

CODI

The experience of the Community Organizations Development Institute in Thailand - January 2001

by **Somsook Boonyabancha**

(This paper was written shortly after UCDO became CODI. The work described here is continuous and all of one piece, so please don't be confused by the name change)

Between 1992 and 2000, CODI operated under the name of UCDO, and managed the Urban Community Development Fund. The fund was a powerful, new, holistic, community-driven development mechanism which addresses urban poverty in Thailand at city, provincial, regional and national scales, through the implementation of a growing variety of community development initiatives.



CONTACT :

CODI
2044 / 28-33, New Phetburi Road
Khet Huai Khwang
Bangkok 10320, THAILAND
e-mail: codi@codi.or.th
website: www.codi.or.th

Introduction

An urban poor development fund can be a powerful development mechanism. It also allows urban poor communities to organize themselves into saving groups and to improve their financial and managerial capacity to manage loans from the fund for community development activities for the members or for the community as a whole. It is a mechanism that enables urban poor organizations to tap development resources directly by building up their own capacities. It is an alternative way of avoiding traditional bureaucratic mechanisms which decide development activities on behalf of communities. This new approach allows communities to decide and design various development activities by themselves, on a large scale, and later to link together into networks of learning and sharing of knowledge. The networking has become another important development mechanism in Thai cities, not only as a means of sharing knowledge but also of working together with local development agencies, cooperating and planning for urban poor community development as well as other local development activities, and building better local partnerships.

The **Urban Community Development Office (UCDO)** was set up in 1992 as an organization in charge of managing the *Urban Community Development Fund* of 1,250 Million baht, granted by the Thai government. Before 1996, UCDO granted loans to community organizations in a rather scattered way, by dealing directly with individual community groups. After 1996, the emergence of community networks brought a completely new dimension and vision to the way UCDO operated, and the way loans were made. Community networks broaden community development activities and have become an important new development direction. While UCDO still actively supported communities with various kinds of community development loans, it also acted as facilitator for larger city collaborative development activities, involving city-wide community networks and local partnerships.

When UCDO merged with the Rural Development Fund to become CODI in October 2000, the total amount of the fund increased by about 36% from the original amount. CODI was also able to expand its development activities to all of Thailand's 75 provinces, where over 1,500 community savings groups and well over 1,000 community networks have now been linked together. CODI has also been able to work with a much broader scope, including both urban and rural areas, and with a more flexible institutional status as public organization.

There are several kinds of housing projects which have been developed through community initiatives and supported by CODI, including initiatives to buy existing slum land and resettlement to land nearby the former communities, as well as loans for housing improvement in existing slums, or for housing repairs after crises. Recently, as the community network process has become stronger, city-wide housing development activities have been introduced in the cities of Nakhon Sawan, Ayutthaya, Uttaradit and Chiang Mai. This is a new direction in which community networks, together with the city authorities and other local actors develop and plan for security of tenure for all existing slums in the city.

Apart from housing, community environment activities, community welfare and community enterprise activities have also been actively developed in recent years. In recent years, strong community networks in a few Thai cities have shown a great potential for linking with other civic groups to work on broader city development issues such as planning, environment and solid waste management. The close collaboration and experience-sharing with groups in other Asian countries, facilitated by the Asian Coalition for Housing Rights (ACHR), has allowed the experiences of UCDO and CODI to be widely disseminated to several other countries in the Asia region. Countries such as Cambodia, Lao PDR, Vietnam, India, Sri Lanka, Nepal, South Africa and Zimbabwe have all learned about the powerful example of community development funds in Thailand and have set up similar fund models in their own countries.

The situation before 1996

UCDO was set up in 1992 at a time of steady high economic growth in the country since 1980s. In those years under the period of economic growth, it was no surprise that the country achieved annual two digit economic growth regularly. The growth has been the big long boom after stronger democratic system has been secured since early 1980s allowing economic development base on various forms of foreign investment to gradually gain their weight. The country from this period transformed rapidly: private sector development boomed, easy access to loans and finance for development from commercial banks, so many huge infrastructure and building activities developed throughout the country, greater expansion of urbanization to most urban centers in the country, growth of middle class and service sectors, private real estate housing sectors boomed, land prices sky-rocketed. Despite such a boom and such rapid growth, income disparities between rich and poor grew very wide. Income shares of first highest quintiles has increased from 51% in early 80s to more than 60% in 1990s and the shares from bottom quintiles has decreased from 5% to 3% in the same period.

This growth drew more people to come to cities for greater employment opportunities in both formal and informal sectors. The urban poor people also enjoyed greater employment opportunities contributed from the economic growth. However, the fact that most urban poor communities usually have weak land tenure security resulted in more eviction problems. Eviction problems have been wide spread on both public and privately-owned land, since economic growth and increasing land prices have both encouraged and pressured landlords to redevelop land for more profitable uses. At the end of 1980s, about 24% of Bangkok's population lived in about 1,500 low-income settlements and about 21% of those settlements reported to have problems of eviction. In theory, all slum communities can be evicted since there are no legal protections whatsoever, no matter how long the settlements might have been established.

The general threat of eviction in most slum communities, on the other hand, has become a major factor in bringing communities together into organizations, to learn how to survive and negotiate and coordinate with others, as well as searching for more secure development options. In early 1990s, before the setting up of UCDO, some innovative housing options such as land-sharing, community-driven housing activities, the formation of a few community networks and more and more numbers of community saving and credit activities were initiated. These innovative initiatives were organized against the lack of sufficient formal institutional support and were still based on fairly conventional approaches. On the private sector development side, which have immensely transformed the urban human settlements context in Bangkok and several cities, the real estate housing boom has, in general, not able to reach the 30% poorer population. Ththe country's development to focus more on people, social equity and sustainability. In fact, the preparation process of the new approach in the national plan has started to changed the development approach before 1996 to be more people and community oriented, holistic approach, localization and to be more integrated.



This was the general situation until the first half of 1997, when the severe Asian economic crisis hit the country hard, and which will take a long time to recover from. The crisis has had a great impact on all sectors of people in the country, especially the middle class. Many private sectors and financial institutions collapsed, causing serious unemployment and lesser incomes.

The urban poor also faced serious problems. According to the survey on impacts to the poor from a country-wide survey of about 130 communities conducted 1998 by UCDO, it was found that 60% of the urban poor had less income and increasing debts. Savings activities in many communities also faced crises and near collapse. However, eviction problems were reduced. Furthermore, the crisis, has brought several other government programs that was able to use the crisis to implement new development opportunities by communities in massive national scale on various development activities.



