HiFi NEWS

This newsletter brings together the experiences of groups working with savings and loans for shelter investments in the South.

AT THE WORLD URBAN FORUM

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Introduction

The world of housing finance has changed very significantly over the last ten years. In particular, small-scale lending for land purchase, infrastructure investment and housing improvements has increased significantly. Ten years ago, the state programmes in Thailand had barely started, while the housing subsidy programme in South Africa was being conceived of as a capital grant. Microfinance agencies had a "toe in the water" approach to shelter lending, and the urban poor funds that now are a firm feature of SDI programmes had been launched in only one country. NGO shelter lending continued, and had been taking place for many years, but programmes remained relatively disconnected from other financial systems and institutions. Hence they remained small-scale revolving loan funds assisting relatively small numbers of families. The landscape is now very different.

What has changed?

Microfinance for shelter has become a significant area of work for many microfinance agencies. Small loans help home-owning families improve their living accommodation. Experimentation with group loans has multiplied, as more agencies have become concerned with providing finance for land and infrastructure. Such loans give tenants and squatters threatened with eviction opportunities to purchase and/or improve access to basic services such as piped water.

Neo-liberal ideologies have increased the scope and scale of markets. The growth of microfinance agencies has increased the experience of the professional development sector in lending to the poor and, in many places, has reduced the cost of borrowing for some of the urban poor. While in the initial period lending was (supposedly at least) for enterprise development, consumer demand and growing confidence in their commercial capacities has encouraged the extension of micro-loans to the housing sector. Small loan provision for shelter investment appears to be growing rapidly in at least some countries of Asia and Latin America. Such loans are well suited to housing improvements.

The inadequacy of accommodation, and the associated needs for improvement, in Southern towns and cities is increasingly being recognised. Equally evident is the lack of state capacity to address the issue. In this context, development agencies, particularly NGOs, are innovating to find more replicable ways of financing the scale of improvements that is needed. In the present context, market options gain precedence. There is a growing interest in finding ways to enhance individual investment capacities and to speed up the process of shelter improvement and consolidation.

However, there are many shelter-related improvements that cannot be made individually. **Group loans** enable investment in land purchase and infrastructure improvements; not only is a collective process essential but it also helps to make the improvements more affordable. Individual lending is not relevant in this context, both for reasons of affordability and for other practicalities. Lending to groups is seen as more risky than lending to individuals, with fears about adequate responsibilities and "free riders" (i.e. those who enjoy the benefits and avoid their share of the costs). Despite these risks, development agencies have been willing to consider these strategies because of the need to invest in secure tenure and improved basic services such as water connections, because of the incapacities of the state, and the inability of individuals to make such investments individually.

A further set of approaches uses the collectivity generated by group process to address the deficit in pro-poor government. Savings and lending for secure tenure becomes a way to build up grassroots movements that can pressure the state for a more proactive investment strategy. Community-managed savings – the accumulation of finance – goes to the heart of what it is to be poor and excluded in a market-based economy. Building movements around community-managed finance helps to ensure a very strong organizing core that has essential skills and capacities, and that has succeeded in establishing trust between residents. The more immediate development objectives are two-fold. First, to increase the amount of finance that the state is willing to allocate to improving urban low-income settlements: the understanding is that inclusive developments will never take place if subsidy funds (including finance, free or low-cost land, infrastructure capital) are not made available; savings helps to secure state support. Second, to ensure that these funds are allocated to the priorities of the poor and support ongoing activities of the poor to improve their own livelihoods. This requires a strong local group with a capacity to manage money.

This issue of *HiFi News* reviews what has happened in each of these areas and draws out policy implications. Previous issues have been concerned to illustrate the nature and type of innovations in housing finance, and this issue synthesises the experiences to offer an assessment of the "state of the art" in shelter lending to the poor.

