

A Decade of Change: From the Urban Community Development Office (UCDO) to the Community Organizations Development Institute (CODI) in Thailand

Increasing community options through a national government development programme

Somsook Boonyabancha
Community Organizations Development Institute (CODI)

IIED Working Paper 12 on Poverty Reduction in Urban Areas

This is one of ten case studies that were part of an IIED research programme on “Urban Poverty Reduction Programmes: Lessons of Experience”. The research was undertaken with support from the UK Government’s Department for International Development/DFID (project number R6859) and from the Swiss Agency for Development and Cooperation (SDC). The publications that are the result of this work are listed at the end of this paper.

The ten case studies demonstrate the important roles that local institutions have (or can have) in contributing to poverty reduction in urban areas. They show that:

- many aspects of poverty need to be addressed, including not only inadequate livelihoods, income levels and asset bases but also poor quality and often insecure housing, inadequate infrastructure and services, inadequate legal protection of poorer groups’ rights, and “voicelessness and powerlessness” within political systems and bureaucratic structures;
- there are often positive multiplier linkages as actions to reduce one aspect of poverty can help reduce other aspects;
- there are many possible entry points for reducing poverty (including some for which little or no external funding is needed) and many kinds of local organizations or institutions that can contribute to this;
- the form of the local institution that can reduce poverty varies with context; they can be community organizations, federations of community organizations, local NGOs, local foundations, municipal authorities or, on occasion, national government agencies or local offices of international agencies;
- one of the critical determinants of the success of poverty reduction initiatives is the quality of the relationship between “the poor” and the organizations or agencies that have resources or powers that can help address one or more of the deprivations that poorer groups suffer; and
- sustained poverty reduction requires city and municipal government agencies and political structures that are more effective, more accountable and more able to work with low-income groups and their community organizations.

International agencies need to develop or expand funding channels to support local institutions that can deliver for low-income or otherwise disadvantaged groups (including the organizations, associations and federations formed by these groups as well as local NGOs and local government agencies) while also remaining accountable to them. Such channels should also support the capacity of these institutions to widen the scale and scope of poverty reduction programmes and recognize that much poverty reduction depends on new attitudes and actions by local government institutions.

ISBN: 1 84369 450 6
Human Settlements Programme
IIED
3 Endsleigh Street
London WC1H 0DD

Tel: (44) 207 388 2117
Fax: (44) 207 388 2826
E-mail: urban@iied.org
Web: www.iied.org

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About the author

Somsook Boonyabancha is director of the Community Organizations Development Institute (CODI) and was also director of the Urban Community Development Organization (UCDO) from which CODI evolved. She is also founder and secretary general of the Asian Coalition for Housing Rights. She trained as an architect at Chulalongkorn University and joined the Thai government's National Housing Authority in 1977, initially working on slum upgrading. Community upgrading was just starting at this time, but it was planned in a top-down manner. Simultaneously, there were serious problems with evictions, and communities who were evicted or under threat of eviction were not seen as part of upgrading. Ms Boonyabancha worked with NGOs in many evicted communities and took part in a study on eviction problems in Bangkok, working with NGOs and communities informally. From 1982, a new generation of projects was initiated to improve conditions in slums, including land-sharing schemes and the development of housing cooperatives, which showed the capacity of communities to organize and manage these processes. In 1988, Ms Boonyabancha set up the Asian Coalition for Housing Rights with a number of key professionals in the region and this Coalition has been active in many nations in Asia, fighting forced evictions, promoting alternatives to evictions and supporting active regional exchange and learning among groups in the region. She was also made secretary of the Human Settlements Foundation and worked briefly with the United Nations Economic and Social Commission for Asia and the Pacific (ESCAP). In 1991, she joined the study team that was to recommend the formation of UCDO, and then became the UCDO manager, thinking initially that she would only work there for six months to help set it up.

Address: Community Organizations Development Institute
2044/31-32 Petchburitatmai Rd.
Huaykhwang, Bangkok 10320
Tel. 66-2-7166000 Fax. 66-2-7166001
Website: www.codi.or.th/

Asian Coalition for Housing Rights
73 Soi Sonthiwattana 4, Ladprao 110 Rd.
Bungthonglarng, Bangkok 10310
Thailand
Tel. 66-2-5380919 Fax. 66-2-5399950
E-mail: achr@loxinfo.co.th
Website: www.achr.net

Summary

This paper describes the experiences of the Urban Community Development Office (UCDO) in Thailand in addressing poverty and how this fed into a new institution within which its programmes became integrated – the Community Organizations Development Institute (CODI). This new Institute brought together the work of UCDO and of the Rural Development Fund and so works to reduce poverty in both rural and urban areas.

Setting up UCDO: The Urban Community Development Office was set up by the government of Thailand in 1992 to address urban poverty. It was widely recognized in government that Thailand's economic success during the 1980s and early 1990s had brought little benefit to the poorest groups. Indeed, for many, their housing conditions had deteriorated and their settlements were at ever-greater risk of eviction as land prices and demand for central city sites increased. There was also a recognition of the need to develop more participatory models of support for low-income groups and of the possibilities of doing so through supporting community-based savings and credit groups. Various local and international NGOs working in Thailand had also demonstrated the possibilities of improving housing by working with low-income communities and networks of communities.

UCDO was provided with a capital base equivalent to US\$ 50 million, to allow it to make loans available to organized communities to undertake a range of activities relating to land acquisition and housing construction, housing improvement, and income generation. UCDO recognized that for pro-poor development to take place, relations between low-income groups and the state had to change. Critical to that change was the establishment of representative and accountable local citizen organizations.

From the outset, UCDO sought to bring together different interest groups – with its Board having senior government staff, academics and community representatives. Initially, loans were available to community-based savings and loan groups for income generation, revolving funds, housing (for instance, to allow communities threatened with eviction to purchase existing slum land or land elsewhere and develop housing there) and housing improvement. Any community could receive any of these loans, provided they could show that they had the capacity to manage savings and loans. The loan could be used to respond to the particular needs of each group. Through this, UCDO developed links with a wide range of community organizations, savings groups, NGOs and government organizations. Loans had much lower interest rates than the other sources of loans that urban poor households could turn to, although they were also high enough to allow the initial fund to be sustained and to cover administrative costs.

From support to communities to support for community networks: As the savings groups that worked with UCDO became larger and more numerous, support to individual groups became more difficult. UCDO also became the centre of all the problem solving, for problem cases. This natural problem of scale brought UCDO into a new stage of change which was to link individual savings groups to work together in the form of networks or federations. UCDO loans could be provided not only to communities but also to community networks who then on-lent to their member organizations. The emergence of large scale community networking has brought immense change to community-led development process in general and to CODI in particular. These networks have particular importance in that they have increasingly become the means through which the funds of UCDO (and its successor CODI) are available to low-income groups. Community organizations in a particular city or province join together to form a network to work together and negotiate with city or provincial authorities, or to influence development planning, or simply to work together on shared problems of housing, livelihoods or access to basic services. There are networks based around occupations (for instance a taxi cooperative), pooled savings and cooperative housing. There are also community networks based on shared land tenure problems (for instance, networks of communities living along railway tracks or under bridges who have shared tenure or landlord problems). Managing loans through networks also decentralizes the decision-making process so it is closer to individual communities and so better able to respond rapidly and flexibly to opportunities identified by network members.

Diversifying the support provided to communities: UCDO added other activities to the loans made available to community organizations. These included:

- A small grants programme for community-managed environmental improvement projects with US\$ 1.3 million support from the Danish government, which supported 196 projects benefiting 41,000 families, and whose projects strengthened the capacity of community organizations to work together and to work with local government.
- A programme to help savings groups that faced financial difficulties maintaining their loan repayments after the financial crisis of 1997 (with support from the Thai Government).
- Community Welfare Funds made available to communities for use as grants, loans or partial loans for education, income generation and other welfare (for instance, for school fees, those who were HIV positive, sick or elderly) with support from the World Bank Social Investment Fund.

As savings schemes became stronger, so increasing emphasis was given to linking community groups with city authorities, which then developed into city-based networks able to initiate and manage city-wide programmes themselves. These networks also linked communities so they could share their experiences, learn from each other, work together and pool their resources. These networks also helped communities manage debts, and allowed UCDO to remain effective despite the economic crisis that started in 1997 and which reduced the incomes and increased the debt repayment burdens for large sections of the urban poor. Most community networks also developed their own community welfare programmes. What became evident from UCDO's work is first, how far funding can go if organized and managed by community organizations or networks and second, how many community-managed activities can achieve cost recovery

By 2000, when UCDO's work was integrated into CODI, 950 community savings groups had been established and supported in 53 out of the 75 provinces. More than 100 community networks had been set up. More than 1 billion Baht had been provided in loans and more than half the loans had already been fully repaid. Informal estimates suggest that assets of some 2 billion Baht had been generated by the projects. The special fund to help savings groups facing financial difficulties had helped many communities and community networks to manage their debts and continue their development activities.

From UCDO to CODI: In 2000, UCDO merged with a Rural Development Fund to become a new public organization called the Community Organizations Development Institute (CODI). CODI continues to support the UCDO programmes but it has its own legal entity as a public organization, whereas UCDO had been located within the National Housing Authority. This provided CODI with greater possibilities (for instance, being able to apply for funds to the annual government budget), greater flexibility, wider linkages and new possibilities for supporting collaboration between urban and rural groups. The emphasis on supporting community-managed savings and loan groups and community networks remains, but now it covers 30,000 rural community organizations as well as the urban community organizations. Many community networks that CODI supports include both rural and urban community organizations. Like UCDO, CODI also has a Board that includes representatives from government and from community organizations. CODI will also have a key role in supporting a new Thai government programme to support upgrading and 200 "cities without slums" programmes. Upgrading programmes at this national scale are only possible if the "infrastructure" of community processes and networks and their savings schemes are in place.

What has been learnt since 1992: CODI, like its predecessor UCDO, seeks to support inclusive processes that are controlled by the poor themselves. The institutional form that is appropriate to this way of working has, by necessity, to be flexible. The experience of UCDO and then of CODI has shown that it is possible to alter the delivery of development so that the outcomes are more favourable to low-income groups. But to do so, it has to support these groups themselves in becoming key

players in the development process. They must be involved in decision-making, must be able to own the decisions that are taken and must be in control of the activities that follow.

Community-based savings and loan activities are important because they build community capacity to determine priorities, transparently manage finance, negotiate with other powerful local groups and plan and reformulate their own strategies. Collectively organized savings strengthen the links between community residents and help to ensure leaders are accountable to local members. Collectively managed loan repayments help the community to assess the financial investments that they wish to make and help to ensure that finances are not managed by a group living outside the community. Loan management helps networks of communities understand when accumulating debt is a necessary burden for a community and when it is best avoided. Together, savings and loan activities help communities to prioritize, manage and implement development.

Community-learning is as important as savings and loan activities. Within the processes supported by UCDO and CODI, community-learning takes place as community organizations work together in implementation and through community exchanges. Exchanges help community organizations to analyze their experiences and modify their plans.

Projects cannot be ends in themselves; they need to be part of a more comprehensive plan that is driven by the poor. Conventional development systems and processes are not designed for the conditions of the poor nor are they appropriate to the needs of the poor. There are almost always problems when the poor try to fit into these systems. What is required is that the poor determine the conditions attached to projects – thereby enabling plans and processes to be better suited to their needs and capacities. At the same time, the poor cannot resolve their problems on their own. What is needed is an open and inclusive process that engages the many other groups that are relevant to development within a process that is determined and controlled by the poor.

I. HOW THE IDEA OF THE OFFICE EMERGED

a. Establishing the need for a new fund

An estimated 20 per cent of those living in urban areas are considered to be living in low-income settlements. These people live in 3,500 settlements that are characterized by insecure land tenure, poor services and, often, inadequate infrastructure and housing conditions. The National Housing Authority estimates that at least 13 per cent of Thailand's urban poor households (totalling approximately 105,000 families) are under imminent threat of eviction. There are good reasons to believe that these figures are underestimates, since surveys conducted by the urban poor themselves find more people living in low-income settlements than the official figures.

In the early 1990s, the National Economic and Social Development Board (NESDB) in Thailand began to look for alternatives to solving the problems of the urban poor communities¹ and to promoting their development. By then, it was widely recognized that the living conditions of the urban poor, especially those squatting on land or renting illegally, had not been improved by economic growth. Despite being provided with alternative land for relocation by the National Housing Authority (NHA), housing conditions had not improved. In many instances, the urban poor who had supposedly benefited from relocation were having considerable problems with repayments due to insufficient income. This often resulted in them selling their plots and returning to the city as squatters.

The National Economic and Social Development Board initially thought that the answer was to generate more income in low-income communities, so that the people could find their own options to buy land and housing. Thus, it was thought that if there were increases in urban poor incomes, they would be able to buy land and houses at market prices. As the first step in a substantive poverty reduction programme, a study team led by Phaiboon Watthanasiritham was set up under the National Housing Authority to study alternative ways to address the problem of poverty. In their work, the team draw on experiences in Thailand as well as on others outside the country, such as the Grameen Bank in Bangladesh and the Community Mortgage Programme in the Philippines. By December 1990, the concept of an Urban Poor Development Fund had been established and the first steps towards establishing it were undertaken. Mr Watthanasiritham was asked to be the first managing director of the Office set up to manage the Fund.²

The study to prepare for the Urban Poor Development Fund was itself a critical phase in its development. The process brought together community groups, activists, community federations, NGOs, civic groups, entrepreneurs and government staff who were active in urban poor development issues. Through discussions, many ideas were shared and refined. A body of interested organizations developed that later came to support the operation of the Office. The findings included a proposal to establish the Urban Poor Development Fund as a new institutional form in Thailand. The Fund would be located in an Urban Community Development Office, with a revolving fund of 1,250 million Baht³ to support urban community development activities and provide low-interest loans to community organizations for income generation and housing.

