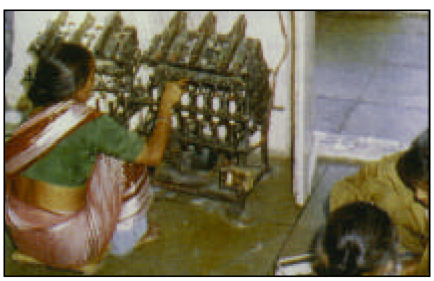
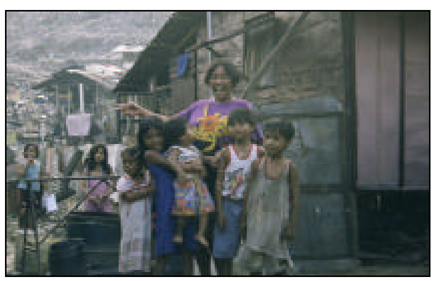
Housing Microfinance Initiatives

SYNTHESIS

And

REGIONAL SUMMARY:
Asia, Latin America and Sub-Saharan Africa
with Selected Case Studies




THE CENTER FOR URBAN DEVELOPMENT STUDIES
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This review of micro-finance initiatives in housing is based on researching existing information available from articles and reports by agencies such as USAID and the World Bank; newsletters and web-sites for current initiatives; and when possible, interviews with practitioners. We would especially like to thank the six micro-finance organizations featured as case studies in this report for providing reports, photographs and responses to the Study Team's numerous requests for information including a questionnaire. Much of this information has been incorporated into the report. An extensive list of references, contact information and a synopsis of the activities of micro-finance programs are included in the annexes.

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The cover photographs are from CARD, The People's Dialogue, SEWA, and Payatas Scavenger's Association.

EXECUTIVE SUMMARY

Background

In just two decades, housing microfinance programs have attained a prominent position among organizations addressing the shelter needs of the urban and rural poor in many regions around the world. At the request of the U.S. Agency for International Development Microfinance Office, the Center for Urban Development Studies at the Harvard Design School, working through Development Alternatives, Inc., undertook an assessment of current microfinance practices and the linkages between housing and microfinance. The tiered network that has developed among local lending institutions, governments, NGOs, and international organizations including multinational and bilateral development aid organizations was studied, and case studies were selected that illustrate recent trends including diversification of services, financing mechanisms, and methods of capitalization, as well as promising avenues for adjusting program structures and improving outreach. The report provides useful background information for those involved in or planning to expand into housing microfinance initiatives, and for international and bilateral agencies interested in developing effective poverty alleviation strategies.

The objective of this report is to assess the nature of housing microcredit products that are currently being offered by microfinance organizations. The capacity of microfinance methodologies to deliver credit adapted to the living conditions and earning patterns of lower income families offers useful concepts and instruments for the housing finance industry to expand its own efforts to reach down.

The paper clearly will not answer all the questions that prospective providers may want to know and is not is it intended to do so. The cases reviewed were selected to illustrate a range of approaches and broad geographic coverage. There are many criteria by which success and sustainability can be gauged in different macro-contexts and local situations. The cases presented in this paper are clearly outstanding examples and they should not be regarded as the only valid models of housing microfinance.

Report Structure

The report has three main sections. Section I includes a Synthesis that is subdivided into four parts. The first identifies the characteristics of the target population of microfinance programs, with an emphasis on sources of shelter finance and a description of how, for many lower-income households, housing functions as a shelter, a commodity, and an investment. The influence of location and tenure relative to household investment strategies are also highlighted. The second part introduces the two types of housing microfinance programs, microcredit to housing finance (MCHF) programs and shelter advocacy to housing finance (SAHF), and documents their differences with respect to evolution, vision, objectives, focus, service package, and loan terms and conditions. The third part assesses the delivery of shelter finance to different target groups. It discusses client eligibility requirements, loan terms and conditions, housing portfolio characteristics, shelter scarcities, and the different programs' capacity to access capital. The final segment of the synthesis briefly delineates the challenges facing the housing microfinance industry today.

Section II comprises Regional Summaries and Case Studies for South and South-East Asia, Latin America, and Sub-Saharan Africa. Each summary introduces the critical land, shelter, and infrastructure problems and challenges in the region, and describes innovative housing microfinance initiatives in operation. The summaries are followed by detailed case studies selected to illustrate specific aspects of the housing microfinance industry in each region. Six cases are covered in detail: Grameen Bank in Bangladesh; SEWA Bank in India; the Center for Agricultural Development (CARD) and Payatas Scavengers' Association in the Philippines; the South African Homeless People Association; and Genesis in Guatemala.

To assist readers interested in further research, Section III includes an extensive Annex consisting of a bibliography and list of references, and a comparative table highlighting similarities and differences among the six regional case studies, plus a synopsis briefly describing other examples of microfinance initiatives.

Key Findings

The research for this background report uncovered two basic types of housing microfinance programs. The microcredit to housing finance (MCHF) programs initially began as microcredit initiatives for small and micro-enterprises. Their aim was the expansion of economic development opportunities for socio-economically and politically marginalized groups. However, microfinance institutions have frequently observed that their clients borrow for income-generation purposes, yet channel the funds into housing improvements; therefore, over time, drawing on their experience in microcredit, these institutions broadened their lending portfolio to offer a range of housing finance products for new housing construction and home improvement projects. The strong connection between the home as both shelter and a place to house or support income-generating activities made this a logical evolution and eased the transition to new financial products, structures, and loan terms.

The second approach, shelter advocacy to housing finance (SAHF) programs, arose out of an original advocacy agenda defending the right of the poor to equitable access to resources, particularly land and shelter, as well as adequate infrastructure and services. Their overarching vision is the empowerment of disenfranchised community members, particularly squatters and the homeless. In addition to community organizing and political lobbying, several advocacy groups have gone on to develop microcredit programs that enable the poor to access serviced land and acquire shelter. The decision of shelter advocacy groups to expand into micro-lending for housing was inspired by the flourishing of microcredit, pioneered by Grameen Bank and emulated by hundreds of microfinance initiatives. Most SAHF initiatives operate on a small scale within limited local boundaries, although some have begun to scale up and have joined regional or national federations of community-based organizations to further communication and the exchange of information and, more importantly, to gain political visibility in lobbying government to redistribute services or effect policy changes.

Challenges

At present, the housing microfinance industry is faced with two challenges. The first deals with housing-related loan products that are as yet not well developed, namely land acquisition and infrastructure provision. While most housing microfinance programs surveyed have acquired considerable expertise in administering new construction and home improvement loans, only a few programs provide loan products for land acquisition and infrastructure provision. The second challenge concerns reaching two groups within the industry's target population that are not currently being served by housing microfinance programs. The first group consists mainly of moderate income households that are ineligible for public assistance yet are not being reached by microfinance programs either because they do not operate within the informal economy or because their earnings exceed the threshold set by microcredit programs. The second group consists of the poorest of the urban poor, including squatters on remote or unutilized land and those living in rental arrangements in overcrowded inner-city slum tenements. The development of appropriate financial instruments to meet the shelter needs of this latter population group is without doubt the greatest challenge facing the housing microfinance industry today.

Housing Micro-Finance Initiatives

Section I. Synthesis Report

I. CHARACTERISTICS OF THE TARGET POPULATION

Shelter Finance Sources

Housing finance sources in developing countries generally fall into three categories or tiers (Renaud, 1984). The first tier is comprised of private commercial institutions providing credit for upper-income groups at market interest rates upon the certification of income and provision of collateral. This category of financial institutions has consistently avoided involvement in provision of housing finance for the poor due to their lack of collateral and steady income, the perceived high default risk, and the high transaction costs. The second source is the public sector, which usually provides subsidized funds for middle-income groups and civil servants by way of specialized or non-specialized housing finance intermediaries. Public programs in many developing countries have failed to reach the poor. Their eligible beneficiaries typically operate within the formal economy, possess basic home ownership capacities, and have at least some access to capital, if only a small amount. Public programs attempting to target lower income groups have been hampered by lack of political will, leakage of funds to non-eligible groups due to corruption, or a failure to take into account the socio-economic and political dynamics of the situation within which the poor operate.

The remaining groups—lower middle, moderate, and low-income households, most of whom work in the informal economy—have with few exceptions been excluded from accessing capital from formal private or public financial institutions. These groups have consistently relied on informal sources, including savings, informal loans from friends and family, remittances from family members working abroad, and the sale of whatever assets they have, such as land, jewelry, and dowry. Housing microfinance programs, administered by microfinance institutions and shelter advocacy groups, have recently emerged to address the shelter needs of these groups and to fill the financing gaps not covered by traditional, more formal institutions.

There is a percentage of the population in every country that cannot afford a minimum housing solution, ranging from $500 in rural Bangladesh to $5,000 in urban Latin America, without access to microcredit. In every country, the percentage of the population in question will range from under 10% in developed countries to over 30% in lower-income countries. The target population of housing microfinance programs outside Europe and North America—those not served by the formal private or public financial intermediaries--includes on average the bottom 40% to 60% of the income distribution curve depending on the country or city in question. As such, understanding the different housing needs, options and investment strategies pursued by these households in the process of acquiring shelter is a critical step towards the development of appropriate financial intermediation strategies, particularly microcredit schemes.

Housing Needs, Options and Investment Strategies

In considering housing options, households balance between location, space consumption, and access to urban services, subject to their budget constraints. They take into account the price differential between outlying and central locations, unserviced and serviced land, and good and bad prospects for regularization. But the economic tradeoff is not the sole consideration. Personal security and the ability to activate support networks are critical concerns. The household's investment decision is largely affected by their perception of housing. Families consider housing from three perspectives (Serageldin, 1993: pp.4-9).