Microfinance for shelter

Microfinance for shelter assists individual homeowners to improve the quality of their accommodation. Such loans are typically less than US$ 500, with loan periods of up to five years. Interest rates are frequently lower than comparable loans from the same agency for enterprise development, both because of the belief that housing loans are "non-productive" (i.e. not generating any income) and in recognition of the burden created by larger loans over longer loan periods. Some agencies allow a grace period for the construction to take place. It is not possible to define the "typical" improvement, but such small loans may be used to add a room, to replace a floor or roof with more permanent building materials, and/or to improve bathroom and/or kitchen facilities.

There is a considerable difference of opinion about whether or not technical assistance should be offered. Some agencies continue with a minimalist approach to lending, even in the case of shelter, and assume that borrowers are able to construct for themselves or with the assistance of local skilled workers that they employ. Others require that borrowers accept technical advice about the nature of the planned improvement.

Equally varied is whether or not a track record of borrowing for enterprise development from the same agency is required. In most circumstances it is not, with agencies preferring to have the possibility to develop a separate clientele for shelter microfinance lending. However, in some cases, the agency seeks to reduce its risk by requiring a good history of borrowing for income generation and the successful realisation and repayment of enterprise loans.

Collateral is particularly tricky for shelter micro-loans. The use of a mortgage bond on a property is extremely rare because of the associated expenses, and equally because the agency has no real interest in repossessing the property if the repayments are not maintained due to resale difficulties. A major strategy in enterprise lending, that of small repeat loans, is of less use given the amount of time taken for each loan to be repaid and the size of each loan. As a result, agencies are forced to be innovative. Many seek some kind of legal claim over other possessions. Another popular strategy, often used in combination with others, is to apply social pressure, perhaps using groups with co-guarantors from within the group.

For those with secure tenure

The need to maintain high levels of repayment encourages the agencies to restrict lending to those with fairly secure, even if not formal, tenure. However, shelter microfinance is generally restricted to those with reasonably secure tenure who need to upgrade and otherwise improve their homes. The consequences of a lack of finance are well known. Without access to adequate loan finance, households either must borrow at penal interest rates from the informal financial sector, borrow (where possible) from family and friends, or delay making the improvements until finance is available. Shelter microfinance can speed up incremental housing developments, however adequate land tenure is crucial. This means that groups like the Grameen Bank, who have a programme to address rural housing needs that has given more than half a million loans, cannot take the same strategy into urban areas because of a lack of secure tenure and the difficulties that the urban poor face in obtaining access to land.

Increasing scale of activity

Shelter microfinance is now being provided by microfinance agencies throughout Latin America and Asia. Groups like BancoSol in Bolivia and SEWA in India have created shelter microfinance programmes to respond to the needs of their members. At least part of the motivation for microfinance agencies is market share. Consumer loyalty often means that borrowers prefer to use a company that they are familiar with and which has provided good service. If consumers are looking for and are able to access shelter loans, each microfinance agency is anxious that they are not forced to go elsewhere. In higher-income countries, such as Colombia and Chile, commercial financial agencies are also exploring the possibilities of using more formal lending systems to offer small loans for shelter improvements. Another group that has been attracted into this market, notably in Mexico and other Latin American countries, is building materials suppliers, who are always looking for ways to increase their consumer base. A further institution helping to support small-scale lending for housing is the traditional savings activities that take place within many low-income communities. *HiFi News 12* described the work of UCISV (La Union de Colonos, Inquillinos y Solicitantes de la Vivienda, Veracruz –the Union of Settlers, Renters and Housing Applicants of Veracruz). This longstanding and independent grassroots organization led by women has as its main objective to improve the living environment in the low-income areas of cities in the state of Veracruz. Their loan programme is based around a traditional savings and loan scheme called TANDA, a group savings scheme where each woman contributes the same every week, and every week a different member of the group receives the funds until the cycle is complete.