The approach adopted to address these problems :

UCDO was set up in 1992 as an attempt of the Thai Government 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 (about US\$ 32 million) through the *National Housing Authority*¹ to set up a special program and new autonomous unit of Urban Community Development Office to address urban poverty at national scale. It was set up as NHA special program to allow fullest flexibility to work under national organization umbrella but under its own development process and separate Board of Directors. The program sought to improve living conditions and increase the organizational capacity of urban poor communities through the promotion of community savings and credit groups and the provision of integrated loans at favorable interest rates² as wholesale loans to community organizations. This new *Urban Poor Development Fund* was to be accessible to all urban poor groups who organized themselves to apply for loans for their development projects. Loans are granted only to groups, as “wholesale” loans, allowing the groups to add margin of about 5% when they onlend to individual members.

When you have savings and credit in poor communities, you have both money and the power of people : the two most essential elements in making changes in people's lives.

For the urban poor, organizing themselves into savings and credit group is a simple, direct and uncomplicated way of taking care of their immediate day-to-day needs. Savings activities become a tool which links poor people within a community to find ways of working together, from handling simple basic credit needs to managing more complex development activities which help linking them with the formal system. Savings and credit groups become a significant entry point for a community's own development process, to come together as a community, and to link with external resources. And the *Urban Poor Development Fund* is the communal resource base which community people can link with directly to get additional resources to develop themselves.

The idea, however, is not simply to provide low-interest loans to the poor. Community savings and credit activities are seen as a means for engendering a community's own *holistic development*, which should gradually be able to deal with the root causes of poverty. Much more important than cheap loans is the development of community managerial capacity and stronger community organizations which are able to lead various community development processes. It is therefore important that development process include community action planning and the creation of partnerships with other local development actors - especially the municipalities - and to link up with various other local development activities. The process of continuous learning and development within and between poor communities must be the focal development mechanism to address problems of poverty, mainly by the urban poor themselves, using the *Urban Poor Development Fund* as their basic resource.

As regards the system of loans, there are various kinds of loans offered to community savings and credit groups throughout the country. All kinds of loans are given as low interest, wholesale loans to community organizations or community networks, allowing the organizations or networks to add a margin to cover their expenses or other community development activities or welfare programs. In general, the organizations will add certain margins so the members will receive the loans at the rate that is near to or slightly higher than the prevailing market rates, which, in any case, are still much lower than those informal money lending systems. Various kinds of loans from the Fund offer various kinds of financial resources for various development options to be implemented, decided and controlled by community organizations themselves. The various kinds of loans options are described in the table on the following page.

CODI loans

Credit products which were on offer to poor communities through CODI :

*People's lives, and the lives of the communities they live in, are complex and many-faceted. When communities talk about needing better incomes, better houses, access to secure land and access to credit for emergencies, they're talking about needs which are vital parts of an interconnected whole: each part affects the others. An effective community development strategy, then, has to find ways to deal with all these diverse needs. CODI's **Integrated Credit System** is in fact a collection of discrete credit programs, each targeting specific aspects of that complex whole, each offering loans in particular ways, in direct response to those needs. The idea is that the parts add up to a broad-ranging (and continuously expanding) community development credit package. Here's the current credit line-up :*

- 1 Housing development loans**
3% or 8% annual interest, 15 years maximum term, repayable monthly.
Housing project loans are available to groups of families facing immediate shelter problems and involved in various kinds of collective housing processes. Loans can be used to purchase the land they occupy or land nearby, to build houses or basic infrastructure, or to participate in the NHA's "rent-to-own" housing schemes. 3% interest is charged on loans below 150,000 Baht, and 8% on loans above that.
- 2 House improvement loans**
8% annual interest, 15 years maximum term, repayable monthly.
These housing loans are available to individual families who want to invest in their shelter, but are not part of a collective housing process. Loans cover house building, house repair and extension, installation or upgrading of infrastructure facilities.
- 3 Income generation loans**
8% annual interest, 5 years maximum term, repayable monthly.
Income generation loans are available to support as wide a spectrum of income generation projects as possible, organized and operated by individuals entrepreneurs. Many loans finance the purchase of stock, equipment, vehicles or raw materials needed for individual small trading, service or production enterprises. Some borrowers pool their credit to collectively lease a market stall and share the retail space.
- 4 Revolving fund loans**
10% annual interest, 3 years maximum term, repayable monthly.
Revolving fund loans give a boost to savings groups which need more liquidity or which haven't yet built up enough of their own capital to meet the credit needs of their group members, by injecting additional lending capital into the group. Some groups combine their own savings with the CODI capital and on-lend to members. Others keep the external fund and internal savings separate and only lend from the revolving fund. Loans are used for such things as emergencies, school fees or repaying higher-interest debts.
- 5 Revolving network loans**
4% annual interest, 5 years maximum term, repayable in 6-monthly installments. Networks can take three loans over the 5 year period, up to a ceiling of 2 million Baht.
Loans to community networks were introduced in 1998 to allow the networks that were emerging around the country to borrow up to 2 million Baht not more than three times during five years, so the networks have to plan how they'll use this special resource. There were two main objectives: to help groups get loans quicker and to stimulate the process of communities working together in a network. Loan repayments need only be made twice-yearly, allowing networks great flexibility in how they manage these funds. The 4% interest rate, which is very low, is crucial. It allows networks to add a margin of 4 to 6% percent when they on-lend to their savings group members, so people still get their loans at rates comparable to other CODI loans at 8%. A lot of work is now being done by networks. The lower interest rate allows networks to support this work themselves *with dignity*.
- 6 Community enterprise loans**
4% annual interest, 7 years maximum term, repayment varies according to the nature of the business or contract.
Community enterprise loans are made to community organizations, cooperatives and community networks to help them set up group-run community enterprises, of many kinds and many scales, which provide income-earning opportunities to community residents. Loans are used to buy stock, raw materials and equipment, and to rent, buy or build retail, workshop or storage space.
- 7 Bank guarantee loans**
2% over the current savings bank interest rate, payable in full at the end of the contract.
When community organizations try to get government work subcontracts, they are usually required to put 10 - 20% of the contract amount in the bank as guarantee. It's a conventional rule, but in the past it has excluded community groups without access to this kind of capital from bidding for road construction, urban maintenance and supply contracts. CODI guarantee loans allow community enterprise organizations to borrow this bank guarantee capital and repay it when the subcontracts are finished.
- 8 Revival loans**
1% annual interest, 5 years maximum term, repayable in 6 monthly installments with 2-year grace period.
Savings group revival loans are made to savings groups facing internal financial difficulties to restructure their internal debts or re-organize their credit activities through a strategy that is determined by the group. Groups can obtain up to 100,000 Baht at extremely low interest for 5 years with flexible six-monthly repayment terms. Group revival loans were just introduced in May 1999.
- 9 Miyazawa revival loans**
2% annual interest to community groups, 1% to networks, 5 years maximum term, repayable 6-monthly, with a 2-year grace period, during which only interest is due. Ceiling of 500,000 Baht per group, whether individually or part of a network, up to a ceiling of 5 million Baht per network. (more details on page 31)
The Miyazawa loan process built on lessons learned through the network and revival loan processes, taking advantage of a special low-interest loan funds from the Japanese Government's economic aid package to Thailand. Miyazawa revival loans help savings groups facing financial difficulties as a result of the economic crisis, to restructure their internal debts or re-organize their credit activities through a strategy that is determined by the group. A special 1% interest is charged if loans go through the networks, but even the 2% charged to individual groups allows them to on-lend at higher interest rates, adding 5 - 6%. This margin goes into welfare funds in the communities. The 2-year grace period, during which groups only pay the small interest, and the 6-monthly repayment schedule thereafter give enormous flexibility in how networks manage the loan capital, and allows them to revolve the money many times. Networks have taken Miyazawa loans to support community enterprise projects, bail out problem loans, repay informal debts, help stagnant savings groups, and boost revolving fund loans within member savings groups. Decision-making about who gets loans, and how much, becomes a process internal to each network, which must develop it's own systems for ensuring that process is open, flexible, transparent and participatory.



