

UCDO Update

Volume 1 Issue 1 Newsletter of the Urban Community Development Office Thailand June 1997

UCDO Milestones

1992

- ◆ Mar: UCDO initiated with start-up capital of US\$ 50 million
- ◆ Jun: Selection of UCDO board and election of community representatives
- ◆ Sep: UCDO office officially opens with 6 staff
- ◆ Dec: First project approved for credit: housing loan

1993

- ◆ Jul: UCDO membership swells to 100 CBOs
- ◆ Oct: Receive award from ESCAP

1994

- ◆ Mar: Start joint development projects in provinces
- ◆ Apr: Staff exceeds 50 employees
- ◆ May: 25 CBOs have received loans benefiting over 4,000 households

1995

- ◆ Jan: First credit approved to CBOs in the provinces
- ◆ Feb: Over 50 training courses organized
- ◆ Mar: Credit tops US\$ 10 million
- ◆ Apr: Change to area-based organizational structure
- ◆ Oct: Receive Habitat Scroll of Honor 1995 fr. UNCHS
- ◆ Nov: Create 8 community network admin. zones & establish Community Development Committee

1996

- ◆ Jan: Initiate UCEA Program; UCDO membership surpasses 500 CBOs, 100 from the provinces
- ◆ Feb: Prepare UCDO - Rural Devt Fund merger
- ◆ Mar: Total of 250 projects approved for credit; Working area expands to 20 provinces
- ◆ Apr: 100 CBOs received loans benefiting ~ 15,000 hhd
- ◆ May: Over 100 training courses organized
- ◆ Jun: Staff expands to 100 employees
- ◆ Nov: Credit reaches US\$ 25 million, half of total fund
- ◆ Dec: Hold first national UCDO membership seminar

1997

- ◆ Mar: First meeting of the National Women's Development Group

Five Years of Serving the Poor

UCDO is celebrating its fifth anniversary. UCDO was formed in March 1992 under Thailand's Seventh National Development Plan to alleviate poverty at a national scale. The program seeks 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 loans at favourable interest rates.

Five years later, UCDO can boast modest success. Although there is a long way to go to achieve poverty alleviation and stronger community organizations, UCDO's program has improved the lives of thousands of urban poor families across the country.

But UCDO will not stop there. The organization, together with its member community groups, is constantly seeking new ways of advancing the development in urban slums through innovations and improvements in UCDO's programs, process, and its organizational structure. Flexibility and active participation are at the root of this innovation.

In this issue we look back at UCDO's progress over the last five years, and the changes that have been made. Starting this year, the "UCDO Update" will become a regular semi-annual publication that will track the development of UCDO and the community members it serves. □

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Commentary

Welcome to the first edition of UCDO Update, our semi-annual progress report designed to keep our friends and concerned organizations posted on our latest activities. Having been in operation since 1992, there is a lot of catching up to do. Even for those of us working here, there is a need to constantly keep up with and learn from the continuous changes in the dynamic process of people's- led development.

These last five years of hard work to create a new people's process and local partnerships in community savings and credit activities resulted in the identification of means to bring strengths and potentials that have existed in the communities for decades into the development process. This potential had previously gone unnoticed or unrecognized, or had been characterised as being illegal. Very simple guidance on how to organize and manage savings and credit groups and to consolidate various community activities, has gradually effected a very powerful large scale development process led by the urban poor communities themselves. It is in the context of this emerging complex process that UCDO has to learn, adjust and grow with the people.

Since the end of 1995, our main strategy has been to facilitate the establishment of community networks and federations in order to strengthen community collaboration, management and mutual learning in various urban constitu-

encies. It is anticipated that by the end of 1997, most of the community networks, in cooperation with these other local actors, will gradually assume responsibility of loan consideration and development for their member communities. This will be another significant step towards decentralizing UCDO's operational process.

The formation of new institutional arrangements among all the stakeholders (communities, NGOs, academics, private sector and government agencies) is a significant factor contributing to the development process. The institutionalization of this partnership, revolving around the community-driven development process, is an important, on-going process of internal evaluation, learning and adjustment.

1996 and 1997 will likely be marked as the years in which certain aspects of the UCDO process, weak and strong ones, culminated in a transition to a new framework that will be more clearly defined by the end of this year. In this issue, we identify and discuss these on-going changes. Happy reading.

Somsook Boonyabancha
on behalf of UCDO

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Events & Activities

Recent Events

The biggest event of the year was the first ever **UCDO National Membership Seminar** held on December 6-8, 1996 in Chantaburi. The Seminar was attended by 250 members from urban communities throughout the country. During the three day meeting, six activity groups were formed to discuss issues of housing, environment, savings and credit development, community welfare, occupation development, and women's development. The result of the seminar was twofold: it gave community members the chance to meet with other leaders and coordinate future joint activities, and it resulted in a plan of action for development activities in each of the geographic zones.

In March of this year, the **Women's Development Unit** met at a **national seminar** to set out a course of action for their fledgling group. The national meeting concluded with an agreement to carry out a door-to-door survey to assess the needs of women in each member community. The unit will prepare an agenda of activities based on the results of the assessment, to be completed before the end of the year.

Upcoming Events

There is a lot on the calendar for the remainder of 1997, starting off with a **Workshop to Review the UCDO Credit System** scheduled for May or June of this year. The purpose of the workshop is to bring community leaders together to

identify ways of improving the quality and process of credit delivery. UCDO anticipates major changes and adjustments in the credit delivery process, at all levels, as a result of the workshop.

Around mid-year, the **People's Seminar on Housing** will be held for representatives from the Housing Unit of each geographic zone. This national workshop will hold discussions on approaches to collect data, organize projects, and address the poor's housing problems.

The **Environment Unit** will also be holding a **Seminar** to present the results of the mid-term evaluation of the DANCED/UCDO Urban Community Environmental Activities Project and to determine how to proceed.

A follow-up to the **Women's Development Seminar** in March may also be organized before the year is out to discuss the results of the national survey, which is nearing completion.

A number of UCDO organizational development activities are also planned for this year. Over the next few months, UCDO will be setting up the **Organization and Movement Development Unit**. This new unit will be responsible for UCDO human resource development (training and skill development), and the establishment of an organization support structure to build capacity within the organization and in their partnerships.

Credit Activities

Income Generation Loans

In 1996, UCDO granted income generation loans to 36 community organizations for a total of 34.36 million baht. Since UCDO began operations in 1992, 109.32 million baht has been loaned for income generation activities, of which 73.36 million baht is outstanding. In the majority of cases, organization members borrowed money to invest in their business, such as construction companies and retail shops. Some members pooled their credit to lease a market stall, set up a community shop, create a taxi cooperative or transportation cooperative, or to set up a sub-contracting agency that hires out community people for a particular service. However, individual endeavors are still more common than joint enterprise activities. UCDO recently set up a Community Enterprise Development program to encourage more joint business efforts so that more people can benefit from income generation credit. (See New Concepts on page 4 for information on the Community Enterprise Development program.)

To assess the impact of the credit activities, UCDO carried out a study in eight savings and credit organizations in Bangkok. Findings revealed that over 73% have increased household incomes as a result of income generation activities funded by UCDO credit.

The loans increased income by:

- reducing rental costs for equipment through equipment purchases
- increasing access to capital for investment at lower interest rates
- increasing the employment opportunities in the community as a whole.

However, in eight percent of the cases, household incomes dropped as a result of market pricing problems, lack of access to markets, and in six cases, illness. In 18.4% of the cases, there was no change. In a few cases, some of the borrowers are encountering difficulties in meeting their loan payments due to management problems.

Revolving Fund

Last year, UCDO granted revolving loans to 25 community organizations for a total of 11.15 million baht. Accumulated UCDO revolving loan allocations total 45.59 million baht of which 8.89 million baht is still outstanding. The organization's members borrow to address a wide variety of problems, including paying off high interest informal loans, paying school fees, and covering health care costs. Gener-

ally, the organizations requesting revolving loans from UCDO are either newly formed or have insufficient funds of their own. In distributing revolving loan funds to members, organizations use one of two options. Either they combine their own savings with the UCDO fund to on-lend to members, or they keep separate accounts between the loan and the member's savings, and only lend from the former.

