily savings. Other kinds of savings include: funeral savings (managed by external service providers and the main savings tool in the rural areas) with an optional (value-added) savings, whereby members contribute R 10.50 per month per household and qualify for a R 5,000 pay-out upon the death of a family member; the Poor People’s Fund, which is currently optional with a contribution of R 5 per month to capitalise a revolving loan fund and to be used to leverage external finance; youth savings (with compulsory savings for members), with the option of members being able to withdraw against their own savings twice a year for school or other education costs; and housing savings, which is the main savings tool of urban groups.

The PPM is premised on asset-based community development and self-reliance, and has opened opportunities for initiating a range of community projects. Current projects underway include:

- PPM Karoo branch: Merwewille group is implementing a food security and brick-making project, creating 35 local jobs in the community; this group has also secured 10 plots for a membership housing project (People’s Housing Process);
- PPM West Coast branch: Klawer group is leading a snail harvesting project, creating seasonal income for 70 women;
- PPM Porterville branch is implementing a food security programme, which is rolling out within the broader rural network;
- PPM Urban Network is involved with informal settlement upgrading and a land tenure campaign;
- PPM Cape Metro and PE branches work on micro income generation projects such as waste recycling, sewing and beading enterprises; and

⁴⁸ Interview with Diana Mitlin, 26 May 2010.

- social campaigns being mainstreamed in both the rural and urban networks are centred around dealing with gender-based violence, HIV Aids and youth development.

Mama's Coin Factory (MCF) was co-founded in 2008 by the PPM leadership as its professional support arm (institutional backbone to the Movement) to generate resources, manage finances and provide professional and technical services to the PPM. It is staffed by a small core team of development professionals and grassroots community organisers who collectively have a wealth of experience within the development sector and a longstanding relationship with the movement. They work collectively towards community mobilisation around their own resources, using existing skills, life experiences and relationships and cultivating a space for social structure, leadership and self-reliance, and designing sustainable development solutions that are *community owned* and *women led*.

2.3 Savings and collective capacity

“After watching the savings and credit movement in Asia grow, since its beginnings 10 or 15 years ago, we can see now clearly that development processes by people can be strong only where community groups organise savings and credit activities. Saving is the key vehicle to move the people to believe in themselves.”⁴⁹

The rapid access to emergency credit provided by the savings groups of residents of informal settlements does little or nothing in itself to change the external conditions faced by their members. But the initiatives of these savings groups can go well beyond emergency credit:

- as the savers learn to work with and support each other and to manage finances collectively, so it becomes common practice to work together on other priorities, both doing things and negotiating with government agencies;
- participation in community savings groups changes individual and group aspirations, skills and capacities;
- as savings groups join larger federations, there is often more political influence, but from a body that is accountable to savings group members;
- joining with other groups, working together, participating in collective decision-making and action creates far more scope for inter-savings group solidarity and learning and far more scope for the spread of ideas and experiences that work. The fact that women have such prominent roles as members and as leaders brings innovations in tactics and strategies and a less confrontational stance, which has made possible more partnerships with local governments;
- the capacities demonstrated in savings management are easily extended into community-organised enumerations, surveys and profiles, providing a common data base on informal settlements to assess needs and make plans; and
- more complex forms of financial collaboration also become possible, for example, more affordable and robust insurance systems.

As noted by Appadurai, participation in community savings groups helps to change the aspirations of low-income residents so that they become more ambitious, imagining new futures for themselves and their children.⁵⁰ As this happens at the individual or household level, so participation in the collective processes associated with savings helps to form and realise group aspirations. Box 3 describes an example from the Philippines of a situation in which a savings group aspired to improvements for their entire community, and its ripple effects. The practice of community savings encourages residents to communicate with each other, and the discussions include their hopes for development. The practice can be a mechanism for diverse

⁴⁹ Somsook Boonybanha, February 2007, Report of CODI/ACHR/UNESCAP workshop, ACHR, Bangkok.

⁵⁰ Appadurai, A. (2004), “The capacity to aspire: culture and the terms of recognition”, in Vijayendra Rao and Michael Walton (eds), *Culture and Public Action*, World Bank/Stanford University, pages 61-84.

groups to come together, as shown by recent experiences in South Africa, for instance, where there was collaboration between the Federation of the Urban and Rural Poor (FEDUP), the Poor People's Movement and the Informal Settlement Network; also in Namibia, in the profiling of all informal settlements in the country. The pragmatic orientation of savings groups and their engagement around the mechanisms of finance helps provide a platform for common discussion and planning.

Box 3: Assessment of the Asian Coalition for Community Action (ACCA) in the Philippines

The power of community savings emerges from the ACCA assessment report of a visit to the Philippines in January 2010. Seventeen savings scheme members built and paid for a walkway to benefit 190 households in Bethlehem, Quezon City using their ACCA grant as loan finance. When asked why they financed the improvement for the other community members, the savers replied: "No problem! We wanted to demonstrate that it is possible for us to improve our settlement ourselves. So instead of fighting and persuading everyone to contribute – which is such a headache! – we decided to just go ahead and do it. Now other neighbouring communities want to build similar walkways, so our project is already spreading out and other neighbouring settlements are asking for 50,000 Peso loans from the ACCA revolving fund. After a lot of talking, this was the breakthrough!" This group had only started saving in February 2008. A similar experience was recounted by savings scheme leaders in Talanay Creekside community.

Members of the Vietnam team commented favourably on the Philippine process: "The savings is very strong, but they are flexible in how they manage the savings, so even the poorer members of the community can save. Sometimes in Vietnam, we have minimum savings amounts that are too high for the poorest community members to save, so they get pushed out of the savings process."

The Thai participants in the assessment visit explained that in Thailand, savings is the basic thing in all community development, in every low-income community in the country. "It's something compulsory and something that is now so natural that nobody thinks of it as some special activity – it is the basic activity that brings people in the same community together to work together and support each other and develop their collective financial and managerial strength. And savings is the way communities link with other communities, into citywide and province-wide networks. Savings is also the way communities build and access larger funds from outside."

SOURCE: ACCA Assessment Report on the Philippines, 2010.

The tools and methods developed by the member federations of Slum/Shack Dwellers International, which have become conventional practices among them, have encouraged local groups to take up enumerations, profiling and surveying to build local capacity and equip groups to engage with their local authorities, as will be discussed more fully below. The modalities of information collection by community savings groups give each person and household an official identity – as their occupation of land and housing is recorded, often for the first time – and also strengthen collective understanding, allowing residents to look at their situation, consider and articulate their priorities. Critically, enumerations, although led by members of community savings groups, are tools to mobilise those less interested in savings. As the enumeration or profiling team undertakes its work, so less-engaged residents become interested in understanding what the teams are doing. As they begin to learn about this work, they become interested in joining in, and a momentum begins to develop inside the settlement.

Many of these individuals are not, at least initially, interested in savings groups. But the strength of community savings lies in its ability to go beyond finance at the same time as it consolidates financial relations. This model is most developed in the Indian context, where *Mahila Milan*, the network of women's savings groups, became the foundation for a community movement that then drew in the more male-oriented community organisations that are members of the National Federation of Slum Dwellers. Some men engage with *Mahila Milan*

groups and savings, just as they engage with the savings schemes throughout SDI's network, but they do not dominate the process due to their relatively small numbers. Other individuals and male leaders involved in this network, who do not themselves engage with savings, provide support and a secure space for the women savers to acquire new skills and adapt their capacities to new ends. The capacities demonstrated by *Mahila Milan* groups in savings management are easily extended into enumerations, surveys and profiles, providing a common data base to assess needs and make plans. The strength of community savings lies in building a social process that has a strong centre and strong relationships within the local neighbourhood and informal settlements that provide a home to millions of low-income urban households. Its contribution is particularly important in the political dimensions elaborated in a later section.

As a result of the pool of money available to finance local collective activities, and the aggregation of community savings processes beyond individual settlements, a distinguishing characteristic of the community savings approach is how it is used to trigger a development process and secure a greater range of development options, in addition to improved (and quick and easy) access to loans and other financial services. The collective capacity of the savings groups is important for what it can do *and* for what it can negotiate. Strong local bonds between residents provide the basis for agreeing on and prioritising actions, an important precondition to successful engagement by low-income groups with state authorities and other powerful external groups such as donor agencies. This has contributed to many government agencies changing their approaches to (for instance) slum and squatter upgrading or the provision or improvement of infrastructure and services in ways that greatly expand the scale and scope of what is achieved. As Nozuko Fulani, a community leader in Cape Town explained: "If you have savings, you have a voice. An individual may have R 20 in savings, but a community may have R 20,000."⁵¹ Nozuko Fulani is emphasising that the greater accumulation of funds that is possible at the community level (and beyond) attracts the interest of local authorities and other state agencies.

Organising at the city level is critical to enable savers to advance their interests and press for greater political equality. In Box 4, Somsook Boonyabancha elaborates on the benefits that have come out of such collaboration between savings groups.

Box 4: The contribution of city networking and federating

- **The most crucial layer in this spectrum of community finance is the layer of the city and the communities.** When all the poor communities in a city link together, they form a powerful constituency and become a political force that can negotiate with the local government and other stakeholders in that city for various things such as land, access to services and entitlements. As citywide networks of savings groups, their collective savings also become big enough to leverage funds from other sources, for bigger needs such as housing and land purchase, or to negotiate for the city to support their plans and projects. As individual communities or savings groups, they cannot do this.
- **The scale of the city is also not too complex** (as compared to the difficult national level, with corruption bureaucracy, etc.); it is reachable, is simple enough and everyone knows each other. That is the first political scale to link everyone into a system and to make it into a system of change. Mayors are more accessible. If you put together 30 or 40 slum communities in a city, that force is strong enough to link with anybody, to negotiate with anybody.
- **If the city level is strong and national level is not strong it doesn't matter so much, because there can still be change at the level of the city and the city process can survive.** The city process can catalyse a system of change.
- **If the city process is strong, all the savings groups in the city will have a direction and will not be lonely.** The city level network and city level funds are an umbrella for all the small "kids".

⁵¹ Nozuko Fulani, speaking at a meeting of the Cape Town Informal Settlement Network, in Barcelona informal settlement (Cape Town, 14 December 2010).

- **The city is the building block of national change** (for example, *Baan Mankong* in Thailand, Cambodia, Lao PDR, Philippines, Vietnam).

SOURCE: Somsook Boonyabancha, personal communication.

Before leaving this discussion of collective capacity, some discussion is needed on the issue of insurance.

Financial collaboration provides the basis for access to insurance. As noted in Section 1, the fact that formal insurance is unaffordable or not available is part of the motivation for saving. But community savings schemes, managed as they are at the local level, provide a robust basis for a more formalised insurance, able to deal with “classic” insurance problems of adverse selection (only the populations with the highest risks participate) and moral hazard (the presence of insurance leads to more risky behaviour than would otherwise have been the case). Effective insurance requires scale, and as larger numbers of informal residents participate in savings, then the financial accumulation grows and becomes more broadly based.

In South Africa and Thailand, community savings is reaching out to more formalised insurance systems. In South Africa, this involves the formal financial sector, and the example is discussed in Section 3, below. In Thailand, a programme has just been launched to cover people’s loan repayments where there are problems. In this case, the insurance is being incorporated into an existing network of local savings schemes linked together by a government savings and loan programme (the Community Organisations Development Institute – CODI), which is also supporting the upgrading of informal settlements (*Baan Mankong*). In all of the 850 *Baan Mankong* community upgrading projects so far, communities have taken collective loans from CODI to either buy land or build houses, or both. If some crisis (a lost job, an illness, an accident, a death) prevents any member from making their monthly loan repayment to the community cooperative, the cooperative will have trouble making its monthly loan repayment to CODI. CODI is then saddled with more “non-performing loans”, which in turn means the Fund will have that much less to on-lend to other communities for the next round of housing projects. When a family has a repayment crisis, they may have to leave the project since the community cooperative can’t keep covering their repayments for long. The informal insurance offered by savings has now been formalised within an insurance programme that has been accepted by all the community networks. Each borrower pays 200 Baht (US\$ 6) per year into a new loan repayment insurance fund. If there are problems that prevent a community member from making a loan repayment to the cooperative, and if the community determines that nobody else in the family is earning enough to make the repayment, then it is covered by the insurance fund. If the community determines, for example, that there are still family members earning enough to make half of the loan repayment, they can use the insurance fund to cover the other half, for one month, six months, or however long it takes to help that family get back into a full repayment mode. CODI has put 20 million Baht (US\$ 670,000) into this new loan repayment insurance fund, as a one-time seed fund grant.

2.4 Community savings and knowledge

“I have learnt saving, controlling money, collecting savings, how to contribute to funds. Federation friendships are very strong, they all help each other when they are sick or when there is a funeral... they helped me when I was sick. They brought me medicine and cared for my children. When I was well, they trained me as a builder. I have learnt a big thing! I learnt that a poor person is not without brains! By talking with my friends I learnt that poor people have knowledge.” (Margret William⁵²)

⁵² SDI 2007, op. cit., page 87.

An important contribution of community savings is aspirational, as highlighted by Appadurai.⁵³ Participation in a savings and federating process encourages low-income citizens, particularly women, to have ambitions that they did not previously articulate and plan for. However, these ambitions do little in and of themselves if they are not accompanied by a learning process that leads the members or participants through the acquisition of the required skills and capacities. Community savings processes appear to provide the framework for this learning, encouraging important skills and capacities in participating groups. These are elaborated below in five key areas that include savings, loans and credit management, community information systems to prepare for development and build the collective process, management of collective investment at the settlement level, and relationship building and resource acquisition for collective investments with external organisations.

The challenges involved in community savings are considerable, and require the mainly women leadership to consolidate existing skills and learn new ones. The structure of interaction within networks and federations is oriented to collective action that is both demanding and supportive. The experience of professionals in SDI is that communities organised through community savings may appear to be quiet but can suddenly emerge to report substantive progress. As illustrated in Box 5, staff from SDI support NGOs are frequently surprised by the impacts of local activities.

Box 5: Local activities in Kasungu Town result in land acquisition and secure tenure

The savings group in Kasungu Town began after hearing about the successes of the first savings groups in Malawi, which started in 2003. Each of the housing developments in the larger cities (Blantyre, Lilongwe, Mzuzu) began with a ground breaking ceremony, and when construction was completed there was an official house opening programme. Participation in these experiences gave the women in Kasungu the courage to realise their aspirations and begin their own negotiations. It never crossed their minds to wait for the support of the NGO or the approval of the national federation leadership. They contacted the city officials and asked for a meeting, where they explained what the federation had achieved elsewhere in Malawi. Elated by the success of what they had seen and supporting each other, the women explained how they would be able to make the same improvements for themselves and their families.