¹ "Communities" is used throughout Thailand to refer to those living in low-income settlements.

² Mr Watthanasiritham was a highly respected individual with experience in both the public and private sectors. He had been the first director of the Thai stock exchange and, at the time, was running Rural Reconstruction and Development, a large NGO.

³ Broader issues about international development are brought to the fore with the recognition that this was equal to US\$ 50 million in 1992. By 2002, this had declined in value when measured in US dollars (to US\$ 28 million), however the Baht value of the Fund had increased by over 50 per cent.

The important structural elements of the proposed institution were:

Institutional form: Initially, the Fund would be placed under the National Housing Authority to enable rapid establishment. The organization would be governed by a Board, which itself would institutionalize partnership at the highest level since this Board would include government staff, academic experts and community representatives. Even at the time, it was intended that the Fund would eventually become autonomous in order to benefit from greater flexibility. There was considerable advantage in setting up the Fund as a special unit within the Authority, as it was able to operate with considerable freedom and flexibility without having to struggle for special legal status in its early years.

Administrative strategy: The Fund Board would be directly responsible for policy planning, implementation and the appointment of a managing director. The director would develop systems, practices and a staff team. The philosophy of the organization would be based on flexibility, efficiency and the participation of communities rather than on the conventional system of bureaucratic control.

The motivations for a changed policy towards the urban poor and the development of the Fund's direction were multiple and diverse. The Fund's origins lie in a combination of economic growth and inequality, rising land prices, available state finance, existing experiences in community development including savings and credit, innovative programmes outside Thailand, and a recognized need for different styles of governance.

b. Factors underpinning the UCDO's formation

The first factor in the development of the Fund was the nature of economic growth during 1987–1990, when economic growth rates commonly equalled or exceeded 7 per cent a year. The stronger democratic system secured in the early 1980s allowed economic development to take place. The country transformed rapidly: private sector development boomed, there was easy access to loans and finance for development from commercial banks, many large infrastructure and construction projects took place throughout the country, most urban centres expanded greatly, there was growth in the middle class and in the service sector, and private real estate housing markets grew rapidly. Despite these conditions, income disparities between rich and poor also increased. The income share of the top 20 per cent of income earners grew from 51 per cent in the early 1980s to more than 60 per cent in the 1990s; the share of the bottom 20 per cent fell from 5 per cent to 3 per cent during the same period. Despite expansion, the real estate housing market was not able to reach the poorest 30 per cent of the population. However, housing markets became associated with speculation due to easily accessible finance for the upper and middle classes, many of whom had the luxury of owning two or three houses.

Economic growth attracted more people to the cities because of better employment opportunities in both the formal and informal sectors. However, despite good job opportunities, the housing situation of the urban poor deteriorated rapidly. Rapid business growth and state infrastructure investments resulted in rising land prices. Most urban poor communities had very poor security of land tenure. Squatter communities that had been left alone for years were threatened with eviction as landowners sought to sell land and take advantage of capital gains. Eviction problems were widespread on both public and privately owned land. Economic growth and increasing land prices (in part speculative) encouraged and pressured landlords into redeveloping land for more profitable uses. By the end of the 1980s, about 24 per cent of Bangkok's population lived in 1,500 low-income settlements, 21 per cent of which were reported as having eviction problems. Squatter communities had no legal protection no matter how long the settlement had been established.

The National Housing Authority's plan to relocate Bangkok's urban poor to alternative sites was partly successful in addressing the acute needs of those evicted. But employment opportunities at the new sites were scarce, household incomes often fell and many struggled to repay the costs of their

houses. Some abandoned their new homes. Many had to struggle with ongoing insecurity and uncertainty.

A second factor in the creation of the Fund was the availability of state finance. New legislation had resulted in a widespread upward adjustment in land values, generating a very large income for the government. In previous years, at the time of the fuel crisis, the government had launched a campaign to restrict expenditure. As a result, treasury reserves had accumulated and the government's financial status was particularly healthy.

Third, for a number of reasons, there was broad support for a fund within the government. During the second half of the 1980s, Thailand had become one of the new industrial countries in Asia. Rapid growth, particularly in the industrial, commercial and construction sectors, had resulted in greatly increased needs for urban poor labour. The Committee of National Social Economic Development Office, who played an important role in preparing the 7th National Social Economic Plan (1992–97), recognized the importance of the urban poor in providing the workforce for the continued growth in the production and service sectors. The Committee believed that they deserved better social services and investment opportunities, and the chance to gain greater skills. They also thought that small entrepreneurs would be able to find a niche alongside major traders. The administration of Prime Minister Anand Punyarajun, appointed after the coup d'état, provided further support. Several new funding mechanisms were granted swiftly to provide instruments for national development.

Simultaneously, it was recognized that past economic and social systems might not be appropriate. Whilst civil society was not strong and many of the civil society organizations that existed were suspicious of the military government, there was a growing interest in participation. As elsewhere, there were moves to decentralize government responsibilities to a local level and a willingness in central government to open up and become more accountable. This opened new possibilities for devolved and participatory working methods.

Fourth, during the 1970s and 1980s, NGOs such as the Human Settlements Foundation, Plan International, the People's Organization for Development, the Building Together Association, the Duang Prateep Foundation and the Human Development Centre had been active in addressing the needs of the urban poor, and had demonstrated experiences in community organization, savings and credit groups and housing development. Several community organizations linked together, learning from each other to find new ways of running their own housing development process. The more the communities linked and learned, the more eager they were to take up development strategies that had worked for others.

The general threat of eviction in most urban poor communities was a major factor in bringing together communities to learn how to survive and negotiate and coordinate with others, as well as to search for more secure development options. Before the setting up of the Urban Community Development Office, innovative housing options such as land-sharing⁴ and community-driven housing activities were initiated. These innovative initiatives were organized despite the lack of sufficient formal institutional support which was still based on fairly conventional approaches. But they were important in creating a feeling that change was possible.

By the early 1990s, about 60 community savings and credit groups had been set up in several communities. They had formed community networks such as the Centre of Community Development, the Phra Nakorn Thonburi Community Cooperative and the Development Community Federation. As the community savings and credit organization process became stronger, they developed the confidence and higher managerial capacity to implement several activities, with further support from government and other development professionals. UNICEF had provided small revolving funds (up to

⁴ Angel, Shlomo and Somsook Boonyabanha (1988), "Land sharing as an alternative to eviction: the Bangkok experience", *Third World Planning Review* Vol 10, No 2, May, pages 107-127.

10,000 Baht) to a large number of communities in Bangkok during the 1980s. While some had lapsed, about 30 or 40 continued to be managed successfully by local groups.

In 1988 and 1990, the National Housing Authority had set up housing development funds to provide grants to communities. While these were not successful, the experience with these funds helped establish the need for a new kind of fund. A number of communities and professionals recognized the advantages that a fund could offer and they had knowledge of how they might be run more effectively. This contributed significantly to the setting up of the Fund of the Urban Community Development Office in 1992.

Fifth, as considered by the study team, there were increasing numbers of successful experiences elsewhere in Asia. Programmes such as Grameen Bank in Bangladesh and the Community Mortgage Programme in the Philippines demonstrated that the urban poor were capable of running their own savings groups and development activities, and taking care of the repayment process. The experiences proved that community development through this financial development strategy is viable, potentially leading to effective large-scale development. Field visits by several groups and professionals from the National Housing Authority, National Economic and Social Development Board and various NGOs were organized to facilitate an understanding of these programmes.

Finally, savings and credit groups have also long been introduced in communities in rural areas, both informally and formally. In most of these cases, external capital rather than residents' own savings initiated savings and credit groups. Later, there were organizations such as Village Foundation and credit unions who worked vigorously to promote the idea of savings groups (in some cases with traditional micro-finance techniques) and who gradually gained more and more acceptance from the communities. The movement of *Satcha-omsap*, meaning "savings of truth," emphasizing communities' own savings and credit processes, developed and expanded in the early 1990s. The Rural Development Institute and the Rural Foundation joined the National Housing Authority's study team to provide experience in financial and managerial approaches to addressing the problems of rural development. At the same time, the Community Development Department of the central government began to support similar initiatives in rural areas.

These different influences combined in the early 1990s to provide a powerful impetus to a significant government financial contribution to a new fund that would provide loan capital for housing improvements and income generation, within an institutional structure that would be inclusive of the different interests, consultative with regard to the direction to be taken and supportive of community needs. While these different factors did not define the kind of institution that would be established, together they offered legitimacy to an open process of exploration based around a number of key areas. The major problem was recognized as being the need to find a solution for housing problems in urban areas, especially the problem of eviction. Evictions highlighted ongoing problems in a particularly acute way.

The availability of finance and the recognized need for new systems of governance enabled the setting up of a new institution to address housing issues. The experiences of NGOs, other Asian programmes and Thailand's urban and (particularly) rural communities all suggested that a major thrust of the new institution should be savings and credit. The common perception was that urban communities needed two kinds of support. On the one hand, there was a need for a financial system that was more flexible and more directed to the needs of low-income groups, as they developed enterprises or other income-earning opportunities. On the other, rising inequality, combined with a widespread recognition that the benefits of economic growth should be shared, enabled a strong social development direction to permeate the new institution. The Fund was a response to the large gap that had been created between the formal and informal systems of urban development, designed from the wealth of experiences and potential learned from various initiatives in the 1980s.

II. SETTING UP THE URBAN COMMUNITY DEVELOPMENT OFFICE

a. General approach/development process

As a result of the study team's report, the Urban Community Development Fund was capitalized and the Urban Community Development Office was set up in 1992 to manage it. The Office developed its various processes through trial and error, supporting the active process of reflection and redesign. In 1996, there was a major period of re-conceptualization that sought to reform current practices and systems in order to be more effective. The economic crisis in 1997 profoundly affected communities, with consequences for loan repayments. (While impacts were particularly significant for the middle and upper classes, the scale of the crisis was such that all were affected.) As a result, those involved in the Office agreed to radical changes in operations, using the crisis as an opportunity to rethink urban poverty reduction strategies. This Section outlines the nature of the Office and the programme as it first emerged, and the following Section considers some of the changes that took place in 1997 and more recently.

The Urban Community Development Office was set up as a conscious attempt to take a new approach and develop a new process to address urban poverty. The government granted a revolving fund of 1,250 million Baht through the National Housing Authority to set up a special programme with a new and autonomous unit, the Urban Community Development Office. The programme developed by this Office sought to improve living conditions and increase the organizational capacity of urban poor communities through the promotion of community savings and loan groups and the provision of integrated loans at subsidized interest rates to community organizations. The community organizations then on-lent to their members. From the outset, the Urban Poor Development Fund has been accessible to all urban poor groups who organized themselves to apply for loans for their development projects.

For the urban poor, savings and loan groups offer a simple, direct and uncomplicated way of taking care of their immediate day to day needs. Savings activities become a tool to link poor people within the community. Working together, they can find out how to handle simple basic needs for loans and how to manage more complex development activities that, in turn, strengthen their relations with the formal system of urban development. Savings and credit groups become a significant entry point for a community's own development process, enabling them to come together as a community. The importance of savings is elaborated in Box 1. The Urban Poor Development Fund offered opportunities for communities to obtain additional resources for their own development projects.

Box 1: The significance of savings

There are a number of advantages to community-based savings and loan activities:

First, community savings and loan activities draw people together on a regular and continuous basis. They offer opportunities for members of low-income communities to develop their strengths gradually through making collective decisions about concrete activities that affect the community.

Second, the financial mechanisms are grounded in daily activities; saving and lending are quick, simple and related to the real daily needs of the urban poor – as defined by the poor themselves.

Third, savings and loan activities provide the urban poor with their own resource base to answer their basic needs.

Fourth, as importantly, the process creates ongoing learning within the community about each other's lives, about how to manage together and how to relate to external systems with greater financial strength, in order to achieve more than day to day needs. It is a process that every community member can relate to and which everyone can be involved in controlling. It is a gradual process that provides the community with the capacity and confidence needed for a true and comprehensive self-

development process. Consequently, the poor can enjoy the pride that comes of being the owners of a process, and not merely recipients waiting for benevolence from the outside.

Savings and loan activities are not simply an end in themselves, rather, they are a means to strengthen community processes so that people can work together to achieve their multiple and diverse needs.

Source: Boonyabancha, Soomsok (2001), "Savings and loans: drawing lessons from some experiences in Asia", *Environment&Urbanization* Vol 13, No 2, pages 9–22.

The Urban Community Development Office had five objectives when it was established, and these remain its core objectives:

- To stimulate community savings and loan groups, cooperatives and savings networks.
- To develop managerial and financial management systems of community savings and loan groups, with a learning process and a strengthening of the capacity of group leaders and members.
- To establish community savings and loan groups in order to achieve various development activities such as income generation, housing and environment–development projects, and community welfare.
- To provide various kinds of loans – including those for community revolving funds, income generation and housing improvement – to all urban poor groups who organize themselves to apply for loans for their development projects.
- To promote community action planning for other related activities to be implemented by communities.

The principles adopted to manage these activities are:

- To strengthen local associations, with the understanding that community organizations are key actors in the development of low-income communities.
- To provide integrated loans for development projects, with the understanding that the loan is an instrument of development.
- To stimulate collaboration with other local groups – such as government organizations, NGOs, academia and the business sector – while ensuring that the community organization is at the centre, and with the understanding that people-led partnership is essential to pro-poor development.