A study monitoring the impacts of the revolving loans in nine organizations found that the benefits include increased savings, increased membership in savings and credit organizations, and valuable experience gained in financial management. Most importantly, of those borrowing from the revolving fund, 58.6% have managed to free themselves of informal debts. Eliminating informal debt has considerable positive implications for the whole of the community.

Loan Performance		Sep.93	Sep. 94	Sep. 95	Sep.96
No. of Groups	No. of Projects	15/19	33/61	84/192	129/359
1. Revolving Loan		7/7	15/16	39/46	64/87
2. Income Enhancement Loan		3/4	10/21	55/71	91/137
3. Housing Project Loan		5/6	8/11	19/27	26/27
4. Non-project Housing Loan		2/2	11/13	41/48	73/98
Amount of Loan (million baht)		123.37	180.65	393.64	543.08
1. Revolving Loan		15.99	17.78	34.44	45.59
2. Income Enhancement Loan		21.90	36.67	74.96	109.32
3. Housing Project Loan		84.33	122.05	266.41	343.33
4. Non-project Housing Loan		1.15	4.14	17.83	44.84
Outstanding Loan (million baht)		88.59	121.11	255.34	382.82
1. Revolving Loan		2.65	1.15	11.00	8.89
2. Income Enhancement Loan		19.74	27.51	51.96	73.36
3. Housing Project Loan		65.48	89.89	178.92	264.81
4. Non-project Housing Loan		0.72	2.56	13.46	35.76
No. of Households Benefiting		2,641	4,879	12,788	17,629
1. In Bangkok & Vicinities		2,641	4,879	12,171	15,452
2. In Provincial Areas		0	0	617	2,177

Housing Loans

In 1996, UCDO allocated 76.92 million baht in housing project loans to ten community organizations, and 27.01 million baht in non-project housing loans to 47 organizations, for a combined total of 103.93 million baht. Since the start of operations, 388.17 million baht has been loaned for housing-related activities. Of this amount, 300.57 million baht is outstanding. The project housing loans

are used in one of three ways: to build housing on the same site or one nearby, to purchase land at a new site, or to participate in the National Housing Authority's "rent-to-own" housing scheme. Non-project loans are typically used for home renovations, usually done by the homeowners themselves.

Monitoring of ten organizations revealed that 85.5% of the members actually live in the community (often the social boundaries and membership are larger than the community boundaries, comprising people from neighbouring low-income rental flats or non-resident vendors working in the community). 54% rent the land, and 43% have illegal tenure. The two principal reasons for borrowing for a housing project is to own their own house (60% of members) or because they face eviction (24% of members). The housing loans provide community members with the means to solve their housing problems directly. The principal obstacles facing the members concern difficulties in finding sites that (i) are serviced; (ii) are near their work; or (iii) have easy access to transportation. Another more basic constraint is the inability of some slum people to afford regular loan payments. □

New Concepts

Danced Project

The environment is a unique development issue: unlike other issues, it has not really been addressed through loans, with the exception of service infrastructure in new housing developments. Infrastructure is considered a government responsibility, thus communities expect to receive government grants for improvements. These are not always forthcoming and individuals tend to be reluctant to assume financial burdens to improve something in which they have no equity and which is a shared good. Yet many residents place high priority on healthier surroundings and community facilities. Thus, in January 1996, UCDO started a project for urban community environmental activities with a U.S. \$ 1.17 million grant from DANCED (Danish Cooperation for Environment and Development). The project aims to create and strengthen a new community-led mechanism to specifically deal with community-wide environmental improvements. It is anticipated that with the development of this mechanism, relatively small grants, when pooled with community resources and the cooperation of concerned actors, can lead to innovative, low-cost solutions which serve to vastly improve sanitary conditions, infrastructure and facilities in low-income communities.

The project is building on the UCDO process and seeks to create linkages with other development activities for a holistic community development process. Working together with existing community organizations operating under UCDO, the project uses environmental improvements as another means of strengthening community management and organizational capacity. By its very nature, environmental improvement activities foster greater community cohesion and participation easier than loan activities, and are a leading force towards broadening the services and mandates of community savings groups. Also, because making concrete decisions on improvements tends to be more straightforward than for loans, environmental activities are an excellent starting point to develop and strengthen a more prominent development role for community networks. The activities supported by the program range from repairs or construction of community infrastructure and public facilities, to upgrading of surroundings (e.g., greening projects, playgrounds) and environmental public awareness building.



Credit Quality Development

When the rate of loan repayment began to slip below 99% in mid-1996, UCDO took decisive action. Notwithstanding the increase in the number and size of loans that were coming due, the repayment failures could be partly attributed to a number of extraneous events, such as the recent economic recession which affected the poor. However, taking a self-critical view, UCDO viewed the appearance of the problems in the third and fourth year of the program as a natural outcome of a weakness in the process. Determined to avoid setting a precedence of allowing loan defaults, UCDO set up the Credit Quality Development Program which campaigns for a 100% repayment rate. This led to a complete review of UCDO's credit process and associated organizational aspects.

A taskforce was established to deal with problem loans that were more than three months in arrears. Together with field workers, the taskforce is currently working on sixteen cases. The program is designed to help the concerned organizations get back on track. First the taskforce attempts to gain an in-depth understanding of the problem cases. Then, it devises means of reviving the loan. This includes renegotiating the terms of credit according to realistic assessments of the organization's ability to repay. The taskforce also tries to broaden responsibility for loan defaults from being solely the concern of the UCDO, to being a concern of community networks and the overall movement for community-led development and microcredit. Finally, the taskforce is responsible for closely monitoring loan activities in UCDO and the community networks.

Findings to date indicate that loans in arrears do not need to be written off. So far, virtually all of the organizations of concern have recommenced repayment of their loan. It was also found that repayment defaults are rarely attributable to the individual members. Mismanagement of the community savings group, and unpreparedness to assume large credit obligations so early after the group's initial establishment tend to be principal causes.

The program emphasizes the positive, not the negative. Rather than focusing on the problem loans *per se*, the program is investigating mechanisms to improve the quality of the loan process. Based on the experience gained from these cases, the process of loan granting by UCDO is being reconceptualized. In order to encourage community networks to assume greater ownership and responsibility for loans and repayments, UCDO is proposing to give them a greater say in loan disbursements and to make the lending process even more transparent. With the establishment of the Credit Quality Development Program, UCDO hopes to identify these and other key steps to achieving a better microcredit program. Thus the credit crisis proved to be a blessing in disguise. □

Community Enterprise Development

In the past five years, as a result of community savings and credit activities, many more small enterprise and employment opportunities are accessible to community members and household incomes are on the rise. However, an assessment of the impacts of income enhancement activities also revealed that benefits were accrued mostly on an individual basis. In order to promote and strengthen community enterprise development and to consolidate income generation activities, the UCDO board formed a Sub-committee for Community Enterprise Promotion and Support to help communities establish community enterprises that will have a greater range and intensity of economic and development impact than past measures.

Community enterprises can act in support of entrepreneurial community development in both urban and rural communities. (See Box 1.) With the support of the Sub-committee for Community Enterprise Promotion and Support, UCDO helps to organize and support the start up of enterprises in poor communities which would employ or provide income earning opportunities to a number of the community residents. They also provide training and advice in support of the following efforts:

1) **Strengthening Networks:** Presently the links between community enterprises, both geographically, (e.g., between rural and urban communities, provincial urban communities and Bangkok), and by activity, is fairly weak. By strengthening these networks, better linkages and synergy can be created between community enterprises. This, in turn, reduces costs and maximizes profits by reducing the need for middlemen to obtain supplies or to gain access to markets.