Officials at the Town Assembly were keen to work with the local women and their support NGO, CCODE. They allocated the land and committed themselves to working with the federation group. The women carried on planning for themselves. They negotiated a central meeting place for the federation – an office within the council chambers – they can easily draw together their members for regular monthly meetings. The land they have secured is vast, and the first development will include 100 houses as a first phase. But this is only the beginning: “It will take us 10 years to develop the site” they told CCODE. The women are thinking of developing some middle-income housing on the land to help ensure that even their lowest-income members can afford to take part in housing improvements (through a cross-subsidy).

The importance of community exchanges and associated learning experiences is recognised.⁵⁴ The history of the group in Malawi is not unusual, and every SDI affiliate has similar stories of groups that have had relatively little professional support but have been embedded within a structured programme of community exchanges, announcing successes in their relationship building with local authorities and sometimes other professional agencies. This suggests that the modality of community savings encourages local residents to build on their own social networks to acquire the knowledge that they need to trigger a development process and move

⁵³ Appadurai 2004, op. cit.

⁵⁴ Patel, Sheela and Diana Mitlin (2004), “Grassroots-driven development: the Alliance of SPARC, the National Slum Dwellers Federation and *Mahila Milan*”, in Diana Mitlin and David Satterthwaite (eds), *Empowering Squatter Citizen; Local Government, Civil Society and Urban Poverty Reduction*, Earthscan Publications, London, pages 216-241.

forward in the acquisition of essential goods and services such as tenure security and basic infrastructure. The paragraphs below outline some of the required skills that both members and leaders in a community savings process acquire as they extend their activities and associated participation.

Savings: recording of individual contributions and withdrawals; dealing with formal sector financial institutions if these are used to deposit money; aggregating monies into a single record book; setting up systems of governance for their savings group that provide financial transparency and accountability; dealing with misuse of funds including, when needed, negotiations to secure the return of funds; setting up and managing flexible withdrawal systems for emergencies; protecting funds from savers' relatives; agreeing on a source for funds for record books and other necessary administrative expenses.

Lending to individual members: working with interest rates; recording individual balances; aggregating loan and savings monies; setting up mechanisms for emergency loans; setting up regular decision-making structures to agree on loans and supporting loan applications constructively; re-scheduling loans and re-calculating balances as deemed necessary; providing other support to those who have loans that they are not able to repay; supporting sub-groups to manage collective loans if these systems are used.

Collective investments (settlement level operations): agreement on community priorities; costing of investments; negotiations with building materials suppliers and with those possessing the professional expertise required to complete the job; negotiations with members to ensure that voluntary unskilled labour is forthcoming, and the establishment of a system to ensure that the system of unskilled labour provision is agreed, recorded and adjusted as required; management of building materials on-site; checking on commercial and professional providers of services to make sure that they do what is required to an adequate standard; system for sharing the costs fairly; negotiations with those who do not wish to participate; if a part of the monies comes from a city or national fund, then community groups also need the skills to negotiate with these fund managers.

Collective investments (negotiations with authorities): discussions with officials and politicians and the establishment of positive relations; negotiations about the resources that may be available, including resources in kind such as land (plus the identification of suitable land sites, checking of ownership at the deeds office, checking the quality of land, layouts), equipment (for upgrading), cash contributions (from existing budgets or special allocations); compliance with or amendments to regulatory frameworks that regulate plot sizes, buildings, plans and infrastructure; management of clientelist relations and politicians concerned about direct community engagement; drafting memoranda of understanding and other formal documents if considered appropriate; linking to support NGOs and other professional groups able to provide assistance, and negotiations related to these relationships.

Community information systems: agreeing information that is to be collected and the settlements to be covered; drafting of forms and other instruments; organising and training those who will collect the information; negotiating with other community leaders and powerful individuals to enable the enumeration to go ahead; collecting and checking the information; aggregation of the information and reporting back to each household and the community; mobilisation of participation in community savings alongside the information-gathering process; measuring of shacks and plots for mapping; identification of public services for mapping; preparation of the report; presentation of the information to local authorities and other groups external to the settlement at a public event.

By managing their own funds, women and men within the federation have gained skills and confidence in handling cash and in interacting with each other that has paved the way in negotiating with and working with government agencies. The more experienced groups impart

their skills in managing the schemes to newer groups and, in some cases, newer groups have taught lessons to the founding groups. This process creates trainers from the low-income communities, who voluntarily train others at scale through exchange visits (supported by the local NGO CCODE in the case of Malawi). During these visits, members not only share ideas and experiences but they also build solidarity and interdependence countrywide. These exchange visits help solidify networks and create stronger, larger groupings with a greater capacity to negotiate with external agencies. The next section will discuss a primary focus for these negotiations in more detail.

2.5 Community savings and shelter investment

The urban poor face some particular challenges with regard to shelter. Urban poverty is characterised by an engagement with markets, both labour markets for employment and income generation and shelter markets to build, purchase or rent housing and to access basic services. It differs in this regard from (most) rural poverty (although landless agricultural labourers face the same dependence on labour markets). The urban poor have less opportunity for subsistence production and much higher monetary costs for housing.

An additional problem faced by low-income urban dwellers is that many of the shelter products that they need cannot be provided through the market. Households need tenure security and, ideally, water piped to their homes, and toilets within their homes, in neighbourhoods with adequate drainage, waste management and pathways or roads. This requires considerable public investment⁵⁵ and is typically provided by state authorities, either directly or through the commercial contractors they use.

The processes of housing accumulation are well illustrated in Caroline Moser's recent volume, *Ordinary Families, Extraordinary Lives*.⁵⁶ She follows the lives of five low-income families in Indio Guayas, an informal settlement in Guayaquil. The area was a mangrove swamp that had been settled as a result of urban expansion when Moser began her research in 1978, and remained underdeveloped with no infrastructure and with precarious wooden walkways as the only way to access the houses. Families acquired 10 by 30 square metre plots, sold by professional squatters, and initially lived in bamboo and wooden houses. There was neither infrastructure nor services. Because bamboo walls require upgrading every seven years, the households had a financial incentive to improve their dwellings. By 2004, all the families had formal land titles with services; four of the five had consolidated their houses. The first committee in the area had been formed in 1975. Legal electrical connections were obtained in 1979, water connections in 1983–84, and infill along major roads began in 1978 and continued for some years. There was a need for repeated pressure on the authorities as each street was completed. By 1992, there were extensive forms of health provision; also extended pre-school, primary and secondary education.⁵⁷ In this case, as in the examples of development initiatives by community savings groups, women were critical in providing a leadership that focused on the acquisition of basic infrastructure and services.

Similar slow processes, by which the inhabitants of informal settlements negotiate tenure, infrastructure and services, are repeated across the Global South. In some Latin American and Asian nations, these have led to large, well-funded state programmes to upgrade informal settlements (although rarely on the scale necessary to address the numbers in need). But in

⁵⁵ The exception is pit latrines or toilets connected to septic tanks; but septic tanks are generally expensive and sanitation needs in high-density settlements are often best served by toilets in each housing unit connected to sewers. In Mandaue, members of the Homeless People's Federation of the Philippines have reduced costs by sharing septic tanks between two households.

⁵⁶ Moser, C. O. N (2009), *Ordinary Families, Extraordinary Lives: Assets and Poverty Reduction in Guayaquil 1978-2004*, Brookings Institute Press, Washington DC.

⁵⁷ Ibid.

the absence of the state's willingness and ability to do this, the market, as currently constituted, is better able to deal with individuals and groups aggregated together into some kind of legal collective, and wealthy enough to pay for adequate housing. In many cases, this has resulted in households forming themselves into housing cooperatives. However, the orientation of the typical housing cooperative makes it difficult for low-income households to participate, involving rules and practices more oriented to financial success than inclusivity. The emphasis on regular contributions and formal legal processes deters the participation of those informally employed and with low and irregular incomes. Informal groups of consumers, even if they have a considerable demand, are also generally not legal entities able to make contracts.

The lack of market solutions for housing for those with low incomes has led to an increasing recognition that subsidies may be needed and that efficient subsidies target those households most in need.⁵⁸ However, in the absence of a comprehensive subsidy programme, complete housing remains unaffordable. Even with such a subsidy programme, it can be difficult – professionals and the state still see the incremental building that best serves the financial capacities of the poor as inappropriate or second rate. The low status associated with informal housing and incremental improvement translates into structural constraints on the practices, perceptions and ambitions within grassroots organisations. Faced with anti-poor practices that inhibit the provision of even the most basic conditions required for health, a dignified life and family well-being, household heads either agreed to become “dependents” within hierarchical relations (perpetuating clientelist political practices) or simply struggled as best they could with informal housing, recognising their absolute lack of control over essentials of life.

The challenge for community savings groups that decide to improve their shelter options is to change these practices. As community savings begins to scale up and function through networks and federative structures, it provides a modality for previously isolated savings groups to draw in state finance. (This is expanded on in Section 3 below.) Through such mechanisms, the community savings process provides a way to reconstruct relations at the city or settlement level and avoid problems of political patronage.

New forms of planning and information gathering through citizen enumerations have been important in establishing the credibility of the networks and federations of savings groups as a source of professional and technical knowledge about low-income settlements. It helps that some officials and politicians, concerned by the prevalence of corrupt practices, become supporters for alternative approaches. For example, the Project Officer for the Urban Slum Community Office in Cuttack (Orissa, India) was keen to work with the local *Mahila Milan* group because he believed that “political factions” were trying to influence a list of individuals for resettlement entitlements. He believed that *Mahila Milan* could identify legitimate beneficiaries, many of whom had been excluded from a previous list of those entitled.⁵⁹ But progress cannot rely only on such individuals, and existing political dynamics can be countered only by large-scale, visible demonstrations of mass action. Federation events such as the construction of house models during public events, celebrations when new houses or community toilets are inaugurated, group enumerations and mass meetings are all important examples of the potential vote-winning benefits of aligning to this people's movement. As one state politician said to a SPARC staff member in 2006 at a public event of several thousand primarily women members: “I can see this is not a rent-a-mob.”

As the state engages with the outcomes and processes of community investments, so officials and politicians have a chance to reconsider their views about what is acceptable and not acceptable in housing improvements. Exposure to the experiences of community self-managed developments (that help show what community savings groups are capable of) helps to change

⁵⁸ On water and the World Bank, see Komives, K., V. Foster, J. Halpern and Q. Wodon (2005), *Water, Electricity, and the Poor: Who Benefits from Utility Subsidies?*, The World Bank, Washington DC.

⁵⁹ Interview with Diana Mitlin, 23 August 2006.

these perspectives. In Thailand, experiences with community investments in local services resulted in politicians' amazement at how cheaply communities could install walkways, and led to their increased support for the decentralised measures introduced by CODI. As relations deepen, new possibilities emerge. Box 6 summarises the perspective of one Thai federation member from KhonKaen, a large industrial town in the north-east of the country. Exactly how the state and networks of savings groups work together to address shelter needs is not prescribed, although what is essential for the network is that the process builds their capacity to negotiate for increasingly better development options.⁶⁰

Box 6: Land strategies of the Thai federation

- Communities with land problems start saving, form community savings groups and organise themselves internally.
- Each community has to survey all its families, to obtain accurate information about the community, living conditions and land.
- They must then assess the land status of all slums in the city, to build an accurate information base on who owns land (and where), the status of the land occupied by each community, and which communities are on land under the same ownership with potential for joint negotiation.
- They make a community network and set up a mixed city committee, including community leaders, municipal officials, academics, NGOs and other stakeholders, to begin studying the citywide housing and land problems and develop a common understanding of the information gathered by communities.
- The networks and the city committee can then propose which communities ask for lease contracts on the public land they occupy; usually a group of communities makes the request.

SOURCE: Malee Ohn (community leader, Urban Community Network in KhonKaen).⁶¹

In short, community savings, due to its collective nature, offers both a financial and an organisational contribution to the upgrading of informal settlements and the provision of group finance for new (green field) housing development. With the failure of the state to provide infrastructure and services and the inability of individual households to build collective infrastructure and purchase many essential public services from the private sector on an individual basis, collective savings becomes an institutional solution to the need for collective decision-making and organisation. For instance, re-blocking existing housing in informal settlements to allow roads and pathways necessarily requires complex negotiations to resolve issues between “winners” and “losers”. Mobilising the labour required to install sanitation and water, provide drainage and improve pathways also requires strong relations between neighbours and considerable collective capacity. The success of negotiations with the state for both finance and required permissions within the existing regulatory frameworks is also much influenced by the scale of community cohesion and commitment as described in the following section. Box 7 explains how the practice of saving was able to strengthen local organisations and allow for new shelter possibilities in Vietnam. Experimentation around what works for savings schemes members and negotiations with authorities combine to enable new solutions to emerge.

⁶⁰ Appadurai 2001 op. cit.; Muller, A. and D. Mitlin (2007), “Securing inclusion: strategies for community empowerment and state redistribution”, *Environment and Urbanization* 19(2): 425-441.

⁶¹ Asian Coalition for Housing Rights (2007), “Savings and funds and land for housing”, *Housing by People in Asia* No 17; Asian Coalition for Housing Rights (2008), *Community Finance: The News from Asia and Africa*, Poverty Reduction in Urban Areas Working Paper 19, IIED, London, 70 pages.

Box 7: Savings and shelter improvements in Vietnam

Over the past 10 years, the Asian Coalition for Housing Rights (ACHR) and ENDA (Environment and Development Action in the Third World)–Vietnam have been supporting a process of strengthening community savings groups and setting up city level community development funds (CDFs) to link these savings groups in a growing number of Vietnamese cities. In each of these cities, the Women’s Union and the communities work together. This CDF network started in five cities, then grew to eight, and has now spread to 28 cities around the country, supported by the Asian Coalition for Community Action (ACCA). Prior to the ACCA Programme, these savings group networks worked only on income generation activities and some very small upgrading projects in the communities that did not address the problems of either land or housing.

In the current market-oriented phase of Vietnam’s development, many of the old socialist collective housing projects are being bulldozed and redeveloped as the inner-city land they occupy becomes more commercially valuable. For the low-income families who live in these neighbourhoods and housing blocks, the options are either eviction or having to pay for brand new, contractor-built housing they cannot ever hope to afford. This is happening all over the country. The key issue for the CDF network and ACCA has been how the savings groups, the communities and the Women’s Union can begin to use the strength of their savings network to deal with these problems of land and housing. In 2007, the CDF network forged an important new partnership with the Associated Cities of Vietnam (ACVN), a national union of 92 of the country’s 96 towns and cities.