Khun Sankit has been making bronzeware for 40 years, and is the BCHPC's chairman. "Middlemen deal with craftspeople individually, so the price stays low," he says. "People have no power to negotiate conditions when they work separately, can't push up their price. We came together for clear reasons. It makes business sense."

Community enterprises :

Combining the power of networks with the ready availability of capital to create wider-scale earning possibilities for the poor

All of the community enterprises described below are 100% owned and managed by community members, who generally purchase shares in the business and elect a committee responsible for managing and operating the enterprise. There are now about 30 community networks engaged in some kind of community enterprise activity, and interest is growing all the time.

Bangkok Community Handicrafts Promotion Center : When the Thai Sporting Goods company received a concession to produce and sell souvenirs for the 13th Asian Games in Bangkok a few years back, Thailand's Deputy Prime Minister proposed bringing artisans from poor communities into the project. As the country's first community craft cooperative, set up by five communities of bronzeware artisans in Pradittorakan, the BCHPC was awarded a big contract to produce bronzeware souvenirs for sale at the Asian Games and now provides a legal umbrella to community enterprises in 30 poor communities.

BMA subcontracts work : The BMA budget for labour contracts has now been decentralized to Bangkok's 50 districts. As part of that same BMA policy to award 10% of municipal job contracts to poor communities (and a result of the school uniform-makers negotiations) the BMA agreed to award to the cooperative 3.6 million Baht of subcontracts to clean roads, repair sidewalks, clean out drains and small canals and plant trees and shrubs along the roads. The package employs 240 people. When you see people out in the Bangkok streets doing these jobs, most of them are being paid starvation wages by labor brokers, according to the old system. Only 10% of them are earning full, decent wages as share-holders in their own cooperative subcontract. It's a tiny percentage, but represents a breaking into the old system.

Fair-price goods at Rom Klao Zone 8 : The *Rom Klao Zone 8 Provisions Shop*, in the large NHA relocation colony at Lat Krabang, was started by the community's savings group to provide lower-cost rice, vegetables, condiments, soap and medicines. The idea was to generate additional income and to strengthen the group through a joint enterprise initiative. The shop is run cooperatively, is owned and managed by its members. To start, 50 members purchased shares in the shop at 10 Baht each, and took a UCDO loan of 250,000 Baht to establish the shop and purchase stocks. After only 18 months of operation, the shop had generated 225,000 Baht in assets, a 42,000 Baht profit, and had repaid over half of its five-year loan! The cooperative has now expanded operations to include wholesale supply and 18 more retail shops. Shares are being sold to community members at 100 Baht each. The committee has persuaded NHA to rent them land for storage and took an additional loan from UCDO to construct a warehouse.

Distribution center : Over the past year, a new project has been set up which involves buying goods produced by community enterprises around the country, and distributing those goods to retail outlets. So far, the project has distributed seafood products from networks in southern Thailand (dried shrimp, prawn crackers and fish sauce), bronzeware from the craft cooperative in Bangkok, handicrafts from Chiang Mai. The center has also arranged for community products to be sold at the Dubai Shopping Festival 2000.

Rice networks : In many networks around Thailand, communities have set up rice networks, which buy rice cheaply direct from rice farmers and then sell it to their members. Eliminating middlemen allows members to buy good quality rice at below-market rates and shareholders to turn a neat profit.

Ceiling panels, refurbished throw-aways, fish farming and others : In Nakhon Sawan, an entire community works together to produce molded plaster ceiling panels for use in up-market house construction. In Ubon Ratchathani, communities around the garbage dump have made a business from refurbishing and selling cast-away refrigerators, washing machines and bicycles from the dump, providing a creative and lucrative outlet for young people in an area badly hit by drug problems. Riverside communities throughout the country have established fish-farming enterprises which combine ancient aquaculture wisdom with cooperative entrepreneurship to boost incomes. Other communities produce bottled drinking water, artificial flowers from delicately-colored fish-scales, and handicrafts of all sorts.

What part does UCDO play in promoting and assisting community businesses?

There is unending discussion in UCDO about how to boost income-earning opportunities in poor communities in Thailand. Plenty of organizations devote themselves to *skill-training* and promote all sorts of income generation activities – making flowers, stitching table-cloths, pasting envelopes, frying *patanko* to sell in the market. But these scattered efforts have little scope for growth, and haven't significantly altered the poor's low economic position. How to promote community business enterprises with a greater range and intensity of economic and development impact, so that people with lack of capital can become managers, and end up with a better share of the profits in the end?

The idea is not only to generate more jobs, but to strengthen the economic position and the negotiating power of poor communities, so managing complex economic projects can lead to managing larger development and political matters. UCDO's **Community Enterprise Unit** has been working to tap the enormous potential of community enterprise in several ways :

- providing credit for investment through occupational loans for specific projects.
- organizing and supporting start-up enterprises in poor communities which offer income earning opportunities to residents.
- supporting strengthening of networks and better linkages between enterprises
- conducting entrepreneurship training programs in management, finance, accounting, marketing, inventory, growth strategies and legal aspects of doing business. Also promoting informal training by other enterprise project participants through community exchanges.
- providing technical assistance, advocacy and backup to help grease the wheels of negotiation with higher-lever government agencies and private sector firms.
- setting up information centers with data about types of labor, products and labor ministry rules and regulations.
- boosting links with private sector : Major suppliers of materials and consumer goods are often reluctant to deal directly with small community enterprises, forcing those enterprises to go through distributors at higher costs. UCDO can act as mediator and facilitator to support direct supply linkages.