2) **Strengthening Entrepreneurship:** Most community enterprise management committees lack business know-how and often find the procedures for legal operation of a business or cooperative unfamiliar and intimidating. The UCDO helps the informal sector to structure and organize



their business ventures. Training in business principles, procedures and other technical assistance help community managers to establish effective operation and accounting systems and to embark on successful development and growth strategies. Exchange visits between communities provide an opportunity to learn from the experiences of other community enterprise committees engaged in similar business activities.

3) **Improve Links with Private Business:** Major suppliers of materials and consumer goods have refused to deal directly with the small community enterprises, forcing the enterprises to go through distributors at a higher cost. UCDO can act as a facilitator and mediator in support of linkages and partnerships between community enterprises and major firms.

The percentage of ownership of community enterprises can vary. Currently, almost all community enterprises are 100% owned and managed by community members. Generally, the members purchase shares in the business and shareholders elect a committee who is responsible for managing and operating the enterprise. Another possibility under consideration is for businesses to hire professional managers and allow CBOs, NGOs, private investors and community members to participate as equity holders. This latter option would widen the range of business activities that would be possible, (such as food processing, construction materials, handicraft export), as well as access to markets. Under the present system, the two main types of enterprises activities that have shown potential are retail shops and handicraft centres.

Currently, there is growing interest in enterprise development among many of the community organizations. □

Box 1: Benefits of community enterprises

The benefits of community enterprises include:

- Enhanced income of members from business profits/dividends
- Better status and capacity to negotiate with other agencies
- Elimination of some middlemen functions, reducing costs to community members and increasing community profits
- Increased employment opportunities within the community
- Increased capacity to set up and run a business
- Increased money flow staying within the community
- Increased links with private sector enterprises
- Increased backward and forward linkages with other community enterprises, and 'spin off' businesses within the same community.

Membership

UCDO Membership Data as of February 1997

ZONE	No. of provinces /districts	No. of provincial /district members	No. of communities	No. of member groups	No. of members with savings	No. of individual members	Amount of group savings (m฿)	No. of groups w/ UCDO loan	Total amount approved (m฿)	Outstanding loan (m฿)	No. of groups w/ problem loan
Bangkok Northern	7	7	248	128	68	6,835	22.04	34	110.92	299.94	7
Bangkok Central	8	8	281	82	49	6,886	49.37	27	91.79		4
Bangkok Southern	12	11	317	114	69	9,836	162.77	25	130.94		2
Thonburi	11	11	400	72	39	3,823	18.00	17	177.89		1
Bangkok Vicinities	7	5	452	56	38	5,755	20.70	17	149.03	92.79	1
Central & Eastern	18	3	112	15	13	3,771	13.01	1	0.46	37.76	0
Northern	17	7	114	63	38	4,305	26.75	9	25.24		0
Northeastern	19	4	98	50	35	3,778	17.55	8	19.84		0
Southern	14	6	98	36	36	7,660	17.70	9	5.59		1
TOTAL	113	62	2,120	616	385	52,649	347.69	147	651.70	430.49	16

Membership Statistics

Membership in UCDO has been progressing steadily. As of December 1996, UCDO has over 600 member organizations, 30% of the total number of urban poor communities in Thailand. Over two thirds of the membership organizations are located in one of four zones in Bangkok.

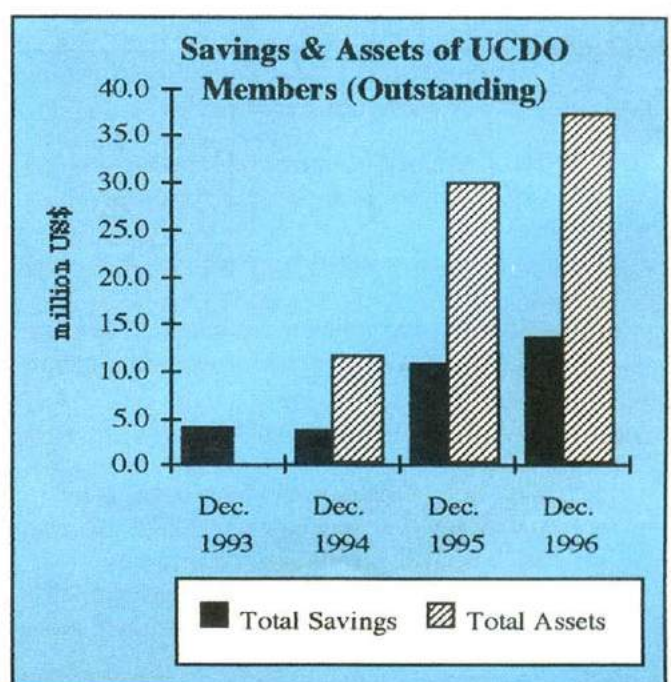
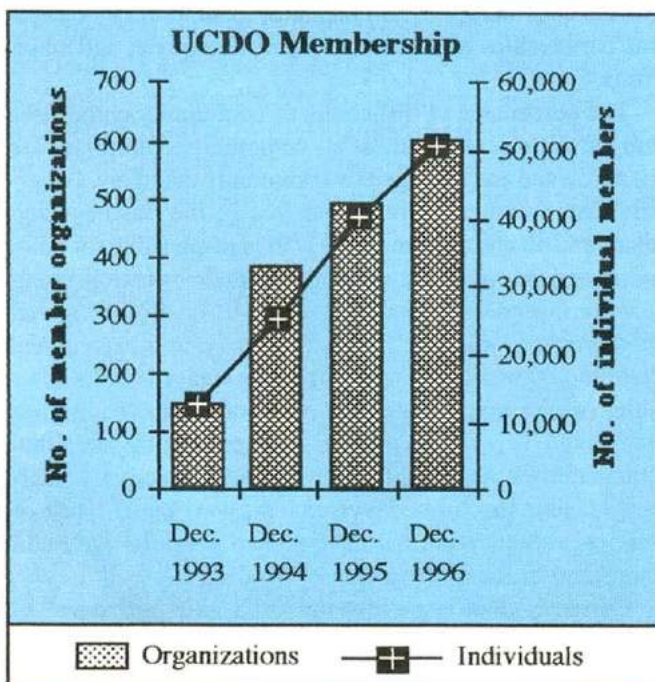
The promotion of savings and credit organizations is bearing fruit. Member organizations have combined community savings totaling more than 13.7 million U.S. dollars, and manage assets worth over 37 million U.S. dollars.

To assist members in their organizational and management development, UCDO provides technical help and training for its members on topics such as accounting and investment. Since it began operations in 1992, UCDO has held nearly 100 training workshops and seminars attended by over 3,500 participants. □