In Africa, there is much less activity in shelter microfinance (with the exception of South Africa). There are much lower levels of affordability. In South Africa, groups like the Kuyasa Fund (*HiFi News 11*) provide additional finance for families wanting to extend housing provided by the state through a subsidy programme. This programme, like the example from Veracruz and many others, focuses particularly on women borrowers. The focus on women remains strong in shelter finance – it is the same in many programmes lending for micro-enterprise investment. In this case, it is driven by women being better at repaying loans and by the poverty focus of some such programmes. In the case of shelter, the focus on women is further reinforced by the frequency with which shelter responsibilities are attributed by gender. The Kuyasa Fund, as is the case with many shelter finance programmes, emerged from the Development Action Group, an NGO working on urban development and urban poverty issues. There have been further innovations in African countries, notably in Kenya, associated with agencies such as K-Rep and NACHU, and in Namibia with the government-financed Build Together Programme, but generally, their scope and scale is limited.

In Latin America in particular, some of these programmes have learnt how to increase the value of their contribution to addressing shelter needs by extending access to state subsidy programmes that involve a tripartite financing plan with state subsidies, household savings and commercial loans. The Step-by-Step programme in Ecuador (*HiFi News 13*) illustrates how such financing systems can work; this programme helps households put down the deposit they need to access a state subsidy of up to US$ 1,800. The poorest households find it hard to save, but once they secure access to the state subsidy they can significantly improve their housing options.

Collective lending (market-based)

While shelter microfinance can assist those able to obtain land with some degree of security, it is not relevant to the many others who are tenants or are squatting on very insecure sites.

Addressing the core challenge of reducing the extent of "slum" housing and providing adequate land security and basic services for the estimated 900 million currently in need requires another approach. Both cost and practicalities determine that the residents of a neighbourhood have to work together to improve their living conditions (slum upgrading). The same is likely to be true if they purchase a new site together, although in some cases such an area is provided through the commercial market, either by a private contractor, microfinance agency or NGO. An example from El Salvador is the Salvadoran Integral Assistance Foundation (FUSAI), a microfinance agency that has also started to be operational in land development in order to address the needs of clients. FUSAI buys land and undertakes infrastructure development. The land is then sub-divided and allocated to families that have been accepted by FUSAI according to income and capacity to pay criteria. Families first pay back the loan for the land and infrastructure. In this case, there is a requirement for a savings contribution, and a state subsidy to help reduce the loan burden. A collective approach is needed for upgrading an area, as plots may have to be moved to enable roads, pathways and access for piped services. Residents, especially those who are to be moved or have their plots reduced in size, have to agree to such a re-blocking, including any compensation that is negotiated. New land will need to be identified and its potential assessed.

Improving affordability

As importantly, costs need to be shared if they are to be affordable. Few can afford the full cost of basic services, including connections to mains services, if they have to cover these on an individual family basis. Equally, land costs for individual plots are likely to be prohibitive; by sharing these costs, they can be made affordable. In some cases, residents' associations may be able to access lower connection fees and other benefits. Groups may also be successful in negotiating discounts in the case of land purchase. Moreover, by working together, groups can help to identify new resources and find new possibilities. The recent growth of group lending (as opposed to individual family support) within the Chilean housing subsidy programme is indicative of an increasing recognition of the effectiveness of such approaches when it comes to the poor and poorest.

Group loans are generally offered by specialist sectoral agencies, such as WaterAid, or in some cases by government authorities, rather than by microfinance agencies. The primary reason is that microfinance agencies (and other commercial institutions) do not have the capacity to work with a community and prepare them for both the physical investment and the borrowing process. The professional agency generally seeks to support the emergence, or otherwise strengthens, a local representative association able to receive and manage the finance.

Terms and conditions vary significantly. Generally, some kind of subsidy is involved but the ways and means through which it is delivered vary considerably. In some cases, it is simply professional advice that is offered for free. In other cases, the interest rate will be very low, perhaps even zero. Sometimes, part of the capital is subsidised. This assistance follows a fairly traditional NGO grant-financing route. Financial support is given to the poor by professional agencies established to raise funds to help the poor.