UCDO's housing loans : supporting poor people's own shelter strategies

“The major role of credit for habitat is to support the people's own housing process, to further strengthen that already-existing potential in an organized way.”

UCDO Housing Credit

Out of a cumulative total of 1,013.63 Million Baht of all UCDO loans disbursed up to August 2000, 581.25 million Baht (57%) has gone into housing loans, including 470.32 million Baht for housing development and 110.93 million Baht for house improvement loans. These loans have helped to securely house 4,028 families in 292 projects in 162 communities around Thailand. Of this total amount lent for housing, 179.25 million Baht has been repaid and 402 million Baht is outstanding, representing 72% of UCDO's total outstanding credit.

The NHA calculates that at least 13% of Thailand's urban poor households are under imminent threat of eviction. Assuming a total urban poor population of about 800,000 families (in settlements and in isolated shelter circumstances), that means 104,000 families, are in immediate danger of becoming homeless. That figure doesn't include the millions of families living in precarious room rental and land rental situations, or those squatters who haven't yet been targeted for eviction. The 1998 community network survey found that two out of every three poor families have some kind of housing problems. Land and housing insecurity continues to be the most serious problem for Thailand's urban poor. Yet housing, perhaps our most urgent need, has been given a phenomenally low priority by governments and aid agencies.

Before 1992, several community-initiated housing developments had yielded innovative solutions such as land sharing, housing cooperatives and relocation with landlord compensation. But these breakthroughs were scattered, happening only after long and arduous struggles, and there was no financial mechanism to help scale up such efforts by poor communities. When UCDO entered the scene and many groups facing eviction could get loans to buy land and build, housing loans were understandably a big attraction. After a lot of experiments and housing projects in the early stages, the community groups and UCDO took a break to evaluate the housing process thus far. They drew several conclusions :

- 1 That when people face eviction**, there must be a process communities go through to deal with it - negotiating with the landlord, saving, looking for alternatives, bringing people together, preparing.
- 2 That land and housing are highly speculative**; housing the poor cannot work like real estate. Projects have to take into account the needs of all the people in the community, *even the poorest*. When standards are too high, they often exclude the poorest, because of the price, the location or the process.
- 3 That instead of everybody seeking their own solutions in isolation**, there is a need to link communities with housing problems into a city-wide process managed by the networks, so they can learn from each other and negotiate as a group for more comprehensive, city-wide housing solutions.

A small unit was set up within UCDO to coordinate housing activities with other units, and link housing loans with a wide range of outside groups, including other community federations like USDA, various networks such as underbridge, railway and canal-side community networks, with teams of young architects and engineers interested in working with communities, and with NGOs involved in housing (such as POP, HSF, Duang Prateep, HDC) . Here are just a few of the different kinds of housing projects supported by UCDO:

UCDO offers two kinds of housing loans, both with 15-year maximum repayment terms :

- **Housing development loans** : (3% for loans below and 8% for loans above 150,000 Baht) are for collective housing projects on the same or alternate sites, to purchase new or already-occupied land, to build infrastructure or to participate in NHA's "rent to own" schemes.
- **House improvement loans** : (8% for all loans) are for individual families who want to improve their shelter but are not part of a collective housing process. Loans cover house building, repair or extension, installation or upgrading of infrastructure facilities.

1 Shop-houses in Thonburi

This community of 56 families at Wat Jan Pradit Tharam, purchased new land and built 2-story houses, at a cost of 368,610 Baht per house. Community designed the houses and layout, hired a contractor to build.

- **Loan for house and land** : 323,470 Baht
- **Total loan to community** : 18.1 million Baht
- **Area of each house** : 60 - 88 sq. mt.
- **Construction system** : 2-story reinforced concrete frame with masonry infill walls. NHA provided infrastructure with resettlement subsidy.



2 Town houses at Samut Prakan

151 families in this housing cooperative came from informal settlements elsewhere in Bangkok, bought land and built houses with UCDO loans. Their community layout includes two-story rowhouses in 2 sizes, built by contractors, with families finishing the insides themselves.

- **Cost per house** : 244,000 Baht
428,400 Baht
- **Total loan to community** : 41 million Baht
- **Area of each house** : 40 - 100 sq. mt.
- **Construction system** : 2-story reinforced concrete frame with masonry infill walls. NHA provided infrastructure with resettlement subsidy.



3 Raft houses move to dry land

230 families who formerly lived in floating "raft houses" on the Nan River in Pitsanulok moved to dry land, onto free land provided by the city. Families took UCDO loans to buy the ready-made, architect-designed and contractor-built houses, in an NHA-planned development.

- **Cost per house :** 151,234 Baht
- **Total loan to community :** 9.35 million Baht
- **Area of each house :** 60 - 80 sq. mt.
- **Construction system :** 2-story reinforced concrete frame with masonry infill walls. NHA provided infrastructure using the relocation subsidy of 80,000 Baht per household.



4 People's Town in Nakhon Sawan

About 1,000 families are in the process of relocating from squatter settlements around the city to a "people's town" they are designing on land in the centre of town provided by the central government. NHA will provide roads and infrastructure, people will build their own houses with UCDO loans.

- **Cost per house :** 150,000 Baht
- **Total loan to community :** 22 million Baht
- **Area of each house :** 42 sq. mt.
- **Construction system :** 2-story reinforced concrete frame with masonry infill walls.



5 Reblocking at Chatuchak

This canal-side community near Chatuchak in Bangkok, took a loan to buy the land they had been squatting on for 22 years, and then re-blocked the settlement to regularize plot sizes and make room for adding infrastructure, with planning help from young architects. 78 families built new houses together.

- **Cost per house :** 261,650 Baht
- **Total loan to community :** 18.6 million Baht
- **Area of each house :** 40 - 80 sq. mt.
- **Construction system :** 2-story reinforced concrete frame with masonry infill walls.



6 Cooperative land at Prekasa

After being evicted from settlements elsewhere in Bangkok, 43 families formed a housing cooperative, took a UCDO loan to buy land in Samut Prakan, and built their own houses individually, using some new and some salvaged materials, and a lot of ingenuity and whimsy.

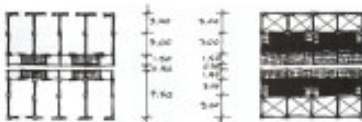
- **Land cost per family :** 108,800 Baht
- **Total loan to community :** 4.13 million Baht
- **Area of each plot :** 88 sq. mt.
- **House construction :** Construction materials include timber, steel, block, reinforced concrete. Community built roads, drainage and water supply systems.