New Zones

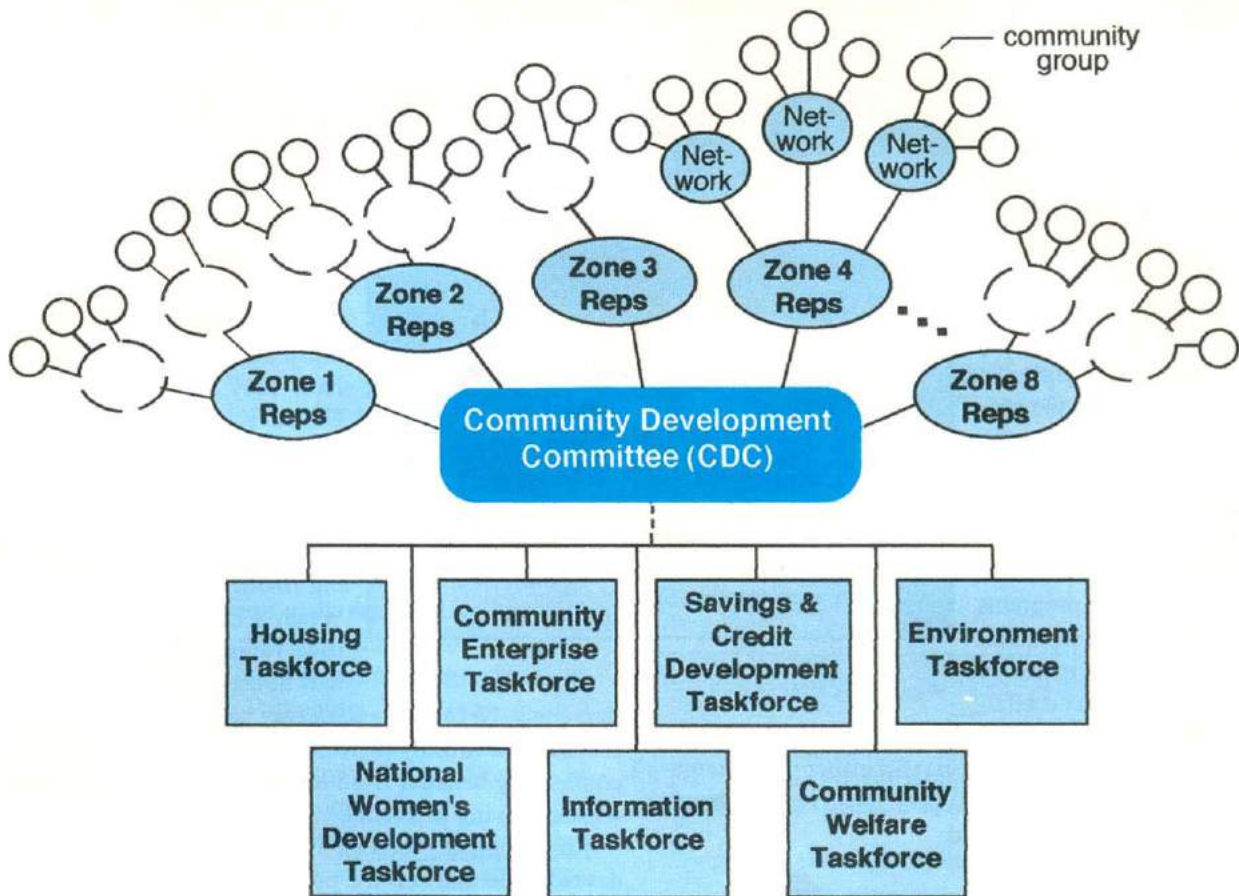
Member organizations are currently divided into eight geographical zones: four in Bangkok Metropolis and one in each region — Central, North, Northeast and South. Soon, however there will be ten zones. The Central Zone will shortly be divided into three: the Central Zone, the Bangkok Vicinities Zone and the Eastern Zone.

The rationale behind the move is the rapid rate of development in the Bangkok vicinities and along the Eastern Seaboard. Industrial investment has doubled and is attracting unskilled labourers, who, in the absence of proper employee housing, are forced to take up residence in one of the many new informal housing areas springing up alongside industrial strips. With the number of slums keeping pace with industrial development, the expanding community networks in this area warrant a zone of their own. □



Membership Organizational Structure

Zone Structure & National Membership Council



Since early 1996, UCDO has been promoting the formation of local networks of community savings groups residing in the same district or municipality. The successful emergence of these networks led to calls for the creation of a national network membership structure. In 1996, community networks were divided into eight geographical zones. In each zone, three members were selected to act as the Zone Representatives in a national Community Development Committee (CDC). This committee is directly involved in shaping the programs and policies of UCDO.

The CDC has been working jointly with UCDO to strengthen its membership structure and the activities in each of the zones. Resulting from the National Seminar held in December 1996, community delegates devised an organizational structure that they believe will strengthen community networks and improve their capacity to manage their development.

The delegates proposed the creation of seven taskforces to manage, coordinate and promote community development programs (see diagram). The seven taskforces are: Housing, Community Enterprise, Savings and Credit Development, Environment, National Women's Development, Information, and Community Welfare. The Housing Taskforce consists of ten members in each zone which collaborate with the networks to find solutions to eviction and housing problems. The Environment Taskforce is based on the network of communities involved in the Urban Community Environ-

mental Initiatives Program. The mandate of the National Women's Development Taskforce, an especially promising and energetic group, is to boost the role of women in savings and credit activities and support their active participation and leadership in community development throughout the country. The Community Welfare Taskforce assumes responsibility for organizing funds for cremations, medical expenses, and payment of debt of deceased, activities usually set up with a revolving fund.

Each zone sets up local taskforces. The national taskforces coordinate among the associated local taskforce in each of the zones. The relationship between the CDC and the taskforces is "loose"; while CDC is responsible for coordinating between the different taskforces, each taskforce will be created and operated independently, both at a national and zone level. This multi-level, horizontally-linked structure avoids top-down administration and provides sufficient flexibility for each zone to respond to the local and regional needs of its member groups.

Another change resulting from the national seminar is expansion from eight to ten zones. Members are currently divided into one of the following zones: Bangkok North, Bangkok Center, Bangkok South, Thonburi, Central, Northern, Northeastern, and Southern. Two more zones are to be added soon, when the communities located in the Bangkok Vicinities and Eastern Provinces break away from the Central Zone. □

Joining Forces

Cooperative Arrangements

One of the primary objectives of UCDO is to achieve integration of a community-centred development approach into mainstream development practices. Cooperative arrangements with other development agencies is instrumental in this regard. Participating in a number of programs, UCDO can influence the program approach and lend its expertise. It also helps to steer various actors along a common path of development, leading to better complementarity and synergy between the programs in play. On the international stage, UCDO participates in and supports multi- and bilateral networks, exchange, seminars, and other fora for sharing of experiences and learning, so that effective participatory models of community development can become better known and more widely adopted.

Banking on it

Last year, UCDO entered discussions regarding a cooperative loan arrangement with the Government Housing Bank (GHB), Thailand's largest mortgage bank. UCDO had reached its quota for housing loans -- 30% of UCDO's total capital fund. So UCDO turned to GHB for help. Negotiations are currently underway on two fronts.

First, GHB has agreed in principle to lend UCDO 200 million baht to replenish UCDO funds available for community housing loans. GHB is offering a nine percent annual interest rate. UCDO plans to on-lend the funds to the communities at the non-project housing fund interest rate of ten percent for housing repairs and improvements. There's only one glitch: UCDO is not a legal entity, and therefore, cannot borrow directly. Discussions are in progress to have NHA assume loan responsibility and then pass on the funds to UCDO.

The second option is to have GHB refinance successful UCDO loans to community organizations. This could prove to be a critical first step in moving some types of microcredit into mainstream financial institutions. UCDO would continue its role in nurturing strong financial management systems in the communities, but once the community group has proven to be a good credit risk, their loans could be refinanced by the GHB.

Both of these GHB options are being actively pursued. However, because GHB offers loans at market interest rates, only non-project housing loans can benefit from their coop-



erative funds. In order to continue Housing Project financing at 3%, the UCDO board agreed to increase the housing quota to 50% of capital funds. Now everyone is breathing a little easier.

All in the family

Ties with NHA have always been close, with UCDO providing the financial function of NHA's housing development mandate. Now they are even closer, with UCDO teaming up with NHA on four activities:

New housing projects: NHA is providing infrastructure support to new housing projects that are being financed with a UCDO loan. When a community group borrows funds from UCDO to cover new housing and basic infrastruc-

ture costs, NHA helps to defray part of the infrastructure costs with a subsidy of 18,500 baht per family. The whole community benefits from a properly serviced community without having to assume excessive loan burdens.

Resettlement Projects: One of NHA's mandates is to develop site and service projects for communities facing resettlement. But how to decide who should move, how to move them, and how to undertake the housing construction? Having established a good relationship with the communities, UCDO is able to act as adviser and mediator to help find appropriate solutions that are acceptable to all parties concerned. In particular, it helps to organize the community into a housing cooperative and mediates terms of repayment. UCDO has already participated in 6 resettlement projects, including the Kho Rat Samakee Community in Nakorn Ratchasima, and Wat Saeng San and Wat Chulaporn Communities in Klong Toey, Bangkok. Such cooperative efforts are improving the success rate of NHA's resettlement schemes.