Housing as Shelter

Housing is a basic need ensuring a modicum of decency and privacy. Households allocate 10% to 15% of their earnings to shelter and inhabit whatever product this amount will buy (tent, hut, shack, or discarded automobile body). They locate where they can (pavement, cliff side, ravine, garbage dump, drainage channel) as long as the site is marginal enough to deter displacement and close enough to transportation so as to permit access to employment opportunities. Even when income rises, households will not spend more than 15% on shelter without some assurance regarding security of occupancy as owners or renters. Well short of tenure, a minimum level of security of occupancy is needed to create a market for plots and shacks that enables squatters to recoup the funds they invest in shelter.

Housing as a Commodity

Housing offers financial security and social status. It accounts for over 60% of the total assets owned by limited income families. As renters, families rarely allocate more than 20% of their income to expenditures on housing, despite assurances regarding long-term tenancy rights. However, as property owners, they are willing to invest over 30% to acquire land and build and improve their houses.

Housing as an Investment

Housing offers prospects of lucrative returns. The property is used to generate revenues while it appreciates in value over time. Two income-generating potentials are frequently observed. The first is housing as a setting for income-generating activities. Land and buildings account for 25% to 45% of the investment required for setting up a micro-enterprise. Limited income households cannot afford to buy or rent space in designated commercial zones. For them, income generation is an integral part of housing development. This allows them to start an activity with minimum inputs and expand operations as their situation permits. Between 30% and 60% of housing microfinance clients are engaged in some type of home-based micro-enterprise. For example, 60% of the uTshani Fund members are engaged in microenterprise activities, of which 36% are home based. In light of the strong linkage between the home and the small enterprise, housing improvement loans are indispensable to the clients' livelihood due to their impact on productivity. For instance, a survey conducted by SEWA to assess the impact of the Parivartan slum upgrading program showed a 35% average increase in small enterprise weekly earnings.

The second potential observed is land and housing as income-producing assets. Households generate additional income by renting out space in their building for residential accommodations and commercial micro-enterprises. As land prices continue to soar, a growing number of households are unable to develop their parcels on their own. The funds they can raise through incremental savings, informal loans from family members, and the sale of remaining assets are no longer sufficient to develop a parcel within a meaningful time frame. A variety of joint ownership agreements and tenancy arrangements have emerged to structure financial cooperation between partners in the valorization of real estate.

II. SHELTER MICROFINANCE INITIATIVES: MCHF VS. SAHF PROGRAMS

Origin and Evolution of Programs

Housing microfinance programs have followed two distinct approaches that differ with respect to their evolution, vision, objectives, focus, service package, and loan terms and conditions (see Table 1).

The first approach, microcredit to housing finance (MCHF) programs, initially began as microcredit initiatives for small and micro-enterprises. Their aim was the expansion of economic development opportunities for socio-economically and politically marginalized groups, particularly women[1]. In a later stage, these microfinance institutions (MFIs) broadened their lending portfolio to offer specialized housing finance products for new housing construction and/or home improvement projects. These programs drew on their experience in microfinance to respond to an increasing demand for housing credit among their clients. Their decision to expand their services to include housing microfinance is in large part attributable to the strong connection between home and income-generation within their customer base.

Many microcredit clients operate home-based enterprises, and investments in housing improvements essentially constitute investments in their income-generating schemes. MFIs have frequently observed that their clients borrow for income-generation purposes, yet channel the funds into housing improvements, adding a room for commercial use or converting part of the living space into a shop in order to develop or expand the space needed for income generation. Clients also improved the productivity of their enterprises, particularly food processing and selling activities through the provision of infrastructure such as water supply and sewerage, and improvement of kitchens. Rebuilding a thatched roof, replacing mud brick walls with more permanent materials, or paving a mud floor not only brought about health improvements but also provided better work space and better storage space for inventories. Thus, MFIs that expand their services to include loans for housing improvements are in effect providing their clients with more flexible credit, allowing their clients to decide on the optimal allocation of resources, according to priority and need.

[1] As an example of MCHF programs' particular attention to empowering marginalized women, Grameen Bank and SEWA Bank insist that the house and the housing loan be in the woman's name.

The second approach, shelter advocacy to housing finance programs (SAHF), arose out of an advocacy agenda defending the right of the poor to equitable access to resources, particularly land and shelter, as well as adequate infrastructure and services. In addition to community organizing and political lobbying, several advocacy groups went on to develop microcredit programs to enable the poor to access serviced land and acquire shelter. The underlying belief of SAHF programs is that shelter is a basic human right, and their overarching vision is the empowerment of disenfranchised community members, particularly the homeless.

SAHF programs address the shelter needs of the poorest of the poor, many of whom are female and have only precarious or temporary employment in the informal economy. Many schemes pay particular attention to the needs of the homeless and the squatters chronically threatened with eviction, the majority of whom are below the 30^{th} percentile of the national or city income distribution. These households and individuals seldom own any assets, let alone shelter. Housing is expensive and conventional lending institutions tend to perceive it as a non-productive asset, which has the effect of excluding the poorest of the poor from participation in the housing market.

SAHF schemes are process-oriented. Their primary concern is to empower their constituency and to alleviate the inequitable distribution of resources that is an underlying structural cause of poverty, often at the expense of sound financial performance. In the course of accessing land and shelter, they pay particular attention to helping community members build their capacities and develop leadership skills. For shelter advocacy groups, the decision to expand into micro-lending for housing was inspired by the flourishing of microcredit, pioneered by Grameen Bank and emulated by thousands of MFIs, as a successful and financially sustainable development tool.

Compared to MCHF programs, SAHF initiatives are less formal in several aspects. Many operate on a smaller scale within limited local boundaries, although some SAHF initiatives have joined regional or national federations of community-based organizations (CBOs) to further communication, exchange information about their experiences and, more importantly, gain political visibility in lobbying government to redistribute services or effect policy changes. Examples include the South African Homeless People Federation, the Indian National Slum Dwellers Association, the Filipino National Homeless People's Federation and the Cambodian Squatter and Urban Poor Federation. Irrespective of the programs' scale, their micro-lending products are generally less specialized than those of MCHF programs.

Table 1. Classification and Differences of Housing Microfinance Programs

	From Microcredit to Housing Finance (MCHF)	**From Shelter Advocacy to Housing Finance (SAHF)**
Origin	Microcredit programs for small and micro-enterprises	Advocacy groups for low-income households' right to access land, shelter and services
Core belief	Microcredit is financially viable and the poor are bankable	Shelter is a right and the poor are entitled to a more equitable (re)distribution of resources
Vision	Unconditional access to credit for the poor	Equitable access to land and shelter for the poor
Objective	Facilitate access to credit to low-income households to improve their living conditions due to the linkage between the home and the income-generating enterprise	Address the inequitable resource distribution as it relates to land, infrastructure, services and shelter
Focus	Housing construction and home improvements	Land and infrastructure
Services provided	Microcredit for housing construction and improvements Minimal technical assistance	Community organization and mobilization for land, shelter and infrastructure acquisition Microcredit for land, infrastructure and housing acquisition Substantial technical assistance
Eligibility requirements and loan terms and conditions	• Individual or collective loans • Participation in a savings scheme to develop savings habit and create a reserve against default: minimum periodic deposits are required for 12-18 months • Co-signatures and collective liability for individual default • Legal land title or occupancy right required • Market interest rate on own funds and below-market rate on subsidized funds (except for Grameen Bank) • Other requirements: concurrent operation of a microenterprise; Successful completion of one or more microenterprise loan cycles; Minimum length of residency in the community	• Collective loans • Participation in a savings scheme to develop savings habit: deposits are often left to the individual's ability to pay • Collective liability for group default • No land title is required • Below-market rate on subsidized funds: terms are structured according to the terms of the capital source • No other requirements: flexible operation
Driving concern	Performance-driven: Empowering the poor by providing credit in a financially sustainable way	Process-driven: Empowering the poor by addressing the structural causes of poverty
Main performance indicators	Financial sustainability criteria	Human development criteria
Blockage	Access to credit is the constraint and not the cost of money	Inequity in access to resources is the constraint
Client	The entrepreneurial poor in the informal sector, with a special focus on women	The poorest of the poor, with a special focus on the homeless

Rural/Urban Differences

The nature of the shelter problem differs between urban and rural areas, mainly due to the higher land and building materials costs in urban areas. As such, micro-loans of equal amounts for new housing construction are likely to have more impact in rural areas than for an urban clientele.

Rural and Urban Considerations for MCHF Programs

For one thing, poverty and lack of economic opportunities are major issues for rural households. Seasonal fluctuations in revenues, natural disasters including floods and droughts, and the general lack of diversification in the economic base amplify transient and chronic poverty in rural areas. Not surprisingly, many rural-based MCHF programs originally emerged in response to natural disasters. Grameen Bank, for example, initiated their housing loan program in response to the 1987 floods in Bangladesh with some financial assistance from UNDP. Many other programs offer crisis management financial products such as loans for monsoon proofing or other such housing improvement loans. In general, the focus of many rural-based MCHF programs is on housing improvements.

Urban-based MCHF schemes also focus on housing improvements, but the complex land and housing market dynamics, particularly the political and legal ramifications of land tenure, render their task more complicated. Many programs, operating on a relatively small scale and lacking the necessary political clout, focus on housing improvement loans only. Others, such as SEWA's Parivartan slum upgrading scheme, strive to build on their institutional status and political connections to address the land, housing, and infrastructure problems affecting their client base.