ACCA now has established CDF processes in nine cities: Viet Tri, Vinh, Lang Son, Ben Tre, Hung Yen, Thai Nguyen, Hai Duong, Ha Tinh and Ca Mao. In all of them, communities are undertaking activities to improve their areas, including new housing models that are more affordable for the lowest-income groups, the provision of sewers and paved walkways (in Vinh), composting toilets and a community centre (in Hai Duong), drainage and paved walkways (in Viet Tri), and road building and water supply in Lang Son. Walkways are particularly important in linking the informal settlements to the city and for reinforcing their claim for inclusion.

2.6 Community savings and political inclusion

“Community savings movement has developed and grown in Asia – particularly in the past five years. ...Small savings means that their development starts right away, on the first day. They are a part of something, part of a communal process, trying to find a way how change for their group could be possible. This is the only process in which people can determine, owned by people. People can think, people can decide, people can use the resources to do what they think is important. This is democracy. There is a lot of talk about democracy in almost every Asian country, but we don’t know what it means. This is something that ordinary people on the ground are part of and can make decisions about, and they can do it right away. Savings and credit activities open space for this possibility.” (Somsook Boonyabancha, April 2007)

In almost all urban contexts, success in most aspects of poverty reduction requires support from government. This means changing relations between those living in informal settlements and local government. A lot of the capacity building that comes with the community savings process contributes to this – as the savings groups and the federations they form are noticed and taken more seriously by politicians or civil servants and by formal institutions such as the banks and the police. The intention of the SDI-affiliated federations is to secure dialogue, undertake some development tasks (sometimes independent of government, sometimes with government) and then establish partnerships, where the federations influence what is done. This has produced significant results at scale in many nations – for instance, in getting access for savings group members to services (water, sanitation, policing), land tenure or new land sites, bank accounts or services from other institutions. In Thailand, for instance, as described above, the national institution CODI has been set up specifically to support savings groups

formed by those in informal settlements to negotiate land tenure and upgrade their homes and neighbourhoods (see Section 3 for more details).

A conventional route to achieving political inclusion for urban poor groups involves organising, making demands and getting responses from local governments. In this situation, more democratic, accountable, transparent local governments produce more pro-poor initiatives, as can be seen in several Latin American nations – for instance, in the cities where participatory budgeting has become common⁶² and through the work of a new generation of mayors, as in Bogotá, Medellín, Porto Alegre and Rosario.⁶³ But models of clientelist politics remain strong throughout the Global South. Resource scarcity and strong vertical relationships have favoured close relationships between community leaders and political interests, with the partial allocation of basic infrastructure and services in return for votes and other forms of support. Alternatively, the development state seeks to address the needs of the urban poor, but shows little understanding of how to support participatory democracy. In this case, they reinforce a model of representative democracy in which professionals and technical specialists and/or political élites decide on opportunities and priorities for the urban poor.

Community savings groups, when networked together, provide for an alternative politics in which strong local urban poor groups can set and negotiate for their own development activities. Within this model for achieving political inclusion, exemplified by SDI-affiliated federations, two aspects are important. The first is the way these federations of savings groups approach politicians and civil servants. The second is the way that their leaders remain accountable to member savings groups.

With regard to the first, the federations of savings groups affiliated to SDI offer to work in partnership with government agencies and seek to show these agencies what they can bring to these partnerships. The Indian federation of women's savings groups (*Mahila Milan*) and its partner, the National Slum Dwellers Federation (NSDF), made this key strategic change. NSDF had been formed to support its many member federations to avoid eviction and obtain public services and, where possible, tenure. Its strength came from its numbers and its capacity to mobilise mass protests and, in some instances, to get support from the courts. But as *Mahila Milan* grew, led by the savings groups formed by the pavement dwellers, they recognised that they would make little progress if government officials and politicians always saw them as a lobby making demands, or as illegal persons using illegal means to cause disruption. They also recognised that little could be achieved by their federations if they made demands on government that government could not fulfil. If, instead, they could demonstrate to local government the contributions they could bring to addressing deficiencies in infrastructure and services, the basis for a partnership could be laid. This made possible the very large community toilet programme described in Box 8 and the citywide documentation and mapping of informal settlements described below; also the setting up of community–police partnerships in dozens of informal settlements in Mumbai.⁶⁴ This did not, however, mean that the NSDF and *Mahila Milan* lost their capacity for independent action, or that they were co-opted by the state – as can be seen in the current struggles over how Dharavi, the large informal township within Mumbai, will be developed.⁶⁵

⁶² Cabannes, Yves (2004), "Participatory budgeting: a significant contribution to participatory democracy", *Environment and Urbanization* 16(1): 27-46.

⁶³ Satterthwaite, David (2009), "Editorial: What role for mayors in good city governance?" *Environment and Urbanization* 21(1): 3-17.

⁶⁴ Roy, A. N., A. Jockin and Ahmad Javed (2004), "Community police stations in Mumbai's slums", *Environment and Urbanization* 16(2): 135-138.

⁶⁵ Patel, Sheela and Jockin Arputham (2008), "Plans for Dharavi: negotiating a reconciliation between a state-driven market redevelopment and residents' aspirations", *Environment and Urbanization* 20 (1): 243-254; Patel, Sheela and Jockin Arputham (2007), "An offer of partnership or a promise of conflict in Dharavi, Mumbai?", *Environment and Urbanization* 19(2): 501-508.

A first step for a community-organised savings network is to show local government that they are organised and what they are capable of. In all the federations that are SDI affiliates, what are termed “precedent-setting” initiatives are important for developing the relationship with government and other external agencies.⁶⁶ These are demonstrations of what the savings groups and their federations can do – i.e. design, build and manage a community toilet or a group of houses, or develop the information base needed for upgrading. These precedents come out of initiatives that the federations support their member savings groups to try out. Once a crude solution has been developed in a settlement, many groups within the federation visit it to see what has been achieved and to learn how it was organised and how much it cost. This leads to the next generation of savings groups who volunteer to try out similar actions. As more groups try out this solution, refinements are introduced, and when the initiative works well, government officials can be brought to see it. The learning is shared with other federation savings groups and other city officials who visit it.⁶⁷

Box 8: Community-designed, implemented and managed toilets

In cities in India, there is a long tradition of municipal authorities providing rudimentary public toilets in some informal settlements or tenement areas, but this has never been on a scale to match needs and they are often so poorly built and managed that they quickly fall into disuse. Meanwhile, the idea of community toilets was not considered an appropriate sanitation intervention by international agencies. However, this view has been changed by a very large programme of community-designed, built and managed toilet blocks in India, developed and promoted by the National Slum Dwellers Federation and *Mahila Milan* savings groups, and supported by a local NGO (SPARC) and by local authorities. This has greatly improved provision for water and sanitation for hundreds of thousands of residents of informal settlements.⁶⁸

Although now there are many partnerships between government agencies and the two grassroots federations, these only developed when the federations were able to demonstrate their capacity to plan, build and manage community toilet blocks that were better designed and managed than those built by local government, and as cheap or cheaper.

The *Mahila Milan* savings groups generally took responsibility for developing the new toilet blocks – and these are light and airy, with tanks to ensure a constant water supply (conventional toilet blocks often ran out of water). The blocks include a home for a caretaker, who also helps collect a small monthly fee from community members to pay for maintenance. Some blocks have a community hall built on top. The largest community toilet programmes have been in Mumbai and Pune, but they have also been developed in many other cities. The toilet blocks have also been visited by members of other national federations who have brokered deals with local authorities to design, construct and maintain toilet blocks in Cambodia, South Africa, Kenya and Uganda.⁶⁹

In some cases, these precedents help other SDI national federations to develop relationships with their own governments. For instance, city officials from many nations have been brought to Namibia by their national federations to see the changes in minimum plot sizes and infrastructure standards that the Namibian federation negotiated with local governments.⁷⁰ The Kenya Homeless People’s Federation took city officials and staff from the Kenya Railways to Mumbai to see how the Indian federations had organised the relocation of those who lived right

⁶⁶ Patel, Sheela (2004), “Tools and methods for empowerment developed by slum and pavement dwellers federations in India”, *Participatory Learning and Action* (PLA) 50: 118-129; Weru, Jane (2004), “Community federations and city upgrading: the work of Pamoja Trust and Muungano in Kenya”, *Environment and Urbanization* 16(1): 47-62.

⁶⁷ Patel 2004, op. cit.

⁶⁸ Burra, Sundar, Sheela Patel and Tom Kerr (2003), “Community-designed, built and managed toilet blocks in Indian cities”, *Environment and Urbanization* 15(2): 11-32.

⁶⁹ SPARC-NSDF-*Mahila Milan* (2009) and (2010), *Citywatch India*, Issue 5 and Issue 6.

⁷⁰ Mitlin, Diana and Anna Muller (2004), “Windhoek, Namibia: towards progressive urban land policies in Southern Africa”, *International Development Planning Review* 26(2): 167-186.

beside the railway tracks in ways that benefited all parties.⁷¹ Several federations from Africa have brought senior police officers to India to see the police *panchayats* in action and the key role of *Mahila Milan*. Some precedent-setting initiatives allow more external support to be negotiated from governments or international agencies, while others as shown above facilitate negotiated changes in rules and procedures. Not all initiatives succeed but the learning from these is shared through the federations.

To sustain partnerships with local governments, urban poor organisations need to be organised and prepared to deal with what are often slow processes that do not produce perfect outcomes. Even when senior government officials are supportive, promised support for initiatives can take a long time to come – or can come with unexpected blockages. Here, it is important for the community organisations to have their own agenda and to be able to draw support for their initiatives from other sources if or when local government support is delayed or not forthcoming, or if it proves to be less than promised. In these cases, the savings groups provide the glue to hold together the community organisations. This is also where having their own Urban Poor Funds to draw on becomes important – as discussed in Section 3.

As noted already, for local governments one of the most valuable tasks that the federations can perform is producing the detailed information base and maps needed to plan upgrading, new housing developments, and infrastructure and service provision. The federations have demonstrated this capacity in many nations.⁷² In Namibia, for instance, central government has supported the profiling of all informal settlements with the Community Land Improvement Programme. Now that this has been completed, a second phase is putting in place development plans in each informal settlement.⁷³ The first 17 urban centres have been selected based on the willingness of local authorities to participate.⁷⁴

Government bodies and international agencies find it difficult and expensive to undertake these kinds of enumerations; for most settlements there are no maps, no street names, no draft lists of households and no official data on plot boundaries from which to work. Government staff are often reluctant to work in informal settlements and they often meet hostility when they do, as residents suspect their motives. There are also complications that external surveyors often misunderstand. For instance, if the survey is seen as a prelude to regularising land tenure, there is the obvious conflict between landlords and tenants. Landlords will want to be registered as the “owner” of all plots on which they rent accommodation.⁷⁵ External surveyors or interviewers also have little capacity to judge the veracity of the information they collect. Problematic as these complications can be, the federations have learnt how to overcome them. Those who do the interviewing are mostly residents of the settlement, often already known to local residents, as they are involved in managing savings. The data collected is returned to each household and to the local community organisations to check.⁷⁶ Having this data helps community organisations and their federations to enter into negotiations with government agencies well prepared, and contributes to a more equal relationship. It also changes the

⁷¹ Patel, Sheela, Celine D’Cruz and Sundar Burra (2002), “Beyond evictions in a global city: people-managed resettlement in Mumbai”, *Environment and Urbanization* 14(1): 166-171.

⁷² See, for instance, CORC (2005), *Profiles of Informal Settlements within Johannesburg Metropole*, Community Organisation Resource Centre, Cape Town, 170 pages; CORC (2006), *Profiles of Informal Settlements within Cape Town Metropole*, Community Organisation Resource Centre, Cape Town, 220 pages; Pamoja Trust and SDI (2008), *Nairobi Slum Inventory*, Pamoja Trust, Urban Poor Fund International and Shack/Slum Dwellers International, Nairobi, 175 pages.

⁷³ Community Land Information Programme (2009), *Profile of Informal Settlements in Namibia*, Shack Dwellers Federation of Namibia in cooperation with Namibia Housing Action Group and Ministry of Local and Regional Government, Housing and Rural Development.

⁷⁴ Discussions with federation leaders, Namibia, May 2010.

⁷⁵ Weru 2004, op. cit.

⁷⁶ Karanja, Irene (2010), “An enumeration and mapping of informal settlements in Kisumu, Kenya implemented by their inhabitants”, *Environment and Urbanization* 22(1): 217-239.

nature of these negotiations if the federations have designed and costed the solutions they are proposing.

Part of political inclusion is ensuring the legality of the solutions that work for low-income groups, which often means negotiating changes in official rules and regulations – as in the case of the smaller minimum plot sizes and lower infrastructure standards in Namibia. Building and land use regulations and building standards, often unnecessary and inappropriate, can help to ensure social exclusion because what they demand, or the process by which approval has to be obtained, is unaffordable to the poor. Social respect (and for some, self-respect) can emerge only once these standards are challenged through demonstrated alternatives for which official acceptability then has to be negotiated. Through such a process, their selective and exclusionary impacts are exposed, and what was considered to be “modern” is recognised to be simply one among a range of possible construction processes or outcomes.

In Malawi, the federation’s negotiations with the Department of Physical Planning in Lilongwe to allow plots of 150 to 200 square metres meant that land originally allocated to 95 plots could allow 222 plots, benefiting more than 1,000 people. Road sizes, reduced from a standard 12 metres to nine metres, also allowed more space for housing.⁷⁷ The fact that the informal community savings groups in Malawi developed into a federation with more than 30,000 members meant that city and national government agencies worked with them in ways that they would not have done had they been dealing with individual savings groups.

2.7 Community savings and poverty reduction

The effectiveness of community savings, in the end, is related to how well savings groups help members address different critical aspects of urban poverty. Urban poverty is notable for the multiplicity and inter-connectedness of its dimensions, involving not only a lack of income and material assets but also a range of other exclusions. Key areas that need to be addressed for urban poverty reduction to be effective are listed in Table 2, along with the processes associated with community savings that respond to these areas. Many international agency and government policy positions emphasise the importance of integrated approaches to urban poverty reduction, but in practice most of the resulting programmes to address urban poverty address only one or two dimensions. For example, social protection seeks to provide or improve cash incomes; microfinance supports the growth of enterprise capital and subsequent improvements to incomes; water investments extend the water network and ensure an improved supply through the pipes; health budgets provide for more clinics and improved access to medical expertise; gendered training and skills developments provides for female emancipation; and voter education seeks to improve election outcomes. All too often these sectoral interventions fail due to their inability to overcome other constraints that target populations face in their development needs and ambitions.

⁷⁷ Manda, Mtafu A. Zeleza (2007), “Mchenga – urban poor housing fund in Malawi”, *Environment and Urbanization* 19(2): 337-359; Manda, Mtafu A. Zeleza (2009), *Water and Sanitation in Urban Malawi: Can the Millennium Development Goals be met? A Study of Informal Settlements in Three Cities*, Water Series Working Paper 7, IIED, London, 78 pages.