Five Year Plan: Another area of cooperation is in the development of the five year action plan in line with the 8th National Plan. NHA is supporting UCDO's budget request to fund an expansion of loan activities in support of 8th Plan policies. If the request is approved, NHA will allocate the 3,000 million baht to UCDO for housing loans so that more slum dwellers will have access to housing credit.

Slum Policy: The fourth area of joint effort is in developing national policy on urban poverty alleviation issues. Together, UCDO and NHA are promoting the creation of a ten billion baht housing fund, helping to formulate slum policy, and supporting the development of more low-income housing options. These are important steps towards addressing the slum issue on a nation-wide scale.

(continued on next page ▶)

Joining Forces

(Continued from page 8.)

International Links and Learning

UCDO is a staunch supporter of developing international networks among concerned agencies as a means of identifying effective regional and international participatory models in poverty alleviation and practical methods of implementation. Greater communication and exchange opportunities can foster innovation and the development ideas and approaches that will hasten the advance towards community strengthening and poverty reduction.

To advance the international community development process, UCDO regularly receives groups from ASEAN and other countries, such as South Africa, India, Vietnam, Sri Lanka, Indonesia, and the Philippines providing the visitors with an opportunity to share their experiences and to witness firsthand the improvements derived from the mobilization of the communities' potential under the UCDO loan scheme.

Likewise, UCDO participates in national and international study tours and seminars to the region. It has benefited greatly from learning from others, including SPARC/Mahila-Milan Women's Savings Group in India, Community Mortgage Program (CMP) in the Philippines, and Women's Bank in Sri Lanka. In addition, 15 UCDO workers participated at a 10 day study exchange at the Grameen Bank in Bangladesh -- one of the forerunners of microcredit.

UCDO also actively seeks greater collaboration amongst agencies operating in Thailand in order to pool resources, experiences and efforts for more effective and mutually supportive poverty alleviation programming. In this regard, UCDO has established links with ESCAP (Economic and Social Commission for Asia and the Pacific), UNDP (United Nations Development Program), ACHR (Asian Coalition for Housing Rights), UNCHS (United Nations Commission on Human Settlements), and DANCED (Danish Cooperation for Environment and Development). UCDO is also a member and executive committee member of CITYNET, a network of local authorities, NGOs and CBOs in the region which support and promote local action and collaboration. In its capacity as a CITYNET member, UCDO offers support to those wishing to establish similar activities in the region.

Current collaborative efforts are making significant headway towards establishing a strong network of community development agencies which learn from one another. □



Partnerships

Of the many joint actions being pursued in UCDO, perhaps the most important is the Joint Development Projects. These projects have dramatically extended the reach of UCDO and microfinancing throughout the country. Through a sub-contractual partnership arrangement with another development actor, UCDO subsidiaries (of sorts) are being established in Thailand's provincial cities.

Emphasis is placed on creating and expanding a locally-based development process. Starting from any individual or organization interested in participating in this process, the joint development project evolves into a partnership program involving a local committee and networks of credit and savings groups. Through a built in broadening mechanism that opens the system to a wider range of participants, particularly the communities, the project removes the tendency for hegemony of the program by a solitary organization.

Emphasis is placed on creating and expanding a locally-based development process.

The process is straightforward. A group or NGO proposes to work in an area, promoting the people-centered development process through microcredit activities. They create a committee with other local actors such as the municipality, academics, monks, and other NGOs, and prepare a proposal. The UCDO grants funds to the committee on an annual basis, for up to two years, to initiate a development program.

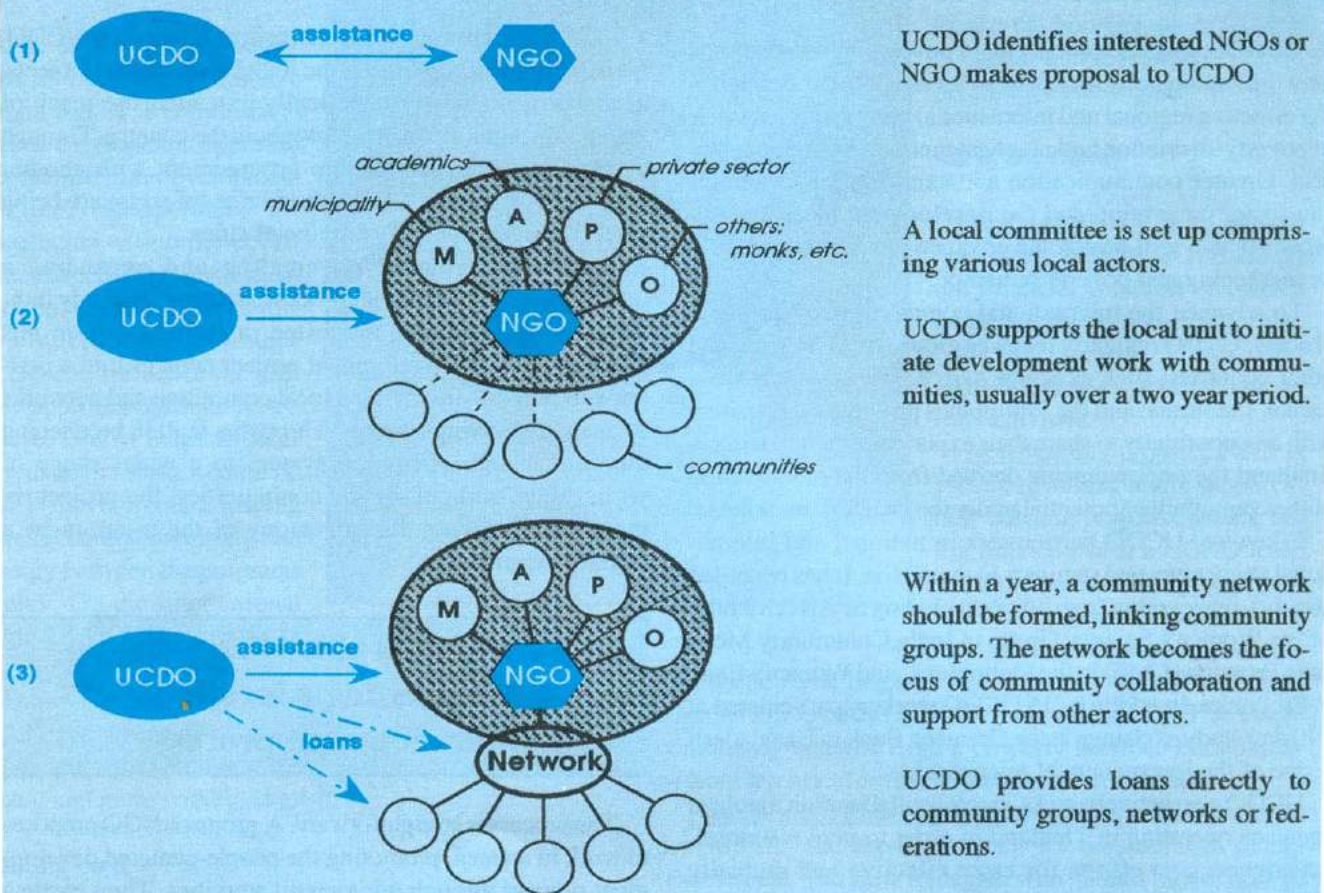
The formation of a local multi-party committee is a fairly recent requirement. Rather than entering a contractual agreement solely with a single agency or actor, participation in the project is now open to a far greater number of concerned actors. The committee creates a medium for coordination with ongoing programs and activities in the area, as well as an internal check and balance mechanism.