In urban areas where land, infrastructure, and construction costs are high, it is difficult for MCHF schemes' limited income clients to mobilize the savings or afford to bear the large financial debt necessary to acquire shelter. As such, measures to reduce housing supply cost are needed to improve affordability. To a degree, the use of innovative building technologies designed to lower construction costs can reduce this problem. This has been demonstrated by the adoption of the Argentine BENE construction technology in the self-help housing projects in Fortaleza, Brazil; by Grameen Bank's use of prefabricated latrines; and by the use of prefabricated sewage pits in various projects. In addition, schemes that encourage vertical expansion of serviced sites and upgraded settlements also represent a successful mechanism for providing new low-cost housing by amortizing the high land cost, as was demonstrated in a successful housing-finance scheme carried out in Villa El-Salvador in Lima, Peru.

Rural and Urban Considerations for SAHF Programs

Most SAHF programs cater to urban populations. For example, in Latin America three-quarters of the total population lives in urban areas where the shelter crisis is at the core of urban poverty. As a rule, the only shelter arrangements SAHF clients can afford are rental units in overcrowded tenements with high rents, often in inner-city slums. Alternatively, they build makeshift or semi-permanent structures on squatter land or on land converted from agricultural or other use without development permits, and whose remote location at the peri-urban fringe makes commuting to employment centers and markets extremely burdensome.

As much as housing shortages are concentrated in urban areas, poverty and deprivation are prevalent in rural areas particularly among the indigenous populations. Given the dire conditions in rural areas, the social and political marginalization of the indigenous and rural poor, and the dim prospects for government support, only a few SAHF programs have tackled the infrastructure and shelter inadequacies.

Products Offered

MCHF Program Products and Structure

MCHF programs offer specialized housing products, yet they differ in institutional organization and sometimes in loan terms and conditions (see Table 2). Three program types were observed. The first administers different loan products, such as income-generation, housing, and emergency relief, within the same institutional envelope and by the same loan officers. Examples include the Center for Agricultural and Rural Development CARD in the Philippines, the Activists for Social Alternatives (ASA), SPMS, SHARE and SIDA in India, the Human Development Foundation in Sri Lanka, and Diaconia in Bolivia. Several cooperative associations operate along the same principles, including the Women's Thrift and Credit Cooperative Society and the Federation of Thrift and Credit Cooperatives, Sanasa, in Sri Lanka, and the Cooperative Bank of Kenya, Ltd. Most of these MFIs charge the same interest rate for housing and income-generation loans, since the capital raised by the institution comes from one source, usually savings mobilization.

The second type offers specialized housing programs administered under a subsidiary or affiliated entity, with a separate administration and staff; in many cases the programs have their own capital sources and, accordingly, different loan terms and conditions. For example, SEWA Bank offers loans under separate portfolios for income generation, housing repairs, and construction, and for participation in the Parivartan infrastructure program. Some housing and infrastructure portfolios receive below-market rate funding from agencies such as HUDCO and HDFC and can offer lower interest rates. Some offer a specialized housing or infrastructure upgrading program which operates under different terms than microenterprise loan programs.

In the third type of MCHF program, established MFIs enter into a partnership with specialized housing programs or providers jointly to operate a housing scheme. The MFI invites the housing provider or financier to provide housing services for its client base, and to use its existing screening process and its loan extension and collection network to facilitate the operation. FINCA Africa recently entered just such a partnership with Habitat for Humanity, targeted to its operations in Uganda, Malawi, and Tanzania. Similarly, FINCA Uganda works with the Finance Company of Uganda to provide housing loans for its clients.

MCHF programs focus primarily on housing improvements and new construction. Many, like Grameen Bank and CARD, require legal documentation of land tenure or occupancy as a prerequisite for obtaining a housing micro-loan, especially for financing new construction. Such programs recognize that their core competence is the provision of microcredit for the poor, and they have accordingly opted for specializing and administering their programs in a focused and financially sustainable manner. They limit their involvement in complex and politicized issues such as land tenure and infrastructure provision, either because their staff lacks the appropriate skills or because they have made a decision to stay out of municipal politics.

While some MCHF programs provide technical assistance, their input is limited to cost-effective measures. They know that any administrative cost overrun incurred by providing substantial technical assistance will either affect affordability, if properly accounted for in the cost of capital, or jeopardize the program's financial sustainability, if it is partially or fully underwritten. Only large-scale institutions like Grameen Bank and SEWA can afford to provide their clients with more than minimal technical assistance in a cost-effective manner. Most MCHF programs limit their involvement to the provision of financing, without actively supporting their members with technical assistance or political lobbying. SEWA is an example of a large-scale MCHF program that recently decided to tackle infrastructure and service deficiencies through the extension of loans to their beneficiaries to help finance infrastructure provision in their settlements or by using its political influence in negotiating and mediating between the community and public authorities.

Table 2. Variations and Examples of Housing Microfinance Programs

<table>
<tr><th></th><th>From Microcredit to Housing Finance (MCHF)</th><th>From Shelter Advocacy to housing Finance (SAHF)</th></tr>
<tr><td>Variations and Examples</td><td>MCHF with a specialized housing products administered by the same entity
Center for Agricultural and Rural Development CARD, Philippines
Activists for Social Alternatives ASA, India
SPMS, India
SHARE, India
SIDA, India
Women’s Thrift and Credit Cooperative Society, Sri Lanka
Federation of Thrift and Credit Cooperatives Sanasa, Sri Lanka
Human Development Foundation, Sri Lanka
Diaconia, Bolivia
Cooperative Bank of Kenya Ltd, Kenya
MCHF with a specialized housing program administered under a subsidiary or affiliated entity (with separate administration and staff)
Mahila SEWA Housing Trust, SEWA Bank’s Parivartan and housing loan programs (SEWA), India
Grameen Housing Program (Grameen Bank), Bangladesh
Housing by People Program, (PWDS), India
KREP Housing Program (KREP), Kenya
Rural Housing Finance RHF (Rural Finance Facility RFF), South Africa
Community Infrastructure Loan Program (Genesis), Guatemala
MCHF in partnership with a specialized housing program
FINCA Africa (Habitat for Humanity), Uganda, Malawi and Tanzania
FINCA Uganda (Finance Company of Uganda), Uganda</td><td>SAHF with specialized housing products as well as microenterprise loans administered by the same entity
Negros Women for Tomorrow Foundation, Philippines
Squatter and Urban Poor Federation, Cambodia
SAHF with specialized housing products as well as microenterprise loans administered under a subsidiary or affiliated entity (with separate administration and staff)
LPUPA Scheme (Payatas Scavengers’ Association), Philippines
NGO Revolving Fund (Several NGOs), Philippines
Savings and Credit Groups (Urban Community Development Office UCDO, People’s Bank), Thailand
Home Development Mutual Fund (Group Land Acquisition and Development GLAD), Philippines
Dialogue for Shelter and the uTshani Fund (Homeless People’s Federation), South Africa
Housing Cooperative Investment Trust (Housing People of Zimbabwe), Zimbabwe
SAHF specialized housing program only
Casa Melhor / PAAC, Fortaleza, Brazil
SAHF with specialized housing products only providing bridge financing as an intermediary between communities and public subsidy programs
FUSAI (FONAVIPO national housing subsidy program), El Salvador
Cobijo (Progressive Housing Program), Chile
Fundacion de la Vivienda Popular (Barrio Improvement Program), Venezuela
Cooperative Housing Foundation CHF/South Africa (National Housing Subsidy Program), South Africa
The uTshani Fund and SAHPF (National Housing Subsidy Program), South Africa
Community Housing Development Groups (Build Together), Namibia</td></tr>
</table>

SAHF Program Products and Structure

There are four basic types of SAHF programs (see Table 2). In the first category, a few SAHF initiatives offer specialized housing and income-generation loan products administered through a single entity. Examples include the Negros Women for Tomorrow Foundation in Philippines, and the Squatter and Urban Poor Federation in Cambodia. The majority of MFIs allow for flexible loan use for income-generation or for housing repairs, due to the strong connection between housing improvement and business development for their clients.

The second type of SAHF program offers specialized housing products as well as microenterprise loans, both administered under subsidiary or affiliated entities with separate administration and staff. Examples include the LPUPA housing savings and credit scheme, operated by Payatas Scavengers' Association in Quenzon City in the Philippines, the NGO Revolving Fund, and the Savings and Credit Groups financed by the Urban Community Development Office (UCDO) in Thailand. Similarly, the Group Land Acquisition and Development (GLAD) program in the Philippines receives financial support for its housing programs from the Home Development Mutual Fund. In South Africa, members of the Homeless People's Federation receive technical assistance from an affiliated NGO, the Dialogue for Shelter, and financing from the uTshani Fund in their shelter acquisition process, and the Housing People of Zimbabwe receives support for its shelter initiatives from the Housing Cooperative Investment Trust.

The third type of SAHF program administers specialized housing programs only and offers the most formal housing product among SAHF schemes. The basic premise of these programs is the formation of community-based savings and loans associations, which can qualify for matching funds, such as a loan from an NGO or an in-kind grant from the municipal government in the form of building materials. Individual loans are awarded to members of an eligible savings and loan association and are guaranteed by a usufruct right to the land and collective liability. Peer pressure and the incentive of future access to credit—up to three consecutive loans are awarded—effectively ensure timely repayment of loans. An example of this type of program is Casa Melhor and PAAC in Brazil.