Through integrated loans (which could be used for housing, income generation or revolving funds), the Office seeks to strengthen community management capacity and responsibility for their self-determined and self-managed community process. Of the three major types of loans, those for income generation and housing development were more commonplace. The revolving funds loans were more unusual and notable for their flexibility. When communities first start saving, they accumulate capital that they are encouraged to lend to their members. These are small loans that may be used for emergencies (such as a shortage of food, medical needs and school fees) or small income generation activities. Revolving funds loans boost the capital held in community savings funds, enabling groups to better address members' needs for small and immediate financial liquidity. Lending for housing and income generation and to top up community revolving funds enables communities to address their needs through diverse strategies for integrated development. While often the least well-understood type of fund by people outside the Office, revolving loan funds were perhaps the most flexible form of intervention offered by the Office. The community had to expand its collective capacity in finance and in decision-making to successfully manage these monies. Eventually, the revolving fund loans emerged as network loans, offering considerable benefits to the process and reflecting the increased abilities of local groups.

The terms and conditions of each loan are summarized in Table 1, while Table 2 shows how the kinds of loans available by the year 2000 had expanded considerably.

Table 1: The different UCDO loans available from 1992

Type of loan	Purpose of loan	Annual interest rate	Maximum term
Revolving funds	Used as a revolving fund for a savings group	10%	1 year
Income generation	Individual or group business investment	8%	5 years
Housing (project)	Housing project for a community with immediate problems purchasing land and constructing housing	3% for a loan of less than 150,000 Baht; 8% for a loan of between 150,000 and 300,000 Baht*	15 years
Housing (non-project)	For repair and extension of houses and utilities	10%	5 years

*NB: The higher interest rate for larger loans was introduced in 1995 in response to increased requests for housing loans and a fear that low interest rates were encouraging an over-extension of housing-related debts.

Extended community activities particularly relating to the economic crisis in 1997 resulted in an increasing diversification of loans. The Office sought to respond flexibly to people's needs and capacities. By 2000, UCDO had developed a more diversified loan system in response to the increasingly complex forms of social organization and financial mechanisms that it was promoting. Various types of loan from the Fund offer financial resources for numerous development options to be implemented, decided and controlled by community organizations themselves. The various types of loan options are shown in Table 2.

Table 2: The different kinds of UCDO loans in 2000

Type of loan	Annual interest rate (%)*	Maximum term (years)
Revolving funds	10	3
Income generation	8	5
Community enterprise	4	7
Housing improvement	8-10	5-15
Housing project	3-8	15
Network revolving funds	4	5
Revival	1	5
<i>Miyazawa</i> – to reduce community crises and debt	1	5
Guarantee	Fixed rate +2	Flexible

* In most cases, the community will add a margin of about 5 per cent on this rate charged by UCDO.

b. The operation of the loan fund

Any community is eligible to receive any of the loans available, provided the group has a demonstrated financial management capacity through the administration of their own savings and loan activities; all that is needed is to complete a simple loan proposal. Hence, the Fund itself has open procedures, groups are clear about the rules and, once they fulfil the criteria, they can obtain the loans that they need. Once staff learn of the group's needs, they will explore ways of assisting and facilitating community processes. If the loan application procedure is followed, the community may be able to receive the loan within a month.

As the savings groups working with UCDO grew stronger, new options emerged. In recent years, loans and development processes have been implemented through community networks⁵ rather than through the Urban Community Development Office itself. Networks are formed as groups join together because of the benefits of joint learning and action. Each network has its own agenda and way of working together. Networks apply for capital and they distribute the funds to their members, reducing the administrative burden and enabling more localized decision-making that responds to local needs (see Section III for more details). Networks represent a considerable increase in collective community capacity, as leaders adjudicate over competing claims and disputes and, more importantly, make choices about how resources can be used most effectively to address needs. UCDO ensures that funding is available to address all the needs that the network puts forward, while the experience of networks in managing investment and debt means that requests are carefully considered and evaluated. UCDO can rapidly disburse large amounts of money through networks, while these take up the administrative tasks and activities. Perhaps more importantly, when the key node of decision-making is a staff member in UCDO, the process can slow down and become rigid. Networks represent active and ongoing social organizations, and are under continuous pressure from membership organizations. Hence, there is less danger of stagnation and delay.

When the Fund was established, the Board calculated that it could be self-sustaining with an annual average interest rate of 7 per cent. These monies would cover all administrative expenses, including the community development process (an estimated 4 per cent), with a small allowance for inflation (which was relatively low). The setting of terms and conditions for the loan process was immediately a political rather than a technical issue. The idea of a "shared" interest rate, with a proportion remaining with the community organization, had developed during the initial study phase. It had been recognized that a loan process that built capacity within grassroots organizations had significant potential as a development intervention.

Achieving the aggregate figure of 7 per cent return was an objective used to design the interest rate structure for the various loans, considering the amount of capital, repayment period and use made of the loans. Some Board members were anxious that UCDO loans did not undercut existing financial markets. When they understood that the reason why they did not undercut existing financial institutions was because the community itself added to the Office's interest rate, there was discussion about why the Office itself should not benefit from high interest rates. Eventually, the Board agreed that the interest charges would be shared with the savings schemes. These groups (and later the networks) were allowed to add a margin to cover their own costs and to give themselves additional

⁵ "Network" is the closest English word to the Thai term "krua kai". These are, in effect, groups of groups that have come together around common aims – and they can be tightly organized or loose assemblies. They could be a specific taskforce or a national federation. There are networks of communities in the same city or province which use collective strategies to negotiate with city and provincial authorities or to influence planning processes, or who simply work together on specific problems of housing, welfare, livelihoods or access to basic services. There are networks based around occupations (for instance, taxi and tuk tuk cooperatives), pooled savings and cooperative housing. There are also networks based on shared land tenure problems (for instance, networks of communities living under bridges in Bangkok, communities living on Crown Property, along railway tracks and beside canals, who have tenure or landlord problems) who work together to find joint solutions and negotiate together for land rights and entitlements. See *UCDO Update* No 2, October 2000 for more details.

funds either for development costs or for their community welfare fund. The margin or additional rate depends on agreement within the community, and ranges between 2 and 10 per cent.

Community loan proposals are agreed through a recommendation to the managing director for loan approvals of up to 1 million Baht. For loan approvals above this amount, the proposal must go to a loan committee that includes external specialists. Loans above 20 million Baht have to be approved by the Board. After approval has been given, the community and UCDO sign a mutually agreed community development plan, together with a loan contract. After 1998, community networks became stronger and many loans are now made to them for further on-lending. In general, network loans may be up to 5 million Baht.

All committee members are required to sign their names as guarantors to the loan scheme. In housing projects, the land title or housing itself may also be used as collateral.

The community can decide on the amount and period of repayment, provided it does not exceed the maximum terms of payment outlined. Groups may decide to repay daily, weekly, fortnightly or monthly. Communities must make regular loan repayments according to the agreement or by the tenth of every month. Delay or default without reasonable notice will result in a fine. More recently, groups that maintain repayment schedules receive awards and certificates. Network loans have much greater flexibility as repayment schedules may only require repayments to be made every six months. This assists the network in addressing the needs of members and uses experience in the group to support the weaker members.

c. Institutionalized partnership at the highest level

Since its inception in 1992, UCDO has been governed by a Board, with members appointed from various development partners. Unusually, this includes community representatives elected by community members themselves. As such, UCDO is a new kind of Thai institution, one that promotes **institutionalized partnership**. The Board has always had complete power to make all policy decisions, even during the period when it was a special organization under the National Housing Authority. The Board is made up of the following groups:

- four representatives of government organizations (the Bank of Thailand, the Finance Ministry, the National Housing Authority and the National Economic and Social Development Board);
- four elected community leaders; and
- three professionals from NGOs and the private sector.

The Board is chaired by the governor of the National Housing Authority and the UCDO managing director is secretary to the Board.

Through this Board, the process of partnership is embedded within the implementation of the programme. All relevant and concerned groups are represented, with partnership and cooperation being at its very core. Community leaders have equal status with government officials and other development actors, which has profound implications for the entire development process. Having community representatives sitting on the highest policy-making committees has resulted in the very nature of the programme being transparent and participatory. Government committees often operated in secrecy and this is now no longer possible. Through the UCDO, both community and government can become familiar with alternative ways of working. Also generally, in Thailand, the convention is to avoid voting, with decisions for the most part being taken by consensus. Development strategies are now being established with the voice of the poor being included as an equal member of the decision-making group. Various aspects of the successes and failures of these policies are considered when they are revised at Board meetings, and communities at all levels are developing a new understanding and set of expectations.

Another strategy has been to work with as many existing organizations as possible: government, local authorities, NGOs, federations and professionals. All existing organizations were regarded as potential

development partners, to be supported and strengthened through collaboration in implementing the programme. In several cities, there have been attempts to bring together all key stakeholders as an Urban Community Development Committee. A common strategy has been to sub-contract specific activities to NGOs and municipal governments, thereby providing a source of funding to draw them into the programme. All such contractual arrangements have been for a specific period, to avoid their dependency on UCDO and to prevent them taking over the activities of the community itself. However, the experience is that once these groups have been drawn in, they begin to understand the process. Some become committed to this new style of working and look for opportunities to remain involved. A further (and more fundamental) benefit has been the increasing experience of working together by all parties.

The fact that the funds were in the form of a revolving fund allowed greater flexibility in managing a new development process that is being led by people in communities. Communities can access the funds direct, without negotiations with a government department and without a long bureaucratic procedure. This new way of managing the Fund allowed financial resources to be delivered directly to, and managed directly by, communities. Funds were available quickly to support the pace of community-managed development. This offers a new alternative to conventional, expensive, externally managed development for the urban poor, which so often means long delays before funding is available and then a need to spend the money more quickly than community processes require, when it finally arrives.

From the outset, it was agreed that any profit earned on the Fund should help subsidize the administrative and development costs of all activities. As noted above, it was agreed by the Board that the average interest rate (return) should be 7 per cent. The planned division was:

- 4 per cent for administration and development activity costs;
- 1 per cent reserved for bad loans;
- 1 per cent for special community activities; and
- 1 per cent to go back to the Fund.

In reality, the actual average interest gained across lending to savings schemes was only 5 per cent. This shortfall was due to the high percentage of housing loans requested in the initial years, with the interest rate on housing loans being only 3 per cent. However, since only one-third of the total Fund was being lent, the interest earned on the remaining two-thirds on deposit was sufficient to compensate, especially before 1998–1999. Therefore, the annual average interest gained from all the monies in the Fund averaged 7 per cent. At the same time, total expenses for all development activities and management costs of the Urban Community Development Office averaged 3 per cent a year. Therefore, when UCDO merged to become CODI at the end of 2000, the UCDO Fund had grown to about 1,700 million Baht (then worth US\$ 38 million).

As activities developed around the community savings and loan process generated by the Urban Community Development Fund, and when so many community activities and networks emerged and began working actively with other local development actors on a large scale, other agencies chose to support this work with contributions to specific programmes. Since 1996, there have been several joint development projects between UCDO and other development programmes. For example, the DANCED-funded Community Environment Development Activities received a grant of about US\$ 1.3 million to set up the Urban Community Environment Development Fund, and this supported a wide range of community-managed projects for environmental improvement.⁶ Community Welfare Activities also got a boost, as some US\$ 6 million was channelled through UCDO from the World Bank's Social Investment Programme. This emerged from a rescue package offered to the Thai

⁶ For more details, see Boonyabancha, Somsook (1999), "The Urban Community Environmental Activities Project, Thailand", *Environment&Urbanization* Vol 11, No 1, April, pages 101–115; available at www.ingentaselect.com/09562478/v11n1/. DANCED was a Danish government agency Danish Cooperation for Environment and Development.

government in 1998. Some 40,000 households have benefited and about one-third of the money has been used for direct welfare grants, with two-thirds being used for revolving loan funds. The US\$ 6 million supported community-managed revolving funds that acted as safety nets and emergency funds – for instance, to help pay school fees or to support elderly people or those who are sick or unemployed. Funds could be made available as grants, loans or partial loans.

d. Expansion through diversification

In the ten years since it began, UCDO has diversified its activities into a number of new areas. From the outset, there was an understanding that development approaches had to be holistic, however, a number of reasons led to increased diversification. First, the emphasis on partnership and collaboration resulted in many new links. Over the years, some of these links grew into joint activities and then into more formal programmes. Second, the organization was open to suggestions from other groups to explore new initiatives. New programmes were allowed to develop with their own strategies and own approaches, and these became individual “windows” that communities could approach to address specific needs. This allowed new kinds of activities to begin and minimized the risk to existing activities if they did not work. Each new strategy had its own advantages and limitations. Communities could learn what worked for them and why. Third, the multiple needs of urban poor communities meant that there was a constant pressure to expand existing opportunities and a constant interest in exploration. If a formal agency came to UCDO with a new idea, it was possible to link them to communities (and later networks) that wished to work with them.

By the time UCDO merged with the rural fund to become the Community Organization Development Institute in July 2000, it was involved with six major different activities, as described in Box 2.

Box 2: UCDO – new activities, existing needs

Urban Community Environment Activities: Small grant funds for local environmental improvements such as walkways, water supplies, drainage systems, recycling activities, day care centres, tree planting and community playgrounds and recreational spaces. A joint committee of community and local authority representatives administers the grants. It is funded by DANCED (Danish Cooperation for Environment and Development) with the funds passing through UCDO.