The joint development projects are based on a philosophy of achieving a community-driven process whereby community networks eventually administer the process on their own. Over the two year project period, the committee of development agencies is responsible for strengthening community organizations and building community networks. Community savings and credit organizations and networks generally emerge after the first six months of project operation. By the end of the two years, the initial role of the NGO and the original committee is phased out and a newly established community federation becomes the principal partner. The committee is restructured to incorporate representatives from the community networks that have been participating in the project; the NGO and other development

(continued on page 11)

Joining Forces

Schematic of Joint Development Project Process



Box 2: Partnerships -- A Dual Transformation

Joint development projects are underway in eleven cities. Through these projects, two change processes have been set in motion. The first is the maturing of the traditional approach, where the development organization is the main actor, to a more pluralistic, community-centered one. The second involves community change not only in terms of economic and physical improvements, but also in terms of unleashing their potential for self-development. There is no one set format for initiating and implementing the joint development projects; the process varies greatly among the provinces.

Since 1994, there have been 16 joint development projects (several of which have been extended) in 14 provinces with 12 groups, for a total of 6.2 million baht. Four projects contract to community networks directly. The status and progress of these projects are summarized below:

Songkhla Municipality

Songkhla province has the most well-established community development process outside of Bangkok. A number of the low-income communities in Songkhla had been working together on development projects for some time

and an informal network was already in existence. Cooperation with local NGOs was commonplace and the development process was fairly advanced. The purpose of the joint development project was to expand this process and bring it to a new level. The local community network put forward a proposal to expand its membership and provide training about community savings activities. One of the outcomes of this project was the first UCDO loan ever to a community network.

Ranong, Chumphon and Samut Sakhorn Municipalities

Prior to the joint development project, there were virtually no community development activities in these cities. With support from UCDO, the Community Bank NGO, a primarily rural-based local NGO, began working in the urban area of these three provinces. Starting from scratch, they have been actively organizing low-income communities into community groups. Now, these cities have networks of community organizations with increasing collaboration among the member organizations. UCDO is encouraging them to formulate a master plan for their communities that the municipality can adopt as policy.

Joining Forces

(Continued from page 9.)

agencies adopt a primarily advisory and facilitator role. This new committee, with the community representatives at the helm, takes over administrative and development activities in support of the locally-based development process. Funds can be allocated directly to the committee, promoting flexibility in program administration to suit the circumstances of the target area. Meanwhile, the reduced demands on the

NGO and other development agencies frees them to move on to other activities. Thus, the development movement progresses.

Beyond strengthening poor communities and their networks in provincial urban areas, the joint development projects are strategic in moving the community-centered development process into the mainstream by increasing the number of agents involved in the process. □

(Box 2 cont'd from page 10.)

Chiang Mai

The project in Chiang Mai started off in 1994 with one NGO working in ten communities. The initial project lost momentum but was beneficial in identifying the key actors involved: community leaders, academics, NGOs and the municipality. Recently, a group of community leaders revived the project and formed a committee with the other key actors. Starting from a survey of 65 slum areas and four district meetings, the committee established contact with the communities, identified and discussed key issues, and began encouraging community and savings activities. Following on the heels of a city level seminar which included the participation of the municipality and other organizations, a city-wide coordinating group was established to undertake the development process and six sub-committees were formed to oversee housing, savings and credit, welfare, income generation, community health and environment. The activities of the committees are now being financed by the project. In a relatively short time, the joint committee of community leaders and local agencies have engaged the communities in a full gamut of development activities -- a comparatively outstanding achievement.

Nakorn Ratchasima and Khon Kaen

The development process is also taking hold in the Northeast. The project was initiated by an NGO in Nakorn Ratchasima and a multilateral committee in Khon Kaen. Two years later, UCDO has renegotiated the contract directly with the community federation, comprising communities from several northeast cities. The Federation is currently hiring someone to strengthen its capacity in its new role. The implications are far-reaching: there is potential for a whole new level -- a Northeast superstructure -- to oversee and manage the projects in this region.

Udon Thani and Surin

The project development in these two northeastern cities are quite similar. Project contracts have been awarded to an individual, in the case of Udon Thani, and the NGO NET in Surin, who had extensive experience working in the rural areas, but were keen to work in urban areas and initiate an urban development process.

Nakorn Sri Thammarat, Surat Thani, Phuket and Trang

The urban community development process in these Southern provinces is just getting started. Following a survey of slum communities by the partner NGO, a meeting of all the communities and the municipalities was organized. The results of the meeting was a strategy to implement the process. A lot of activity is expected in these cities over the next six months.

Bangkok

The Bangkok Metropolitan Authority (BMA) is adopting the community-centered development process. Initially starting in two districts, the district authority and community will join forces. UCDO will work with BMA in each district to help establish community networks and introduce savings and credit activities into the networks (similar to Chiang Mai). The project is working in parallel with Bangkok's Civil Society Movement with a focus on slum communities. One of the joint development projects already underway is a resettlement process of people living along the canals and illegal squatters whereby the residents have a say in proposing and selecting from several resettlement alternatives. □

JOINT DEVELOPMENT PROJECTS

Province	No. of projects	Contractor		Amount (baht)
		NGO/ indiv.	comm. network	
• Nakorn Ratchasima	2	✓	✓	743,000
• Chiang Mai	2	✓	✓	477,400
• Nakorn Sri Thammarat	2	✓		627,470
• Khon Kaen	2	✓	✓	730,200
• Songkhla	1		✓	246,450
• Chumphon & Ranong	1	✓		881,000
• Phuket	1	✓		193,570
• Trang	1	✓		168,960
• Udon Thani	1	✓		701,700
• Surin	1	✓		503,120
• Bangkok	1	✓		178,000
• Nakorn Pathom & Samut Sakorn	1	✓		356,000
TOTAL	16	12	4	6,247,160

Community Strengthening

Training Activities



Training is an important component of the community development process. Without developing the human resources and potential of the urban poor, people living in low-income communities will remain vulnerable and continue to lack sufficient capacity and power for community-led improvement. Such are the reinforcing conditions of poverty.

UCDO organizes four kinds of learning and training processes:

(1) Informal training and discussions in the community by UCDO community workers and other experienced community leaders on how to set up savings groups, how to manage community committees, and so on.

(2) More formal training courses for leaders from various communities. UCDO trainers hold weekend training sessions for 20 to 50 community leaders on a variety of subjects. The pedagogical approach is adapted to the audience, an older generation with minimal formal education and limited reading and writing skills. Dialogue, diagrams and learning through doing (group and individual practice exercises) are the principal media used to convey new ideas, techniques and processes. The accompanying table outlines the community training courses organized in 1996.

(3) Meetings, Workshops, and Seminars for community networks to become established, and to formulate strategies on how to work together effectively, organize communities and activities, etc. At present, virtually all networks hold regular monthly or bi-monthly meetings. Learning takes

place through regular discussions and sharing of experiences among peer members in the network.

(4) Exchange visits. Approximately 15 major exchange visits, and many more smaller bilateral visits, have been organized throughout the country for community groups. Exchange visits between communities have proven to be one of the most effective ways of transferring practical knowledge and skills between group members at present. □

TRAINING COURSES ORGANIZED IN 1996

Courses	No. of courses	No. of people	No. of CBOs
1. Savings Group	5	125	45
Financial Management			
2. Loan Management	2	100	36
3. Accounting 1, 2	10	113	87
4. Closing Year-End Accounts	1	32	21
5. Savings Group Management	2	99	19
6. Budget Planning	1	75	6
7. Assessment of Savings	1	32	21
Group Activities			
8. Training for Community	1	10	9
Trainers			
9. Household Financial	2	111	3
Management			
Total	25	697	247

For Your Information

Information Dissemination to the Urban Poor Communities

Reaching as many people in urban slum communities as possible, and keeping them abreast of recent events, can be extremely challenging for a small organization like UCDO. There are simply not enough field workers to visit every community as often as UCDO would like and to keep them up-to-date on the latest happenings, changes and opportunities which affect them. Thus, it was not very long before the idea for a community newspaper was proposed, and that was just the tip of the iceberg. Projects are currently underway to improve information dissemination through a variety of mediums including radio and video.