The fourth type of SAHF program administering specialized housing products provides bridge financing to low-income community members to enable them to access national housing subsidy programs for which they are eligible. These programs act as institutional and financial intermediaries between the poor and the state. Examples of SAHF intermediary programs include FUSAI's microcredit program, which capitalizes on FONAVIPO, the national housing subsidy program in El Salvador; Cobijo, in Chile, which enables the poor to save enough money to become eligible to participate in the government-sponsored Progressive Housing Program; Fundacion de la Vivienda Popular, in Venezuela, which organizes communities and assists them in accessing public funds through the Barrio Improvement Program; various locally based Community Housing Development groups in Namibia that channel national public funding to poor households for housing construction and improvements; and the uTshani Fund and the Cooperative Housing Foundation (CHF) in South Africa, which provide housing finance to members eligible for the National Housing Subsidy Program.

A serious problem with national housing subsidies in some countries is the presence of administrative barriers or difficult requirements that prevent low-income households from accessing the funds. For instance, the South African program requires low-income households to build the house in order to receive the housing subsidy; disbursement of the subsidy takes place upon certifying occupancy of the dwelling. Needless to say, the majority of poor households lack sufficient funds to build the house. In Chile, a down payment that is beyond the means of most low-income households is required in order to participate in the national housing program.

SAHF programs differ significantly from MCHF schemes in their hierarchy of priorities. Their top priority is to facilitate the acquisition of land as the first critical step toward obtaining shelter, and many programs specifically earmark credit for land purchase. Similarly, in squatter settlements SAHP programs emphasize the legalization of land tenure as a precondition to investment in housing improvement. Squatters faced with the constant threat of eviction have little interest in procuring a housing loan to improve or replace their shack with a more permanent structure, if they fear their home may eventually be demolished. Households typically will not spend more than 15% of income on shelter without some assurance regarding security of occupancy (Serageldin 1993: p.4). The legalization of tenure catalyzes private investment in housing improvement and consolidation, as has been documented in numerous studies.

Several provisions have been devised in SAHF programs for land acquisition, beyond allowing for flexible use of income-generation and housing loans towards purchasing land. Some programs, such as Payatas Scavengers' Association in the Philippines, have dedicated funds for acquiring ownership rights through direct land purchase, often on a large scale. Many schemes provide grant or loan financing for individual members' acquisition of land parcels. Some, including Mahila Milan in India and the South African Homeless People Federation, have used their institutional status and visibility to lobby municipal or national authorities to gain tenure for their members. Several community-based savings groups enrolled in SAHF programs have organized themselves into action committees to address large-scale land acquisition schemes. For example, in the Philippines, members of the Housing Cluster Scheme in the Payatas Scavengers' Association used their savings to fund land surveys and title searches, working closely with public officials to acquire legal land tenure.

The provision of infrastructure and services also constitutes a high priority in SAHF schemes. Low-income households face severe health problems and financial hardship in infrastructure-deficient areas. On behalf of their communities, SAHF programs lobby public authorities and pressure politicians to provide adequate infrastructure and services. Payatas Scavengers Association (PSA) negotiated with municipal authorities to provide infrastructure connections to the housing development on the land parcel they acquired. A few SAHF programs, including the South African Homeless People's Federation (HPF), have extended loans to their beneficiaries to finance provision of infrastructure, but this is uncommon. In addition to recognizing their own limited resources, shelter advocacy groups consider infrastructure and services to be a responsibility of government, and a right and an entitlement for the poor. HPF members, however, in a self-initiated and administered effort, provided their parcels with infrastructure hook-ups using loans from the uTshani Fund.

Unlike most MCHF programs, SAHF programs provide extensive technical assistance for their constituencies and spend substantial time and effort in developing a structure for community-based organizations and in assisting their development. The example of Payatas Scavengers Association helps demonstrate the extent of technical assistance offered by SAHF programs and the difficulty of sustaining such efforts without subsidies. The cost of the technical assistance offered by PSA amounted to nearly 10% of the savings fund, driving the association to rely on grants and subsidies from national and international donors.

III. DELIVERY OF SHELTER FINANCE TO THE TARGET GROUP

On average, clients of MCHF programs are more likely to be able to afford shelter than members of SAHF initiatives. This difference in the client groups affects the nature of the financial products offered by MCHF and SAHF programs.

Client Eligibility Requirements

Housing microfinance initiatives of both types rely on careful scrutiny in assessing applicants' credit-worthiness, but MCHF programs have more stringent criteria than SAHF initiatives. In their risk assessment, institutions typically check some or all of the following individual-based characteristics: a regular savings pattern, ability to service debt (steady income, wages and other sources of household income), participation in one or more cycles of microenterprise loans with a successful repayment history, and legal land ownership. Group guarantee is relied on in lieu of conventional collateral, and the lending institutions mandate specific group-related characteristics: fellow members' approval, collective guarantee of loan recipients and, in some cases, a minimum length of residency in the community.

Most MCHF and SAHF programs surveyed require members to participate in a savings group for a minimum period, one year on average, prior to eligibility for housing microfinance, to develop habits of regular savings and repayments. SEWA Bank mandates monthly payments into a savings account, and holds the savings in a reserve fund as a lien for security against defaults. Grameen Bank and Payatas Scavengers' Association require weekly contributions, and CARD and South African HPF members are required to make daily deposits. The required duration for the savings period ranges varies. SEWA Bank and CARD require their members to deposit money regularly for 12 and 18 months respectively; for HPF members, deposit terms are tailored according to the members' ability to pay. Members of all institutions surveyed are also required to get the group's approval or secure co-signers prior to loan disbursement.

While both program types emphasize group-based prerequisites including participation in savings groups and obtaining signatures from the entire group or a number of co-guarantors, they differ in their individuals' eligibility criteria. MCHF programs in general tend to have more stringent requirements than SAHFs. Most MCHF institutions, including SEWA and CARD require that applicants be concurrently engaged in a microenterprise activity or have some form of steady employment. Grameen Bank offers some flexibility regarding seasonal employment; however, the institution looks most favorably on members concurrently operating microenterprises. Payatas Scavengers' Association, based in Quenzon City, the Philippines, is the only SAHF program surveyed that recommends that members be working in some microenterprise activity, but it is flexible regarding the regularity of the employment. Some institutions, such as CARD, require that loan applicants have demonstrated the habit of timely repayment throughout one or two cycles of microenterprise loans administered by the same institution.

All MCHF programs surveyed require legal land tenure for new housing constructions loans. SEWA goes further, requiring legal land ownership for all housing-related loans. Other MCHF programs, including Grameen and CARD, have developed channels for assisting their members in the land acquisition or regularization process, giving members who lack legal tenure the option of borrowing to purchase a land parcel. Payatas Scavengers' Association also encourages land ownership in administering housing improvement loans. Some programs further require that applicants have a minimum length of residency in the community.

SAHF programs, which typically emerged as advocacy groups for shelter and land tenure, acknowledge the inequities associated with land tenure and therefore structure their assistance programs to address the land tenure needs of their constituency. An extreme case in this regard is that of the South African People's Dialogue and the uTshani Fund, whose members have in some instances invaded public lands and undertaken the provision of infrastructure and housing. The members' goal is to establish "permanent" villages or communities, which they hope will effectively minimize eviction threats.

Loan Terms and Conditions

Not surprisingly, given their different vision and objectives, MCHF and SAHF programs treat the relationship between micro-enterprise and housing loan products differently. In general, MCHF programs strive to minimize the differences between the two types of loan products for reasons of manageability, and therefore focus on housing improvement and new construction. SAHF programs, on the other hand, while attempting to capitalize on microcredit knowledge when managing their housing portfolios, are more impacted by the different implications of financing shelter initiatives, in particular the larger credit amount needed, especially for the land acquisition component, and the longer amortization schedules, with terms ranging from one to three years as opposed to one year or less in microenterprise lending (see Table 3 for the different housing loan products). In addition, the linkage between housing improvements and the enhancement of income-generating activities is not as developed as in MCHF schemes.

Table 3. Comparative Housing Loan Products

	Flexible loan product	**Housing improvement/ repair loan**	**New housing construction loan**	**Land acquisition loan**	**Infrastructure provision loan**
Program type	Predominantly MCHF programs	Predominantly MCHF programs	MCHF and SAHF programs	Predominantly SAHF programs	Predominantly SAHF programs, and increasingly MCHF programs
Use	Originally microenterprise loans, used among others for conducting housing improvements and repairs by individual households	For conducting housing improvements and repairs by individual households	For the construction of a new house by: Individual households (Grameen and SAHPF) Community groups (Payatas Scavengers Association's housing cluster: 425 families)	For the acquisition of serviced / unserviced land parcels for: Individual households (Grameen and SAHPF) Community groups (Payatas Scavengers Association's housing cluster: 425 families)	For the delivery of infrastructure and services for: Individual households (SEWA Bank's Parivartan scheme) Communities/ Settlements (Genesis' CILP Program)
Savings requirement	Sometimes: none to few weeks or specified sum	Yes: few weeks or a specified sum	Yes: one year on average	Yes (one to one and half years on average)	Yes (one year on average)
Average term	Few weeks	Three to six months (maximum term one year)	One to three years (except for Grameen Bank and SAHPF, which have exceptionally long terms)	Depends on land cost (rural vs. urban) and on the terms of the capital source which the SAHF program on-lends	Two to four years
Interest rate relative to micro-enterprise loans	Same	Same	Same for MCHF programs (except for Grameen Bank) Less for SAHF programs, as they usually on-lend subsidized funds	Less, as they usually on-lend subsidized funds	Same when lending own funds Less, as they usually on-lend subsidized funds

Table 3. Comparative Housing Loan Products (*continued*)