The level and nature of government involvement also varies considerably. In some schemes, technical assistance will be provided by a utility or municipality through existing support schemes for low-income communities. In other cases, municipalities may provide further financial assistance to communities, such as some of the micro-hydro schemes offered loan finance by Practical Action in Peru. In a limited number of countries, these programmes have been taken beyond civil society initiatives, with more substantive investment from governments and public agencies. National programmes have been created as demonstrated by the experiences of schemes such as the Community Mortgage Programme in the Philippines and Build Together in Namibia. In both these specific examples, there is the significant involvement of local government and an increasing interest in finding new ways to decentralize activities.

Growing – but by how much?

It is hard to assess the growth of such initiatives. Few such NGOs talk about their work in these terms, preferring to emphasise their more general development approaches. The use of loan finance comes from the emphasis in NGO management on cost recovery, combined with an acknowledgement of the scale of the problem and the associated need for investment finance. The success of microfinance, together with a lack of alternative solutions, has encouraged agencies to explore lending for land and infrastructure. In most cases, support has been given by sectoral NGOs, but there is now some small interest from more traditional microfinance agencies. In Guatemala, for example, Genesis has worked with small rural businesses, providing credit Their programme has expanded to include loans to communities for drinking water, electricity and other services. The contribution that communities make to upgrading their own settlements has long been acknowledged, and even simple calculations demonstrate the scale of such finance. These loan initiatives seek to add value to these investments by providing a structure within which more major investments can be made, ensuring adequate technical advice and providing borrowing facilities to improve the use of household finance. Indications are that the lack of alternatives means that such initiatives continue to grow in scale.

Collective lending (governance and inclusion)

The alternative, often closely associated, approach is to use finance, particularly savings, to build a stronger movement that can influence the political process. Again, the financial process builds on common community practices. In addition to the savings that families invest in their own homes, many local community organizations lobby local politicians to assist in the provision of services. Such practices, widely known as clientelism, generally result in partial and poor quality services as councillors and members of parliament secure grant funds to provide very specific benefits, such as a water point or upgrade drainage, without addressing more systemic shortcomings. Moreover, commercial contracts or local authority staff generally install such improvements, and the quality is often poor.

Communities recognise that this process does not work in their long-term interest. A strong local savings practice, together with federating and networking across the city, helps local groups gain confidence in their belief that there are alternative ways of doing urban development, and puts them in a position to lobby for such alternatives. Savings and lending build the financial skills within communities so that they can more actively participate in project management and negotiate resources with local authorities. Strong local organizations are better able to manage this political system to offer alternatives to local politicians and officials. Communities that are able to access state funds can blend these with their own resources (both financial and sweat equity) to ensure that funds do as much as possible. When communities are directly involved in spending their own money and managing the improvements in their communities, the problems associated with poor quality construction are much reduced.

"Hot" and "cold" money

In this case, the collective local savings and loan process blends with both financial and political systems outside the community. As illustrated by the example of SPARC in India (*Hifi News 13*), the NGO brings together "hot" community money and "cold" external funds to create new options at the most local level. Urban development is financed by people's investment funds and state contributions, sometimes augmented by loan funds. A further advantage of securing the active engagement of the state is that the regulatory nature of urban development can be more easily addressed.

Terms and conditions vary hugely as might be imagined. Much depends on the scale and nature of government support. In some cases, existing programmes are modified, in other cases new programmes are established. If NGO loan funds are used, then a subsidy may be provided through a slightly reduced interest rate. However, in this case, significant capital subsidies will not be forthcoming as they are too difficult to maintain and cannot be provided to a significant number of residents. The scale of loans also varies in part because of what is required in a particular context. In some countries, programmes that involve or seek to influence the state may be required to provide finished housing. In these cases, the state is unwilling to be associated with an incremental product. In other contexts, there is a more widespread recognition that incremental development is all that is affordable, and household loans are significantly smaller.

Growing interest

There has been a growth in such approaches, which has been generated by two distinct tendencies. First, groups providing loan finance under the previous category have grown in confidence in their willingness to tackle political aspects of exclusion. Second, groups working in political dimensions of poverty have realised the benefits of organizing around savings and loans in addition to campaigning. Some governments (local and national) have been prepared to contribute to community-managed loan funds (see *HiFi News 12* for the example of Kathmandu, Nepal).