Table 2: How community savings can address the different aspects of urban poverty

Aspect of urban poverty	Role of savings and savings groups
<p>1. Inadequate and often unstable income (and thus inadequate consumption of necessities, including food and safe water); often, problems of indebtedness (with debt repayments significantly reducing income available for necessities); and incapacity to afford rising prices for necessities (food, water, rent, transport, access to toilets, school fees, etc.).</p>	<p>Informal savings groups often the first line of defence to cope with or manage this. Savings provide basis for withdrawals or loans to help people maintain jobs or look for better income sources and (in some contexts) establish small businesses. Access to finance also helps to prevent use of informal money lenders where penal rates trap the urban poor in a cycle of debt.</p>
<p>2. Inadequate, unstable or risky asset base, including those assets that help low-income groups cope with fluctuating prices or incomes.</p>	<p>Savings often the most significant, flexible and accessible asset. As strong local community groups are able to work together to improve housing and tenure security, then other investments such as small enterprises, rooms built for renting out and migration are possible.</p>
<p>3. Poor quality and often insecure, hazardous and overcrowded housing.</p>	<p>In most urban centres, low-income groups can never save enough to buy a good quality house on the market, but many have been able to offer significant counterpart contributions; savings groups and their federations are often the group that successfully negotiate for land tenure or new land for housing. Savings can help to make housing investments that reduce expenditure on repairs.</p>
<p>4. Inadequate provision of “public” infrastructure (piped water, sanitation, drainage, roads, footpaths, etc.), which increases the health burden and often the work burden.</p>	<p>Savings groups and their federations are often the group that successfully negotiates for infrastructure – and land tenure or new land for housing that leads to improved infrastructure provision (for water, sanitation, drainage, roads/paths, electricity). Can lead to falling service costs, health improvements and reduced expenditure on health care. Savings groups may also address inadequate provision themselves – for instance, through building community toilets and washing facilities.</p>
<p>5. Inadequate provision of basic services such as day care/schools/vocational training, health care, emergency services, public transport, communications, law enforcement.</p>	<p>Equally important to bulk infrastructure are essential services. Many savings group members draw on savings to pay for health care or school expenses (and prevent children being taken out of school to work). In some nations, savings groups have developed formal relations with the police to work together on policing their settlement.</p>
<p>6. Limited or no safety net to ensure basic consumption can be maintained when income falls; also to ensure access to housing, health care and other necessities when these can no longer be paid for (or fully paid for).</p>	<p>Community savings groups providing the main safety net for their members.</p>
<p>7. Inadequate protection of poorer groups’ rights through the operation of the law: including laws, regulations and procedures regarding civil and political rights, occupational health and safety, environmental health, protection from violence and other crimes, protection from discrimination and exploitation.</p>	<p>In many nations, community savings groups act as local dispute-resolving institutions. Police stations noted above. Many community savings groups that take action have provided the precedents that allow changes in laws, or how these are applied, to be negotiated, e.g. changed building codes, minimum plot sizes.</p>

Cont overleaf

<p>8. Poorer groups' voicelessness and powerlessness within political systems and bureaucratic structures, leading to little or no possibility of receiving entitlements to goods and services; of organising, making demands and getting a fair response; and of receiving support for developing their own initiatives. Also, no means of ensuring accountability from aid agencies, NGOs, public agencies and private utilities, and of being able to participate in the definition and implementation of their urban poverty programmes.</p>	<p>Networked community savings groups provide a stronger political base for their members to negotiate with state agencies. They can also provide a means to challenge clientelist political relations and build more effective strategies within government agencies and authorities. The formalisation of their relations with state agencies through MOUs and other partnership agreements strengthens accountable democratic practices.</p>
<p>9. Challenging social prejudice.</p>	<p>As savings groups become established and realise the development objectives of their members, then low-income citizens grow in confidence and begin to challenge (often indirectly) the negative attitudes that others have towards them. Local savings groups provide community organisations with capacities to negotiate with and develop relations with key institutions that previously ignored them or looked down on them. It is notable that many of the first investments within the ACCA Programme have been for the construction of pathways and walkways linking informal areas to the city. Women leaders emerge with positive repercussions within the household, and provide positive role models for the forthcoming generation of young women.</p>

One of the reasons for households to save is to accumulate assets. The importance of assets has long been recognised and has been specifically applied to an understanding of urban poverty reduction, exemplified both through Caroline Moser's work in the context of the Global South⁷⁸ and programmes of the Ford Foundation (particularly in the United States). Assets are "stocks" of various forms of capital from which benefits (such as incomes) flow. One of the significant characteristics of asset approaches is that they seek to provide a specific injection of support that catalyses a self-sustaining change. An improved set of assets is associated with reductions in vulnerability, as households are able to manage the occurrence of adverse events, reducing either exposure or impacts.

The effectiveness of community savings is in part due to its ability to improve the stock of assets held by low-income households and communities. Savings contributes directly to financial capital but also improves the stocks of physical capital, social capital and political capital (a particularly important sub-set of social capital in most urban contexts). Savings also enables investments in human capital. Appadurai, as noted, argues that savings activities contribute to a capacity to aspire,⁷⁹ while the cultural capital referred to by Bebbington also appears to be strengthened in the public events held by community savings groups.⁸⁰ As noted by Moser, "...the acquisition of assets is not a passive act but one that creates agency and is linked to the empowerment of individuals and communities."⁸¹

⁷⁸ Moser, C. O. N (1998), "The asset vulnerability framework: reassessing urban poverty reduction strategies", *World Development* 26(1): 1-20.

⁷⁹ Appadurai 2004, op. cit.

⁸⁰ Bebbington, A. J. (1999), "Capitals and capabilities: a framework for analysing peasant viability, rural livelihoods and poverty", *World Development* 27(12): 2021-2044.

⁸¹ Moser 2009 op. cit., page 25.

The evidence presented in this paper suggests that not all asset acquisition strategies are equally valuable in creating agency, and that attention needs to be paid to the impact of particular strategies on individual motivation and skills, as well as their collective capacity. In addition to the direct acquisition of goods, the kinds of activities supported by community savings appear to help groups to challenge negative perceptions about dependency and entitlement cultures that are frequently associated with the urban poor. Through building self-respect and self-belief alongside a proactive positive role for the urban poor, the demonstration effect of successful precedents enables negative perceptions to be challenged and alternative roles to be constructed.

Community savings may go beyond the simple accumulation of specific assets to strengthen the ability to use these assets strategically. As described by Boonyabancha, attempts to achieve financial sustainability may be difficult for the urban poor given their vulnerability to labour and commodity markets.⁸² However, strong groups can sustain pressure on political systems, reminding politicians that democracy requires accountability and responsiveness to populations that face both structural and less predictable difficulties. In this context the answer is not assets *per se*, but the improved capacity to use augmented assets to challenge social and political inequalities. An organised and informed populace pressing for pro-poor change lay behind the political reforms undertaken in nineteenth and twentieth century Europe and North America, which resulted in the modern democratic state.⁸³ Community savings appear to support both these kinds of political reforms and the pro-active engagement of citizens at the local level to address their poverty.

3. Finance to expand what is possible

The capacity to use assets strategically is essential to the effective innovations carried out by savings groups and their networks and federations. But for these activities to expand sufficiently to meet the scale of the need requires financial capital well beyond the savings capacities of local groups, even when federated. As groups have sought to expand their activities and ensure the inclusion of even the lowest-income members, they have engaged both with commercial organisations and the state. This section discusses what progress has been made in relationships with formal financial markets, and then goes on to describe the emergence and effectiveness of the Urban Poor Funds that are playing a central role in expanding the reach of community savings groups and their networks.

3.1 Community savings and financial markets

Despite the success in negotiations with various levels of government, there has been relatively little interaction between community savings and formal commercial finance. There are two main reasons for this. The first is the general reluctance of the banking sector to lend to low-income households, as discussed above in Section 2; the second is an almost equal reluctance to lend for informal housing. Over time, this may be tempered by recognition of the potential scale of the markets as well as, in some countries, a sense of corporate social responsibility. Despite the growth in mortgage finance, problems with reaching those with low and informal incomes remain. In Mexico, housing finance institutions only reach two-thirds of households;⁸⁴ in South Africa, in recent years, only 5 per cent of the target market.⁸⁵ A notable attempt to increase the relevance of mortgage finance has been to increase access to property titles on the assumption that they are essential to catalyse the use of assets for economic development

⁸² Somsook Boonyabancha, personal communication.

⁸³ Tilly, C. (2004), *Social Movements 1768-2004*, Paradigm Publishers, Boulder, CO.

⁸⁴ Mulas, A. (2005), "Setting the context: Mexico", *Housing Finance International*, September, pages 27-33.

⁸⁵ Baumann, T. (2007), "Shelter finance strategies for the poor: South Africa", background paper for meeting of the CSUD/ Rockefeller Foundation Global Urban Summit.

through loan capital.⁸⁶ Programmes in Peru, Tanzania and elsewhere have sought to provide low-income residents in informal areas with titles to their properties in anticipation that loans for shelter improvements (or entrepreneurial activity) will follow. However, this has not been very successful. Research on such a state programme in Peru suggests that informal incomes are a continuing and significant deterrent to accessing mortgage finance, and formal employment may be required to obtain credit.⁸⁷ Because families cannot afford a complete formal house, housing finance institutions show little interest in addressing their needs. A review of housing finance in Ghana highlighted the scale of this problem when it concluded that "... at least 35 per cent of Ghanaian households will not qualify for any kind of housing finance, including microfinance."⁸⁸

Those who can afford complete homes and mortgage finance, and who are able to offer acceptable collateral (either through titles or employment status), may still face further barriers. In some settlements in urban India, for instance, it is difficult for low-income residents to reach the banks during opening hours due to their distance from low-income settlements.⁸⁹ (Although Solo argues that in Colombia, Mexico and Brazil, only 3 per cent of the population reported that bank location was a barrier.)⁹⁰ Women may find it particularly hard to secure formal housing finance.⁹¹ The requirements of financial institutions may be difficult for those with limited or no literacy skills or familiarity with formal processes. In Angola, the rejection rate by banks for housing loan applications was 82 per cent in 2002.⁹² Some of the reasons the banks offered were:

- lack of clear land legislation that would allow property to be used as guarantee;
- long loan periods that the banks must endure in order to recoup their investments;
- lack of a government policy on subsidising housing credit;
- lack of title documents by most clients; and
- lack of a client culture of repayment of debts.

More recently, there has been greater interest from commercial banks in extending loans to the urban poor, influenced in part by the success of microfinance and shelter microfinance and the suggestion that there may be money to be made. But examples are largely from middle-income countries with larger numbers of lower-middle and middle-income households. For example, the *Banco de Desarrollo* in Chile has a loan programme for housing with 15,000 current loans averaging US\$ 1,200.⁹³

Although not part of the commercial financial sector, building materials suppliers are increasingly willing to make such loans. In Chile, companies such as Easy, Homecentre and Home Depot provide people with building materials through credit systems that are easy to access, providing that proof of income can be offered. Elektra (a large electrical appliance chain in Mexico) has formed a bank that provides credit for building material packages suitable

⁸⁶ De Soto, H. (2002), *The Mystery of Capital: Why Capitalism Triumphs in the West and Fails Everywhere Else*, Basic Books, New York.

⁸⁷ Calderón, J. (2004), "The formalisation of property in Peru 2001-2002: the case of Lima", *Habitat International* 28: 289-300; Buckley, B. and J. Kalarickal (2004), "Shelter Strategies for the Urban Poor: Idiosyncratic and Successful but Hardly Mysterious", World Bank Policy Research Working Paper 3427, World Bank, Washington.

⁸⁸ Cooperative Housing Foundation International (2004), "Strategic assessment of the affordable housing sector in Ghana", mimeo, CHF International, page 23.

⁸⁹ Biswas 2003, op. cit.

⁹⁰ Solo 2008, op. cit.

⁹¹ As shown by Datta 1999, op. cit. in the case of Botswana.

⁹² Ministério das Obras Públicas e Urbanismo, *A Privatização do Stock Habitacional Público*, Luanda, 2003 quoted in Cain 2007, op. cit.

⁹³ Escobar, A. and S. R. Merrill (2004), "Housing microfinance: the state of the practice", in F. Daphnis and B. Ferguson (eds), *Housing Microfinance: A Guide to Practice*, Kumarian Press, Bloomfield, CT, page 41.

for starter homes. Another Mexican programme, *Patrimonio Hoy*, run by Cemex (a building materials company), encourages women to save together to buy building materials. By 2006, it had 75,000 customers in 23 Mexican cities.

However, less interest has been shown in lending for the collective investments that are so important for improving living conditions, such as piped water supplies, sanitation and drainage. There has been a growth in shelter microfinance; for example, *Genesis Empresarial* in Guatemala lends for electrification (in rural areas) and potable water projects (sometimes with public assistance);⁹⁴ the *Fundación Pro Vivienda Social* in Argentina provides infrastructure loans; and WaterAid's programme in Bangladesh finances local NGOs working in Dhaka and Chittagong to provide services.⁹⁵ However, interest has not yet spread to the commercial finance sector, perhaps due to the limited scale of practice.

Despite a lack of commercial engagement, banks have shown some limited interest in community savings activities. In Namibia, for example, Standard Bank has made efforts to support the work of the federation through the provision of both financial support and voluntary efforts by staff. Bank staff go out to visit communities to open accounts (rather than requiring them to come into the office), and members do not pay deposit fees on their saving accounts. At certain times of the year, the Bank's Home Loans Department donates a certain amount for each home loan registered. Bank staff participate in brick-making days with the community, helping to establish familiarity with federation members.

For community investments to grow to the necessary scale there needs to be a closer engagement with formal commercial finance. Savings finance alone is unlikely to attract the formal banking system. Loan finance, however, offers a potential "win-win" situation, giving commercial banking services a chance to earn money and the community groups the necessary blending of finance to undertake development activities. It has been difficult to secure a serious commitment to date, in part because no existing financial models blend community savings capital with commercial financial capital. In Kenya, the Akiba Mashinani Trust (the financial agency set up by the Kenya Homeless People's Federation) is currently seeking to develop a site called Mukuru Sinai for 2,000 households. Despite considerable effort, to date the private commercial sector considers the venture too risky to invest in.

More positively, in South Africa, the SDI-affiliated alliance of federations and support NGOs has started a dialogue with three major insurance companies – Sanlam, Santam and Hollard Insurance – with the aim of scaling up and underwriting the federation's informal but proven financial systems. These companies have long been interested in finding profitable ways to access low-income markets, but to date have been unable to do this. The collective capacity of the savings federations and networks offers an opportunity to look again at existing modalities and find alternatives for the provision of these services. A new funeral insurance policy for FEDUP has now been agreed and FEDUP will receive 10 per cent of each payment. This money will be placed within the Urban Poor Fund of the federation as an individual contribution to the Fund. The launch of this insurance product took place in January 2011.