Urban Community Development Foundation: An NGO and sister institution to UCDO that helped develop links with other agencies including the United Nations Economic and Social Commission for Asia and the Pacific (UNESCAP) and the Japanese government’s Overseas Economic Cooperation Fund and Japanese International Cooperation Agency (JICA).

Miyazawa Community Revival Loan Fund: This programme assists those savings schemes that faced financial difficulties as a result of the economic crisis. The Japanese government’s aid package to Thailand enables recovery loans charged at 1 per cent per annum, and allows groups to restructure debts and undertake income generation projects. Networks typically on-lend at 5–6 per cent, thereby creating a welfare fund for those facing particularly acute difficulties.

Collaboration with the World Bank Social Investment Fund (SIF Menu 5): After the failure of conventional approaches to ensure the speedy release of funds to those most in need, the Office suggested that the community networks might provide help. After the initial proposals from six networks were accepted, the process went ahead. Resources are allocated as one-off grants to communities for education, welfare (HIV, sick, elderly) and income generation, with community management of the funds and the funds being made available as grants, loans or partial loans. They are designed as temporary measures in response to economic crises. Funding is provided by a World Bank grant.

Community Enterprises: *A number of agreements have emerged between savings groups and private and public agencies. For example, in Bangkok, the Housewives' Savings Group secured a contract to make school uniforms from the Bangkok Metropolitan Authority, and the Community Handicrafts Promotion Centre got a contract to make souvenirs for the Asian Games. Many networks are now buying rice from wholesalers and are on-selling to their members.*

III. FROM CRISES TO OPPORTUNITIES

a. The 1997 crisis

In spite of the activities of UCDO, the problems of poverty resulting from unbalanced economic growth in Thailand continued in the second half of the 1990s. Reviewing the development direction under the Eighth National Social Economic Plan (1997–2001), there was agreement to concentrate more on addressing inequitable development and to reorient the country's development more towards people's needs, social equity and environmental sustainability. The preparatory phase for the new approach in the national plan started to change development thinking prior to 1996, with more people- and community-oriented, holistic approaches that explored localization and integrated forms of development.

In the first half of 1997, Thailand was badly hit by the severe Asian economic crisis, which has had a great impact on all social sectors in the country, especially the middle class. Many private-sector and financial institutions collapsed, causing serious unemployment and widespread reductions in incomes. The urban poor also faced serious problems and, in order to better inform their response, UCDO commissioned a study of the urban poor (Box 3 gives a summary of its findings). According to this survey, conducted in 1998 and covering 130 communities, 64 per cent of the urban poor had less income than in 1997 and increasing debts. Savings activities in many communities also faced crisis and near collapse.

Box 3: Urban poverty in Thailand – 1997 and 1998

A survey undertaken in 1998 covered 5,745 households (26,813 people) in 130 communities. Half were in Bangkok and the rest were drawn from other cities. All were within the lowest 10 per cent income bracket in Thailand. The survey was structured to ensure that it drew from different areas, networks and kinds of community (for instance, covering rental housing and squatters). Among those in the survey, 26 per cent owned their house and land, 26 per cent owned their house and rented land, 19 per cent rented a house or room, and 21 per cent owned their house in a squatter settlement.

- *72 per cent of the sample were wage earners (including factory and construction workers and temporary labourers), 18 per cent were small traders (including more than twice as many women as men), 6 per cent had jobs in the private sector and 7 per cent classified themselves as unemployed;*
- *21 per cent of those working had less work than before the crisis;*
- *64 per cent said their income had fallen between 1997 and 1998;*
- *the average reduction in income was 24 per cent (3,900 Baht per month);*
- *56 per cent said that their income was now insufficient to meet their basic needs and the average shortfall was 3,000 Baht;*
- *55 per cent of households had debts, with the average debt being 72,000 Baht;*
- *average loan repayments per month were 3,800 Baht;*
- *35 per cent of families had borrowed from private money lenders (at an annual interest rate that averaged 180 per cent), 28 per cent from savings groups, 10 per cent from family and*

friends, 10 per cent from cooperatives and 14 per cent from formal sector financial institutions.

However, eviction problems were reduced by the downturn in economic activities. Furthermore, the crisis resulted in new government programmes with new development opportunities in communities on a massive scale. Perhaps most importantly, the crisis provided an opportunity to bring together people to rethink and review the development direction of the country and to recognize the need for structural change in political systems, economic development options and the use of the natural environment.

b. UCDO Responses and the growing importance of networks

Since its inception in July 1992, UCDO has developed links with a wide range of established federations, community organizations, savings groups, NGOs and other government organizations. Campaigns have been organized to stimulate savings and loan activities in as many urban poor communities as possible. From the beginning, UCDO sought to establish a participatory process at the grassroots, to ensure that the urban poor would be involved from the start of all activities. UCDO was anxious that the urban poor perceived the Fund as a “fund of the poor, for the people” to which they wanted to contribute their efforts, rather than a government fund in which case their efforts would be focused on maximizing financial benefits.

By 1997, the operating processes of the Office came under immense pressure during a significant period of adjustment and structural change. The financial difficulties faced by the poor resulted in many loan defaults. Questions were raised about many parts of the process. How could the risks associated with debt be both reduced and better managed? How could local organizations be strengthened so that they could help their members who were facing repayment difficulties? When was lending simply not appropriate? What were the preferred development options of the poor, and how could they identify and realize these options? The questions raised by the crisis resulted in increased pressure for change. As a consequence of changes in urban community development processes supported by the Office, and due to the evident strain within the system, the lending systems were subject to review.

Subsequent changes in operating procedures and development processes mainly came from the creation of community networks within individual cities or across constituencies. There are several reasons for this new emphasis on community networks that reflect both the economic crises in the country and the nature of the development process supported during the first years of the Fund:

1. As savings schemes became stronger, there was increasing emphasis on city development processes linking community groups with local authorities. Groups from the same city who have similar experience and have been active for some years often met at local authority development forums. As local authorities became drawn into the programme, they themselves began to have ideas about how their role might be extended. City-based networks began to develop a life of their own.
2. The savings schemes initiated by UCDO activities were scattered throughout the country. Office staff recognized the need to link communities to share and work together in their constituencies, to be self-supporting and to use self-learning among similar community groups. Staff and communities wished to use the experience and capabilities of the stronger groups to set up and support the new and weaker groups.
3. As noted in Box 3, between 1997 and 1999, the economic crisis significantly affected the urban poor, including their savings and loan groups. The non-repayment rate increased from 1–2 per cent in 1995 to about 7–8 per cent in 1998–1999, and several community savings and credit groups were on the verge of collapse. Stimulated by the need to revive the groups, the whole system of UCDO was reviewed. The fragility and vulnerability of savings groups that lacked sufficient and on-going

horizontal support was clearly realized. It was recognized that there was a need for a mechanism that provided such horizontal support. For debt not to increase vulnerability, it was critical to find ways that transferred repayment responsibilities from individuals to the collective. All this learning and experience led UCDO to explore new directions, to bring groups together through networking and to support networks that could help groups manage debt repayment problems and improve auditing.

4. At the same time, several of the interventions and programmes introduced since 1996 have started to implement the decisions and work of the networks rather than that of single groups. (For example, the community-driven environment and development activities and the community welfare programme.) The new approach has proved to be extremely efficient in communities implementing large numbers of projects in infrastructure, housing–community planning, education, and health and welfare. These projects have identified productive connections and extensions for themselves. As community experiences with networking have increased, so has the demand.

Thus, a very significant aspect of the work of UCDO (and subsequently of CODI) is the linking together of urban poor savings and loan groups in the same city and district, or with similar development issues and common interests, to form many different **community networks**. Networks are organized at various levels – from national, regional, within-city, zonal and district-wide. They are organized around similar interests and problems, such as networks among those sharing the same landlord, those facing eviction, community enterprise sectors and trades, and/or welfare needs. No particular format for community networks has been prescribed, but these have developed according to the interests and capacities of the groups involved, in accordance with their own needs, situations and changing contexts.

The experience of UCDO has been that community networking is a very powerful platform for larger-scale development – a platform that involves a synergy of learning, sharing of experiences, boosting of morale and mutual inspiration. The networks have given urban poor groups enormous confidence. Community networking has emerged at many levels and in many forms, and has become the main **community-led** development mechanism to support a national-scale urban poverty development process that links with existing programmes through the urban poor communities themselves. The networks have also been critical to helping communities manage debt repayment problems, drawing on the Miyazawa Community Revival Loan Fund described in Box 2.

Box 4 offers some examples of networks and the work that they do. Lending is now increasingly to networks who then on-lend to savings schemes, depending on their needs and capacities.

Box 4: Networks – some examples

Bangkok Cooperative Housing Network was set up in October 1994 and now has a membership of 17 groups with over 14,000 households. The network helps housing cooperatives become established, successfully solve their problems and better manage their debts.

Buri Ram Community Network. Buri Ram is a city in the poorest region in Thailand. This network has a membership of 11 groups and 1,000 households. It was set up in 1999 to help groups better manage their debts. A network loan from Miyazawa (at 3 per cent interest a year) has enabled them to relieve the debt problems of their members, to lend to many groups and enable development to start again.

Bangkok Taxi Cooperative Network has 214 taxi drivers as its members (divided into four groups for each of the major Bangkok zones). The network enables members to buy taxis rather than rent them from agents (who end up with most of the profits). Recent activities include a new network-owned petrol station with a repair workshop.

Khon Kaen Community Network is mostly made up of groups who live in squatter settlements and who make their living recycling rubbish in this north-eastern city. The network has built a recycling centre to allow fair prices for recyclers and has put in place a community welfare programme. Its membership includes 21 groups and over 1,200 households.

Chiang Rai Network has received a grant from the Urban Community Environmental Activities Project funded by DANCED to help clean up the lakes and waterways in the city as a public amenity. The Network has also set up a dairy enterprise to receive the milk produced by some of its members. The Network includes 18 groups and almost 1,000 households.

Chiang Mai Network has undertaken environmental and housing activities for its 26 groups and 3,000-plus household membership. This includes dredging canals, protecting historic walls and preventing environmental degradation in and around the canals.

Source: UCDO Update No 2, October 2000.

IV. RESULTS AND IMPACTS FOR HOUSING

Sections II and III have described the development of UCDO and its activities. Returning to the theme of housing, what has been learnt from UCDO's experiences? This Section explores housing activities that have been supported by the Fund, with a general introduction that summarizes the broader impacts in low-income communities.

a. General impacts on urban poor community development

At the time of the creation of CODI in October 2000, the total amount of the Fund had increased by 36 per cent and activities were taking place in 53 provinces (out of 75) throughout the country. Nine hundred and fifty community savings groups had been established (out of 2,000 urban communities in the country) and more than 100 community networks set up. There are also further networks representing non-settlements-based interest groups. Community networks have now been accepted as an important development mechanism by most formal development agencies in the country.

More than 1,000 million Baht has been provided as various kinds of loans and more than half of the loans have already been fully repaid. Community savings now total more than 500 million Baht. These community-owned savings are being used as rapid release revolving funds circulating among community members. Informal estimates suggest that the assets generated within communities as a result of these savings and loan processes equal 2,000 million Baht. In 1999–2000, a review of the Miyazawa loans to community networks (that had been provided to reduce the effects of the economic crisis) found that about half of the 240 million Baht lent to communities was being used to repay debts to informal money lenders. Typically, these money lenders charged interest rates of between 10–20 per cent a month. Under such conditions, it was almost impossible for borrowers ever to repay the capital. Instead, they had to keep on making repayments to cover the interest charges. The use of Miyazawa loans to reduce the debt burden had immediate and significant impacts. Most networks on-lent the funds to savings schemes at 5 per cent a year. Debts suddenly became affordable and repayments to savings schemes were made on time. With repayments, savings schemes' revolving funds were re-capitalized and could start to offer emergency loans to members. The local development process was re-ignited.

As a result of controlling their own resource base, of links with other groups and support from the official government office of UCDO, communities have developed the confidence to implement their own self-managed activities to directly address their own insecure conditions. With a stronger financial base and greater confidence in their own development capacity, several communities have been able to develop community enterprises, with collective investments in many activities. Several

communities have formed groups that contract for work together, for example, in the construction sector with contracts from private and public companies, producing school uniforms under municipal contracts, and the ownership and management of petrol stations by taxi driver cooperatives.

As part of a much wider set of development activities, housing strategies have developed. Finance was available to respond to the diverse and particular needs and opportunities of communities. Initiatives include buying existing urban poor community land, resettling on land close to former locations following eviction, improving housing in situ and repairing housing after a crisis. The extremely local nature of networks has meant that they can respond appropriately to need and opportunity regardless of how unusual or fragmented that need. For example, some private landowners were only prepared to sell four or five of the 100 plots they owned. Networks found it easy to respond to the opportunities identified by members of savings schemes, whereas conventional agencies would have struggled to achieve similar levels of flexibility.

As community network processes have grown stronger, several city-wide housing development activities have been introduced, including in the cities of Nakornsawan, Ayuthaya, Uttaradit and Chiangmai. This is an exciting new direction in which local community networks work together with the city authorities to develop city-wide plans that provide secure land and housing for all the existing urban poor communities in the city. Some cities have great potential for stronger links to be forged between community networks, local government agencies and other civic groups to work on broader city development issues such as planning, the environment and solid waste management within broader city development programmes such as the Healthy and/or Liveable Cities Programme (see Box 5). The way in which UCDO works in practice is illustrated by the experiences in Uttaradit, a city of 46,000 in the north of Thailand.