The most significant initiatives are those of Shack or Slum Dwellers International. Homeless and landless Federations affiliated to SDI have assisted in the housing investments of 65,000 members in eleven countries and helped to secure land for 145,000 in 14 countries; the overwhelming majority of these activities have involved collective savings and loan finance. In addition, there are many smaller initiatives that have sought to improve living conditions for some of the poorest urban households.

Now what?

What are the recommendations that can be offered to international development assistance agencies and national governments with developmental ambitions?

One financial system

First, the three types of loan finance illustrated here are all part of a system. While agencies may choose to support one or other, they need to recognise that all three meet different needs, and hence all are needed if the needs of the poor are to be addressed.

The problem of a lack of land security is widely recognised, as is the problem of inadequate infrastructure and services. Such issues cannot be addressed without collective, rather than individualised, investments. Hence, achieving the Millennium Development Goal for slum areas requires some organized response, either through the market, the state or civil society acting at the level of the city. The importance of the political dimension is emphasised by the advantages, including residents' preferences, of upgrading over relocation. Such upgrading has a significant political dimension. The reasons for the poor quality living environment extend well beyond a lack of investment finance but are related to a range of political choices about inclusion and the nature of the city, as well as regulatory regimes such as zoning and the scale of infrastructure provision. As a result, upgrading requires the involvement of local authorities and, sometimes, other government agencies. In some cases, state subsidies may be sufficient. In other cases, subsidies will need to be topped up by access to loan finance.

Increased tenure security is likely to be accompanied by a widespread desire among families to invest in housing as well as services. The incremental building process is widespread throughout the South, primarily because of a lack of investment capacity when the housing is first constructed. Access to small loans can speed up the completion process, while still assisting with affordability. Interest payments are considerably less if small repeat loans are taken rather than a single long-term loan. Once families are confident that they will not be evicted, they will be anxious to improve their homes.

Formal and informal linkages

Second, despite their relatively slow evolution outside of the formal financial sector, none of these types of lending are disconnected from the formal financial sector. There are important connections in two senses. For some of the not so poor, there are possibilities in some countries to secure financial sector loans – particularly as a policy objective has been to "down market" such finance. Countries such as Mexico and India are seeking ways to ensure that formal financial institutions are able to provide mortgage finance to middle- and lower-middle-income groups who have traditionally been denied access to these loans. Access may be restricted to those with formal sector employment but some notable expansion has been secured. Although less relevant to the poor, the increase in such opportunities can be important. Without alternatives, these not so poor groups will occupy programmes that open up for the poor.

In addition, the formal financial system may offer loan capital for any of these types of loan finance. As noted immediately below, there is a significant shortage of capital available for shelter-related lending. In some cases, the formal financial sector may provide capital to retail lenders. However, a lot depends on the cost of such capital as well as on the terms and conditions under which it is made available. The commercial terms of lending capital may require that the retail provider blend this finance with available subsidies if the loans are to be affordable to the poor. Despite such limitations, greater availability of commercial finance is often sought by NGOs facing severe capital constraints.

A high demand for money

Third, there is, in every case, a need for finance. While some programmes have sufficient funds to meet borrower demand, this is unusual. In most cases, programmes face an excess demand for loans. Is this because they want to offer subsidised finance? It is not apparent that it is the subsidy that is the problem. The problem appears to be one of securing sufficient loan capital, although the fact that interest rates may be less than those of enterprise lending may be problematic if they seek capital from conventional microfinance sources. There may be other reasons put forward that relate to the status of the organization, the focus on shelter (non-productive) rather than enterprise (productive) lending. Whatever the reason, the net result is that many initiatives cannot get the capital they need. Or, to put the problem differently, many say they would grow if more capital became available. A further ubiquitous problem is that funding may only be made available with specific conditionalities, e.g. geographical expansion (which may not be helpful in strengthening the initiative), or targeting the poorest (who may struggle with loan burdens).