7 The "15-Baht-a-day" rowhouse

Eight squatter families in Uttaradit move from canal edge to higher land on long term lease from a temple, use full-scale house model to help design a solid, inexpensive shop-house, which they build themselves for only 40,500 Baht. Loan repayment works out to just 15 Baht per day.

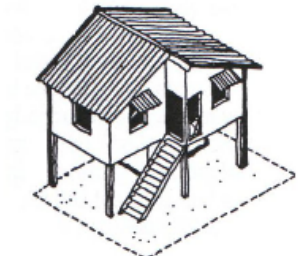
- **Cost per house :** 40,500 Baht
- **Total loan to community :** 324,000 Baht
- **Area of each house :** 48 sq. mt.
- **Construction system :** 2-story steel frame with masonry infill walls, sheet roofs, timber loft. Doors, windows and materials from old houses were salvaged and used in the new houses.



8 Under-bridge model houses

Members of the Bangkok Under-bridge community network held a public exhibition of 3 three extremely low-cost house models they developed with a team of young architects, in preparation for their move to 3 relocation sites later this year. The houses incorporate wall-panels made from thrown-away bottles, cans and paper.

- **House model costs :** 11,000 - 25,000 Baht
- **Area of houses :** 24 - 42 sq. mts.
- **Construction systems :** mostly timber frame with a variety of masonry and recycled infill panels. Network plans layouts; NHA provides infrastructure.





As an organization working for the poor, we have to revive the groups. When people are in a process where they're able to handle money and to make decisions about their own development, they can have pride about that and can grow stronger. If it has a sound system, the group will manage the money and you'll get your repayment. But if the system isn't working and the group collapses with that money, they're back where they started. It's our responsibility to do something to revive it. We have to keep reminding ourselves that our goal is not just the repayment or the money, but the people who are behind the money. This is something that our society has forgotten.

Approaches adopted after 1996 to confront the economic crisis :

In the early stages, loans were granted to community organizations directly and widely. By 1997, the operating process of UCDO came to a significant period of adjustment and structural change, which paved the way for an immense change in urban community development process in Thailand. The change mainly came from the creation of community networks in same cities or constituencies. There are several reasons for this:

1. There has been more and more emphasis on city development processes and on linking community groups with local authorities. Groups in the same city who have similar experiences and have become more mature have met more often at local authority development forums.
2. The UCDO process has been so scattered throughout the country that there was a need to link communities to share and work together in their constituencies, to be self supporting and use self learning among community groups in the same area. It has also been important to utilize experiences and capabilities of the strong groups to set up and support the new and weaker groups.
3. Between 1997 and 1999, the problems of the economic crisis affected the urban poor's savings and credit groups immensely. The non-repayment rate increased from 1-2% in 1995 to about 7-8% in 1998-1999, and several community savings and credit groups came to the verge of collapse. Therefore, a new and clearer understanding of the process of setting up community-savings groups and a new understanding of how to revive broken groups had to be found and quickly learned from these problems. The whole system of UCDO was totally reviewed. The fragility of the savings groups, without sufficient and on-going horizontal support, was also clearly realized, and there was a need to find a horizontal mechanism of communities and other urban development actors to support. Besides, it is also extremely important to find ways how to transfer the repayment responsibilities to be a more communally responsible rather than single community responsibilities, with just a few leaders taking responsibility. All this learning and experience led UCDO to the new direction of bringing groups to work and share responsibilities with each other in the form of networking.
4. Several interventions and programs made since 1996 have started to implement the decisions and work of the networks, rather than single groups, such as community-driven community development activities, community welfare programs, etc. The new approach has proved to be extremely efficient in implementing significant numbers of community development projects by communities themselves, in city and country-scale. With this new approach, it communities themselves can find connections and continuations for those various development programs themselves. Later on, these network processes were mobilized to deal with several other urban community issues such as infrastructure, housing, community planning, education and welfare.

Daily Saving

making the shift to a simple system that works for the poorest

The idea of daily saving first came from poor community federations in India and South Africa, which have embraced daily saving on a national scale. Every time teams visited Thailand, year after year, they talked about their savings systems, explained the simple procedures they have adopted and razzed the communities they visited, "What's taking you guys so long?" The community people were interested, and groups in Khon Kaen and Nakon Sawan wasted no time in starting daily saving. But enthusiasm lagged behind within UCDO, whose staff were slow to understand the concepts, complaining "It's too complex, too difficult. How to do accounts, how to collect?" The gradual shift over the last two years towards promoting daily saving is a key part of the search for systems which support the urban poor and fit with the nature of their lives. In the past two years, the daily savings system has made big inroads into the networks, first as a means of dealing with the repayment problems, but now it has become a larger process. *Why does daily saving work?*



It was as a means of helping un-stick problem loans that the daily saving system finally got a chance to show its mettle in Thailand. When people are unable to make their hefty monthly loan repayments, it's bad news for the debtors who are disheartened, and bad news for the group which can no longer circulate that money in new loans. Paying back the loan in much smaller daily installments, according to the daily saving system, turned out to be a relatively painless way of getting the whole community credit process moving again. Even if they can't pay much each day, everyone is relieved to see their debt shrinking day by day - it gives a psychological boost to people doubly stressed by debts and by the severe economic problems which necessitated acquiring those debts in the first place. If you want to set a more efficient loan (or savings) collection system, it makes sense that whenever people have money in their pockets, they can make a payment. The system has to keep pace with the income earning patterns of its members: if people earn their livelihood daily, you've got to grab it each day, while it's still in the pocket.

1.

Daily saving as a way of dealing with the repayment crisis

Daily saving came as something of a breakthrough, because it attracts the poorest and brings them into the process. For those with no hope of getting access to any other finance, daily saving offers an alternative, and once they understand the logic and the benefit, they come in strongly. The daily saving system is a way for savings groups to sink new roots in communities - roots that go much deeper than with monthly saving. With so much more transacting going on, so much more money changing hands, so much more activity and dynamism, the whole process has a much more substantial grounding. A monthly savings group is by comparison very static - *transact on one day, and sleep the other 29 days!* The spirit of saving changes. And daily saving tends to screen out the better-off community members, who lose interest because of the small money and big headache of all that daily transacting of deposits and loan repayments. For those who can save 500 or 1,000 Baht at the end of each month, five Baht a day is too small to bother with. But looking at it from the other side, daily saving groups are open to everybody and offer opportunities to everybody - even if they can only save 5 Baht a day.

2.