Despite some progress, then, engagement with the commercial financial market remains limited. Savings groups and their networks have continued to develop their own more formal financial institutions both to develop this potential and to draw in state finance. For SDI affiliates, Urban Poor Funds, set up by federations themselves, has become one effective and promising modality.

⁹⁴ Escobar, A. (undated), "Part 1: Microfinance of housing: state of the practice", mimeo.

⁹⁵ Hanchett et al. 2003, op. cit.

3.2 Community savings and Urban Poor Funds

“...a Fund is a conduit that embodies trust and helps with accountability. So a formalised informal process – fund management – must embody the qualities required for the external world while promoting the values and principles of an informally constructed people’s centred development – the Fund filters money and turns not-useful money into useful money.

(Celine d’Cruz, coordinator for SDI, August 2006)

As community savings deepens its processes at the local level and within communities, usually there is a need for additional finance. This may be to assist with deal making with government agencies or simply to provide access to loan finance as a component of the improvements to be undertaken. Within SDI, a number of mature federations have established their own “Urban Poor Funds”, in most cases managed by boards with federation members forming the majority, along with professionals and government officials, with administrative support generally provided by the support NGO.⁹⁶ Savings groups can place part of their savings in these Funds, but they also serve as a means through which local governments and external agencies (national governments, international funding agencies) can channel support to federation activities in ways that nurture rather than undermining a horizontal locally driven development process. Supplementing these federation Funds is also SDI’s International Fund.

The Asian Coalition for Community Action Programme (ACCA)⁹⁷ is another example of how a Fund can scale up the work of community savings. Set up and managed by professionals within the Asian Coalition for Housing Rights, the programme offers funding for grant and loan programmes with the understanding that loans will be used for the higher-value investments. Groups are encouraged to begin savings processes as soon as they engage with the programme and to create City Development Funds as savings capital begins to accumulate and local government is interested in the joint financing of community led improvements in informal settlements (see Box 12).

In organisational terms, a Fund is a pool of financial assets. It advances loans to organised collectives of the urban poor who have demonstrated, through their savings group practices, that they are ready for additional investment capital to address their needs. The monies are allocated for securing land, building or improving housing, water and sanitation; in some cases, to improve access to financial resources for income generation. The savings groups then repay these loans, enabling them to be recycled to other communities. The interest rate is generally sufficient to cover inflation and administrative costs.

In the case of SDI affiliates, terms and conditions are established through consultation with savings groups, and between federation leaders and support NGOs. Over time they are modified, responding to changes in circumstances and as the experience of borrowing informs members’ understanding of the effective use and operation of such a Fund. For example, the Namibia Shack Dwellers Federation decided to add a savings scheme contribution to its fund capital to increase local ownership, and, in the recent period of high inflation, the Zimbabwe Homeless People’s Federation changed loan repayments from cash to building materials. In the case of ACCA, the rules by which loans are given and the amounts for activities at different levels are pre-determined, although there may be negotiations around specifics.

These Funds are a pivotal mechanism for securing pro-poor change. They offer the finance for precedent-setting activities and the potential to negotiate with the government to secure financial and other resources. Finances are no longer local and internal to the savings groups;

⁹⁶ Mitlin, Diana (2008), *Urban Poor Funds; Development by the People for the People*, Poverty Reduction in Urban Areas Working Paper, IIED, London, 82 pages.

⁹⁷ ACHR (2010), *64 Cities in Asia; First Year Report of the Asian Coalition for Community Action Programme*, Asian Coalition for Housing Rights, Bangkok, 96 pages.

rather, they can be allocated across the network. The accumulation of monies catalyses new possibilities for urban development, as it brings together community savings from the neighbourhood to a citywide or national process. Through experiential learning, savings scheme leaders develop an understanding of the possibilities, and consider collectively how resources can be managed to address the needs of all savings scheme members.

Boxes 9 and 10 provide examples of how these Funds have developed in two countries, one an SDI affiliate, the other supported by ACHR.

Box 9: Zimbabwe's Gungano Fund: agency and aspiration in a time of crisis

The Gungano Fund in Zimbabwe was set up in 1998 to facilitate shelter investments for the Zimbabwe Homeless People's Federation. From the beginning, the federation leaders were clear that this was a community-led Fund and it was managed by a committee of about 20, drawn from the membership of savings schemes from around the country. All members were asked to contribute monthly savings to the Fund (initially Z\$ 20 or about the cost of a loaf of bread). The Fund began making housing loans not long after it was set up, with initial projects in Harare and Beitbridge. The potential of the Fund was clearly demonstrated when the local government at Victoria Falls agreed to make a major allocation of land to the federation, enabling 365 very low-income households to achieve tenure security. Ten years ago, the federation was actively supporting innovative approaches to low-income housing in major towns and cities throughout the country.

However, the work of Gungano had increasingly to adapt to a very difficult political and economic context as Mugabe's government oversaw increasing instability, rising inflation, falling agricultural and industrial production and considerable uncertainty. For informal settlement dwellers, the crisis was considerably exacerbated in 2005 when Operation Murambatsvina resulted in demolitions that destroyed the homes of more than 500,000 people and forced low-income urban citizens into even worse accommodation. Gungano responded to the more general crisis by shifting its loan repayments away from cash and into building materials. This enabled its capital to be maintained despite inflationary pressure. In response to government hostility to informal settlement dwellers, the federation continued to negotiate, practising the politics of patience. The ability to offer investment capital through Gungano facilitated a new round of land allocations, and by 2010 the federation was supporting developments in many Zimbabwean cities, including Bulawayo, Chinhoyi, Harare, Mutare, Nyazura and Shurugwi. However, there is now a stronger focus on land security and access to basic services, rather than housing construction.

By August 2010, Gungano had a leverage capital of US\$ 1,411,945 from external donor sources, with a member savings contribution of US\$ 56,000. In total, formal tenure security had been secured for 4,285 households, of which 3,208 had secured infrastructure. Gungano's committee has recently decided to experiment with a decentralised fund, with savings of US\$ 1 per month per member in three regions, Bulawayo/Gwanda, Kariba and Masvingo. It is hoped that regional funds will enable the federation to lobby the appropriate local authorities and secure more finance and/or other resources such as land and services.

Box 10: Cambodia: from community savings to national fund

The process in Cambodia began at a time when many large forced evictions were taking place, when there were no community organisations at all, and the whole country was still reeling from decades of war and tragedy. In 1994, communities in Phnom Penh started their own community savings groups. In 1998, the Urban Poor Development Fund was set up, under a Memorandum of Understanding between the community savings network, the Municipality of Phnom Penh and the Asian Coalition for Housing Rights (ACHR); this was capitalised with loan finance of just US\$ 20,000 from ACHR. The UPDF was set up in response to an eviction crisis, and it funded the city's first community-managed housing relocation project for a roadside squatter settlement with land provided by the government. Twelve years later, the Fund has grown to more than US\$ 2 million, with people's savings and various contributions from outside (including a monthly contribution by the Prime Minister). Now, when there is an eviction threat, the communities can negotiate with the government to try to get land and then use loans from the UPDF to build their houses. Both the savings network and the UPDF have expanded to almost all the major towns

and cities in Cambodia. There are now more than 2,000 savings groups in 26 cities, with 24,000 members and combined savings of about US\$ 700,000. Evidence of the capacity that has been generated is provided by the 27-city survey that was completed in three months on a budget of US\$ 10,000 in 2009.

The UPDF remains the only national scale support system for the urban poor in Cambodia, through the loans and grants it gives for income generation, housing, land purchasing, infrastructure, upgrading, community enterprise and welfare. This network can use funds from the ACCA Programme very effectively. Monies (for small and big projects) go first into the UPDF and are then transferred to the provincial level and city level CDFs, which have already been set up to provide a strong partnership mechanism to bring poor communities and local authorities together to work on various upgrading and housing projects. The provincial CDFs then pass the money onto the communities undertaking projects. Repayment by the communities of the ACCA large and small project loans is made to the provincial Funds, and then back into the national Fund.

Some of these Funds have been around for a decade or more; others are relatively new. Box 11 provides a brief overview.

Box 11: The Urban Poor Funds and the federations they support

In Cambodia, the Urban Poor Development Fund has been operating for 10 years and is supporting the work of 225 savings groups in Phnom Penh and 42 outside the capital city. More than US\$ 2 million has been given in loans to members, including for income generation and in relation to shelter. Some of these loans have helped the development of communities resettled on land with secure tenure after central city evictions.

Ghana is one of the youngest SDI affiliates. Its Fund is currently being established to assist in the development of land that has been acquired. They are actively involved in UN–Habitat’s Slum Upgrading Facility (SUF).

The Indian Alliance includes the National Slum Dwellers Federation, *Mahila Milan* (a network of women’s savings groups) and the support NGO SPARC (Society for the Promotion of Area Resource Centres). With regard to Urban Poor Funds, the Indian Alliance operates somewhat differently. It has pioneered the workings of the Community Led Infrastructure Finance Facility (CLIFF). The Indian Alliance has built the most houses, with the most complex financing arrangements, without a formal Urban Poor Fund. Instead, it has evolved a strategy in which community initiatives are financed through a construction company and/or through small, separately managed revolving funds.

The Kenya Homeless People’s Federation set up an independent organisation, the Akiba Mashinani Trust (AMT), to manage its loan funds. The Trust has supported a number of developments, including housing loans for about 100 members and, more recently, land purchase in four locations. The Kenyans, like the South Africans, have introduced another institutional tier. This is a community-managed Urban Poor Fund, much like those in Malawi, Zambia and Zimbabwe, which pools community savings in order to interface politically and financially with the formally managed AMT and to side-step it for small transactions and direct development finance. Negotiations with the government have opened a number of possibilities for further developments and the state has allocated land to some savings schemes.

The federation in Malawi has used the Mchenga Trust to finance the construction of more than 3,000 houses in the three largest cities. Finance for further construction continues to be limited as there is limited savings capacity and the state has not provided finance.

The Namibia Shack Dwellers Federation was established in 1998 after many years of work on savings schemes supported by the Namibia Housing Action Group. The Namibia federation has been working to secure land and reform regulations with Windhoek and other municipalities throughout the country. The Twahangana Fund helps to finance local investments with its own monies and acts as a conduit for low-cost loans provided by a government-run housing programme, Build Together.

The groups in Nepal work with a savings and credit cooperative structure that has grown into a federation of women's savings schemes. The Urban Community Support Fund for Kathmandu was launched in 2004, partly funded by the municipality, and has supported one project. This Fund has been replicated in another city, Birgunj. As in the Philippines, the accumulation and allocation of savings between savings and credit groups has enabled some groups to purchase land.

The Philippine federation has drawn on its earlier microfinance expertise to accumulate and manage savings. The Urban Poor Development Fund was established in 2000 and drew on these experiences in lending between savings schemes to address tenure insecurity. The Fund is gradually formalising its processes in ways that enable local savings schemes to manage at city level. The Fund is active in the three main regions for the federation: Luzon, Visayas and Mindanao.

In South Africa, the Federation of the Urban Poor (FEDUP) has a majority membership on the governance structure of a professionally managed fund known as uTshani Fund. Between 1994 and 2004, uTshani helped the federation by pre-financing state subsidies and enabling them to build more than 15,000 houses. FEDUP has also established its own community-managed Urban Poor Development Fund. This Fund accumulates the savings of individual groups so that they can either access resources through uTshani Fund or fund projects directly. This Urban Poor Fund built more than 300 houses between 2004 and 2007, when uTshani ceased providing pre-finance. In 2008, uTshani resumed its function as a conduit for subsidies.

The Women's Development Bank in Sri Lanka has been active for many years. It was part of a more formal credit union but broke away because of the members' frustration with some of the union practices. The federation consolidated its savings and lending activity, drawing on existing skills and capacities. The Asian tsunami resulted in a new initiative in the town of Morotuwa, where the federation is seeking city level shelter solutions. A Fund has been established for these developments and construction activities are underway.

The Tanzanian Federation of the Urban Poor is supported by the Centre for Community Initiatives. The federation was established in 2004 and is active in Arusha, Dar es Salaam and Dodoma. It is currently working to support 30,000 people facing resettlement as a result of port expansion in Dar es Salaam. The Jenga Fund has been established and has recently begun financing its first shelter projects.

The Uganda federation has grown significantly since 2006–07 after many years of being restricted to one settlement in Kisenyi. As a precursor to an Urban Poor Fund, savings groups in Kisenyi (Kampala) have used their savings to secure resources from the state to purchase land and construct a sanitation unit and six houses. Other groups in Kampala and groups in Jinja have now secured land for development.

Activities in Zambia have developed rapidly since the first building began in late 2007. The operating processes for the National Swalisano Urban Poor Fund are emerging from the experiences of these first developments. The Zambian federation has negotiated four plots of land in different towns across the country and is constructing houses and installing infrastructure.

The federation in Zimbabwe has been active since the late 1990s. It grew rapidly and within two years began building houses. The federation was building in about 10 towns across Zimbabwe prior to the current political and economic crisis, which has resulted in reduced building activities and severe repayment difficulties among members. The Committee of the Gungano Fund remains active and has shifted away from housing towards secure tenure with communal infrastructure.

SOURCE: Mitlin, Diana (2008), *Urban Poor Funds; Development by the People for the People*, Poverty Reduction in Urban Areas Working Paper, IIED, London, updated where new information is available.

Essential to any pro-poor political strategy is a mechanism that has the potential to address the aspirations of all. The experience of community leaders within the federations, for example, is that partial solutions, available only to some, make low-income citizens vulnerable to political deals and clientelist politics and encourage local organisations and their wider networks (and movements) to compete with each other to secure benefits. Funds counter such tendencies, becoming a mechanism to scale up community savings at the city level and beyond, as well as

to deepen the process within particular settlements through enabling critical investments to take place. This makes it possible to find solutions that work for everyone and that strengthen the collective capacity to act.

Within SDI, Urban Poor Funds are used to address the financial needs of the federation members above the level of their own accumulated monies, in part because the community groups have no substantive access to credit within the formal financial system. But an Urban Poor Fund is much more than a replacement for a bank loan. Funds are a mechanism through which ideas and potentials created by the federations are brought into the public domain through physical investments that take place in low-income settlements, financed by a community-managed formal institution. Examples are a toilet block to provide sanitation to a community that is too dense for individual provision (such as Kisenyi in Kampala) and a settlement of low-cost adobe block houses in Lilongwe. The creation of an Urban Poor Fund as the financing mechanism reflects SDI's commitment to ensuring that the solutions to the inadequacies within low-income settlements are not achieved through uncertain and erratic injections of project finance, with the implied "unique" nature of each such activity. Funds aim to enable finance to be provided to all savings groups that meet the terms and conditions required by the federation – that is, *they are a mechanism to scale up from precedent-setting initiatives to predictable interventions that can be undertaken throughout federation member savings schemes*. The fact that finance is not available for all in the initial stages of Fund development is less significant than the creation of an institution that has the ambition of being responsive to all who meet its requirements.