	Flexible loan product	**Housing improvement/ repair loan**	**New housing construction loan**	**Land acquisition loan**	**Infrastructure provision loan**
Collateral requirement	Group liability	Group liability	For MCHF programs: Group liability for collective loans (most MCHF programs) and co-guarantee for individual loans (mainly Grameen and SEWA Bank) For SAHF programs: Group liability for collective loans	Group liability	Group liability
Other requirements	None, except for periodic savings in some cases	Proof of legal occupancy Periodic savings Excellent credit history for the individual or group.	Legal documentation of land ownership Periodic savings in group fund (sometimes in emergency fund) Excellent credit history for the individual or group (housing loans are usually contracted after microenterprise loans) Concurrent participation in or operation of a microenterprise. Minimum length of operation for the branch (Grameen) or minimum length of residency in the community for the individual or group Others, such as recommendation from area leader; minimum health requirements (Grameen Bank's (mandatory latrine installation)	Periodic savings in group fund (sometimes in emergency fund) Excellent credit history for the individual or group (housing loans are usually contracted after microenterprise loans) Concurrent participation in or operation of a microenterprise. Minimum length of operation for the branch (Grameen) or minimum length of residency in the community for the individual or group	Legal documentation of land ownership (Genesis requires that one member in each group provides a legal land title to be held, not as collateral, but rather to pressure for timely repayment) Periodic savings in group fund and sometimes in emergency fund Excellent credit history for the individual or group (housing loans are usually contracted after microenterprise loans) Minimum length of operation for the branch (Grameen) or minimum length of residency in the community for the individual or group

Two distinct lending approaches were observed in MCHF programs, each with different terms and conditions. The first approach is prevalent among most MCHF programs. These initiatives have effectively transferred their expertise in the field of micro-enterprise credit toward shelter interventions, without differentiating between housing and microenterprise loans. Housing loans are applied for and awarded collectively for roughly equivalent sums as microenterprise loans, and have similar terms, particularly with regard to amortization times. Interest rates in some cases are identical.

The second approach was spearheaded by Grameen Bank and SEWA. Individual applications are submitted and must be approved by all members of their center (Grameen) or backed by two co-signing guarantors (SEWA). Housing loans are then awarded to individual applicants. The interest rates charged are consistently lower than for microenterprise loans and maturities are typically longer (e.g. SEWA Bank's five-year amortization period).

Unlike MCHF initiatives, SAHF programs offer a much higher degree of flexibility in loan terms and conditions. Loan amounts basically reflect the member's ability to pay, and are usually calculated as a multiple of the member's savings account. Interest rates and amortization schedules vary according to each program's ability to tap external funding sources. SAHF programs also offer a large degree of flexibility in savings and loan payment collection. In some cases, payments are collected door-to-door, to facilitate the process for members who lack the means or time to make a deposit at a bank or office branch.

Portion of Portfolio in Housing

MCHF programs generally cater to large memberships and have large portfolio sizes, as measured by the cumulative amount of loans disbursed and the outstanding portfolio balance. The proportion of housing loans to total loans disbursed varies tremendously. In typical MCHF schemes, the housing portfolio's share of the total portfolio, in terms of loan numbers, usually ranges between 4% and 8% but it reaches as high as 50% in the case of SEWA Bank. When measured in terms of the amount disbursed for housing loans, whose average size is larger than project loans, the housing portfolio ranges around 10% of the total amount disbursed by these institutions (see Table 4).

Table 4. Comparative Shelter and Overall Portfolios in Six Case Studies

	SEWA BANK	CARD	PAYATAS SCAVENGERS ASSOCIATION	HPF / UTSHANI FUND	GRAMEEN BANK	GENESIS
Total number of members	112,750 SEWA Bank (220,000 SEWA)	19,523	5,953 (25,000 nationwide in HPF)	70,000	2,370,130	10,500
Total number of clients of all loans	35,936	19,523 (02/99)	5,953	70,000	2,370,130 (05/99)	23,500 (*Total 06/98*) 22,413 (*Active 12/98*)
Total number of all loans issued in one year	NA	29,663	388 group loans	NA	NA	NA
Size of portfolio (outstanding balance)	$10,983,372 *cum. disbursed, 12/99*	$2,211,687	$1,275,486 *cum. disbursed 06/99*	$2,714,610	$2,801,920,000 *cum. disbursed 05/99*	$11,200,000(6/98)
Total number of housing loans issued in one year	2,192	2,819	PL:200; FSD: 1 cluster (425hh)*	1,600 (*12/97*) 5,000 (*cum. 06/99*)	79,784 (*houses built 11/98*) 506,680 (*cum. 05/99*)	465 (12/97)
Size of housing portfolio (outstanding balance)	$4,639,157 *cum. disbursed, 12/99*	$446,577	PL:NA; FSD:$15,524 (deposits)**	$181,960 (Fund cap $2.92M inc. future pledges)	$20,270,000 (11/98) $184,330,000 *cum. disbursed, 05/99*	$2,000,000 (06/98)
Percent of portfolio dedicated to housing	50%	4% (*of loan #*) 10% (*of loan $*)	NA (savings for housing to overall savings fund ~2%)	6.7%	6.7%	18%
Average housing loan	$214	$359	$526	$1,459	NA	$120-450
Average housing loan interest rate	17% SEWA funds 13.5% HUDCO & HDFC funds.	20% per annum	18%	12%	8%	21%-BCIE funds 30% (Commercial Banks)
Average microenterprise loan interest rate	17%-to-24%	20% per annum	1.5% monthly (19% annualized)	24%	20%	2.5% monthly (34.5% annualized)

Notes:
* PL: Providential Loans (used for housing repairs). FSD: Fixed Savings Deposits (for land acquisition).
** The Payatas Scavengers Association savings cluster saved $15,524 towards land acquisition. An associated savings cluster (Iliolo group) part of the Homeless People Federation saved $25,873 towards land acquisition and is the Federation's leading savings-for-housing group. 3 other savings clusters were started by July 1999.

The proportion of housing to overall portfolio in SAHF programs is much higher. Some programs, such as Casa Melhor and PAAC in Fortaleza, Brazil, provide only shelter-related loans. Others, such as Payatas Scavengers' Association, have a housing portfolio of only 2% of their total activities, based on amounts deposited in the housing fund compared to the size of the overall savings fund.

Shelter Finance Scarcities

The entrepreneurial poor in the informal economy participating in MCHF programs typically fall between the bottom 30th and 50th percentiles in the income distribution. The target population of SAHF programs generally falls below the 30th percentile, although the bulk of them are in the 30th and to a lesser extent the 20th percentiles. Thus, among those unable to access public and private shelter finance, the needs of two income groups remain to be addressed. The first is lower-middle and moderate income groups who for one reason or another are not eligible for or are excluded from public programs and who do not qualify for MCHF programs because they are above the acceptable income ceiling or because they do not work in the informal economy or operate a microenterprise. The second group is the ultra-poor who are below the 15th percentile in the income distribution and who spend a disproportionate amount of their income (75% and more) on food.

Access to Capital Sources for MCHF and SAHF Programs

For housing microfinance initiatives of both types to expand and improve their services, they need to strengthen their capital base through the expansion of their membership, minimization of default and arrears rates, and better capitalization on public and private contributions. Both MCHF and SAHF programs have sought to access diverse capital sources to finance their housing programs; however, the revolving potential of funds in housing microfinance initiatives is limited compared to microenterprise portfolios, because housing loans tend to be larger in size and have longer maturities. Therefore, MCHF and SAHF programs have been driven to seek larger resources to expand their reach to their constituencies, capitalizing on a mixture of mandatory member-based contributions, public assistance programs, and private-sector contributions.

MCHF programs with a solid track record in microfinance, such as SEWA Bank and Grameen Bank, can leverage large public and private institutional loans and grants. Members' deposited savings, coupled with public and private resources and sometimes with subsidies, can give leading MCHF programs a strong asset base. Accordingly, they can provide loans to their constituencies with favorable terms and conditions. In contrast, SAHF programs encounter relatively more difficulties in accumulating funds and accessing capital markets. The lack of subsidies or cheap capital to on-lend hinders a number of SAHF programs from expanding their service base or improving their loan terms.

In many instances, public authorities, non-profit organizations, and private formal financial institutions have acted in response to the sustained success of housing microfinance initiatives undertaken within their operational boundaries. Several public authorities have put in place assistance programs targeting micro-financing institutions. Some NGOs have pooled their resources to provide housing finance for communities. And finally, some formal financial institutions have begun allowing previously ineligible clients to access capital, following the clients' successful participation in microfinance initiatives.

HUDCO, the Indian public housing finance agency, provides loans for housing construction and upgrading to NGOs applying for assistance in initiating housing-related pilot programs. The administration and implementation of HUDCO-assisted programs rests entirely on the shoulders of the NGOs (including SEWA Bank), including savings mobilization, loan disbursement, capacity building, and other technical activities. HDFC, a private sector Housing Finance Development Corporation, also provides SEWA Bank with funds to on-lend to its clients.

In Thailand, a national government initiative, the Urban Community Development Office (UCDO), also known as the People's Bank, was established in 1992 to alleviate poverty and improve the quality of life for the urban poor by extending credit to slum-dwellers for income-generating activities and for acquiring adequate housing with secure rights. UCDO provides wholesale loans to qualified savings and loans organizations to on-lend to individuals.

In the Philippines, to compensate for some of the inadequacies in the government-funded Community Mortgage Program, several NGOs came together to manage a revolving loan fund to support housing projects for low-income communities. The funds are used as equity or counterpart funding for government loans and for shorter-term loans for land or housing acquisition. Community savings, averaging about one-third of the funds borrowed, have contributed to the revolving fund.

Casa Melhor and PAAC, two microfinance programs for home improvements administered through a public-NGO partnership in Fortaleza, Brazil, have undertaken one of the few documented attempts to link to formal private financial institutions. A series of three consecutive financial packages, each comprised of a mix of components—individual savings, an in-kind subsidy, and a loan—is offered to clients conditional upon successful repayment of previous debt. The public subsidy component is phased out over time, so that by the third loan no public assistance is awarded. After successful repayment of the three sequential micro-loans, applicants who have demonstrated their capacity to save and be responsible for loan repayment are ready to contract their fourth loan from a formal financial institution at a market interest rate.