Wall Paper

The community newspaper was originally launched as a newsletter in January 1993. It was a resounding flop. Designed along a standard newsletter format with the information packed into columns of text, it did not appeal to the urban poor community residents, the majority of whom have limited formal education training and find reading a struggle. A new, simple "newspaper poster" format was adopted in June 1996. One standard newspaper-size sheet provides simple news, large typeface, lots of photos and a quick overview of what's happening. Ten copies are sent to each community to be posted on the walls of the community and passed around to the community residents. It serves as a quick and easy information link to the communities. The standard issue will report national community news, results of community meetings at various levels, information about UCDO, special projects or interesting loan cases, eviction news, activities of various networks, interviews with interesting community leaders, and community announcements.

So far the feedback has been positive ... from everyone, that is, except the editor-cum-reporter-cum-designer. Getting the scoop, writing it up, formatting it, and delivering it to the printer on time every month can be a bit harrowing for a newspaper team of one. So, starting this January, the newspaper has become a bimonthly publication sporting four pages for the communities' double reading — or should we say scanning — pleasure.

Community Radio

A more regular and effective means of disseminating information to the poor is the Community Radio Program. The half hour program is broadcast on a national radio station every Monday through Saturday at noon. Because the poor listen to the radio, the program reaches a much wider audience (and with more up-to-date information) than the newspaper.

The radio program is a breakthrough in creating a horizontal information-sharing system amongst the communi-

ties that does not rely on UCDO for distribution. The program is created and produced entirely by the community people for the communities, with initial financial support from UCDO and DANCED. Having commenced only in January of this year, the programming is still in an experimental stage. A Seminar of "People's Reporters" — a network of community people — met in early April to assess the radio program and decide upon a regular format for reporting the Community News on the radio that will provide useful information in a captivating way. If successful, the program will seek public support to raise funds for future programming.

"How To" VDO

Coming up next on the horizon is the UCDO "How To" video library. UCDO is in the process of producing instructional videos for communities on topics such as "How to Set Up a Community Savings and Credit Organization", that will present information and answer commonly asked questions regarding UCDO activities. Not only will these videos enable more communities to participate in and benefit from UCDO activities, it will free field workers from routine UCDO presentations and courses so that they may devote more time to troubleshooting, mediation and technical support in the community development process. The plan is to lend the videos to communities so that community groups can watch (and re-watch) courses at their convenience.

Stay Tuned

A News Video concept is underway by UNCHS and UCDO. The 20 minute videos will provide headline news and the latest news scoops on community projects and meetings. The videos are intended to be inspirational to help communities break out of commonly perceived limitations by viewing the successful projects of similar community organizations.

Videos are the perfect medium to reach urban poor communities. Based on sight and sound, it taps into the most familiar mode of learning and sharing information among the poor. Also, once production costs are covered, additional video copies can be made fairly cheaply, so a wide audience can be reached at a reasonable cost.

UNCHS regional community development program, based in Bangkok, has already started shooting footage for the video clips. Once two have been completed and disseminated, the newsclips will be evaluated. The possibility of televising them will also be assessed. □



Organizational Change

A Rose By Any Other Name: The Establishment of CODI

By the end of the year, UCDO will likely be amalgamated into a new independent legal entity. A merger is planned between UCDO and the Rural Development Fund to create an integrated poverty alleviation agency, the Community Organization Development Institute (CODI). It is a merging of principles and boundaries to provide a new dimension in the formation of people's development policy.

A merger is planned between UCDO and the Rural Development Fund.

UCDO and the Rural Development Fund share a common development approach that is based on a community-led process and employs savings and credit as a development tool. Since the approach is similar, there is no apparent need for a distinction to be made between urban and rural target groups. Especially now that the distinction is becoming increasingly difficult to delineate in many of the fringe areas. Rapid urbanization is blurring the traditional rural-urban boundaries as fishing and farming villages are swallowed up by sprawling suburbs and urban development spills over municipal boundaries into sanitary and rural village districts.

A second reason to unite the approach is to strengthen existing linkages between rural villages and urban slum communities. Urban slum dwellers often send remittances or information about employment opportunities in the city to family and friends in the village; they help new migrants find accommodations and become adjusted and oriented to the city environment; and new migrants often return to their village during harvest periods when additional labour is needed or if they fall ill. These existing linkages offer a unique opportunity to strengthen rural-urban ties in other aspects, such as upward and downward community enterprise linkages, and matching the access to markets in urban areas with the low cost materials and agricultural products

CODI is also a merger of principles and boundaries to provide a new dimension in the formation of people's development policy.

from the producers in the country. An integrated approach will be able to work at the interface of these two target groups for mutual benefit

A Royal Decree was drafted for the establishment of CODI last summer. It was very progressive calling for equal representation of government and the communities and equal power in electing outside experts, to create a board of twelve people with four representatives from each group. The previous government strongly supported the establishment of CODI and quickly gave it cabinet approval. However, they were ousted in the November elections before the Decree was finalized. Thus, the proposal had to be presented and renegotiated with the new government. This delay proved to be a blessing in disguise.

The accelerated passage of the decree by the cabinet of the previous government did not allow sufficient time for input by the communities. The community people protested. So, before proposing the concept to the new government, the process was opened up. A meeting of urban and rural community groups was held for the people to express their opinions on the draft of the Decree. The participants favoured a gradual transition and called for the creation of a national community council which would nominate the four community representatives to the board. The Decree was revised accordingly and is awaiting approval by the new government. The Royal Decree is expected to come into effect sometime before the end of this year.

The new institution will be able to provide more straight-forward "one window" development support.

By gaining independent legal status and bridging urban and rural community development, it is anticipated that this new institution will be able to provide more straight-forward "one window" development support.

The merger will not immediately assume a physical incarnation. In the short term UCDO will maintain its current office location, separate from the Rural Development Fund office, until the urban and rural services can gradually be consolidated. In the meantime, UCDO can be found in its usual place. □

Organizational Change

Structural Change in UCDO

UCDO underwent a process of structural change in early 1996 which revolutionized the way the program is being administered. The new area-based focus gave greater emphasis to development in the provinces. These changes have also increased the role of community networks in the development process.

Prior to 1996, UCDO was divided into two task-oriented groups: the first operated in the field and was responsible for community development and organizing credit and savings groups, and the second, the credit operation section, was responsible for administering loans. Under the new structure each group is responsible for the whole process from start to end. Divisions are made along geographic lines, to better cater to the different conditions in each of three areas: Bangkok, the Vicinities, and the Provincial Areas. With one of the three groups dedicated solely to urban communities in the Provinces, the number of communities in these outlying areas receiving UCDO loans has surged from 94 in December 1995 to 164 as of February 1997.

The geographic orientation also reduces the dependency on bilateral relationships between the individual community and UCDO. Greater linkages with municipal networks of community member organizations are now being fostered.

Through the development of municipal-level linkages, the change in structure has translated into a change in perception. The member organizations of UCDO now consider involvement in municipal networks and cooperative development an important factor in achieving their own development. It is no longer unusual to find several communities from the same municipality come together at monthly meetings to facilitate activities and cooperation amongst themselves and with local institutions.

Although UCDO initially engages in bilateral relationships with individual communities, it encourages them to establish community networks and federations. UCDO then forms partnerships with these networks. Once the network and federation role develops from an advisory role to one in which they assume decision-making responsibilities and formally oversee the process, loans can be made directly to the network or federation to be on-loaned to the member communities. Examples of loans to federations already exist in Bangkok and in the Southern Region.