Funds are a significant development from local financial (saving and lending) activities, transforming a neighbourhood financial process into a citywide financial process with associated political dimensions. Community savings groups can be relatively self-sufficient – although additional capital may be required for some lending, such as larger income generation loans. The management focus is local and concerned with addressing local needs in ways that maintain financial sustainability. The relationships that are required to manage this process are immediate and familiar, although this does not mean that they are always easy to manage. The processes associated with a Fund are very different, as they seek to support the emergence of new kinds of political and social relationships within the city. The savings groups, working together, have to develop systems of accountability and transparency for the allocation of Fund monies within processes that are effective in meeting the objectives of the network or federation and the needs of savings groups across the network.

Sources for the Funds

A crucial contribution to the capital of any Fund is the urban poor's own resources. The significance of this contribution has less to do with its quantity than with strengthening community ownership with respect to Fund management. Across SDI, federation savings provide about 2 per cent of the equity in the Funds at present. The two federations that began their Urban Poor Funds solely with external funds, Namibia and South Africa, have now amended their systems to encourage local contributions. Communities contribute to Urban Poor Funds through their savings schemes; generally, the national federation and/or Fund board set a guideline for the scale of contributions. In a number of countries, including Namibia and South Africa, provincial Funds have been established with savings scheme contributions to help ensure that capital held in the savings schemes could be used more effectively; for example, Ashisha Fund in Namibia and Inquolobane (the Granary) in South Africa.

The significance of local contributions reflects the centrality of community control within the SDI federations and the importance of ensuring that the urban poor are central to the management of each part of the process. Savings schemes are accustomed to accumulating their own funds and managing these monies, lending to their members as required within their capacity. Urban Poor Funds require local groups to set up financial management mechanisms above the level of their immediate community; this is analogous to the organisational strategies of SDI and the

way in which federating allows for a political presence, catalysing associated political strategising.

What is notable is the extent to which finance offered by Urban Poor Funds provides a trigger to catalyse contributions from local authorities and/or state agencies. Many local authorities are prepared to recognise the difficulties that low-income families face, and will support them with access to low-cost or free land and, sometimes, additional services. Faced with resource scarcity and clientelism, they are often suspicious of active local organisations; but once community savings groups make it clear that they have a financial contribution to make, and the skills and capacities needed to fulfil fiduciary requirements, then they receive a more positive response. At this point, it becomes possible to advance negotiations and plan the collaborative development and/or upgrading of informal settlements and new greenfield sites.

A city government's contribution to these Funds may signal their recognition of community organisations as partners – as in contribution to the Urban Poor Development Fund in Cambodia by the Phnom Penh Municipality that later developed into a citywide upgrading programme (see Box 6).⁹⁸ In Kathmandu, the municipal corporation has contributed to the Nepali federation's Urban Poor Fund. In many of these national funds, the federations' community organisers sit on the board that administers them.

In some countries, national governments have also made commitments to these Urban Poor Funds, serving as a key source of finance, including in Namibia, South Africa, the Philippines, India and Cambodia. SDI's Urban Poor Funds, in some cases, provide a route through which low-income households, working collectively, access existing state funds for urban development, including individual subsidy entitlements. State support is important for all SDI affiliates. They are clear that the needs of the urban poor cannot be addressed without state support to ensure that land, services and housing are affordable even to the lowest-income households. However, state funds for urban development and upgrading have often been problematic, helping to consolidate existing patterns of clientelism in which the relations are hierarchical and paternal, with the subsequent investments strengthening the dependency of the residents on the existing political system. Therefore, the challenge for Urban Poor Funds is to change the mode of delivery as much as it is to secure additional monies.

There are two broad mechanisms through which Urban Poor Funds have accessed state monies, and a third in which they have encouraged the state to grant resources directly to savings schemes:

- a **capital contribution** to the Fund, which enables the Fund board to allocate these monies alongside other capital;
- using the Fund as a **conduit** for existing state subsidies with their own associated conditionalities. Fund managers negotiate so that savings schemes and/or savings scheme members who are entitled to these benefits can draw them down through the Fund. This means that members can top up their subsidy entitlements with loan finance and there is less bureaucracy involved than in direct dealings with government offices, and hence the state subsidies can be allocated and used more efficiently; and
- when the Fund encourages the **contribution of assets** to groups. This typically involves land and/or infrastructure finance to groups who can show that, because of the Fund, they have the resources to develop the land.

In India, Malawi, Namibia, Nepal, the Philippines, South Africa and Uganda, either national or local government, or both, have contributed to the Urban Poor Funds and/or activities supported by the Funds:

⁹⁸ Phonphakdee, Somsak, Sok Visal and Gabriela Sauter (2009), "The Urban Poor Development Fund in Cambodia: supporting local and citywide development", *Environment and Urbanization* 21(2): 569-586.

- **direct capital contributions:** in Namibia and South Africa, the government has offered capital to the Urban Poor Funds to be allocated as the Funds determine. In Kathmandu, the local authority made a contribution to the Urban Poor Fund for the first housing development in Nepal; and
- **conduit payments** related to the use of the Fund to distribute state subsidy payments to those entitled to them: in India, Namibia and South Africa, Funds have received payments from the state for members' shelter investments (either already made or to be made) that have been allocated subsidy finance within existing shelter programmes. These subsidy programmes are all significantly larger than the scale of investment supported by the Fund. They have specific entitlement criteria that the Fund has to manage alongside its own priorities. In India, these funds have been channelled through a construction company, Nirman, rather than a Fund;
- **direct land allocations** to savings schemes that are to receive investment finance from the Urban Poor Fund: in India, Kenya, Malawi, Sri Lanka, Zambia and Zimbabwe, savings schemes have negotiated land from the state at zero or discounted cost in anticipation of their capacity to develop that land. In this case, the resources are not allocated to and/or through the Fund as such but the Fund's presence legitimises the concessionary arrangements by providing some kind of guarantee that development can take place.

In the case of Thailand, national government is the primary source for funding. In the early 1990s, the government recognised the need to address the difficult situation faced by the urban poor. The Thai government launched the Urban Community Development Office (UCDO), with an innovative approach based on multiple support through savings and loans for community activities, shelter improvements and income generation. This later merged with a rural Fund to create the Community Organisations Development Institute (CODI), and secured additional state finance to implement *Baan Mankong* (secure homes), one of the most ambitious upgrading initiatives centred on partnerships between community organisations (savings groups) and government, using modalities of community savings.⁹⁹ Managed by CODI, this channels government funds in the form of infrastructure subsidies and housing loans direct to community savings groups formed by low-income inhabitants in informal settlements who plan and carry out improvements to their housing or develop new housing and work with local governments or utilities to provide or improve infrastructure and services. From 2003 to 2010, within the *Baan Mankong* Programme, CODI approved 745 projects in 1,319 communities (some projects cover more than one community) in more than 249 urban centres covering 80,201 households,¹⁰⁰ and it plans a considerable expansion in the programme within the next few years. Overall, CODI and UCDO have provided loans and grants to community organisations that have reached 2.4 million households between 1992 and 2007.¹⁰¹

This initiative is particularly significant in three respects: its scale; the extent of community involvement; and the extent to which it seeks to institutionalise community-driven solutions within local governments so that they address needs in all informal settlements in each urban centre. It is also significant in that it draws almost entirely from domestic resources – a

⁹⁹ The insurance scheme developed by CODI to help individuals or communities facing difficulties repaying loans was described in 2.3.

¹⁰⁰ Boonyabanha, Somsook (2005), "*Baan Mankong*; going to scale with 'slum' and squatter upgrading in Thailand", *Environment and Urbanization* 17(1): 21-46; Boonyabanha, Somsook (2009), "Land for housing the poor by the poor: experiences from the *Baan Mankong* nationwide slum upgrading programme in Thailand", *Environment and Urbanization* 21(2): 309-330; see also www.codi.or.th/housing/Frontpage.html.

¹⁰¹ Boonyabanha 2005, op. cit.; Boonyabanha, Somsook (2004), "The Urban Community Development Office: increasing community options through a national government development programme in Thailand", in Diana Mitlin and David Satterthwaite (eds), *Empowering Squatter Citizen; Local Government, Civil Society and Urban Poverty Reduction*, Earthscan Publications, London.

combination of national government, local government and household/community contributions. CODI emphasise that their approach differs from conventional approaches to upgrading for several reasons:

- **urban poor community organisations and their networks are the key actors, and they control the funding and the management;** they also undertake most of the building (rather than using contractors), which makes funding go much further and brings in their own contributions;
- **it is “demand-driven by communities”** rather than supply-driven, as it supports communities that are ready to implement improvement projects and allows a great variety of responses, tailored to each community’s needs, priorities and possibilities (for instance, communities choose how to use the infrastructure subsidy);
- **the programme does not specify physical outputs, but provides flexible finance to allow community organisations and local partnerships to manage directly.** Government agencies are no longer the planners, implementers and construction managers, delivering for beneficiaries;
- **it promotes more than physical upgrading;** as communities design and manage their own physical improvements, this helps stimulate deeper but less tangible changes in social structures, managerial systems and confidence among poor communities; it also changes their relationships with local government and other key actors;
- **it helps trigger acceptance of low-income communities as legitimate parts of the city and as partners in the city’s larger development process.** It works to develop urban poor communities as an integrated part of the city; people plan their upgrading within the city’s development framework, so their local housing development plan is integrated within city planning and city development strategies;
- **secure tenure is negotiated in each instance, but locally** – and this could be through a variety of means such as cooperative land purchase, long-term lease contracts, land swaps or user rights; and
- **its focus is citywide development,** with a commitment to reaching all low-income communities within a three-year period, drawing on local resources.

Rooted in the experiences of community savings, local networks have been established to assist local groups to improve their activities, share ideas and provide solidarity. Given concerns about the reliability of the government, the savings schemes are considering a community Fund at the national level, as explained by Supanee Tiamseeha, a savings scheme member from Banan Kluay community, KlongToey, Bangkok at an international meeting of savings schemes in November 2007:

“Because CODI is a government Fund, it must always be associated with a degree of uncertainty. The communities wish to create their own Fund at the national level. They know that at present there are the resources to do this. People have the Fund but it is scattered across many communities. If we link these resources together, we can create a very big Fund. Then, in future, if CODI cannot support our work, we will have access to our own monies. This is not yet established but it is a clear plan.”

ACCA finance (see Box 12) has enabled Thai groups to consolidate these ideas. Bang Khen and Chumpae are the first two cities in Thailand to use ACCA support to start their own city Funds. In these “pioneer” cities, community networks have built new city Funds with the municipality, linking the savings with the ACCA support. Both Funds are now financing their first housing projects, purchasing land and financing infrastructure improvement projects. Many more city development Funds started after Bang Khen and Chumpae, and by September 2010, there were almost 90 city Funds in Thailand. In all these city development Funds, the system is broadly similar: all the savings groups in that city pay 10 to 15 per cent of their collective savings into the city Fund, as the first “members” contribution. In most cities, the local government contributes to the Fund, as well as other local stakeholders that the community networks have persuaded to contribute (temples, private sector businesses and ACCA

Programme grants). CODI also provides a small seed fund capital grant of 20,000 Baht (US\$ 670) to each city that starts its own city development Fund. This 20,000 Baht is used by CODI to help pull all these scattered factions in the city together to pool their resources within this city level Fund.

Donor funding is becoming increasingly important in expanding the range of what these networks and federations can accomplish. Box 12 explains the use of monies within the ACCA Programme, which makes small project grants available for communities seeking to address their collective needs. In some cases the grants build on savings activities, in others they catalyse a savings process.

Box 12: Using funding to support community processes and community Funds in the Asian Coalition for Community Action

Progress has been rapid since the Fund capital began to flow at the beginning of 2009. By the end of March 2010, small upgrading projects in 310 informal settlements in 55 cities in 13 countries had been financed, about one-third of them now finished. These are all being proposed and planned by communities, through a citywide process of prioritising and agreement, and are being implemented by community people themselves.

These projects include: paved roads and walkways (73 projects); drainage lines (29 projects); bridges (eight projects); water supply systems, wells, pumps (64 projects); electricity systems and street lighting (10 projects); private and communal toilets (44 projects); community centres (21 projects); rice banks (three projects); a children's library (one project); community fire protection systems (two projects); tree planting (seven projects); and solid waste and composting systems (18 projects).

ACCA also supports larger projects, and by the end of March 2010 five had been completed – in Khawmu and Khunchankone in Burma; in Manila and Mandaue in the Philippines; and in Tunkhel, Mongolia. A further 11 are more than half complete – SereySophoan and Peam Ro District (Cambodia); Surabaya (Indonesia); Bharatpur (Nepal); Quezon City Typhoon Ketsana Project and Iligan (Philippines); NuwaraEliya (Sri Lanka), Bayanchandmani (Mongolia); and Chum Phae and Bang Khen (Thailand).

These larger initiatives have focused on:

- infrastructure improvement projects: two projects / 411 households;
- renovation, rebuilding, repair of existing houses: nine projects / 1,349 households;
- on-site upgrading or reconstruction: 18 projects / 1,932 households;
- relocation of scattered squatters to new land: three projects / 119 households; and
- relocation of whole communities to new land: two projects / 81 households.

The following has also been achieved to date:

- community development Funds have been formed and strengthened in some form in 34 cities; and
- community-driven disaster rehabilitation projects are in place in four countries :Cambodia (one project), Burma (three projects), Philippines (six projects), Vietnam (one project).

In the case of SDI, the network has established an international Fund (the Urban Poor Fund International) as a result of having secured donor funds that it can allocate itself (rather than being directed by the donors). In its initial stages, this Fund was managed by the International Institute for Environment and Development (IIED) and SDI's Secretariat.¹⁰² It operated as a grant-making pool of financial resources, and one very significant role was to capitalise the national and city Funds. These centrally allocated monies have supported new activities and functions within the network, including exchanges between savings groups and federations

¹⁰² For a discussion of the operation of the Fund based at IIED, see Mitlin, Diana and David Satterthwaite (2007), "Strategies for grassroots control of international aid", *Environment and Urbanization* 19(2): 483-500.

about the most effective strategies for Urban Poor Funds. More significantly, the grants support the growth of the SDI network, with increased awareness among affiliates of the contribution of network activities in adding value to local development.