Despite the success of these institutions in tapping public and private resources, the majority of housing microfinance initiatives has not thus far enjoyed the same success. The operational viability of some housing microfinance programs, mostly in the SAHF category, is constrained by the scarcity of capital. They are often unable to raise funds from outside sources in the early stages of their programs when investor and donor confidence is still developing. For example, the South African HPF program, which provides bridge financing for low-income groups who are eligible for the national housing subsidy, is in serious difficulty. However, the program claims to be owed more than R 25 million in arrears by the national government, due to debates over the eligibility of the clients and to bureaucratic bottlenecks.

IV. FUTURE CHALLENGES

Although barely in existence two decades ago, housing microfinance programs have come a long way in successfully addressing the shelter needs of the urban and rural poor in many regions around the world, as is amply documented by the case studies described in detail in Section II, Regional Summaries and Case Studies, and by the diversity of cases described briefly in the Synopsis in Section III. At present, housing microfinance constitutes an important component of housing and poverty alleviation strategies in numerous urban and rural areas in developing countries.

Looking to the future, the housing microfinance industry faces two primary challenges. First, some socio-economic groups are still by and large not well served. Second, although new housing construction and home improvement loan programs are widespread and successful, strategies for financing land acquisition and infrastructure provision remain inadequately developed in relation to need.

Scaling up to Reach a Potential Client Base

The client base currently not being reached by housing microfinance programs is comprised of two groups: moderate income households that are ineligible for public assistance but are not being served by microfinance programs, either because they do not operate within the informal economy or because their earnings exceed the threshold set by microfinance programs; and—of far greater importance—the poorest of the poor in urban areas, including squatters on remote or underutilized land and those living in rental arrangements in overcrowded inner-city slum tenements.

The extension of financial services or the development of new products for these groups, particularly the poorest of the poor in urban areas, is a critical challenge facing the microfinance industry today. The challenge for the industry is to scale up housing products designed to deliver a cost efficient package for the client. These packages typically involve larger loan sizes and longer terms than microenterprise loans: ($500-to-$5,000 vs. $50-to-$300) repayable over 3-to-5 years vs. 3 months-to-12 months. The longer amortization periods entail greater risk and require greater capitalization. One could make the case that raising the income threshold for clients in order to accommodate potential moderate-income clients would improve the financial base of microfinance institutions through risk diversification. However, addressing the needs of the very poor constitutes a much more intractable challenge, one that will require not only the expansion of existing loan programs further down market but also the development of new appropriate assistance packages for land acquisition and infrastructure provision.

Land and Infrastructure

Most MCHF programs have intentionally avoided directly addressing land and infrastructure needs, for several reasons. Whereas the provision of financial services for micro-enterprise, housing construction, or housing improvement projects constitutes a relatively straightforward, manageable undertaking, participation in the process of acquiring land and delivering infrastructure is legally, financially, and politically complex, requiring extensive institutional and financial capacities and legal powers, typically available only to national and municipal government agencies. Few microfinance programs have ventured into this arena. One example is the Parivartan scheme, which brings together municipal authorities, private sector industries, and NGOs in a partnership, sharing roles, responsibilities, and financial commitments to finance citywide upgrading of slums by means of an extensive infrastructure package. This kind of broad-based collaboration can provide a foundation for comprehensively addressing issues of land and infrastructure in urban areas in a cost-effective and politically tenable manner. However, the institutional policies and strategies that have been developed to date by the vast majority of MCHF programs do not readily lend themselves to this kind of process.

SAHF programs, in contrast, have been involved right from the start in land and infrastructure provision. Indeed, their top priority is to address their clients' needs for secure land tenure and basic infrastructure; only after these needs have been met can their clients begin to invest in housing or even the most minimal micro-enterprise projects. However, these programs tend to be geographically scattered, inconsistent in terms of their structure and policies, and by and large financially weak. Their great strength is their range of advocacy skills—their ability to combine microfinance, negotiation, mediation, and lobbying of local politicians on behalf of their clients—rather than the successful development of financially viable, self-sustaining loan programs. Since their loans are administered on a case-by-case basis, unlike the programmatic approach of most MCHF schemes, interest rates and the availability of loan funds are heavily dependent on grants and other in-kind donor assistance from external sources. This severely limits the extent to which SAHF initiatives can broaden their outreach.

The development of partnerships between shelter advocacy groups and microfinance institutions for the purpose of financing and implementing land acquisition and infrastructure provision schemes carries a promising potential for addressing the needs of the very poor, especially in urban areas. Indeed, such a partnership could synthesize the comparative advantage of each type of program—shelter advocacy groups for coordination and implementation of land and infrastructure projects, and microfinance institutions for capital mobilization and financial administration.

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Housing Microfinance Initiatives

Section II. Regional Summaries and Case studies: Asia, Latin America, and Sub-Saharan Africa

Methodology

With the rapid expansion of micro-finance programs, a tiered network has developed among local lending institutions, governments, NGOs and international organizations including multinational and bilateral development aid organizations. The first stage of the research included a review and analysis of these organizations which, when taken together, have created information and operational frameworks linking national and international financial institutions, governments, and community organizations in both supporter and provider roles.[2] The Study Team also reviewed secondary sources of information available from these networks and contacted institutional program directors to follow up on interesting programs. Six institutions were identified for further review and a self-reporting questionnaire distributed to these programs to obtain additional information on product design and delivery mechanisms:

- Grameen Bank in Bangladesh
- SEWA Bank in India
- CARD Bank in the Philippines
- GENESIS in Guatemala
- The Homeless People's Federation, the People's Dialogue, and the uTshani Fund, in South Africa
- Payatas Scavengers' Association in the Philippines

These institutions were chosen based upon geographic activity and balance; the existence of an ongoing program to track performance; and new products or services including accessing land and infrastructure, and community development. Grameen Bank in Bangladesh and SEWA Bank in India, both pioneers in the micro-credit field, were selected because their housing micro-finance programs are among the earliest and most established in the Asian region. Both programs are celebrated for their large-scale impact on shelter provision for the poor and the improvement of their living conditions. In addition, SEWA also recently embarked on a partnership program for the provision of an infrastructure service package to improve slum dwellers' living conditions.

In the Philippines, CARD's housing micro-finance program, while more recent, is characterized by a very sound financial performance, and the rate of growth of its membership is impressive. The Philippines' second institution selected in this study, Payatas Scavengers' Association, is one of the most active of the various organizations that progressed from shelter advocacy to housing finance; in addition, the ability of its membership to secure land acquisition in a recent initiative merits attention.

In South Africa, the Homeless People's Federation, in alliance with the NGO Dialogue for Shelter providing technical assistance and the uTshani Fund providing housing micro-finance, represents on of the continent's most active shelter advocacy and housing micro-finance initiatives, with an impressive membership of some 70,000. Finally, Genesis, in Guatemala, Latin America, provides group loans for rural low-income communities for the provision of infrastructure, a relatively untapped field by housing microfinance initiatives.

[2] See Bibliography and References (Annex 2 and 3)

REGIONAL SUMMARY: SOUTH AND SOUTH EAST ASIA

Sixty-six percent of the population of East Asia and 71% of the population of South Asia still live in rural areas. This is particularly evident among the four countries where micro-credit programs have been extremely active. In Bangladesh, Sri Lanka, and India, rural residents comprise 80%, 75%, and 74%, respectively, of the total population, while in the Philippines the proportion drops to 56%. Two other countries where housing micro-finance initiatives are operating, Cambodia and Thailand, have respectively 85% and 70% of their population living in rural areas.

Despite rapid urbanization over the past two decades in South and South East Asia, poverty and a lack of economic opportunities are still major issues for rural households. Within the region, urbanization has been characterized by the growth of mega cities such as Calcutta, Bombay, Jakarta, Delhi, and Manila (reaching 8 million residents by 1990). In the same year, the urban population of Manila and Dhaka accounted for one-third of the urban population of their respective countries. In India, the World Bank projected that nine of the country's larger cities, which averaged 6 million in 1990, would grow by 43% from 1990 to 2000.

Micro-credit initiatives have had a long history in South and South East Asia and four countries in particular stand out as prominent centers of housing-related micro-credit initiatives: Bangladesh, India, the Philippines, and Sri Lanka. Asian housing micro-finance initiatives are among the largest and most dynamic organizations, in terms of scale, capacity of outreach, volume of loans, financial sophistication, and successful performance.

Land Tenure Issues

Within the rapidly growing urban areas, the urban poor tend to settle, often illegally, on land on the edge of the urbanizing area where land tenure is unclear and services are lacking. Micro-housing finance programs operating within these environments are faced with the challenge of helping families access land, infrastructure, and housing within a context defined by different legal, cultural, and spatial characteristics.

In many countries, as in India and the Philippines, urban land policies were modeled on European codes rather than the indigenous urban traditions. In the British colonies, urban land policy drew on English common law and land management on the home-rule administrative structure. Regulations were modeled on British planning standards and procedures. Urban parcels were held under various forms of long-term leaseholds, which carried restrictions on utilization, transfer, and access to full ownership rights.

In India, to implement their urban development and housing programs, local agencies turned to land acquisition, a centrally supported policy, as the chosen instrument to obtain the land they needed for current projects and reserve land for future use. Attempts by the government to restrain land speculation and to acquire private undeveloped urban land for low-income shelter at below-market prices were met with resistance by land owners, leading to the emergence of an illegal real estate market. Informal subdivisions proliferated and squatting became widespread in urban areas, including Delhi and Bombay. By the late 1970s approximately 50% of Bombay's population lived as squatters in "hutments" located on both public and privately owned land. The vast majority lacked access to utilities and municipal services.