Box 5: Addressing housing needs in the city

Several years ago, savings schemes in Uttaradit began to borrow money to improve their situation. One leader in the Jarern Dharm community had problems with repayments. UCDO staff sought to help resolve this problem. On one trip, the team took a walk around the city and found a large number of squatters living along the canal edge. The squatters had built their homes of wooden structures over the water, the only place where they were allowed to stay. Many of the houses were of poor quality and infrastructure was virtually non-existent. At the time, the people were not part of a savings scheme but, as a result of this visit, they began to start saving and within a short time there was a network of savings groups.

Together with two young architects, the community undertook a survey of all the settlements and discovered that there were 1,000 families in the city with housing problems. In Jarern Dharm itself, there were 30 families living over the canal in acute need of better housing. A local temple offered a long-term resettlement area at a nominal rent and a plan was made for relocation. But there were delays in securing the agreement of different families and it was decided to go ahead with a partial solution for eight families. With the help of the architects, the families considered their options. To attract the interest and commitment of residents, it was decided to build a life-size model house. Within days of the model being started, families were actively engaged in the process. The final agreed house model measured 42 square metres and consisted of a steel frame with masonry walls and asbestos roof sheets. The ground floor measured 30 square metres and a loft area offered an extra 12 square metres.

The community received a loan of 324,000 Baht and the total cost of each house was 40,500 Baht. The loan repayments worked out at just 15 Baht a day (or 450 Baht a month).

The two processes – the house construction and the city-wide survey of low-income settlements – have opened up many processes in the city. The mayor is supporting a process of urban redevelopment around the idea of “Liveable Cities for All”. (Liveable Cities for All is one of the objectives of the

Ninth National Plan.) Further activities are already planned in three other communities, Kasem Raat, Long Raw Paw Chaw and Boong Kook. Within the wider programme of Liveable Cities for All, parks and environmental improvements, together with income generation activities, are also planned and there is renewed interest in the city's history and culture.

Most of the community networks have developed their own community welfare programmes. These act as flexible, local safety nets as small sums can be made available very rapidly in response to particular needs or opportunities. These also help to take care of the more vulnerable groups in their own settlements – for instance, those who fall sick and the elderly. The existence of these welfare funds allows communities to help each other in such a way that isolated problems become a communal shared responsibility. They also provide security to community members who have never had any form of welfare protection in the past.

In several cities, urban community development forums have developed as a collaborative platform for communities and other development actors working together at city level. Many formal development programmes have formalized partnership, with community representatives sitting on the highest-level committees. Such committees may be concerned with the general development of low-income settlements or with aspects such as health or housing. Increasingly, a culture and belief is developing that communities of the poor should be key development actors and should participate in decisions that relate to their lives. Increasingly, local authorities are assuming a culture of “inclusion”.

The combined work of the networks and of UCDO brought about changes in the ways that development institutions operate. Most development institutions – whether local, national or international – say that they are in favour of decentralization and participation, but the way in which they set up their institutional systems and the way they plan, administer and implement their programmes are mostly in complete contradiction to their stated preferences. This new approach has helped demonstrate new development possibilities, in which communities are prime actors. As a consequence, it has allowed much broader and more sustainable impacts. The process demonstrates the strength and power of horizontal development versus the traditional, expensive and often unsustainable hierarchic vertical system.

b. Impacts on low-income housing development

At the outset, the Board decided on the various types of loan, together with terms and conditions and the distribution of the total Fund between lending types.

One of the constant debates within government is with regard to the role of housing in development and the interest rate that should be charged for housing loans. Officials and representatives from government organizations reasoned that UCDO loans were similar to social investment funds and were not large enough to address housing problems. In addition, they argued that low interest rates would lead communities astray, encouraging them to apply for housing loans which, in their view, was not a productive investment. They therefore proposed high interest rates to prevent the problem. But community representatives argued that community organizations had sufficient managerial capacity to implement their own development, especially with respect to something as important as housing. The urgent needs of communities for more secure housing, especially for those facing eviction, meant that housing loans were more, rather than less, necessary. They proposed lower interest rates for housing loans, both because larger loans were needed and because housing development is a basic need and long-term asset. Higher interest rates would make loan repayments unaffordable.

After intense community representative lobbying, the Board decided that the interest rate for housing should be 3 per cent a year. They also restricted housing loans to not more than 30 per cent of the total Fund (in order to maintain a higher overall return on capital and to reduce the risk of communities over-extending their housing debts). In April 1993, housing loans were sub-divided into housing (project), with an annual 3 per cent interest rate, and housing (non-project) i.e. housing improvement,

with an annual 10 per cent interest rate. The reasoning was that housing projects were used in emergency situations, when a community was being evicted. By necessity, costs were high as they involved land purchase and reconstruction. Only in these cases could an interest rate subsidy be justified. Communities that simply wished to improve their housing while remaining on their existing site should do so incrementally through housing improvement loans. (Further details of housing loans are given in the Appendix.)

The argument over housing loans took place as UCDO was first starting its work. In retrospect, it was an important debate because it demonstrated the responsiveness of the Board to community perspectives. The community members felt responsible for the decision that was taken and became actively engaged in decision-making as the Office's systems began to emerge. This was an early breakthrough in changing community perspectives; through this process, community representatives grew in confidence. At the same time, those inside and outside of UCDO began to recognize that this was a process that was different from previous housing programmes because the urban poor themselves were involved in decision-making.

c. Housing projects

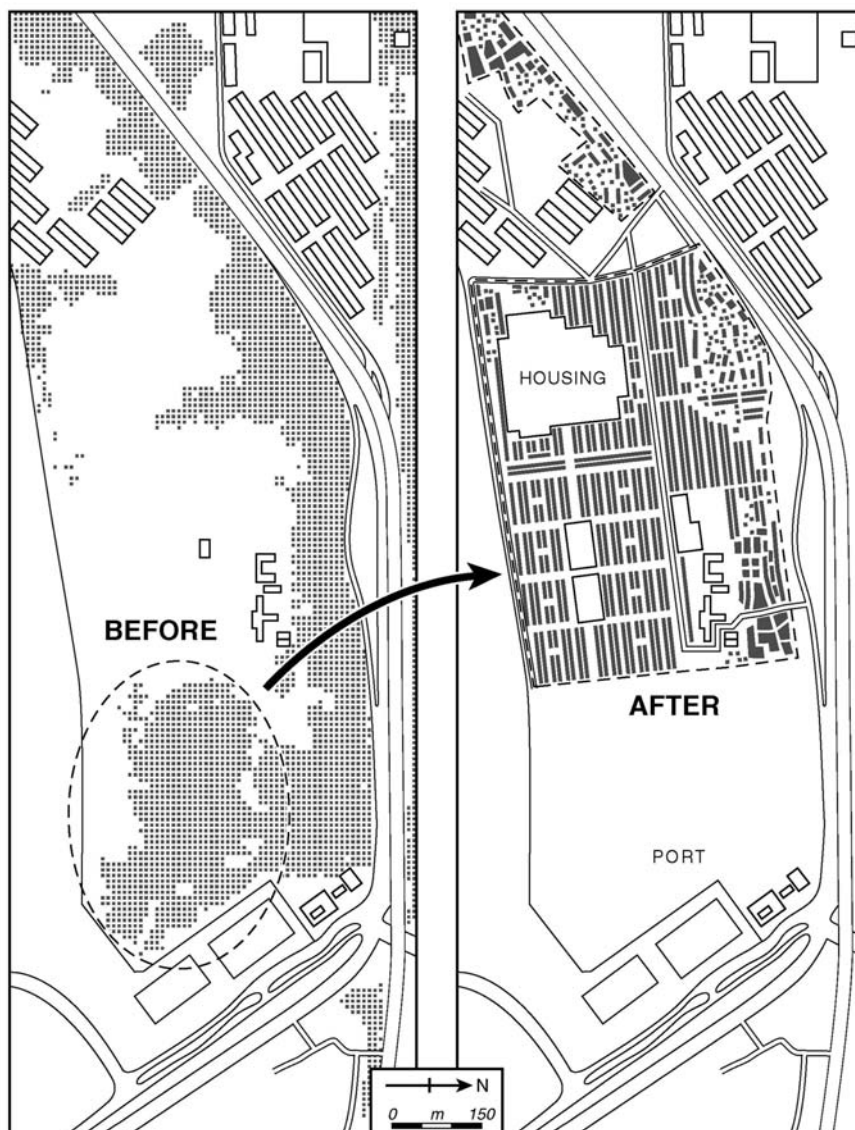
1. **Buying slum land (private) on sites already occupied, or land close by, or land-sharing (eight projects):** This type of project is small, with individual loan applications consisting of between 5 and 58 families. Those assisted are mostly people living on private land that the owner wishes to sell. Sites are generally small but close to the city centre. Land may be purchased by community cooperatives close to their existing sites, such as the Watt Chan cooperatives housing community or the Credit Unions cooperatives housing community behind the Manankasila House (both these settlements are in Bangkok). In some cases, the community may build the houses themselves, re-using materials from their former houses. The type of loan provided for these improvements are non-project housing loans.
2. **Relocation (20 projects):** Projects vary in size between 41 and 540 families. This includes communities living on public or privately owned land whose lease contracts have been terminated, or who are squatters facing eviction. Most involve a single community, but the larger projects with more than 100 families may include residents from up to ten communities. The organizations in charge of these projects are community organizations and community networks. For example, in Thonburi, 56 households bought land and designed two-storey houses. The cost was 323,000 Baht per household and infrastructure was provided free of charge by the National Housing Authority. Many communities have managed to find lower-cost alternatives.

Table 3: The different kinds of UCDO supported housing projects

Type of project	Number of projects	Number of communities	Families		Loans	
			Number	%	Million Baht	%
Buying existing land or land close to former locations	8	7	229	7.3	43.176	12.6
Relocation	20	45	2,713	87.0	257.153	74.9
Housing construction on leased land or NHA land	5	5	240	7.7	27.544	8.0
Infrastructure improvement	4	-	-	-	15.456	4.5
Total	37	57	3,182	100	343.239	100

Figure 1: Example of resettlement near to a former ‘slum’

The figure below shows how the communities in a former Klongtoey slum moved to the land site nearby where they have security of tenure.



3. **House construction on leased land or National Housing Authority resettlement projects (five projects):** This group includes a number of different types of loans. Houses may be constructed on new sites and services that have been developed by the National Housing Authority.
4. **Infrastructure improvement:** The first priority for most communities is to acquire land. Infrastructure improvements require additional funds. In some projects, infrastructure costs are relatively high, since one reason why the land is affordable is that it has poor infrastructure provision. With support from the National Housing Authority, some projects were able to secure a grant of 18,000 Baht per family as a further public subsidy for infrastructure improvements. Most groups expected to receive a subsidy for infrastructure improvements,

but if they were unable to get one, they took out a loan. However, invariably, the loan was only for minimal works in anticipation that a subsidy would be forthcoming, at a later date.

Loans are also provided for improving housing – but where land tenure is not changed.

Most UCDO housing loans have been used to support community relocation projects. The share of finance to purchase land in the city is disproportionately high compared to the number of people helped due to the high price of land in these locations. With regard to location, 31 per cent of projects have been located 10–20 kilometres from the city centre, with 27 per cent of projects 30–40 kilometres from the city centre. Forty per cent of the projects are relatively small, with 50 or fewer households receiving assistance. (Some of these settlements may be larger than 50 households but only some residents may receive loans.) The largest project included 540 plots, the smallest only six plots. The average plot size per family is approximately 80 square metres. The smallest plot was 20 square metres; larger plots are possible outside of Bangkok where the cost of land is lower.

Comparing the cost of land and infrastructure by plot, the average cost has been 100,000–150,000 Baht. New land has cost less than existing land, as generally it has been more remote. But once the cost of landfill has been taken into account, the cost of new land is similar to that of existing sites.

d. Additional management cost and repayment process by the community

Most of the organizations that provide loans add a margin of 5 per cent to the rate charged, resulting in an average rate for the final borrower of 8 per cent; some groups add only 4 per cent with a consequent smaller final interest rate. The highest rate charged to borrowers (by one group) is 10 per cent.

For monthly repayment processes (land repayment only), 40 per cent of communities repaid less than 1,000 Baht monthly and another 27 per cent repaid between 1,000–1,490 Baht monthly.

Table 4: Repayment table (land only)

Monthly repayment	Projects	Percentage of total borrowers	Remark
Less than 1,000 Baht	12	40	the lowest was 592 Baht the highest was 2,930 Baht
1,000–1,499 Baht	8	26.6	
1,500–1,999 Baht	2	6.6	
2,000 Baht up	3	10	
Varied	5	16.6	
Total	30	100	

e. What are the impacts from UCDO housing development activities?

A household survey of 249 housing project participants (from a total potential population of 1,323) was compiled in 1996 to provide a preliminary analysis of experiences. Box 6 summarizes the information gathered.