There are many advantages in mixed funding strategies with capital from a number of sources. Access to subsidised loans has, in an Asian context, been important in supporting some expansion of lending opportunities. For example, the loans offered by

HUDCO in India have helped to finance housing work by groups such as SEWA. Government funding may help ease relationships with state authorities, and offer opportunities to develop new relationships between citizen and state. Large-scale subsidy finance can only be provided through the state. International development assistance may be helpful in supporting innovation, particularly in reducing the risks involved. These monies may also help to augment community development and skill acquisition, for example, the support that Misereor, the German NGO, has given to NGOs in the Philippines to enhance their support for communities that have received loans from the Community Mortgage Programme. Commercial involvement may assist with financial management systems in addition to providing sources of replicable funds. The importance of community savings as a contribution to the capital pool may also be important in encouraging local ownership and helping to realise the many benefits that flow from such ownership.

The challenge of inclusion

Fourth, affordability and inclusivity are difficult issues. Financial tools and mechanisms are, inevitably, embedded in the market, even those which are routed through community organizations that are representative and that seek to mitigate the market nature of these funds. Those with low incomes are least able to manage in the market, and many residents may struggle with affordability in terms of loan repayments. The very poorest may not be able to afford to take part in loan-financed shelter improvements and may opt out at an early stage. It can be difficult, for example, for those searching for sufficient food to worry about investments in secure tenure and basic services. In the case of shelter microfinance, they are unlikely even to be eligible because they may lack sufficient security of tenure or are evidently unable to take on the additional loan repayments.

In the case of group loans, larger numbers of lower-income residents may be included in the programmes both because loan amounts may be very low, because land and water are greater priorities than housing investment, and because community membership may offer a degree of encouragement and support. However, the poorest may struggle to remain in these programmes finding it particularly difficult to meet regular repayments with irregular incomes. A number of programme attributes may help to extend inclusion: the integration of savings and subsidies without loan requirements; flexibility with repayments and loan terms; very small loans to secure land and basic services, without pressure to improve housing or undertake other improvements that require additional loans; possibilities to rent rooms or space to assist with repayments; cross-subsidy arrangements with integrated low- and middle-income housing developments; and integrated "multiple-window" lending programmes with opportunities for income generation. There is a real danger, unless it is addressed now, that the MDG for slum reduction will be achieved by assisting those just below the poverty line, without substantive change being achieved for the poorest citizens.

More than just finance

Fifth, the most successful interventions combine financial mechanisms with political redistribution and official lifting of rules. In a real sense, most progress is made with collective support from the financial, political and bureaucratic spheres of action, which inevitably cross over different agencies. This reflects the fact that there is not one source of oppression. The poor have been excluded from the formal financial systems and forced to use small-scale informal loans with very adverse terms and conditions. With regard to politics, the poor have been drawn into patron–client relationships that enable the state to manage resource scarcity despite the fact that such relations deliver little to the poor. Rules and regulations have been more concerned to control development than to assist the poor in securing shelter and livelihoods. Too often, they are forced into illegality when they secure housing and basic services, thus adding to their problems.

This means that finance alone is rarely a solution. However, how finance and other kinds of support can best combine has an almost infinite set of possibilities. There is no fixed model for how this can best work – but when it works well, a people's-centred development agenda moves forward.

Something for everyone

Sixth, diversity of actions mean that there is lots to do and enough for everyone. A breadth of agencies needs to be involved in increasing the scale of finance for urban development and assistance in order to use such funding effectively. There are significant roles for international development assistance, particularly in supporting loan capital, investment in bulk infrastructure (in some countries) and capacity building in local organizations to improve the quality of their contribution. There are also important roles for national and local government in providing subsidy finance for poverty reduction to add value to local people's ongoing developmental activities. In many countries and contexts, the significance of NGOs in supporting alternative approaches to development has been demonstrated. NGOs may assist with technical assistance, revolving loan funds and in other ways. And centrally, there is the contribution of the poor themselves.