In the Philippines, the civil code introduced by the Spaniards in the 16th century institutionalized private freehold ownership of land whereby landowners enjoy unconstrained freedom in terms of utilization and disposition of their property. The state granted land in fee simple ownership but could only acquire land for public projects by judicial expropriation. Urban extensions housing limited-income communities developed rapidly through illegal occupancy of privately owned land. Regularization of these settlements entails government acquisition of land prior to the transfer of title to occupants, a lengthy process that has plagued urban projects for many years.

Indonesia's traditional land tenure systems, referred to as "Adat" are based on Islamic Sharia principles and incorporate customary practices regulating rights of occupancy and use of land. During colonial rule, large tracts of agricultural land belonging to the state were granted to Dutch colonists in fee simple ownership. These estates reverted back to the state upon independence and were managed by units of local government. The status of the original leases was never entirely resolved and as the urbanized zones expanded, these leasing arrangements continued and became the predominant form of urban land tenure. In the mid-eighties, it was estimated that 85% of housing starts were constructed without permits and that not more than 10% of the total jurisdictional area of municipalities was actually covered by registered land rights.

In many countries in Asia, ambiguous situations arise when settlement occurs with the acquiescence of landowners who view the occupancy as a source of temporary income and assume that it can be terminated when an alternative use for the land is found. Regularization is complicated because there is no way in which property rights can be usurped under the rule of law. Accommodation is reached only on a case-by-case basis whereby owners and illegal occupants resolve tenure issues by negotiated agreement.

Several micro-finance programs surveyed require legal land tenure for new housing construction loans, with SEWA requiring land ownership for all housing-related loans. Grameen Bank and CARD Bank, operating in rural areas, assist their members in the land acquisition or regularization process. Grameen Bank offers its expertise to community groups despite their lack of land ownership, and will advise community members on land acquisition procedures and, if required, use their connections to facilitate the process. For the Payatas Scavengers' Association in the Philippines, land acquisition is also an important activity for their members who are living in informal communities.

Housing loans do differ between urban and rural areas. For instance, SEWA Bank's housing program awards loans for both urban and rural residents, although urban areas represent approximately 70% of the portfolio. The difference in housing cost between urban and rural areas led SEWA to require different amortization schedules for its housing loan, approximately 5 years in urban areas and 18 months in rural areas. A survey[3] of housing in rural areas in Bangladesh showed that about one half of the housing had thatched or bamboo walls and roofs, and less than 1% had corrugated metal or concrete roofs and brick walls. The Grameen Bank Housing Programme's proposed basic house, a $20m^2$ structure with capacity for expansion, is highly affordable, and could be entirely financed through the Bank's basic loan of Tk12,000 (US$247).

Institutional Framework and Micro-finance Initiatives
In South and South-east Asia, the proliferation of micro-credit initiatives for microenterprises created the institutional platform and the political climate that facilitated the launching of

[3] Rahman, Attiur and Baban Hasnat: 'Housing for the rural poor: the Grameen Bank experience', in Abu N. M. Wahid (ed.): The Grameen Bank: Poverty Relief in Bangladesh. Boulder: Westview Press, 1993, p.70

micro-finance programs for housing. The presence of strong rural and urban community-based initiatives and the growth of the non-profit/non-governmental sector have helped to create an environment within which groups concerned primarily with shelter and land tenure could mobilize. The Philippines, for example, boasts a very large number of CBOs and NGOs (close to 25,000 active NGOs nationwide) providing basic services such as health and education, or actively engaged in supporting income-generating activities or shelter delivery.

Negros Women for Tomorrow Foundation, Inc., in the Philippines, founded in 1989 to empower poor women in Negros, offers training programs, health/nutrition education, a credit and savings scheme emphasizing discipline and hard work, and a loan program for improving housing. The majority of loans issued are for housing repairs. Another successful initiative is the NGO Revolving Fund, also in the Philippines. Several Filipino NGOs came together to manage a revolving loan fund to support housing projects for low-income communities. The fund is used for a number of activities including acquisition of land in situations where immediate release of funds is required. In Sri Lanka, the Federation of Thrift and Credit Cooperative Societies assists low-income borrowers improve their living conditions by granting them credit for electricity and housing loans in addition to small enterprise.

For lower-income households, access to land, infrastructure and housing are critical to the operation of home based income generating activities. Grameen Bank indicates that many of its loan recipients are self-employed and operate from home and SEWA also reported that the home and infrastructure improvements in its Parivartan Slum Upgrading Program directly benefited the productivity of microenterprises.

Most prominent housing micro-finance initiatives surveyed in the region emerged as expanded services added by institutions that originally offered micro-credit programs only for microenterprises. After strengthening their experience in micro-finance and achieving varying degrees of success in terms of financial sustainability, these institutions introduced credit programs for housing construction and/or improvement administered in parallel to their micro-credit initiatives for microenterprises. The timeframe separating the original micro-enterprise finance initiatives and the launching of housing micro-finance programs ranged from a short span of three years in the case of SPMS in India to about 12 years for PWDS in India.

Larger-scale institutions having a longer history and greater institutional sophistication, including Grameen Bank and SEWA, created separate subsidiaries to administer housing micro-credit initiatives.

Lending Policies and Procedures

Commitment and a capacity to save underlie the structure of housing micro-finance programs. As a rule, members are required to deposit money regularly into savings accounts as a prerequisite to qualifying for a loan. For example, the Human Development Foundation in Sri Lanka, founded to eliminate gender discrimination and to empower females, focuses on rural poor women and unemployed families and requires members to contribute to a group savings fund and purchase shares of Women Development Societies. Clients must attend training programs and must demonstrate a pattern of regular saving prior to obtaining a loan. Grameen Bank and Payatas Scavengers' Association require weekly contributions. As for the length of the savings period, SEWA Bank and CARD require their members to deposit money regularly for 12 and 18 months, respectively, before being considered for a housing loan.

Progressive lending-levels brackets help to minimize defaults and reduce arrears. CARD and Grameen Bank require a successful repayment history of a microenterprise loan as a precondition to qualifying for housing loans. Demonstrated credit-worthiness also leads to a higher ceiling for a first housing loan. Upon successful repayment of the first loan, members become eligible for a more sizable loan.

SEWA and CARD require formal employment or operation of a microenterprise, and Grameen Bank, while offering some flexibility regarding seasonal employment looks favorably on members concurrently operating microenterprises. Similarly, Payatas Scavengers' Association recommends that members should be working in some microenterprise activity, yet offers a large degree of flexibility regarding the regularity of the employment.

Some institutions, including SEWA and Payatas Scavengers' Association, require that members have legal land ownership to receive housing improvement and/or construction loans. Grameen and CARD have similar requirements for new construction loans. Regarding the use of land as collateral, Grameen Bank and CARD Bank assist their members in the land acquisition or regularization process. Members of these institutions without legal tenure have the option of borrowing to purchase land parcels.

Another loan qualification used is a minimum length of residency. The Payatas Scavengers' Association and CARD require that applicants have lived at least one year in the community, while SEWA—for individually submitted loan applications—requires co-signatures from two persons, one of whom must hold formal employment.

Group vs. Individual Lending

Structurally, microenterprise and housing finance differ, in that microenterprise loans are generally smaller, with an amortization period of a year or less, and the enterprise revenue helps to repay the loan, while housing loans typically involve larger sums repaid over longer amortization periods and the investment may not produce income right away. Therefore, group lending is less suited to housing loans than to microenterprise loans. Holding a group collectively liable for all members' repayments of large sums of money over long spans of time creates higher risks that are less likely to be accepted by either lenders or borrowers.

The Group Land Acquisition and Development Program in the Philippines, for example, offers collective loans for land purchase, site development, and housing construction. Funds mobilized from mandatory contributions paid by formal-sector employers and employees as well as from small savings are used to generate long-term loans to meet the housing-finance needs of the program's members. Loans remain a collective liability of the group until the completion of site development (usually required to be accomplished within two years). Association officers are responsible for collecting monthly repayments from individual beneficiaries; however, the default rate is high, estimated at 20%.

Despite the difficulties, several organizations, such as CARD in the Philippines, apply group lending to both microenterprise and housing finance programs, with amortization periods averaging about one year for housing.

Grameen Bank and SEWA Bank manage their housing micro-finance programs slightly differently. Their loans have amortization schedules of up to 10 and 5 years, respectively, too long for collective liability to work efficiently. They offer housing micro-credit to individuals, whereas their microenterprise credit initiatives are awarded to groups. Grameen Bank applicants have to obtain signatures from the members of their savings group, while SEWA applicants must bring one or two co-signers, depending on the size of the loan. However, beyond these guarantees which inherently act as a community-based screening of credit-worthiness, loan applications are made on an individual basis.

Capacity Building and Leadership Development

Mandatory training programs are prevalent among housing micro-finance programs including the Payatas Scavengers' Association, SEWA Bank, Grameen Bank, and CARD. Most programs provide members with training and technical assistance in the development process, including housing design and construction and, when applicable, land ownership.

Through the organization of individuals under a larger institution, disenfranchised community members have acquired a stronger voice needed to access resources. Organizations such as Payatas Scavengers' Association, CARD, and SEWA train members to negotiate effectively with and influence local authorities.