Box 6: Participants in housing projects (UCDO)

- *83 per cent of those interviewed were from urban poor communities; 10 per cent used to live in urban poor communities but had moved out prior to joining the project although they still retained membership of the group; 7 per cent came from outside the urban poor settlements and may be related to members.*
- *The average household size was 4.3.*

- *Prior to joining the project, 72 per cent owned their houses and 23 per cent rented a house or room.*
- *54 per cent had rented land and 43 per cent had squatted.*
- *31 per cent were small traders, 21 per cent had their own business (taxi drivers, construction workers, clothes producers), 12 per cent were labourers and 11 per cent factory workers.*
- *The average household income was 14,767.6 Baht.* Sixty per cent earned more than 10,000 Baht per month and 40 per cent earned less than 10,000 Baht per month.*
- *Housing expenditure prior to joining the project was as follows: 42 per cent had no fixed expenditure on land and house rent, 18 per cent paid less than 100 Baht per month, 17 per cent paid between 100–500 Baht per month and 15 per cent paid more than 1,000 Baht per month. The average expenditure on infrastructure for households with no fixed housing/land expenditure was 736.5 Baht per month.*
- *The average cost of travelling to work and school was 1,615.2 Baht per month.*

**The urban poverty line in 1996 was 9,356.8 Baht per month*

The 1996 survey was important for UCDO and led to changes within the organization. If people are facing eviction, the obvious response is to find and purchase land, but if the purchased land is too far out or too far from the inhabitants' employment locations, this leads to many problems. The survey found that 71 per cent of those in relocation projects had been unable to relocate to the new area. In general, only those with immediate eviction problems had moved. Twenty-nine per cent of those who had taken part in buying existing land had already settled. Since the majority of those in relocation projects had not yet relocated, the impact of this activity has been less effective in comparison with other strategies. Most of the communities remaining on their original sites were satisfied at having secure land ownership without having to change jobs or find new schools for their children. Several households had started small home-based enterprises of their own such as producing clothes and selling food and other products, using their own savings, the revolving loan fund of the community and UCDO loans.

But for those who relocated (often because they had no possibility of remaining where they were living), the situation had been more difficult. Despite being satisfied at having secure land tenure, the experience is that conditions on the new lands were unsatisfactory in terms of infrastructure and community development processes. The new sites were on the periphery of the city and journey-to-work times had lengthened, with additional travelling expenses. Some people had rented a room close to their original job or stayed with relatives in the city. Total expenses can be high when new housing had to be paid for as well as additional rented accommodation. The 1996 survey showed that 49 per cent of those who were planning to relocate but who had not yet done so paid 1,001–2,000 Baht per month in housing expenditure; however, 61 per cent of those who had already relocated were paying more than 4,001 Baht per month for land, housing, infrastructure and travelling expenses. This analysis suggested that the financial implications of relocation needed to be more carefully understood.

Another issue raised at this time was that some residents who had secure land tenure had started to pay less attention to community activities. Most participants take part in choosing the land and in deciding on plot specification, relocation plans, membership rules and cooperative regulations. However, after land has been secured and housing construction completed, levels of community participation decrease. In part, this problem exists because only some of the participants have been relocated and there is not yet a developed community. For those who have relocated, being situated on a remote site makes it harder to link with other development processes and this prevents possible learning and sharing between groups. However, in well-established projects with secure land ownership, the level of community participation has also decreased. The community ties that developed in their former site to help cope with the insecurity are no longer there. As houses are built, groups can become inward-looking and it is hard for them to maintain the same level of commitment to other activities.

Regarding savings performance, fixed repayments and increases in housing and travelling costs made it difficult for communities to save. As a result, savings groups found it difficult to provide their members with additional loans for housing and some had to apply for “non-project” housing loans. Designed to fund small-scale housing improvements, these loans attract a higher interest rate. In some cases, this compounded problems, with additional debt management issues.

Regarding repayments, in the first two or three years following loan release, 76 per cent of repayments were punctual, another 6 per cent were occasionally late and 18 per cent were missed frequently. In general, those people with problems were those who were attracted by the prospect of housing and who over-extended themselves. With increased unemployment, they were unable to maintain the previous rate of repayment.

In 1997, most housing projects were affected significantly by the economic crisis. The cases where large extended families had purchased more than one plot were particularly difficult. Some members considered selling their plots back to the cooperative in order to get the money they needed to pay their debts. Some moved back to their former insecure settlements or to others close by. For these families, the scale of debt was simply too great to manage in a situation of falling incomes. Local savings schemes were not strong enough to support them through these difficulties and, in some cases, they lost most of their assets. At the same time, there was a growing number of empty plots in the housing projects, with subsequent additional difficulties in managing collective loan repayments. A survey in 1998 identified 944 empty plots in housing projects, 25 per cent of the total number of new plots that had been created. In order to solve this problem, UCDO considered allowing cooperatives to find new members who could take over the land and debt burden from the former owner. The viability of the group was at risk because of the inability of the community to support the more vulnerable members. While this problem still exists to some extent, it is considerably less prevalent than during the economic crisis of the late 1990s. The growing strength of the networks has helped considerably, as groups can benefit from earlier experiences and be warned about the risks they are taking.

Communities that had taken loans for both land purchase and housing construction also faced repayment problems. Although the Office had a maximum loan size of 300,000 Baht per family, some communities obtained additional loans from other sources in order to increase their building capacity. Since 1997, many of these communities have struggled to cope with multiple debts.

There is a definite benefit from the introduction of new funding opportunities. New funds help communities to start again, put their problems behind them and move forward. Stagnant leadership is removed in favour of new and more energetic leaders. Old problems are looked at afresh and new solutions proposed. On the more positive side, some of the benefits of housing projects can be seen in the experience of groups such as Wat Chan cooperatives and Phra Nakhorn Thonburi community cooperatives.

The growing role of networks in housing has been particularly important. There are a number of different kinds of arrangements in housing projects. There are those consisting of one organization made up of one or two communities (settlements); then there are community organizations with multiple communities; and finally, there are housing projects managed by networks in the same city or of the same interest group. The majority of these organizations have immense experience in community and housing development processes, including responding to eviction problems, negotiating for compensation, coordinating with government agencies responsible for land and infrastructure development, sub-dividing land in informal and poorly divided areas, planning housing construction, financial management, conflict resolution, and dealing with policy at a national level relating to squatting, land issues and eviction.

f. The growing role of community networks

Most of the community organizations have strengthened their own development capacity through housing development projects. They have developed links with several other development actors and local authorities such as the National Housing Authority, the Bangkok Metropolitan Authority and many municipalities in activities such as infrastructure improvement, income generation and urban community environment activities.

The emergence of city-level housing activities came about to support communities in developing land and housing. UCDO found that providing housing loans to needy communities without creating links that enable communities to support each other and learn from each other presented many problems. Urban land that has been settled by low-income families, and the associated housing development process, can pose difficulties for the communities because this is a complicated process that needs connection to and negotiation with the formal system – for instance, regarding tenure, land subdivision and house construction. It may be difficult to find a totally legal solution. Communities struggle to merge the informality of their previous lives with the formality that is now required. No single community can achieve their housing development process without support. Each community needs allies from which to learn and gain strength to negotiate with government authorities. UCDO's early experience showed that isolated communities face many problems. Residents may choose not to relocate because of the distance this creates between their homes and their sources of employment. In addition, isolated development can encourage speculation, with community leaders becoming land agents; it also creates more problems for other communities without secure land tenure, as some of the difficulties are evident to all. While the presence of communities as a new agent in land acquisition and development was an important step forward, the problems were also evident.

Community networks emerged as a solution to the difficulties faced by isolated and atomised communities. In a first stage, networks began to offer communities a chance to help themselves and to help each other. In UCDO's initial years, loans were offered as a solution to communities under threat of eviction. Community networking at city level helped to extend the scope of community housing development. These networks encouraged communities in the same city to broaden their understanding of the situation and extend their vision, so as to link immediate problems with structural issues of land and urban management. At the same time, the networks strengthened communities' negotiating power with city authorities. Networks create permanent forums on housing and land at the city level.. Loans to support relocation are no longer seen as the only solution to eviction threats. In many cases, the networks support communities in exploring alternatives with their landowners.

Community networks in several cities thus began to link and learn and plan housing development activities together at city or district level. Networks have linked similar communities, such as the canal-side community network, the railway community network and the Rama III community network (related to communities affected by major road construction).

Communities have found that solidarity is an alternative strategy to reducing their vulnerability, and one that may be more effective than loan capital. Community networks are now engaged with government agencies and other actors at the city level, with solutions to problems being negotiated and developed in a more proactive way. Thus, the key change is from seeing the Fund as the solution to housing and land problems to recognizing the need for the Fund to support community networks that change the way that cities are planned and managed.

In the past, the Bangkok Metropolitan Authority and other local authorities involved in the housing development process had done little to address housing problems, due to their limited resources and limited understanding. But once communities started developing their initiatives in housing development activities and once they had their own financial resources (mainly from UCDO loans),

many local authorities started to develop partnerships with communities and become involved in community housing development processes.⁷

V. EXPANSION, FOLLOW-UP AND THE TRANSITION TO CODI

a. Moving beyond housing

Despite the focus on housing and the high percentage of initial lending allocated to it, it might be argued that UCDO did relatively little to address housing need in Thailand. It is estimated that 100,000 families are living in insecure or otherwise sub-standard accommodation. Of those, only several thousand have improved their housing directly through their affiliation with UCDO. UCDO ended up supporting much more than housing – building communities and community networks, building economic activities, supporting savings, and supporting community capacity with regard to welfare. Nevertheless, housing improvements were a major reason why urban poor communities developed links with UCDO.

The experience within UCDO (and in other nations) suggests that savings and loan groups and networking activities are an education process for the communities. They start to realize that they can improve their lives in many ways, and housing may not be the main priority. While security of land tenure is critical for those facing eviction, it may make little sense to other communities.

Households participate in all kinds of different strategies to secure their housing without taking loans. For instance, over the last ten years, some communities negotiated for secure land tenure, some reached an agreement to vacate half the land in return for permission to stay on the remaining part (land-sharing), and some took an income generation loan – improving their houses incrementally as incomes increased whilst keeping debts (and debt repayments) low. Some households purchased land outside of their existing settlements in rural areas, in order to reduce the uncertainty associated with squatting, while maintaining a prime city centre location. Some completed environmental improvements, including upgrading and painting their houses, to reduce public pressure on the local authority to remove them.

Paradoxically, many of the groups who joined in order to take housing loans found alternative strategies that offered more secure and better standards of accommodation without increasing their debt burden. The processes of reorganization prompted by the economic crisis of 1997 have further increased such strategies. Community leaders realized that the management of debt is not an easy process. Households themselves became more cautious about increasing their vulnerability and taking financial risks.

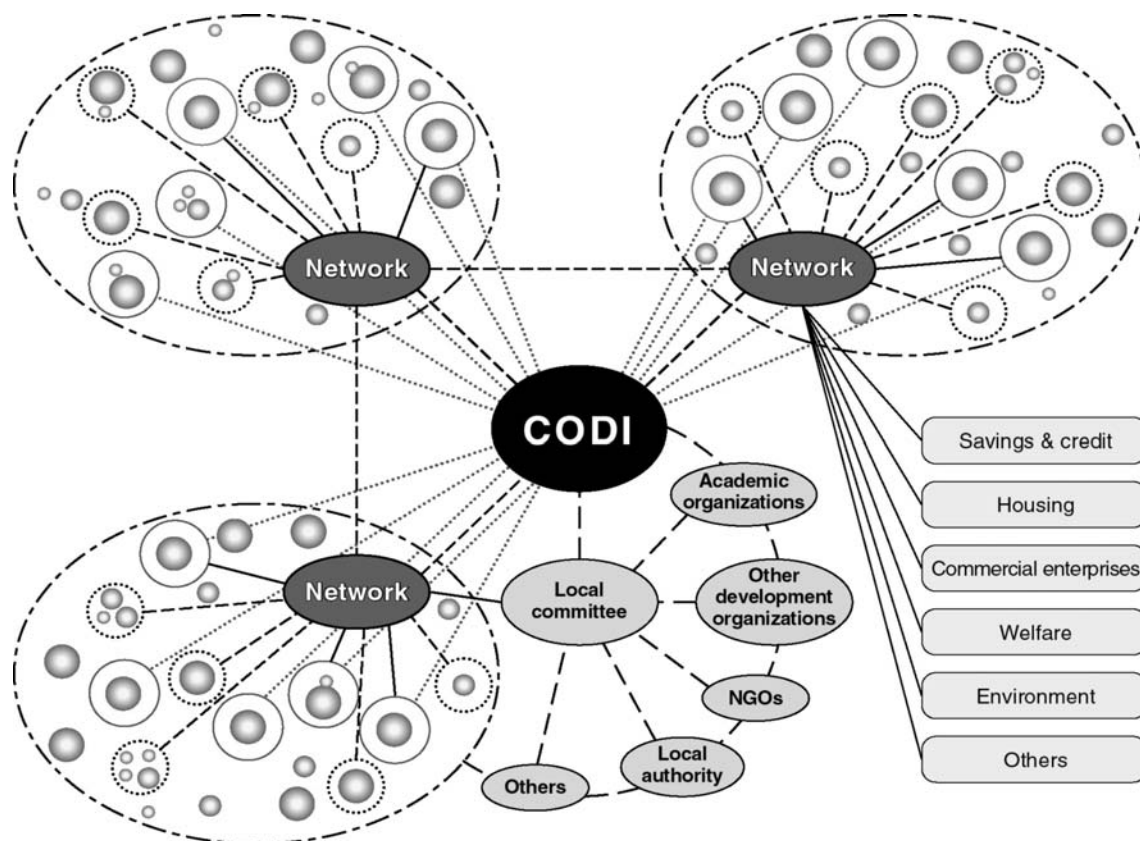
b. New programmes and directions

- In 2000, UCDO officially merged with a Rural Development Fund to become a new public organization called the Community Organizations Development Institute (CODI). The royal decree which brought UCDO into existence allows developments launched under UCDO to continue, but enabled important changes in how the organization functions and how it relates to the low-income community organizations that it supports. The decree means that CODI itself has its own legal entity as a public organization, providing greater possibilities, additional flexibility, wider linkages and expanded possibilities for collaboration between urban and rural groups. CODI can also apply to the annual government budget directly, so that additional finance can be raised to

⁷ In 1998, the Bangkok Metropolitan Authority (BMA) set up its own housing fund, which was similar to the UCDO housing fund in both scope and operating system, to support the urban poor in Bangkok who had eviction problems. However, the BMA housing fund did not last long due to financial and managerial problems. These experiences showed that setting up and managing a fund is not an easy job.

support low-income communities. The emphasis on decentralizing to communities and community networks developed by UCDO will continue. Box 7 lists CODI's main strategies while Figure 2 illustrates the ways in which CODI helps link groups together.