Daily saving as a means of reaching the poorest

The crisis brought out the essential clash between the realities in the life of poor communities and the savings structure, which wasn't fitting very well as a management technique. The question was how to find a simple management system that would engender broad participation, and in which everybody would do their bit, as a matter of simple routine, so it's not a burden to anyone. When we look at the lives of most poor people in the city, they are *daily* lives: for most, money comes in and goes out daily, not monthly. If you run the savings system weekly, or monthly, or try to systematize it too much, the poor will have a hard time being a part of that process, because it doesn't match their lives. When the *Mahila Milan* in India, for example, go out every day to collect the money in their small groups, door-to-door, all the members keep the money ready, one person makes the rounds and collects the whole group's deposits. It takes only an hour or less, it's not a burden, it's a part of your life, like brushing your teeth in the morning. But the Thai version of daily saving is a compromising one: in most groups, people can save daily, weekly or monthly, depending on what suits their earning pattern - it's not so strict. In some groups, the daily savers form their own sub-groups and transact savings and credit with the larger group once a month, but carry on their internal loaning, repaying and saving on a daily basis, with their own separate ledgers.

3.

Daily saving as a simple system that matches life

Savings groups often get stuck because of problems with old leadership patterns in the community. When UCDO first started savings groups in lots of communities, there was a kind of compromise: opening room for existing leaders to start, but with the hope that eventually, as more and more people come into the process, those old leaders will be challenged and a more democratic process will evolve. But those leaders have clung tightly to their control and to their monopoly on the benefits, and there hasn't always been as much evolution as everybody hoped for. Even when the repayment crisis hit, UCDO workers found themselves shut out if they proposed changing the leadership. But when they suggested daily saving to help people repay, that wasn't so threatening to the leaders. They began with small groups of maybe five or ten people, who started doing things together, started organizing themselves and making decisions together in their little groups. So pockets of independence emerged within the *old system*, without really challenging it. And it grew, new groups sprung up and only became a challenge to the old leadership at the point when so many groups were already in position to really challenge. It's a kind of back-door revolution. In this way, daily saving links simple daily rituals to the creation of a new political power structure in poor communities.

4.

Daily saving as a way of challenging old inequities



Institutionalizing partnership at highest policy level

Since its inception in 1992, UCDO was governed by a Board appointed from various development partners, especially community representatives elected by community themselves. To be a new kind of institution managed by partnership of development actors to be an institutionalized "Partnership". The organization was governed by a Board which had complete power to make decisions on all of the UCDO policies. Although UCDO was a special organization under NHA, the UCDO Board had the power to make decisions independently. The crucial point in this regard was the combination of the board members which are as follows:

- 4 representatives from government organizations (the Bank of Thailand, Finance Ministry, National Housing Authority and NESDB),
- 4 community leaders, elected through a national grassroots process
- 3 experts from NGOs and private sector organizations
- 1 Chairman (at that time this position was filled by the NHA Governor)
- 1 Secretary, who is UCDO's Managing Director

Such a combination brought about a process of partnership in the implementation of the programs. This new process brought in all of the relevant and concerned actors, with partnership and cooperation as its core structure, throughout the whole implementation process. The instant that community leaders are having equal status with other government and development actors have significant implications to the entire development process. Having community representatives sitting at the highest committee also directly caused the whole program to be transparent and participatory at structural level. When UCDO merged with Rural Fund in October 2000 to become Community Organizations Development Institute (CODI), a public organization, the same principles of the partnership Board were taken as the new institutions structure.

Working with other existing organizations

Another major UCDO strategy was to work with as many as existing organizations as possible : Government, Local Authorities, NGOs, Federations, professionals etc., and regards all existing organizations as potential development partners, to be supported and strengthened and to work together in implementing the program. In several cities, attempts to bring all urban groups to work together in the form of *Urban Community Development Committee* were successfully introduced. Building capacity to build local partnership to work together through UCDO interventions has been in regular ways of implementation. Subcontracting development activities to NGOs and municipal governments has also been implemented. Up to the merger into CODI, UCDO gave direct financial support to NGOs, community networks and local authorities to implement development projects in several cities.

“There are three kinds of power: the power which communities have built within themselves, the power which comes from creating support from outside communities, and the power which comes from cooperating together. The task is now to build these three kinds of power at as many different levels as we can.”

(Khun Paiboon, former director of UCDO)

Making communities and community networks the key operating mechanisms . . .

The organization used the strategy of strengthening communities' managerial capacity as a major strategy, then tried to find a process whereby the activities could be multiplied by the community organizations themselves. So UCDO worked to encourage, facilitate and enable, in all possible ways, various forms of community organizations and federations to be set up or become involved in the program. Communities were - and still are - key implementators for all development activities through various loans provided.

The very significant aspects of UCDO's work was the process of linking together the urban poor savings and credit groups in the same city and district, or with similar development issues and common interests to form many different *community networks*. Networks were also organized at various levels - from national, regional, within-city, zonal and district-wise. In fact, no particular format about community

network have been prescribed, but the networks have developed according to the interest and capabilities of the groups involved, in accordance to their own changing context.

Community networking are very powerful platform for larger scale development - a platform which involves a synergy of learning, sharing of experiences, boosting of morale and inspiring each other. 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 of UCDO, in its work to develop a national-scale urban poverty development process and to link with other existing programs by the urban poor community themselves. Later, UCDO also provide loans to community networks as well.



Keeping light and flexible: experimenting with new institutional forms

Any formal organization interested in facilitating an urban poor community-driven development process, on a large scale, needs to be very cautious about how it sets up its institutional arrangements. If those arrangements make the support system too rigid, then the flexibility and openness, which are crucial ingredients in supporting an informal people's process, will not work. UCDO's most important and on-going struggle, from the beginning, has been to create a light, flexible and open administrative mechanism, in which money comes from government, but decisions about how those funds are used come as much as possible from a people's process. Here are some of the important structural elements which have shaped UCDO's institutional program and helped develop that community support process as it works now :

1 Government institutional status : UCDO's position as an institution with solid resources and government status is an important ingredient in making change. The organization's formal "muscle" is used frequently and strategically, in negotiations with other agencies, with aid organizations, bilaterals, other governments and high-level private sector organizations. This kind of legitimacy can open doors, through which resources and opportunities can then flow to networks and communities.

2 Independence as a self-contained fund : Government organizations are usually funded by direct yearly fiscal budgets, which are highly political, capricious and come with many strings attached. UCDO's bread and butter, on the other hand, is generated entirely by its own fund. As a self-contained, self-sustaining revolving fund, the entire operating costs are met by a tiny percentage of the income earned on the fund. This means relatively few strings attached, and relative flexibility with regard to changing administrative agendas. That percentage can be used without having to ask for too many people to verify, to approve.

3 A participatory and open governing process : UCDO's governing board includes a mix of people from poor communities, NGOs, academia, government and the private sector. Policies and decisions in most government organizations and private firms are set by a boss up at the top, or by boards made up of insiders who have certain ways looking at things. Here you have a group of people from all different spheres, with dramatically different perspectives, sitting together frequently and having a lot of discussion. In this way, transparency is built into the process - there are no secrets, no unilateral edicts coming down from above. And communities have access to all policy-level information all the time. As one staff member puts it, "It's easy for someone to scream up to the highest level at any time."