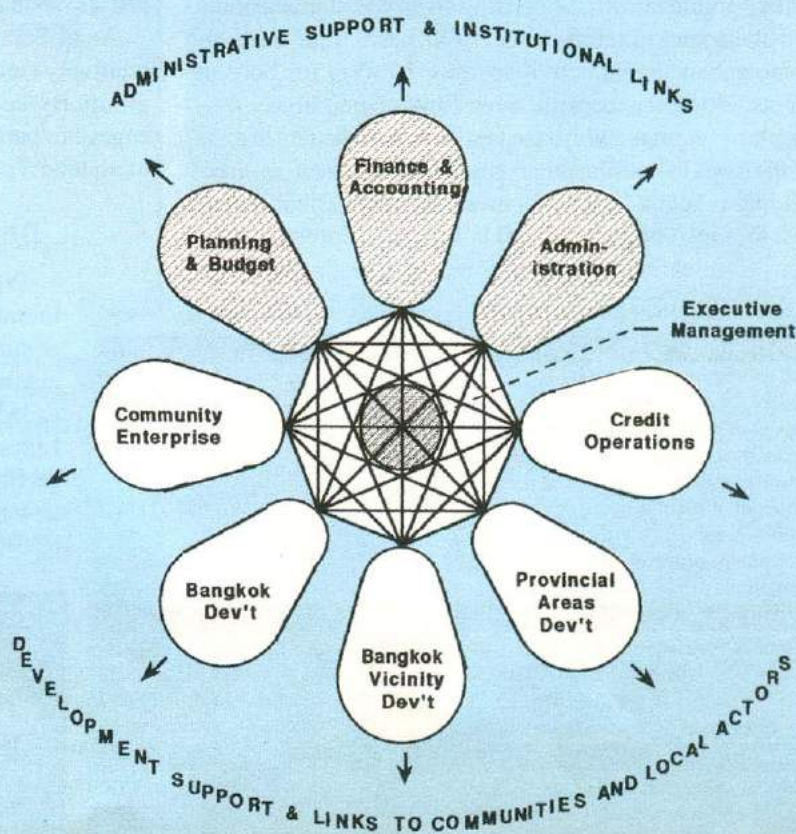
The change is key to achieving UCDO's aim of an increasingly decen-

Strengthening the Membership Process

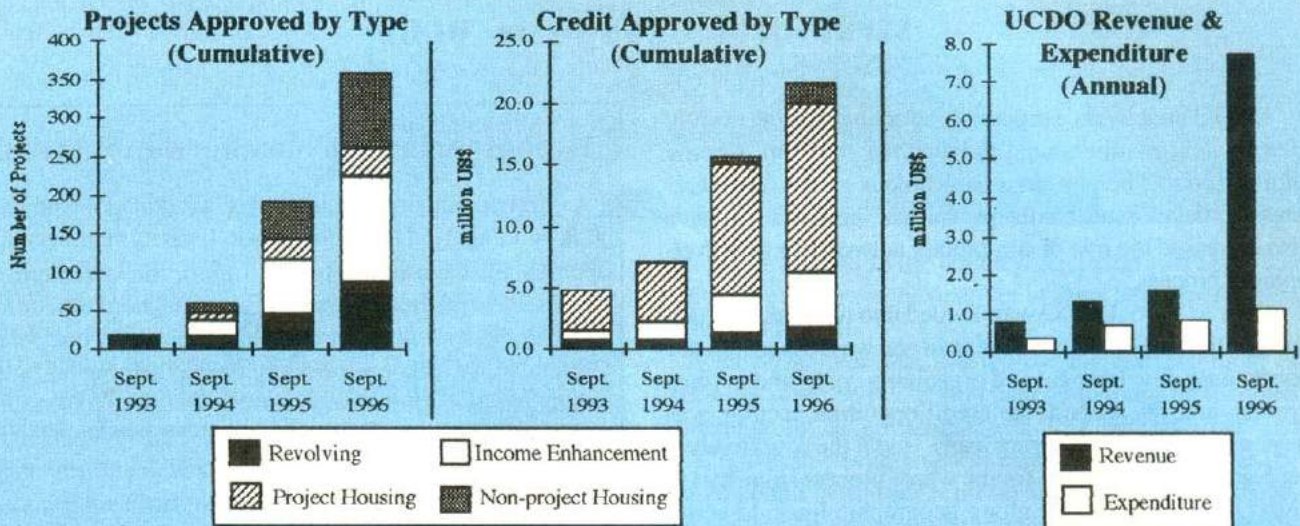
As a national organization, supported by government funding, UCDO undertakes to keep its membership open to all. Committed to facilitating the community development process in urban areas throughout the country, it strives to reach as broad a target group as possible. Currently any urban community group can join and the membership has been overwhelming. But an organization is only as strong as its members. Thus, UCDO would like to strengthen the members' commitment. Currently only 40% of member groups send in regular financial reports, a weakly enforced requirement of membership. These reports keep members and UCDO informed of each organization's progress and alerts them to potential problems. UCDO would like to achieve a 70% submittal rate by the end of 1997 and is investigating new approaches to turn "membership" into a two-way street.

tralized process. As partnerships with municipal community networks and local organizations are forged, these multipartite committees are given a greater role in UCDO loan considerations. □

UCDO Organizational Structure



Performance Indicators



Loans Granted

The first loan was granted in December 1992. Since then over 360 loans have been granted, benefiting some 130 communities. The total amount of the loans disbursed is in excess of 26 million U.S. dollars, over half of the total capital fund, of which five million has been repaid. Problem loans among member organizations range from 1-2% of total outstanding loans. Within the savings groups, problem loans to individual members average 5-8%.

In the fiscal year, ending September 1996, credit was approved for 167 new projects (47% of the total) to 45 member organizations, benefiting over 4,800 households. 66 of the loans granted in the 1996 fiscal year were for income enhancement activities; only 10 were for housing projects. However, because even low-income housing requires large capital outlays for land purchase and infrastructure, the loans to housing projects accounts for over two-thirds of all loans. While UCDO focuses on income enhancement loans, low-income people need both. UCDO provides inte-

grated credit according to the communities' needs and the organizations' capability to manage the loan. The results — a total of 137 income enhancement loans and 37 housing project loans — is the outcome of this policy.

Internal Organization & Management

UCDO tries to maximize the amount of funding going to the communities by keeping its expenditures down. Every year, revenue from credit accounts for an increasing share of operating expenses: over 50% in 1996, up from 37% in the previous year. This is a very positive trend. Interest from uncommitted capital funds cover the remainder of the expenses, so that UCDO operates on a self-sufficient basis.

As of September 1996, UCDO employed 106 people, a relatively small operation considering the size of its target group. By keeping its staff small, there is an incentive to engage in partnerships with other actors, and to enable them to assume a greater role in the process.

Development Indicators

With respect to development performance, UCDO initiated development work in 167 new urban poor communities in 1996, and the number of new savings and credit groups continued to increase steadily to 355, an additional 94 groups on the previous year. Likewise individual membership in credit and savings organizations rose steadily, with 11,070 new memberships in 1996. Membership in UCDO in 1996 rose by 109 organizations for a total of 580.

Performance Indicators	Sep'93	Sep'94	Sep'95	Sep'96
Development				
1. No. of communities contacted	227	881	1,246	1,377
2. No. of savings & credit groups	68	164	265	355
3. No. of member organizations	119	313	470	576
4. Individual membership in savings and credit organizations (persons)	10,664	23,155	36,889	47,959
5. Amount of savings by member groups (million baht)	94.02	96.13	264.69	317.27
6. Percentage of members' financial reports submitted	n/a	n/a	n/a	70
Credit				
1. Value of loans approved (million baht)	123.37	180.65	393.64	543.08
2. Value of outstanding loans (million baht)	88.59	121.11	255.34	382.82
3. No. of families benefitting from loans	2,641	4,879	12,788	17,629
4. Problem loans as % of outstanding loans	0.00	0.00	1.26	1.24
Administration				
1. Revenue to capital funds ratio (%)	3.89	6.14	3.81	13.18
2. Expenditures to capital funds ratio (%)	1.84	3.15	1.96	1.90
3. Net revenue to capital funds ratio (%)	2.05	2.99	1.85	11.27
4. Revenue on credit to expense ratio (%)	9.07	23.72	37.12	53.44

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