Local ownership: a critical condition

Seventh, one of the benefits of finance is that it requires the poor themselves to be engaged in the process. They will not contribute significant amounts of their own funds to a process that does not work for them. An emphasis on savings and loans helps to ensure that the poor themselves lead the process. What becomes critical is that this does not get lost as the ambitions for the finance rise above the individual house. Within a house, it is accepted that individuals have a broad autonomy over improvements. While those financial institutions offering loans with technical assistance believe that it is important to have adequate standards, they generally remain flexible concerning the borrowers' preferences. The exception is schemes that offer a fixed package, such as the Grameen Bank programme where provision is generally very basic and offers considerable scope for improvements once the initial investment is in place.

However, as finance moves beyond the home to deal with issues of infrastructure and services and issues of tenure, then a broad set of other considerations becomes important. Finance needs to be delivered in ways that help to improve the quality of the living environment and that offer opportunities for cost savings and increased affordability. Communities need time and space to reflect on designs that work for them and their families, often with multiple livelihood strategies. Innovation and experimentation need to take place in ways that are sensitive to the specific priorities and perceptions of those who have homes in the neighbourhoods. Clearly, greenfield developments may offer greater scope for such innovations.

High levels of involvement by the poor result in savings and loan activities that are dynamic and flexible. The poor have multiple needs, notably for livelihoods, shelter (including services – health, water, schooling) and emergencies, and loan packages may develop to address all such needs. The poor also work and struggle within multiple sources of finance, their own incomes, state resources and, sometimes, development assistance contributions. What is clear is that for poverty to be addressed, finance used by and for the poor has to be used more effectively. Many other challenges remain but this is a necessary, although not sufficient, condition for social progress. Money must work better for the poor.

Vision and possibility in Poipet

Poipet is a small Cambodian town just across the border from Thailand. There are many poor people who have found shelter on low-lying land, where the houses are mostly built up on stilts and are of bamboo, cardboard, thatch and black plastic sheets. There are no services at all and significant associated health problems. In all of Cambodia, Poipet has become a magnet for people who are impoverished, landless (because they've lost their land through debt or bankruptcy, or been driven off it through illegal seizures by powerful land grabbers or greedy government officials, etc.), squatters from other towns, refugee camp returnees who used to live in Poipet before they were driven away during the Vietnam war, and the hopeless. This border area of Cambodia was heavily mined during the war years and land mines were everywhere – no place was safe to walk off the road. So most of these people who came to Poipet had to use their bare hands to clear the land of land mines in order to build their shack settlements. Without any tools or equipment, the process was very dangerous. In the process of making Poipet habitable, many were killed or maimed by the land mines – including the area where the casinos are now. For this reason, a lot of people rightly feel some ownership of the land they live on, even if it is in slums.

A few years ago, about 2,000 families who had moved to land along the Thai border were evicted to make way for the first big wave of casino building. The area where they were living had been heavily land-mined, and the people had gradually cleared it, but at the cost of many lives and limbs. This was the occasion of the town's first formal resettlement project, called *Phoom Prajey Taw* ("justice") and financed by NPA, the Norwegian People's Aid agency.

Poipet is a major point for cross-border trafficking of women, children and men, for labour, prostitution and adoption. A women's market project was launched by the Women's Affairs Ministry and some NGO partners (for example, Lotus Pond, based in Phnom Penh), which tried to support poor women to start small vending businesses, as an alternative to being trafficked in the big labour and prostitution trade being conducted across the border at Poipet. This small project (starting with a budget of US$ 20,000 over a 3-year period) worked with a small number of women who lived in Poipet slums. The idea was to help them increase their income as vendors by helping them add value to products they already sold, or to develop new products to buy and sell – food, handicrafts, produce, clothes, etc. Originally, they targeted the casino tourists, but more recently they have switched to the more lucrative vending of cigarettes and snacks to casino workers. Now the women train each other horizontally though savings groups.