4 A system in which the organization doesn't make decisions or initiate projects : Most government systems start with a clear program of exactly what they're going to do, all worked out and blue-printed to the finest detail, before they even start. In that model, government plans, government implements and government spends the money. Development projects financed by UCDO loans, on the other hand - whether housing, community improvement, income generation - come as proposals from poor communities through their own initiatives, through their savings groups or, increasingly, through their community networks. It's *their* ideas, *they* do the work, *they* implement, *they* spend the money. All UCDO has to do is grant the loan. And a culture of *not saying no* has become a system, where problematic proposals are seldom nixed outright, but sent back, worked on and filled out until they become *approvable*.

5 A culture of facilitating at many levels : Most government systems are also set up according to principles of hierarchy and ultimate power to deny or approve. If we want transformation in poor people's lives and their place in society as a whole, we also need transformation in the institutional systems which support people's initiatives. *The transformation has to work both ways*. Developing a culture of *real* facilitation, and building relationships with communities that are *horizontal rather than vertical* - amounts to a full time learning process for UCDO and its NGO and government partners.

Development projects financed by UCDO loans - whether housing, community improvement or income generation - come as proposals from poor communities, through their savings groups or, increasingly, through community networks. It's their ideas, they do the work, they implement, they spend the money.



Bottom line : UCDO's financial resources . . .

The Community Development Fund was granted from the Thai Government in 1992 in the amount of 1,250 million baht (about US\$ 32 million). It is a revolving fund which provides flexible, low-interest loans to communities. The fact that the grant was in the form of a revolving fund allowed greater flexibility in managing a new development process which is being led by people in communities. The new management of a fund allowed short-cuts to deliver financial resources directly to communities and to be directly managed by communities. It was a new way to liberate communities and urban poor people from the existing restrictions of conventional, expensive and development, decided for them by others who are not poor.

From the very beginning, it was agreed that profit earned on the fund should help subsidize the administrative and development costs in all activities. It was agreed, politically, from the Board that the average interest rate should be around 7% from all kinds of loans. The 7% was divided as follows:

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

In reality, the actual average interest gains from all loans was only about 5%, since about 60% of total loans granted were for housing projects which pay a low interest rate of only 3%. However, since only about one third of the total fund was being used in various kinds of loans, while two thirds was saved in the bank, that allowed for higher interest rates, especially before 1998-1999. Therefore the total interest gained from fund averaged about 7-8% per year, while total expenses for all the development activities and management costs averaged about 3% per year. Therefore, when UCDO merged to become CODI at the end of 2000, the UCDO fund had grown in size to about 1,700 Million Baht (US\$ 38 million).

Apart from UCDO's revolving fund, when so many community activities and networks emerged and began working actively with other local development actors on a large scale, this development process also began to draw resources from several other development budgets to incorporate in general development activities. Since 1996, there have been several joint-development projects between UCDO and other development programs such as DANCED's *Community Environment Development Activities*, which received the grant to set up urban *Community Environment Development Fund* of about US\$ 1.3 million. Community welfare activities, as well, got a boost from the World Bank's *Social Investment Program* of about US\$ 6 million.

The UCDO Fund : Growing investment and growing returns . . .

(August 2000 figures)

● Fund total in 1992	1.25 billion Baht
● Fund total today	1.7 billion Baht
● Total credit granted	1 billion Baht
● Total savings groups	852 groups
● Savings members	100,000 households
● Number networks	103 networks
● Total savings and assets	2 billion Baht

Additional funds generated by the process:

● Miyazawa	250 million Baht
● Welfare Aged Fund	80 million Baht
● Collaboraton with SIF	250 million Baht

How UCDO funds itself :

In theory, the UCDO fund should earn an average of 7% on interest, of which 1% is reserved for bad debts, 2% goes back into the fund and the remaining 4% pays for running UCDO. That 4% includes overheads, salaries for staff members, as well as all the development support that goes to the community networks, including exchanges, travel expenses, meeting costs, training, seminars and food. In this way, that 4% financial gain is directly reinvested in strengthening the people's process. In practice, it doesn't work out quite so neatly. Although

interest charged on loans averages 7% overall, 60 - 70% of all the loans are housing loans at 3%. These are long-term loans and take the money out of circulation for a long time and that pulls the average total earnings down to about 5%. And non-performing loans during the crisis pulled total earnings down to just under 4%.

Before the crisis, when the financial market was strong, the portion of the fund which sat in the bank earned handsome returns of 10 or 11%. That income enlarged the fund over the years, and works now to cross-subsidize the low-interest charged on loans and to keep UCDO afloat during the repayment crisis, when interest income - and hence UCDO's bread and butter - has drooped a bit.

"This isn't a business enterprise. We don't have to worry about earning profits, we only have to break even. This is a social investment - it's possible to measure social profit from the investment in the process as well. In eight years, we've given 900 million Baht in loans, one third of which has already been paid back. This process is going all over the country, people are getting organized, they're managing their own development, a lot of activities are going on. And we still have 1.7 billion Baht. What's the problem with that?"

UCDO / CODI : Seven major impacts

1 Increases in community organizations and networks : At the time of the creation of CODI in October 2000, not only has the total amount of the fund increased by 36% from the original grant, but UCDO has been able to expand its activities into 53 provinces (out of 75) throughout the country. About 950 community saving groups, out of about 2,000 total urban communities, and more than 100 community networks have been set up. Besides, there are various kinds of community networks sharing the same interest or same problems across the country, such as network on community on same land, community enterprise, women's groups, etc. Community networks have also been accepted as an important development mechanism by most formal development agencies now.

2 Increased in community assets and direct financial resources : More than 1,000 million baht have been granted as various kinds of loans and more than half of the loans have been repaid. On the communities' side, by setting up saving groups, the amount of community savings, when put together, is now more than 500 million baht. These community-owned savings are used as fast-revolving funds which circulate among community members. Roughly calculated, the assets generated within communities as a result of this savings and loan process will be almost 2,000 million baht, during UCDO's period of operation, while the original capital in the fund still remains, and has in fact increased. In 1999-2000, the implementation of Miyazawa loans to community networks, for purposes of relieving the effects of the economic crisis in poor communities, found that about half of the 240 million baht which was granted to refund the informal debts of members, which amounts to 1,000 million baht in 5 years.