The IIED-managed funds, together with a parallel more institutionalised finance facility known as CLIFF and managed for SDI by the UK charity Homeless International, created the conditions for the emergence of a formalised mechanism managed by the SDI board. As the processes of fund management were maintained and the scale of available funding increased, the international network became more skilled at using its presence to support the negotiation of partnerships with local government. External monies were combined with savings capital to create and extend development options. While the embryonic Fund within IIED and the Secretariat demonstrated the power of the network to allocate small grants to good effect, CLIFF has been important in facilitating learning about the impacts, for SDI, of having access to larger-scale capital. CLIFF was first piloted in India (in 2002), and spread to Kenya in 2005 and then to the Philippines in 2007.

The first two years of the SDI/IIED Fund (2002–03) demonstrated the efficacy of small project funds on which the network of federations could draw, and showed how external funding goes much further when the monies go direct to grassroots savings groups, which usually leverage additional local resources. Between 2003 and 2007, other funders, including the UK Big Lottery Fund, became interested in how they could add value to their funding through supporting this work. The scale of available funding increased, and SDI federations accessed funds for a range of activities including:

- tenure security (through land purchase and negotiation) in Cambodia, Colombia, India, Kenya, Malawi, Nepal, Philippines, South Africa and Zimbabwe;
- “slum”/squatter upgrading with tenure security in Cambodia, India and Brazil;
- bridge financing for shelter initiatives in India, Philippines and South Africa (where government support is promised but slow to be made available);
- improved provision for water and sanitation in Cambodia, Sri Lanka, Uganda and Zimbabwe;
- enumerations and maps of informal settlements in Brazil, Ghana, Namibia, Sri Lanka, South Africa and Zambia that provide the information needed for upgrading and negotiating land tenure;
- exchange visits by established federations to urban poor groups in Angola, East Timor, Mongolia, Tanzania and Zambia (in Tanzania and Zambia, these visits helped set up national federations);
- community-managed shelter reconstruction after the 2004 Indian Ocean tsunami in India and Sri Lanka;
- federation partnerships with local governments in shelter initiatives in India, Malawi, South Africa and Zimbabwe; and
- the emergence of a number of local Funds, including those launched in Africa after 2001.

Since 2008, the Fund has grown substantially. By 2008, SDI federations were ready to implement larger initiatives involving 500 or more households in some areas where they had worked for many years. Since 2008, the Fund has supported investments in land development, housing and basic services in more than 22 towns and cities. In India, Kenya, the Philippines and South Africa, the Fund has provided finance for developments involving thousands of people who were renting or squatting in shacks without secure tenure. This Fund has produced a new way of financing community-led development, and encouraging and leveraging support from local and national governments. Since the beginning of 2008, projects financed by Urban Poor Fund International have secured 443 plots of land free of charge from the state, with an additional US\$ 7.6 million worth of support from governments. Between 2008 and August 2010, the Fund distributed US\$ 4.37 million to major capital projects that primarily involved tenure

security, basic services and shelter improvements in 26 settlements, with anticipated benefits to more than 4,200 families. Since this Fund was initiated with the support of the Sigrid Rausing Trust, it has channelled around US\$ 10 million to more than 100 grassroots initiatives and activities in 17 nations. An estimated 84,000 women and men and 84,500 children have benefited from this support.

4. Conclusions

In high-income nations, financial services make money available to low-income households when needed and have taken over some of the role of savings – for instance, insurance (of homes, possessions and life), pensions and government provision of minimum incomes for those unable to work or who are unemployed. Key services, whose costs are so often prohibitive for low-income groups in low- and middle-income nations, are generally more affordable in high-income nations or are available free – for instance, health care, emergency services and access to schools. In addition, in high-income nations, health risks and hence the need for health care are lower, as almost everyone lives in homes that are structurally safe with provision for piped water, sanitation, solid waste collection and electricity.

The various modalities of community savings, are differentiated by the level at which the community groups are participating (see Appendix 3). Objectives and uses are intended to be cumulative. Hence, at the lowest level, there is only community savings. At the next level, groups benefit from the objectives and uses of both community savings and some level of financial accumulation at the city level; then at both the city and the national level; and finally, also at the international level. In this process, benefits at the lowest level are added to by further benefits at higher levels, as additional financial accumulations and associated gains take place. As local savings schemes progress through the stages, often beginning with relatively narrowly focused activities, they catalyse a more substantive process of pro-poor change as groups network and federate together. When neighbourhood groups come together at the city level, they are able to press for political change, including changes in laws and regulations and greater inclusion in political decision-making. They can also begin to address the stigma of living in informal areas. Groups provide solidarity to each other, enabling problems in one area to be addressed through strengths in others. Strong city-based movements can then link at national and international levels to negotiate for and use additional support.

International agencies are uncertain about how to address urban poverty in low- and middle-income nations, although some of the innovations they have funded have proved valuable – for instance, “slum” upgrading, conditional credit (and other forms of social protection) and financial services that support low-income households and their enterprises. One of the most difficult constraints for international agencies is the unwillingness or inability of city and municipal governments to address poverty – yet so many aspects of urban poverty need changes in the attitudes and approaches of these local governments. How can international agencies support urban poverty reduction on the ground in ways that reach and support the lowest-income groups and that encourage more pro-poor and effective local governments? These mostly women-led community savings groups can be powerful partners in reducing poverty and in promoting change in local governments.

Appendix 1: Examples of the scale of the savings and work programmes of some of the urban poor federations (SDI)

	Date ^(a)	Number of cities with a process ^(b)	Active savers ^(c)	Savings (US\$) ^(d)	Houses built	Tenure secured (number of families)
INDIA	1986	57	130,000	1.2 million	6,000 ^(e)	80,000
SOUTH AFRICA	1991	45	21,927	491,652	13,500	15,000
NAMIBIA ^(f)	1992	84	19,168	1.69 million	2,272	4,554
PHILIPPINES	1994	15	25,901	2.81 million	1,759	4,500
ZIMBABWE ^(f)	1995	53	42,665	324,000	966	14,450
NEPAL	1998	6	15,694	110,000	283	26,000
SRI LANKA	1998	24	52,735	5.03 million	63	93
KENYA	2000	11	61,000	1.13 million	120	25,000
ZAMBIA	2002	28	45,000	131,000	95	95
GHANA ^(f)	2003	5	12,663	227,000	31	6,500
UGANDA	2003	6	21,880	184,000	5	300
MALAWI	2004	28	9,745	178,000	757	3,076
BRAZIL	2004	4	771	16,162	–	7,000
TANZANIA	2004	6	5,878	105,000	10	500
SWAZILAND	2005	2	200	–	–	–
BOLIVIA ^(f)	2010	2	103	1,850	–	–
SIERRA LEONE	2008	2	1,492	9,788	–	–

a. The year in which significant savings scheme activity began; this may pre-date the year when the federation was established.

b. Within any city, there will be a number of settlements where grassroots activities are taking place to build collective capacity and catalyse grassroots-led development.

c. The second indicator of scale – the number of people who save regularly.

d. Local currency values converted to US\$; includes daily savings and Urban Poor Fund savings.

e. A further 30,000 households in India have obtained new housing not constructed by the federations.

f. Updated in February 2011 for Bolivia, Ghana, Namibia and Zimbabwe.

Appendix 2: Summary of ACCA activities with new and pre-existing community savings (January 2011)

	Date savings started	Savings groups	Savings members	Savings (US\$)	CDF started (and present capital in US\$)	ACCA small projects (and numbers of households reached)	ACCA big projects (and numbers reached)
Burma							
Dadeye (Kehzer)	2009	8	359	6,646	Not yet	Information not available	Not yet
Khawmu Township	2009	20	946	18,887	Not yet	Rice bank, agriculture, drinking water (47); rice bank, agriculture, livelihoods (42); rice bank, drinking water, livelihoods (29); rice bank, livelihoods (81); rice bank, livelihoods (33); rice bank, livelihoods (68); rice bank, livelihoods (102); livelihoods (30); rice bank, livelihoods (20)	Housing repairs (700)
Kunchankone	2009	13	1,642	7,000	Network fund from 2009	Children's library (73); rice bank (28)	Housing recon-struction (83)
North Ukkalappa	2009	8	325	3,000	2010 (40,000)	Livelihood fund (30); drains renovation (50)	Not yet
Hlaing TarYar	2009	4	147	2,000	2010 (40,000)	Just started	Not yet
Gangaw						Bridge building (150)	
Cambodia							
Serey Sophoan	2005	30	1,181	93,500	2006 (60,000)	Tree planting, roads (est. 300); roads (175); rice bank (175); building centre (886); bank and materials (288); ceremony and tree planting (30); toilets (30); landfill (30); roads (30); landfill (30); construction materials (30)	Relocation (33)
Samrong	2004	21	955	25,000	2006 (60,000)	Roads (494); roads (164); water supply (388); community centre (132); roads (85); agriculture (2); plus other projects without further details	Relocation (30)
Preah Sihanouk	2005	18	502	7,000	2006 (40,000)	Walkway (674); walkway (345); drains (82); walkway, bridge (905); bridge (55); well, toilets (17)	
Peam Ro District	2005	11	256	6,500	2006 (40,000)	Roads (408); walkway (72); roads (85); walkway (35); roads (22)	Relocation (33)
Bavet	2006	9	282	1,300	2010 (40,000)	Roads (561); plus other activities not yet started	
Khemara	2005	12	623	24,800	2007 (10,000)	Roads (70); street lighting (100); street lighting (211);	

Phoumin						solid waste management (301); walkway (105); roads (175); roads (30); waste management (80); well (unspecified)	
Kampong Cham	2006	23	336	15,000	2007 (40,000)	Tree planting (1,556); roads (230); roads (476); roads (177)	Relocation (50)
Palin	2006	13	293	25,600	2009	Animal raising (12); agriculture (12); agriculture (16); agriculture (12); agriculture (21); agriculture (26); agriculture (20)	
Sen Monorom	2009	1	120	250	2010	Bridge, toilets (120)	
Siem Reap	2005	10	257	16,000	2008 (40,000)	Roads, bridge (14); roads, drains (86); roads (105); landfill (2)	
Khan Roessei Keo, PNH	1993	62	2,698	75,000	1999 (200,000)	Walkway, drainage (120); walkway, drainage (172); walkway (160); community centre (unspecified)	On-site upgrading (157)
Daun Keo, Takeo	2008	17	443	8,000	2009	Not yet started	
Steung Treng	2008	4	266	5,200	2009	Not yet started	
Banlung, Ratanakiri	2007	3	91	1,200	2010	Not yet started	
Pursat	2007	31	584	10,500	2008	Not yet started	
Fiji							
Suva	2007	104	15,000	81,960	Not yet	Community centre (150); roads (500)	
Lautoka	2010	30	2,000	8,196	Not yet	Roads (98); roads (95); roads, drainage (150); roads (100); roads (200)	
Lami	2009	10	1,500	2,732	Not yet	Roads (300); roads (200); roads (180); roads (300); roads (280)	
India							
Bhuj	2009	19	298	5,825	Not yet	Drinking water (105); flooding (235); drinking water (75); drinking water (175); drinking water (100); drinking water (20)	Housing (30)
Leh	2006	1	25	2,000	Not yet	Emergency housing repairs following flood (9)	Housing (more than 6)
Indonesia							
Surabaya	2005	65	920	3,691	Not yet	Site development (54); community centre (42); toilets (54); sanitation, roads (323); access improvement (25); site development (15)	Housing revolving fund (14 so far)
Makassar	2003	31	310	3,050	Not yet	Community centre (40); community centre (52); community centre (340); community centre (210)	
Jakarta	2006	22	216	1,317	Not yet	Roads (122); two temporary houses (76); two community centres (unspecified)	
Tasikmalaya	2008	6	100	1,420	Not yet	Community mosque (225)	Housing (not yet)

							started)
Yogyakarta	2010	6	100	188	2010 (7,600)	Roads, drainage (26); roads, drainage (20); community centre (26)	
Korea							
Seoul	2009	5	138	35,100	Not yet	Recycling centre (120); community centre (45); community centre (85); temporary house (20); community centre (35)	Housing
Lao PDR							
Vientiane, Chanthaburi District	2003	37	5,595	993,200	2011 (40,000)	Roads (187); roads (194); roads (175)	Housing (84)
Vientiane, Pak Ngum District	2000	55	24,960	2,841,627	2004 (24,028)	Community centre (6,602); water supply (73); water supply (171); water supply (108)	
Vientiane, Naxaythong District	2000	57	22,519	3,308,647	2004 (31,819)	Water supply (123); water supply (150); water supply (35)	
Vientiane, Sungthong District	2000	38	5,517	828,943	2004 (24,810)	Water supply (139); water supply, fertiliser (132); water supply (21)	
Vientiane, Sikotthabong District	2004	57	16,275	1,158,603	2004 (50,000)	Roads (21); roads (283)	
Vientiane, Srisatthanat District	2003	41	5,642	660,209	2003 (10,000)	Roads (186); roads (49); roads (146)	
Vientiane, Hadxayfong District	2006	36	4,204	252,273	2006 (10,000)	Roads (460); roads (470); water supply (120)	
Muang Kong, Champasak Province	2006	16	2,113	120,313	2007 (1,366)	Water supply (29); water supply (123); water supply (26); water supply (52); water supply (28)	
Pongsali Province	2006	49	5,908	157,265	2008 (3,599)	Sanitation (35); sanitation (52); sanitation (55); sanitation (40); sanitation (85); sanitation (60); sanitation, housing (9)	
Bokeo Province	2006	48	5,326	211,587	2007 (3,470)	Water pipes (67); water, fertiliser (173); sanitation (190); water pipes (135); water, fertiliser (183)	
Luang Prabang Province	2006	53	4,145	230,298	2010 (4,648)	Water pipes (103); sanitation (25); sanitation (25); water pipes (73); water supply (71)	