Poipet is one of the 13 provincial towns being supported with very modest funding from ACHR to promote savings and credit, exchange, and network building among poor community people. Recently, there has been an agreement to create a new community development fund in Banteay Meanchey Province (which includes the towns of Poipet and Sisophon, the location of the provincial headquarters). This is a collaboration between the Provincial Government, the Ministry of Women's Affairs, the Urban Poor Development Fund in Phnom Penh, Banteay Meanchey's Community Network of savings schemes, and the ACHR. The fund is being created especially to support the poor people in this province only. The Ministry recognises that the poor women in Poipet need better jobs and improved living conditions. As a result, they have helped to fund a small working group to support the community fund through a grant from the Ministry of Women's Affairs. The Community Fund was launched on the 26 February 2006 with US$ 2,310.

To date, much of the community-managed savings and loan activities have been in Phnom Penh. As activities have grown in the provincial cities, the idea now is to eventually set up smaller funds in cities (or perhaps in regions), which will be jointly managed by community people, the local municipal government and NGOs. These funds will then serve the needs of poor communities in that city, and will strengthen working links between communities, local governments and other local actors. This new fund in Meancheay Province is the first local fund to be set up outside the Urban Poor Development Fund. If all goes well, and management of these local funds is strong, then more funds can be set up and more funds can go directly to these city-based funds. At present, there is no need to go too fast or to start with very much money – the people's movement in these provincial cities is very new, and needs to be strong to go along with the capacity of these new funds. Stronger more organized communities will be able to ensure that the political process does not ignore the poor. At present, there is no need to go too fast or to start with very much money – the people's movement in these provincial cities is very new, and needs to be strong to go along with the capacity of these new funds.

Source: ACHR (achr@loxinfo.co.th)

Events at the World Urban Forum

Shelter finance (Tuesday 20th June, 16.30 to 18.30, Ocean View Rooms 5/6)
This discussion will focus on the financing of neighbourhood infrastructure with examples from Namibia, Nicaragua and Pakistan. This will include the example of the Orangi Pilot Project (Pakistan). In Orangi, 96,994 houses have built their neighbourhood sanitation systems by investing Rs 94.29 million (US$ 1.57 million). Outside of Orangi, 46,821 houses in 11 Pakistan towns at 284 locations have invested in a similar sanitation system at a cost of Rs 88.15 million (US$ 1.46 million). Loan finance is relatively rare and most of this money has been raised from savings. The presentation from Namibia will highlight the small town of Gobabis in which residents and the city council are jointly financing secure tenure and infrastructure improvements with a plan to reach all 50 per cent of the town's population now living in informal settlements. Finance is being provided by community savings, local authority subsidy, local authority loans and community loans from the loan fund of the Shack Dwellers Federation of Namibia. The presentation from Nicaragua will explain the programme of PRODEL in which international development assistance combines with local authority and community contributions to upgrade low-income settlements and improve services.

Micro-credits (Wednesday 21st June, 13.30-15.30, MR02)
The use of small loans to support Incremental Housing Development in Central America. The model presented at this event is based on experiences from SIDA supported housing programmes in Central America which give poor people the opportunity to borrow money to improve their homes and living environments. The session will present SIDA's work with the programmes and show examples on how these programmes have gone from ideas to actions. The dialogues will focus on incremental building, long-term financing, methods for up scaling of projects, as well as discussions on adjusting projects and conceptual ideas to the varying preconditions in different countries.

Partnerships (Thursday 22nd June, 16.30-18.30, MR16)
Joint ventures between the state and community organizations and local NGOs have been recognised as being important to address shelter needs. Some experience to date and future possibilities will be explored with Minister Sisulu (South Africa), Shack/Slum Dwellers International and representatives from various national federations and their partners (including Malawi and the Philippines). In Malawi, communities in Lilongwe have recently constructed 220 houses using a low-cost technology to increase affordability. They have launched a community loan fund in Malawi to help them finance these activities. In the Philippines communities have used a number of financing strategies including access to the Community Mortgage Programme which has been discussed in previous issues of HifiNews.

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