Figure 2: How CODI links groups together



Box 7: CODI's main strategies:

- To support and enhance the role of community organizations and of local mechanisms in development.
- To emphasize the role of community organizations as the core of the development process.
- To coordinate the efforts of civil society and their partners.
- To develop the learning process, body of knowledge and information technology systems.
- To promote community financial institutions and the community-oriented economy.
- To build and develop the loan system as a tool for development.
- To improve the efficiency and transparency of CODI's management systems to allow partners to participate and engage in its activities.

With regard to its credit and loan facilities:

- To support integrated loan packages used by community organizations and networks to improve their members' quality of life.
- To develop the community financial and savings system that enables the self-reliance of community members.

To promote community businesses and link the production, processing and marketing functions between community businesses.

CODI's Board, like that of UCDO, includes representatives from poor communities, government and outside organizations. CODI's 11-member Board of Directors has one chairperson, four representatives from government organizations, three community organization representatives and two specialists/experts. CODI's director serves as the secretary of the Board.

CODI manages various funds for the development of the community organizations in rural and urban areas. The amount totals 3.3 billion Baht and includes the following:

- 1,700 million Baht from Urban Community Development Office Fund
- 747.5 million Baht from Rural Development Loan Project
- 247.6 million Baht from the Miyazawa Fund
- 80 million Baht from the New Elderly Welfare Project
- 500 million Baht from New Government Support for the Urban and Rural Community Organization Empowerment Project

The transition from UCDO to CODI has meant that, as well as adding the management of the Rural Fund to the other funds it manages, CODI also has responsibility for managing a new Elderly Welfare Fund that supports older citizens in various community networks to link together, determine what they would like to do as a group, and then design and implement their own welfare and development programmes.⁸ CODI also added a new mixed fund to the other funds it inherited from UCDO, which is used to support community networks. This has provided support for provincial linking grants (to allow rural and urban groups in each province to meet, exchange experiences and develop plans), for small grants for network-based projects, for loans to networks and for partnership grants (to support joint projects by communities, civic groups and NGOs).

In 2003, the Thai government approved a national community upgrading programme that will support 200 "cities without slums" programmes. CODI will support this, helping local networks and actors to develop these. Upgrading programmes on this scale are only possible if the "infrastructure" of community processes and networks and their savings schemes are in place. CODI's work has also expanded greatly in comparison to UCDO, as it supports and works with 30,000 communities and their community networks in rural areas. CODI can also support links between rural and urban enterprises, communities and networks. This also allows it to move beyond the artificial division between "rural" and "urban", including working with communities on the fringes of cities that have both rural and urban characteristics.

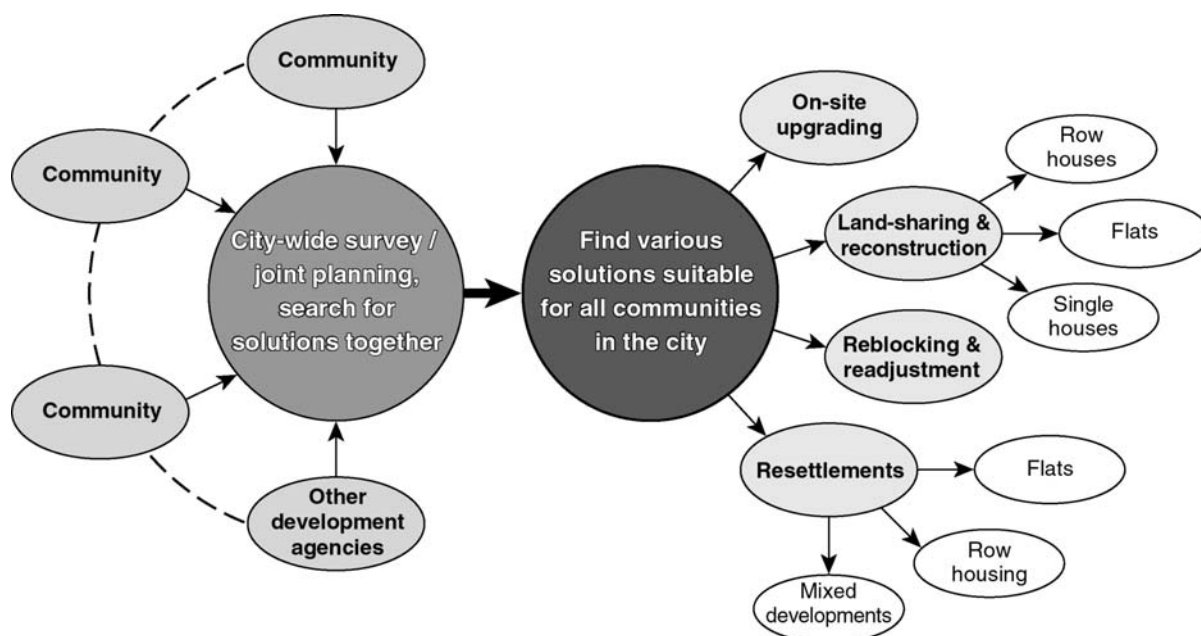
During 2003, CODI's work will include the *Baan Mankong* programme to address land and housing problems in ten overcrowded pilot communities and 20 city-wide processes to support cities without slums. The budget for this is 126.6 million Baht with an infrastructure subsidy of up to 20,000 Baht per family for on-site upgrading and up to 100,000 Baht per family for resettlement and with support for housing loans provided at 1 percent interest. A further 20 million Baht is to support the city-wide processes in the 20 cities. Figure 3 illustrates the different groups that work together in such city-wide processes.

⁸ For more details, see the February 2002 issue of *Housing by People in Asia* published by the Asian Coalition for Housing Rights (on community funds).

c. Expanding the experiences of community development finance to other countries in the region

Because of the close collaboration and mutual learning among groups in different countries in Asia and Africa, as facilitated by the Asian Coalition for Housing Rights and Shack Dwellers International, the experience of UCDO has been widely disseminated to several other countries. Countries such as Cambodia, Laos, Vietnam, India and South Africa have been able to learn about the role of community development funds. Many of these groups in other countries have developed similar models, such as the Urban Poor Development Fund (UPDF) in Phnom Penh, the Pak Ngum Community Development Fund in Vientiane, Community Development Funds in five provincial cities in Vietnam, the Payatas Urban Poor Development Fund in the Philippines, the *u Tshani* Fund in South Africa, the Windhoek Urban Poor Development Fund in Namibia and the Gungano Fund in Zimbabwe.⁹ Extensive exchange visits between groups in Asia have been organized to facilitate and broaden experiences. Many of these funds place a major emphasis on housing and secure land tenure, while also lending for enterprise and community activities.

Figure 3: The process and the linkages for a city-wide housing development partnership



d. Institutionalizing links between urban and rural community development

The creation of CODI has brought about considerable changes to the former UCDO structure. Many decisions have been decentralized to the regions (which include a number of provinces) and each region will have a management committee made up of community leaders and other development groups to direct activities in that region. In each province, there will be provincial development committees selected from various community networks in the province to direct development.

The experience of UCDO and then of CODI has shown that it is possible to alter the delivery of development so that the outcomes are more favourable to the poor. What are the lessons with respect to how this can be achieved? What this experience shows above all is that there is a need to support the poor themselves in becoming key players in the development process. The poor must be involved

⁹ See the February 2002 issue of *Housing by People in Asia* published by the Asian Coalition for Housing Rights (on community funds); see also *Environment&Urbanization* Vol 13, No 2, 2001.

in decision-making, must be able to own the decisions that are taken and must be in control of the activities that follow.

Savings and loan activities are important because, together, they build community management capacity. The capacity of a community to determine its priorities, transparently manage finance, negotiate with other powerful local groups, plan and reformulate its strategies – all are essential attributes of an empowered community. Collectively organized savings activities help by strengthening the links between community residents and helping to ensure leaders are accountable to local members. Collectively managed loan repayments help the community to assess the financial investments that they wish to make and help to ensure that finances are not managed by a group living outside the community. What has also emerged from these experiences is that loan management helps networks of communities understand when accumulating debt is a necessary burden for a community and when it is best avoided. Together, savings and loan activities help communities to prioritize, manage and implement development.

As important as savings and loan activities is community-learning. In the processes relating to UCDO and to CODI, community-learning takes its concrete form through collective engagement in implementation and through community exchanges. Learning cannot be abstract if it is to involve the poor. Rather, it needs to be related in a concrete way to project-level activities. Exchanges help the analysis of experience and the modification of plans.

Projects cannot be an end in themselves but need to be integrated into a more comprehensive plan that is driven by the poor. Conventional development systems and processes are not designed for the conditions of the poor nor are they appropriate to the needs of the poor. The problems when the poor try to fit into these systems are considerable. What is required is that the poor determine the conditions attached to projects – thereby enabling plans and processes to be more favourable. At the same time, the poor cannot resolve their problems on their own. What is needed is an open and inclusive process that engages the many other groups that are relevant to urban development within a process that is determined and controlled by the poor.

UCDO and the Urban Development Fund has had no claim over the projects that it has supported. At all times, it has sought to open up inclusive processes that are controlled by the poor themselves. The institutional form that is suited to this way of working has, by necessity, to be flexible and dynamic. Moreover, UCDO and then CODI have chosen to become institutions that have open participatory governance. The creativity with which UCDO responded to the challenges it faced reflects the diverse and representative nature of the Board. During the last ten years, all groups represented on the Board have worked to create new kinds of relationships that enable it to address issues of common concern effectively. CODI now looks forward to its increased scale of operation and the opportunities that this brings.

APPENDIX: PRINCIPLES OF HOUSING DEVELOPMENT PROJECTS

There are two types of UCDO housing loan, which have been diversified in terms of principle, interest rate and repayment terms.

a. Housing development loans (non-project)

These housing loans are available to individual families for house-building, house repairs and extensions, and the installation or upgrading of infrastructure utilities. Interest rates are the same as for revolving fund loans and the repayment term should not exceed 15 years.

b. Housing development loans (project)

Housing project loans are available to groups of families facing immediate housing problems and who are involved in various kinds of collective housing processes. Loans can be used to buy the land they occupy or the land nearby, to build houses or basic infrastructure. UCDO charges 3 per cent interest and the repayment term is 15 years.

Since housing development loans (project) are low-interest loans with an annual interest rate of 3 per cent, there must be principles and criteria to verify the appropriation of loan approval. The principles and criteria are as follows:

1. Key principles and nature of UCDO loans for housing development projects

- 1.1 UCDO is not a key implementer of the housing projects. UCDO aims to provide housing loans for the communities to strengthen community capacity and responsibility for their self-determined and self-managed community housing development process.
- 1.2 Community networks are a key implementer for all housing development activities. The community networks will decide and implement the projects at all levels by themselves. In future, there may be a larger scale of community linkage, working to improve projects together.
- 1.3 It has been significant to combine housing projects with other development projects such as social investment projects etc. When housing development projects have been organized, they have worked as key operating mechanisms, initiating other serious and sustainable development activities.
- 1.4 The projects are diverse and small. UCDO housing loans have been diversified into various types of loan for house-building, house repairs and extensions, the installation or upgrading of infrastructure utilities, or for land-sharing in former, or close to former, communities. Loan approval may vary according to diverse needs and has been closely related to the entire community development process. Most of the projects are relatively small, so the community organizations will be able to run them effectively.
- 1.5 UCDO housing loans are separate from the NHA infrastructure improvement budget. The idea is that UCDO has already provided the community with low-interest loans and they should be able to develop infrastructure systems on their own, or get additional support from other development actors.

2. Guidelines for housing development projects

2.1 Housing project target groups

2.1.1 Types of communities

- Those facing immediate eviction problems.
- Those who have organized themselves to address housing problems as follows:
 - setting up community savings and credit groups and saved up to 20–40 per cent of the fund

- having good management system
- having hard-working groups of committees.
- Those who have planned to legalize their savings groups and are able to present initial documents as a proof.

2.1.2 Qualifications of participants

- Must be the urban poor with urgent housing problems.
- Must not have a record of selling land tenureship or planning to do so. If this had ever happened, a true explanation is required.

2.1.3 Criteria for participation

- One plot per family regardless of family size.
- Married family members are considered as a second family and are required to be members of a savings groups.
- Tenants who rent a house in a community are eligible to be considered if they:
 - have been in the community for a certain length of time
 - regularly participate in community activities
 - are members of community savings and credit groups.

2.2 Specifications of the project proposing for loans

- The members of the project are facing immediate housing problems and have already prepared the right size of land area for the community before applying for loans.
- The project aims to alleviate housing problems for the entire community including the very poor families.
- If the project has already purchased the land before applying for loans, UCDO will consider loan approval according to the degree of emergency.
- In the case of land-sharing with other groups, UCDO will provide loans for the community's living area. If the community plans to have business activities, they have to get different loans from other financial resources to cover that area.

2.3 Conditions of the housing project proposing for loans

- In general, the project size should be within a range of 15 *rai* and the plot should not be larger than 25 square *wa* (100 square metres) per family.
- The cost per plot should not exceed 150,000 Baht per family. The interest rate is 6 per cent annually, with a maximum 15-year term and monthly repayments of 1,200 Baht.