Mongolia							
Erdenet (UDRC)	2005	33	353	6,408	2009 (930)	Playground (28); bus stop (350); recreation area (12); playground (18); garbage bins, pavement (13); street lighting (8); street lighting (15)	Relocation (12)
Tunkhel (UDRC)	2009	10	95	1,523	2009 (322)	Playground (350); playground, roads (45); street lighting (250); meeting place (80); playground and sun area (34); playground (141); street lighting (150); street lighting (289); community centre, playground, fuel cell (135)	On-site reconstruction (16)
Bayanchandmani (UDRC)	2009	17	156	5,602	2009 (684)	Community centre (31); fencing (32); community square (28); eco-sanitation (51); playground, street lighting, greenhouses (26); street lighting, playground, community centre (36)	Housing upgrading (40)
UB Khan-uul District (CHRD)	2005	10	80	6,000	2009 (3,629)	Street upgrading (35); street upgrading (83); seniors' park (400 individuals); brick factories (6 jobs); sanitation (20)	
Darkhan	2006	19	210	6,995	2009 (2,725)	Public garden, playground (30); garbage services (58); street lighting (68); garbage recycling (42); public garden, playground (14); sunshade (10); relocation to new land (10); playground, garden (300 children and seniors)	
Uvorkhangai (CHRD)	2006	8	92	2,382	2009 (1,475)	Playground (more than 200 children); water kiosk (98); model street (25)	
UB, Baganuur District (UDRC)	2005	22	252	2,386	2009 (531)	Walkway, playground (13); bio-toilets (10); well, community centre (15); bio-toilets (12); floodway (6); well, community centre (10); model street (14); playground (8)	
Bulgan District (UDRC)	2009	9	96	661	2010 (724)	Community centre (17); playground (7); community meeting area, playground (10); street lighting (8); street lighting (15); playground (15)	
UB, Sukhbaatar District (UDRC)	2009	5	57	655	2010 (402)	Floodway, walkway (14); community centre (12); walkway (10)	
Sukhbaatar District (UDRC)	2009	3	150	500	2010 (958)	Playground (21); pit latrine, playground (17); trees, playground (14); playground (12); pit latrine, cesspit (12); street lighting (12); playground (16); improved open space (24)	
Tsenhermandal (UDRC)	2009	6	71	744	Not yet	Relocation to new land (12); improved housing, public toilets (10); bio-composting toilets (8); improved	

						housing, playground (20)	
Bayandalai, Gobi (UDRC)	2010	6	108	828	Not yet	Water supply (32); well (56); playground (12); community field (18); playground (16); improved housing (10); street lighting (20); community centre (12)	
Nepal							
Bharatpur	2006	32	1,009	108,723	2010 (112,000)	Site development(17); site development (55); child centre, toilets (69); toilets (576); toilets, school water tank (36); toilets (unspecified)	On-site upgrading (31)
Biratnagar	2008	37	1,098	18,206	Not yet	Water, sanitation, drainage (50); water, sanitation, drainage (85); toilets, drainage (34); toilets, water (46); water, sanitation (49); drainage (35)	Relocation (51)
Birgunj	2005	62	1,200	68,760	2009 (62,858)	Roads, washing facilities (25); toilet renovation (120); drains, roads, centre renovation (80); school toilets (280); solid waste management, embankment, community centre (37); drainage (55)	
Kohalpur	2006	23	409	25,117	Not yet	Roads (40); bridge (250 people); water, sanitation (20); culvert (150 people); community centre, toilets (80)	
Ratnanagar	2003	40	1,500	35,714	Not yet	Water supply (57); water, sanitation (29); water, sanitation (28); water, sanitation (59); water, sanitation (26)	
Koshi	2010	5	69	147	Not yet	No information	
Pakistan							
Sindh and South Punjab	0	0	0	0	Not yet	Hand pumps, one-room schools (10,000)	
Philippines							
Manila (Basco)	2009	1	700	6,400	Not yet	Drains (unspecified); community centre (unspecified)	Drains (100)
Quezon City (District 2) (FDUP)	2009	6	250	45,000	2009 (97,545)	Composting (1,000); rug making (12)	On-site re-blocking (43)
Quezon City (Districts 1&2) (HPFP)	1995	31	1,480	25,973	2009 (96)	Walkway (17); drainage, pathway (24); household repairs (37); electrification (17)	
Mandaue (HPFP)	1998	513	5,311	11,949	UPDF (2002) and CDF (2009) (42,667)	Not yet	Landfill (311)
Davao (HPFP)	2000	19	1,010	17,259	2000 (27,000)	Bridge (77); bridge (488); electricity (40); landfill (106)	
Digos (HPFP)	2003	15	527	10,300	2006 (70,066)	Landfill (30); sanitation (67); electrification (24)	

Kidapawan (HPFP)	2002	20	772	7,216	2009 (57,216)	Footbridge (168); roads (30); drainage (68)	
Albay Province (HPFP)	2007	33	3,977	19,797	Not yet	Water supply (853)	
Talisay (HPFP)	2005	63	841	2,207	2010 (10,988)	Sanitation (120); water supply (45); community centre (68); landfill (73)	
Muntinlupa (HPFP)	1998	500	3,500	4,094	2009 (548)	Water purification (500)	
Bulacan (HPFP)	2005	21	2,500	18,232	Not yet	Electrification (20); walkway (150); sanitation (200)	
Rodriguez	2002	2	263	4,377	2009 (46)	Pathway (46); community centre (380); material recovery centre (300)	
Metro Manila (after storm)						Emergency relief (2,220); temporary housing (30)	Housing repairs (105)
Sorsogon City (HPFP)						Water supply (150); re-blocking (29)	
Navotas	2009	2	90	1,639	Not yet	Water supply (19); sanitation (15); sanitation (unspecified)	On-site upgrading and housing (159)
Iligan (SMMI)	2010	9	1,680	27,000	Not yet	Water supply (40); slab making (36); welding machine (35); arts and crafts (40); grocery store, social enterprises (300)	Houses and roads (7); houses and roads (13)
Sri Lanka							
Nuwara Eliya	2008	65	716	125,137	2009 (210,137)	Footpaths, drains (153), sewers (12); sewers (8); access roads (32), community centre (175)	On-site upgrading (113)
Kalutara	2009	30	296	2,600	2010 (93,755)	Community centre (87); community toilets (25); toilets (300); drains (140); drainage (13)	On-site upgrading (40)
Matale	2010	15	138	5,000	2010 (44,600)	Water supply (48); drains (33); roads (36); site walls (256); drains (21)	
Batticaloa	2009	234	2,404	25,780	2009 (103,020)	Water supply (49); toilets (63); community centre (22); toilets (75); water supply 188	
Galle	2009	103	962	48,912	2009 (93,912)	Toilets (35); drainage (60); walkway (30); drainage (24); walkway (52)	
Kilinochchi	2010	5	50	8	Not yet	Toilets (50); toilets (50); drainage (176); walkway (215); toilets (200)	
Moratuwa	2006	137	1,388	408,000	2010 (413,000)	Toilets (35); drainage (60); walkway (30); drainage (24); walkway (52)	

Thailand							
Chum Phae	2004	12	3,021	66,250	2009		Housing (145)
Bang Khen District	1999	15	2,516	625,000	2009	Not yet specified	Housing (16), with welfare house
Prachuab / stateless Thais	2002	11	1,200	16,666	Not yet	Water supply (10); electricity, toilets (15); electricity, toilets (16); electricity, water supply (50); electricity, toilets (20)	
Ubon Ratchatani	2009	21	6,571	46,666	2010 (600,000)	Not yet started	
Rangsit	2009	18	1,953	309,500	2009 (12,865)	Not yet started	
Hua Hin	2009	4	344	28,290	2010 (12,303)	Not yet started	
Nakhon Sawan	2006	13	1,397	250,000	2010 (20,131)	Infrastructure (50)	
Koh Khwang	2003	6	965	83,333	2010 (13,333)	Water supply (77)	
Vietnam							
Viet Tri	2001	282	4,640	216,216	2006 (60,000)	Drainage (16); roads (55); roads (30); roads (92); sewage drain (10); sewage drain (25); sewage drain (25); sewage drain (15); roads (15); roads (25)	Relocation (42), On-site reconstruction (337)
Vinh	2001	496	11,328	698,702	2006 (90,000)	Underground sewers (20); roads (40); underground sewers (60); community centre (287); roads (240); sewage drain (50); sewage drain (55); roads (50)	Re-blocking and reconstruction (29)
Lang Son	2009	11	169	4,351	Not yet	Road building (17); road building (10); water supply (50); water supply (50); road building (82); road building (83)	
Ben Tre	2010	23	523	2,615	Not yet	Road (150); electricity, lighting (200); sewerage (40); roads (40); sewerage (45)	
Hung Yen					Not yet	Lane (78); lane (52)	
Thai Nguyen	2009	28	1,056	81,081	2010	Irrigation ditch (100); land (173); community centre (170); community centre (210); community centre (51)	
Hai Duong	2001	38	592	45,675	2010	Community centre (110); toilet (37); sewage drain (37); lane (28); interlink road (35)	
Ha Tinh	2010	145	5,640	162,162	2010	Sewage drain (86); sewerage (72); sewerage (56); sewerage (85); sewerage (123)	
Ca Mau	2010	8	329	15,369	Not yet	No information	
Quinhon	2001	197	4,870	217,516	2001	No information	

Appendix 3: Different kinds of savings

The table below illustrates the various modalities of community savings, differentiated by the level at which the community groups participate. Objectives and uses are intended to be cumulative, hence, at the lowest level, there is only community savings; at the next level, groups benefit from the objectives and uses of both community savings and some level of financial accumulation at the city level; at the third level, groups benefit from both city and national level finance; and at the final level, there is international finance. In this process, benefits at the lowest level are added to by further benefits at higher levels as additional financial accumulations and associated gains take place. Examples and key indicators have been drawn from available documentation about the work of both SDI and ACHR.

Levels of community savings: objectives, uses, examples and indicators

	Objective of savings at given level of organising	Types of intervention	Specific examples
Community (all finance is savings)	Reduce risks; manage incomes; accumulate personal capital; small-scale improvements in neighbourhoods and homes.	Manage household emergencies; help to accumulate capital; make small collective investments in improving environmental conditions (waste, water, pathways) in areas that have limited connection to city networks; individual housing improvements. May also lend for income generation, and in some countries (e.g. Lao) this has been the primary focus.	Fermented fish (<i>prahok</i>) loans in Cambodia (income generation): About 1,750 families in 21 riverside slums in Phnom Penh have taken loans totalling US\$ 380,000 (average loan US\$ 207) over the past 10 years to buy the seasonal fish and materials to make <i>prahok</i> (fermented fish). Six months later, they sell the <i>prahok</i> in the market at three times the value of their investment and pay off the loans to their savings groups in full (100 per cent repayment). In this way, these 1,750 families have generated a net profit of US\$ 760,000. Commercial lenders charge 10–20 per cent monthly interest. In the Philippines, the Homeless People’s Federation has a special welfare scheme for funerals (risk reducing). Women’s coop in Sri Lanka also has a savings group-based welfare and education programme, and gives loans for health purposes without interest.
Plus city (finance is savings plus city and/or donor monies)	As above, plus being able to negotiate with the city both for resource contributions and regulations reform. A further advantage is the ability to access larger amounts of finance, as	As above; plus, savings makes a contribution to larger-scale investments such as sanitation, housing development and public toilets. Use of savings financial management skills in project co-management with the city.	Women’s savings cooperatives in Nepal: Each city or district usually has one cooperative that links together all the savings groups in that constituency. They link together for activities and also consolidate their savings to produce a larger financial resource that can provide bigger loans, which the individual savings groups could not. They use national cooperative law to give legitimacy and legality to these cooperatives. Strong savings capability and the need for shelter improvements has led to community funds at city level (in Kathmandu and Bharatpur), where community networks negotiated for free land for housing. In Bharatpur, the city gave US\$ 70,000 to the city level fund, and in Kathmandu, the municipality granted US\$ 100,000 to the city level development fund. The city funds in both these cities become a joint process, in which the city fund is a tool to link the community people and city

	savings groups pool monies.		government to work together. Vinh City, Vietnam : The community network has negotiated successfully for free land and for citywide changes in the policies that determine how old collective housing is redeveloped, changed from an eviction-causing and contractor-driven gentrification process to a community-driven on-site upgrading process. Now it is policy and all the other collective housing projects are making their redevelopment plans. The city fund in Vinh is a joint process and a tool to link the community people and city government to work together.
Plus national (finance is savings plus donor monies; state may contribute)	As above, plus being able to negotiate with national government for regular subsidies (as opposed to one-off project arrangements). A further motivation may be access to donor funds.	Use of savings funds as a conduit for state finance. Use of savings investments for negotiating. Use of savings funds to maintain greater independence within the movement as state monies increase.	SDI Urban Poor Funds (Ghana, India, Kenya, Malawi, Namibia, South Africa, Tanzania, Uganda, Zambia, Zimbabwe) – see Box 11 above. Thailand has a national fund, CODI, which gets its finance from the government. CODI then passes that finance onto individual communities, through loans for housing, land and other purposes. Communities can also get subsidies for housing and infrastructure (<i>Baan Mankong</i>) through this process for slum upgrading; this is now taking place in 270 cities around the country. Now, in about 35 cities, the community networks are building their own city-based funds using mostly their own funds from savings or funds they have been able to leverage locally from many different sources. So in Thailand, the money at national level is government money, but at the city level it belongs to the people. And at the community level, the community savings totally belongs to the people. In Lao, a small national fund, seeded by a grant of US\$ 70,000 from ACHR, has enabled the 22 city-based funds around the country to link together. The US\$ 70,000 national fund provides loans to the city funds if they don't have sufficient capital to make loans to their member savings groups. The 22 city funds (now with a total lending capital of US\$ 16 million, from community savings) pass the finance onto the individual savings groups, which then pass it onto individual members. And each level adds some margin to the interest, and they use that margin to build their welfare programmes, add capital to their development funds, support their network activities, etc. Since it was set up in 2005, the fund has given a total of about US\$ 1 million in loans to the city funds.
Plus international (savings contributions are not made to international)	As above, plus being able to widen the pool of creative lesson learning at local level, negotiate	Savings do not take place at the international level. Savings groups provide the institutional foundations for donor-catalysed investments in secure tenure and improved access to basic	SDI's UPFI disburses contributions from four donors (the Bill & Melinda Gates Foundation, Norwegian Minister of Foreign Affairs, Rockefeller Foundation and Swedish International Development Cooperation Agency) to more than 20 affiliates. SDI's international coordinators and Secretariat work with national federations to ensure that local activities are supported in these investments, which have included shared SDI methodologies with savings schemes newly

funds; monies are donor)	with governments taking advantage of their more open attitude to alternative experiences if they take place abroad, and influence international agencies.	services. International contributions can help to build legitimacy and support a national process when it is facing difficulties.	<p>established in Bolivia, developing a 23-hectare site in Nairobi, and developing incremental models for informal settlement upgrading in South Africa.</p> <p>MOUs between ACHR and other countries :</p> <ul style="list-style-type: none"> • Fiji: The MOU between ACHR, the people’s network and the government of Fiji has opened up the whole programme to the urban poor in 15 cities, and the People’s Community Network (PCN) now has openings in many cities, with the active support of the minister. • Vietnam (ACVN + ACHR + Community Network); Cambodia (UPDF); and Lao PDR (MOU with the Lao Women’s Union to support the women’s savings process nationally): These MOUs have opened up possibilities and helped accelerate the work at national level, state to state.
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