3 Increased community management and enterprising capacity : Having their own resource base, linkages with several other groups, and back-up from UCDO as a part of government organization, communities have developed the confidence to implement activities which directly address their own insecure conditions, by themselves. With a stronger financial base and a strong confidence in their own development capacity, several communities have been able to develop community enterprises and to invest together in many activities. Several groups have subcontracted the work together as a group, such the ownership and management of petrol stations by taxi driver cooperatives. Taxi drivers can own their own cars from income generation loans, communities can subcontract the management of a large fresh market as a group and communities can own a milk factory together, etc.

4 Developing more diverse housing solutions : Several kinds of housing projects have been developed through loans to community initiatives, including buying existing slum land, resettling to land that is close to former communities, improving housing *in situ* in existing slums and repairing housing after a crisis. Recently, as the community network process became stronger, several city-wide housing development activities have been introduced in the cities of Nakhon Sawan, Ayutthaya, Uttaradit and Chiang Mai. This is a breakthrough, and an exciting new direction, in which local community networks work together with the city to develop city-wide plans for providing secure land and housing for all the existing slums in the city. A few 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 like planning, environment and solid waste management.

5 Development of large scale community welfare activities : Most of the community networks have developed their own community welfare programs to take care of the more vulnerable groups in their own communities. These welfare programs have been completely designed and carried out by the networks, and include funds for school fees, funds for people who are sick, funds for the elderly, and funds for emergencies within communities. In fact, the existence of these welfare funds allows communities to help each other in such a way that isolated problems become a communal shared responsibilities. They also provide a secure feeling among community members who have never had any sort of welfare protection in the past.

6 Stronger status and better partnerships for communities : Several cities have developed urban community development forums as a collaborative platform for communities and other development actors working together on regular basis. Many formal development programs have also developed structures of partnership, with community representatives sitting at the highest committee level. It is becoming more and more a culture and belief that communities of the poor should be key development actors and should participate in the decisions which relate to their lives.

7 Changing the culture of how development institutions are managed : Most development institutions - whether local, national or international - always preach about decentralization, and participation. But the way they set up their institutional systems and the way they plan, administer and implement their programs is mostly in complete contradiction to that preaching. This new approach has helped demonstrate new development possibilities, in which communities are prime actors in all stages - in very concrete ways.



Spreading out & Scaling up . . .

1 Expanding the community development fund model to other countries in the region :

Because of the close collaboration and mutual learning among groups in different countries in Asia, as facilitated by the *Asian Coalition for Housing Rights*, the experience of UCDO has been widely disseminated to several other countries in the region. Several countries such as Cambodia, Laos, Vietnam, India, South Africa and Zimbabwe have been able to learn about the powerful roles which can be played by community development funds. Many of these groups in other countries have developed similar models in their countries and there are now many funds operating in Asia and Africa, such as the *Urban Poor Development Fund (UPDF)* in Phnom Penh, the *Pak Ngum Community Development Fund* in Vientiane, Community Development Funds in 5 provincial cities in Vietnam, the *Payatas Urban Poor Development Fund* in the Philippines, the *uTshani Fund* in South Africa, the *Windhoek Urban Poor Development Fund* in Namibia and the *Gungano Fund* in Zimbabwe. Extensive exchange visits among several groups in the region have been organized to facilitate and broaden the development of this direction.

2 Institutionalizing links between urban and rural community development

On October 26, 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 CODI into existence allows development activities launched under UCDO to continue, but the change also provide a new opportunity for a some big changes in how the organization works, how it relates to the poor community organizations it supports. The decree means CODI itself has its own legal entity as public organization to provide larger scope, greater possibilities, greater flexibility, broader linkages and much-expanded possibilities for collaboration between urban and rural groups. CODI can also apply for government budget directly so the additional financial resources will become additional development tools of communities.

The transformation to CODI has brought about drastic changes to the former UCDO's structure, which has become much more decentralized to the regions. Each region will have a committee comprising community leaders and other development actors to direct the development in that region. In each province, as well, there will be provincial development committees selected from various community networks in the province to lead the province's development direction.



UCDO / CODI : Five lessons

- 1. Community savings and credit activities and community development funds should be viewed as powerful means for facilitating a truly community-driven development process.** Community-managed savings and credit is a flexible but powerful instrument for development by people themselves - not as an end or objective in itself. This implies an approach to development not as mere welfare, not only to provide access to finance but a process to build a real community strength and development force from within. The Community Development Fund is set up to support development by communities directly, and allows this "self development" to gradually mature and strengthen, so communities can renegotiate with other sectors in society. If such funds are properly managed, they can generate various kinds of increased wealth and prosperity within communities, while the capital increases.
- 2. The management of community funds or poverty programs should be designed on the basis of conditions of the poor, not on the basis of what is convenient for market or bureaucratic purposes.** Most programs are set up to match the conditions and knowledge of non-poor people from the formal system. Many funds tend to worry too much about market mechanisms and conditions, even though these things may not relate to the lives of the poor very much at all. Some feel too worried about the poor behavior and lack of formal knowledge in community leaders. Effective programs should concentrate on the conditions and potentials of the poor. The establishment of these funds allow greater flexibility to allow the poor to be the key development actors in this regard. These funds will allow financial flow to be secured for various kinds of development by the poor, through their community organizations themselves.
- 3. It is important to deal with poverty issues with a deeper understanding.** Poverty results from causes that are structural. In order to deal with poverty problems, it is necessary to develop ways in which the poor themselves can become stronger and have more confidence to change and develop by themselves as much as possible. The development may have to be multi-dimensional and continuous. The strength of change developed from within the poor and in relationship to others has to coincide. The stronger the poor become in their confidence, financial status, learning, information, bargaining power and links, the better they become in changing their relationship with the system gradually by themselves. Poverty cannot be reduced by any single program or consultancy. It needs serious ground work with - and by - the poor people themselves.
- 4. Partnership is very important, but real partnership is difficult and needs gradual development.** The new institutional set up based on a process of partnership between various actors is a very important and, perhaps, inevitable development direction, however, it can be a rather problematic process. Many existing urban actors, government municipality, NGOs or CBOs emerged from a past culture of confrontative and centralized politics which runs counter to the spirit of a process of partnership and decentralization: the new approach and process has to deal with and work along with this reality. There are, as yet, few actors prepared and with sufficient understanding and skill to deal with this. Needless to say this new process can be easily be obstructed or side tracked by actors with the old mind set.
- 5. Internal adjustments for institutional development have to keep up with actual development realities.** It is important to build a development process, within the administrating organization, that corresponds to a "bottom-up" community development process: a new type of administrative culture is required to allow and encourage a maturity and strength in development workers that grows along with the community. A failure to carefully build a facilitating, institutional system with a people-centered philosophy and paradigm will obstruct or bring about the failure of the actual development process. A new administrative and managerial system, as mentioned, is another crucial and delicate innovation to be developed.