3. Rules and regulations to prevent selling of land and housing rights

- 3.1 All rules and regulations about housing loans and how to protect the selling of land and housing rights of community members have been verified and agreed upon by community people in an open meeting process.
- 3.2 All information and details about housing development projects proposing for loans, such as specification of the project, loan size, history of participants, loan approval etc. needs to be open and transparent between organizations related both directly and indirectly to UCDO.
- 3.3 Open housing rights selling must be prohibited. But if a member needs to sell tenureship, cooperatives can buy it back at the rate of the principle of the loan plus the amount of interest paid to the cooperatives.
- 3.4 It has been specified in the contract that the misuse of loans or seeking benefits from them is considered a breach of contract. The cooperatives or groups who break the contract have to repay the loans with 15 per cent annual interest.
- 3.5 When proposing for loans, additional details for all project members are required for checking, i.e. family background or history of migration and resettlement.
- 3.6 Records and files of all the names must be kept under the same filing system, and records are to be exchanged between related organizations.
- 3.7 Criteria for punishment
 - Keep records of those who sell tenureship and pass these around.

- Set up criteria to punish committees who conspire with those groups or individuals who plan to sell tenureship.

3.8 UCDO will keep in closer contact with projects that have been granted loans, in order to check on them.

In July 1994, UCDO committees decided to bridge the large gap in interest rates between UCDO's housing loans and the NHA's "rent to own" housing scheme. They concluded that the communities who participated in UCDO housing development projects and the NHA's "rent to own" scheme should be treated equally. Consequently, the committees increased the ceiling on UCDO housing loans to 300,000 Baht per family (including land, infrastructure and construction costs) and started charging 8 per cent annual interest for a 150,000 Baht loan. The value of the low-interest loan in UCDO housing projects (8 per cent for a 150,000 Baht loan) is approximately equivalent to the 57,000 Baht per family provided by the NHA as infrastructure support.

**PUBLICATIONS - THE CASE STUDIES AND OTHER BOOKS
AND PAPERS ON URBAN ISSUES**

a. The Working Papers series on poverty reduction

Alimuddin, Salim, Arif Hasan and Asiya Sadiq (2001), *Community-driven Water and Sanitation: The Work of the Anjuman Samaji Behbood and the Larger Faisalabad Context*, IIED Working Paper 7 on Poverty Reduction in Urban Areas, IIED, London.

Baumann, Ted, Joel Bolnick and Diana Mitlin (2002), *The Age of Cities and Organizations of the Urban Poor: The Work of the South African Homeless People's Federation and the People's Dialogue on Land and Shelter*, IIED Working Paper 2 on Poverty Reduction in Urban Areas, IIED, London.

Dávila, Julio D (2001), *Urban Poverty Reduction Experiences in Cali, Colombia: Lessons from the Work of Local Non-profit Organizations*, IIED Working Paper 4 on Poverty Reduction in Urban Areas, IIED, London.

Díaz, Andrés Cabanas, Emma Grant, Paula Irene del Cid Vargas and Verónica Sajbin Velásquez (2001), *El Mezquital - A Community's Struggle for Development*, IIED Working Paper 1 on Poverty Reduction in Urban Areas, IIED, London.

Patel, Sheela and Diana Mitlin (2002), *The Work of SPARC and its Partners Mahila Milan and the National Slum Dwellers Federation in India*, IIED Working Paper 5 on Poverty Reduction in Urban Areas, IIED, London.

Schusterman, Ricardo, Florencia Almansi, Ana Hardoy, Cecilia Monti and Gastón Urquiza (2002), *Poverty Reduction in Action: Participatory Planning in San Fernando, Buenos Aires*, IIED Working Paper 6 on Poverty Reduction in Urban Areas, IIED, London.

Stein, Alfredo (2001), *Participation and Sustainability in Social Projects: The Experience of the Local Development Programme (PRODEL) in Nicaragua*, IIED Working Paper 3 on Poverty Reduction in Urban Areas, IIED, London.

Cain, Allan, Mary Daly and Paul Robson (2002), *Basic Service Provision for the Urban Poor; The Experience of Development Workshop in Angola*, IIED Working Paper 8 on Poverty Reduction in Urban Areas, IIED, London.

Satterthwaite, David (2002), *Reducing Urban Poverty: Some Lessons From Experience*, Poverty Reduction in Urban Areas Series Working Paper 11, IIED, London.

HOW TO OBTAIN THESE: Printed versions can be obtained from <http://www.earthprint.com/> for US\$ 9 each plus postage and packing (for the UK, US\$ 5 for first item, US\$ 2.50 for additional items; for Europe, US\$ 6 for first item, US\$ 3 for additional items; for elsewhere, US\$ 10 for first item, US\$ 5 for additional items).

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b. Other publications from this research programme

Shorter versions of the working papers on PRODEL and on El Mezquital have been published in IIED's journal *Environment&Urbanization*:

Stein, Alfredo (2001), "Participation and sustainability in social projects: the experience of the Local Development Programme (PRODEL) in Nicaragua", *Environment&Urbanization* Vol 13 No 1, pages 11-35.

Díaz, Andrés Cabanas, Emma Grant, Paula Irene del Cid Vargas and Verónica Sajbin Velásquez (2001), "The role of external agencies in the development of El Mezquital in Guatemala City", *Environment&Urbanization* Vol 13, No 1, pages 91-100.

Díaz, Andrés Cabanas, Emma Grant, Paula Irene del Cid Vargas and Verónica Sajbin Velásquez (2000), "El Mezquital - a community's struggle for development in Guatemala City", *Environment&Urbanization* Vol 12, No 1, pages 87-106.

HOW TO OBTAIN THESE: These papers may be obtained electronically from the web at www.ingentaselect.com; <http://www.ingentaselect.com/titles/09562478.htm> takes you straight to *Environment&Urbanization On-line*. Access to these papers is free.

c. Other publications on urban poverty

Mitlin, Diana and David Satterthwaite (editors), *Reducing Urban Poverty in an Urbanizing World; the Role of Local Government and Civil Society*, Earthscan Publications, London (due out in late 2003).

Civil Society in Action: transforming opportunities for the urban poor: The October 2001 issue of *Environment&Urbanization* was prepared with Shack Dwellers International (SDI), a network of community organizations in Africa, Asia and Latin America. It includes articles by members on strategies and approaches that have been found to be of particular importance - for example; the use of savings and credit as a means of building strong local organizations, and an illustration of how the process has taken hold in a number of new countries. It also includes perspectives from a range of development professionals and agencies on the significance of SDI and a description of new relations with local authorities and state agencies that the grassroots organizations have been able to negotiate. Photo-essays on community site development and construction show some of the work of urban poor federations in the Philippines and Cambodia.

Rethinking Aid to Urban Poverty Reduction: Lessons for Donors: The April 2001 issue of *Environment&Urbanization* includes evaluations of urban projects or programmes funded by US AID, the World Bank, DFID, Sida, NORAD and UNICEF, along with papers considering the constraints on donor effectiveness. There are also papers on participatory budgeting in Brazil, a fund for community initiatives in Uganda, poverty-mapping in Argentina, mapping infrastructure deficiencies in Salvador, community-based watershed management, and links between poverty and transport.

Poverty Reduction and Urban Governance: The April 2000 issue of *Environment&Urbanization* includes 12 papers which examine the links between poverty and governance in particular cities. Among the interesting points of commonality or contrast are: the great range of political structures, with some cities having governments that are clearly more accountable and responsive to urban poor group than others; the very limited powers, resources and capacities available to urban governments to raise revenues; the complex political economies within all the cities that influence who gets land for housing, infrastructure and services; and the capacity of anti-poor local government policies and practices to harm the livelihoods of many low-income groups within their jurisdiction.

City Inequality: The October 1996 issue of *Environment&Urbanization* includes an overview of city inequality, a guide to the literature and case studies of Monterrey, Buenos Aires, Sao Paulo, Calcutta, London and Halifax (USA). It also includes a photo-essay on Calcutta and papers on child waste pickers, informal land markets in Cebu (Philippines), the work of the People's Dialogue and the South African Homeless People's Federation, and informal settlements in Montego Bay (Jamaica).

Urban Poverty II: From Understanding to Action: The October 1995 issue of *Environment&Urbanization* includes papers on urban poverty in Abidjan, Dhaka, Brazil, Nairobi, the Pacific and Khartoum and on how municipal interventions can address poverty. Also papers on how the middle-classes were squeezed in Latin America during the 1980s, on housing markets in La Paz, on Chile's housing policy, and two papers on participatory tools and methods. Also a profile of the Orangi Pilot Project in Pakistan

Urban Poverty: Characteristics, Causes and Consequences: The April 1995 issue of *Environment&Urbanization* includes papers on urban poverty in Harare, Mexico, Dar es Salaam, San Carlos de Bariloche, Bombay and the rural-urban interface in Tanzania. Also four general papers, including one by Robert Chambers which considers the links between poverty and livelihoods, and two papers on participatory tools and methods.

HOW TO OBTAIN THESE: The printed version of these two issues can be obtained from <http://www.earthprint.com/> for US\$18 plus postage and packing (for the UK, US\$ 5 for first item, US\$ 2.50 for additional items; for Europe, US\$ 6 for first item, US\$ 3 for additional items; for elsewhere, US\$ 10 for first item, US\$ 5 for additional items).

The papers from both issues may be obtained electronically from the web at [www.ingentaselect.com:](http://www.ingentaselect.com/) <http://www.ingentaselect.com/titles/09562478.htm> takes you straight to *Environment&Urbanization On-line*. Access to these issues is free.

d. Urban publications with Earthscan

McGranahan, Gordon and Frank Murray (editors) (2003), *Air Pollution and Health in Rapidly Developing Countries*, Earthscan Publications, London, 227 pages.

McGranahan, Gordon, Pedro Jacobi, Jacob Songsore, Charles Surjadi and Marianne Kjellén (2001), *The Citizens at Risk: From Urban Sanitation to Sustainable Cities*, Earthscan Publications, London, 200 pages.

Hardoy, Jorge E, Diana Mitlin and David Satterthwaite (2001), *Environmental Problems in an Urbanizing World: Finding Solutions for Cities in Africa, Asia and Latin America*, Earthscan Publications, London, 470 pages.

Bartlett, Sheridan, Roger Hart, David Satterthwaite, Ximena de la Barra and Alfredo Missair (1999), *Cities for Children: Children's Rights, Poverty and Urban Management*, Earthscan, London, 305 pages.

Satterthwaite, David (editor) (1999), *The Earthscan Reader in Sustainable Cities*, Earthscan Publications, London, 472 pages.

Satterthwaite, David, Roger Hart, Caren Levy, Diana Mitlin, David Ross, Jac Smit and Carolyn Stephens (1996), *The Environment for Children*, Earthscan Publications and UNICEF, London and New York, 284 pages.

Hardoy, Jorge E and David Satterthwaite (1989), *Squatter Citizen: Life in the Urban Third World*, Earthscan Publications, London, UK, 388 pages.

HOW TO OBTAIN THESE: These are available from Earthscan Publications, 120 Pentonville Road, London N1 9JN, UK; e-mail: earthinfo@earthscan.co.uk; web: www.earthscan.co.uk; also available in bookstores. In USA, they are available from Stylus Publishing LLC, PO Box 605, Herdon, VA 20172, USA; e-mail: StylusMail@PressWarehouse.com. In Canada, they are available from Renouf Publishing Company, 1 - 5369 Canotek Road, Ottawa, Ontario K1J 9J3, Canada, e-mail: orderdept@renoufbooks.com. The Earthscan web site also has details of Earthscan representatives and agents in all other countries.

e. Other Working Papers series

There are three other Working Papers series in addition to the Series on *Poverty Reduction in Urban Areas*:

1. Working Papers on *Rural Urban Interactions and Livelihood Strategies*, with case studies from Tanzania, Mali and Nigeria and briefing papers which will be available after August 2001.
2. Working Papers on *Urban Environmental Action Plans and Local Agenda 21s*, with case studies from Colombia, Ghana, Indonesia, Malaysia, Namibia, Peru, Senegal, South Africa, Uganda and the UK.
3. Working Papers on *Urban Change*: By late 2001, this will include papers on: Bangladesh, Colombia, Egypt, Ghana, Mexico, Pakistan and South Africa.

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f. Other IIED publications on urban issues

Environment & Urbanization: Now in its 15th year, this is one of the most cited and widely distributed international journals on urban issues. Each issue has a special theme and includes: 9-14 papers on that theme; a guide to the literature on the theme and profiles of innovative NGOs (in some issues) and Book Notes (summaries of new books, research reports and newsletters, and how these can be obtained (including those in Spanish, French and Portuguese). Section c. describes the seven back issues that focused on urban poverty.

Frequency:	Twice yearly (April and October of each year)
Volume numbers:	Volume 13 (2001), Volume 14 (2002), Volume 15 (2003)
Subscription prices:	One year: institutions - £60 or US\$ 100; individuals £26 or US\$ 44 Two year: institutions - £102 or US\$ 170; individuals £44 or US\$ 74 Three year: institutions - £148 or US\$ 246; individuals £64 or US\$ 108

Half-price subscriptions available to subscribers from Latin America, Asia (except Japan, Singapore and Hong Kong) and Africa, and to students (xerox of current student card needed as proof).

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World Wide Web: The contents page of the latest issue and the summaries of all papers in French, Spanish and English, the editorial and the Book Notes section are on <http://www.iied.org/eandu/>. This site also includes details of subscription prices and the price of back issues.

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