Other institutions have developed interesting methods for establishing a dialogue between community residents, local officials, and various institutions on shelter issues for the poor. SPARC in Mahila Milan, India, invited local officials and community members to a staged exhibition in which they constructed a full-scale cloth model of a house of their design, to illustrate their points. SPARC uses this method to educate and mobilize communities, to build consensus on housing norms suitable to the community's needs and financial capacity, and to develop models they can construct themselves. More importantly, community leaders reported feeling more at ease speaking with officials and perceiving that officials paid more attention to their concerns after having had some training to develop their skills.

Partners for Outreach and Intermediaries to Access Finance

In Phnom Penh, Cambodia, the Squatter and Urban Poor Federation recently established a housing loan fund with contributions from the Squatter Urban Poor Fund, the Asian Coalition for Housing Rights, Shack Dwellers International, and the municipality of Phnom Penh. Finance for infrastructure development was earmarked by the United Nations Center for Human Settlements at the end of the year.

HUDCO, the Indian public housing finance agency, provides loans to NGOs applying for assistance in initiating housing-related pilot programs. SEWA Bank is among the recipients of HUDCO capital at a below-market interest rate of 9%. The Bank then on-lends to eligible borrowers at a rate of 13.5%, a very favorable rate when compared to the 17% that SEWA charges on funds raised through other sources of capital. SEWA's increased recognition as a successful institution in the field of micro-finance has enabled it to tap into these larger pools of resources.

HUDCO's primary eligibility requirement is for NGOs to have a minimum of three years of experience in community development and a record of loan recovery of 75% or better. HUDCO requires its funds to be collateralized through land or a security deposit ranging from 10% to 25% according to the NGO's collection record. NGOs are solely responsible for implementation of HUDCO-assisted programs including savings mobilization, loan disbursement, capacity building, and administrative matters.

SEWA has also partnered with the city of Ahmedabad and other community organizations in a slum networking and upgrading initiative, Parivartan, which provides land regularization and infrastructure retrofitting. The private sector and the Ahmedabad Municipal Corporation match savings raised by SEWA members towards the provision of infrastructure.

Case Study
SEWA BANK, INDIA

Date Organization Started:	1972
Date Housing Loans Started:	1976
Type of Program:	Micro-Credit to Housing Finance Programs
Size of Housing Loan:	Maximum Rs 25,000
Interest Rate for Housing Loan:	13.5% for HUDCO-funded loans 17% for SEWA-funded loans
Term for Housing Loan:	For urban areas 35 months and for rural areas 18/20/36 months Maximum term is 60 months
Required Collateral:	Savings and recommendation from area leader
Default Rate:	6%
Exchange Rate:	Rupees 42.7 : US$1 (February 1999)

Country profile[4]

India's population was estimated in mid-1997 at 955 million inhabitants, of which 26% live in urban areas and 74% in rural areas. The country's population grew at an average rate of 1.8% per annum during the 1990s. According to the 1991 census, its largest urban areas were Mumbai (Bombay) with 12.6 million, Calcutta with 11.0 million and Delhi with 8.4 million. Next came Chennai (Madras), Hyderabad and Bangalore with 5.4, 4.3 and 4.1 million respectively. Ahmedabad, located in the Gujarat state and where the surveyed initiative is located, ranked seventh with 3.3 million, with a population growth rate of near 20% in the decade from 1981 to 1991, according to a World Bank study.

India's 26 states have limited powers of taxation and rely on central transfers, despite new efforts to increase decentralization beyond the state level to local government structures. Arguably, the nation's most daunting challenge is the existence of major socio-economic disparities between the different states. Poverty and underdevelopment are concentrated in some northern and eastern regions, primarily Bihar, Uttar Pradesh, and Orissa. For example, whereas the national literacy rate in 1991 was 52%, a wide discrepancy existed between states: Kerala had a high of 90% and Bihar had a low of 38%. Moreover, the gap between the few richer states and the rest of India is widening. Wealthier states include Maharashtra, Delhi, Goa, Haryana, Punjab, Gujarat, and Kerala, in addition to a recent take off-by Tamil Nadu, Karnataka, and Andhra Pradesh. However, conditions in the populous and politically powerful northern states of Bihar, Uttar Pradesh, Madhya Pradesh, and Rajasthan, which comprise almost 40% of India's population, are further deteriorating.

In 1999, the average commercial bank prime lending rate was 12%.

The housing micro-finance institutions surveyed addressed infrastructure issues in various ways, most often by extending loans to beneficiaries to finance infrastructure connections, or through partnerships with public authorities. SEWA featured the most advanced program for addressing this issue, through their participation in the Slum Networking Project in Ahmedabad. Each rupee of savings raised by SEWA members leverages one rupee from the private sector and seven rupees from the Ahmedabad Municipal Corporation towards the provision of infrastructure.

[4] The primary source for this section is: Economist Intelligence Unit: 'Country Profile: India 1998/1999'. EIU Country Reports, November 1998.

The government provides subsidies to individuals with monthly incomes of Rs 2,100 (US$48) or less. The majority of SEWA's constituency has an average monthly income of only Rs 1,000 (US$23), and an average monthly household income of Rs 2,500 (US$58), as reported in the SEWA report to the World Bank. Accordingly, SEWA's program caters to lower income groups than are served by government subsidies.

Institution profile

Self Employed Women's Association

The Self-Employed Women's Association (SEWA) was established in 1972 in Ahmedabad City as a trade union with the goal of organizing low-income women working in the informal sector. SEWA targeted what amounted to 96% of employed women in India who worked in the informal sector with no rights, security, or protection. SEWA borrowers are either self-employed or work as casual laborers (SEWA categorizes informal sector workers into three categories: 1) vendors/ hawkers, 2) home-based workers, and 3) manual laborers and service providers); they maintain little or no savings and hold no assets. The main goal of SEWA, as articulated by its founder Ela Bhatt is to empower 'invisible' female informal sector workers and help them become self reliant, with employment security, income security, food security and access to social services such as health care.[5] Through SEWA, female members accessed many services including capital from savings and credit groups, health and child care, which have evolved to become autonomous cooperatives operationally and financially. By the end of 1999, SEWA had a total membership of 220,000.

[PLEASE SEE GRAPHIC AT END OF SECTION]

SEWA Bank

Access to capital, one of SEWA membership's most important needs, led to the establishment of the association's largest cooperative entity. In 1974, the Shri Mahila SEWA Sahakari Bank, known as SEWA Bank, came into existence by way of small deposits (Rs10 or US$0.23) from 4,000 self-employed women, totaling most of the Bank's initial working capital of Rs60,000 (US$1,382). SEWA Bank was established as a cooperative bank fully owned by SEWA share-holding members who elect the board. The board, of which 10 are trade leaders, formulates the bank's policies, oversees the management, and approves the disbursement of bank loans. The Reserve Bank of India determines areas of operation and the proportion of deposits that can be loaned. In the past it also determined interest rates on loans and deposits but interest rates in India are now fully decentralized.

The bank originally served as an intermediary between low-income households and formal finance institutions so that poor people would have access to loans. From 1974 to 1976, a total of 6,000 members received Rs2.5 million (US$57,564) in loans. In 1976, however, SEWA Bank began providing its own loans. By 1999, SEWA Bank had 112,750 depositors and 35,936 borrowers, with a working capital of Rs259,226,000 (US$6,070,800).

Mahila Housing SEWA Trust

Mahila Housing SEWA Trust (MHT) was formed by SEWA, SEWA Bank, and other partners to enable self-employed women to improve their shelter conditions. The organization's objectives are to improve housing and infrastructure conditions for SEWA members, to create

[5] Ghatate, Smita. Credit Connections: Meeting WSS Needs of the Informal Sector through Microfinance in Urban India. Mahila Housing SEWA Trust and World Bank, 1999.

improved access to services such as housing and infrastructure finance, legal and technical assistance, and to influence urban development policies and programs.

Capitalization of portfolio targeting low-income families
The initial funding for SEWA Bank came from the first 4,000 women members who contributed Rs10 each (US$0.23). The credit fund, as reported in a study, was kept supplied by depositors' savings, from 1974 to 1997. In 1998, HUDCO loaned SEWA Bank Rs28.8 million at 9% for use in long-term housing and infrastructure loans (HUDCO loan's interest rates increased to 10.5% in December 1999). In 1999, HDFC loaned SEWA an additional Rs27 million at 10% interest for housing and infrastructure finance.

By the end of 1999, SEWA Bank had awarded a cumulative total of 33,975 loans, of which 50% were housing loans, for a cumulative amount of Rs468.99 million, of which Rs198.09 million were for housing construction or repair. SEWA Bank had achieved an average liquidity ratio (loans to deposits) in 1999 of 52%, which compares very favorably with public and private sector averages.

SEWA Bank

Year	No. of Shareholders	Share Capital ($)	No. of Depositors	Deposits ($)	Working Capital ($)	Profit ($)
1977-78	7,044	1,867	11,656	29,185	33,355	316
1982-83	8,398	4,520	19,057	116,514	133,910	2,678
1987-88	11,329	20,355	23,146	258,635	343,795	8,520
1992-93	15,454	49,097	35,443	1,231,181	1,545,570	19,047
1997-98	22,205	193,645	87,779	3,500,513	4,825,659	40,479
1998-99	24,045	240,773	112,750	4,132,014	6,070,867	52,904

Source: Ghatate, Smita. Credit Connections: Meeting WSS Needs of the Informal Sector through Microfinance in Urban India. World Bank Sponsored Report, 1999.

Product purpose, structure and terms
SEWA Bank offers three categories of financial products to its borrowers. The first and largest, until recently, is loans for income-generating enterprises. The second consists of loans for housing and for participation in the Parivartan scheme, aimed at providing members with infrastructure. The third comprises funds disbursed as safety nets, including schemes for life insurance, work security, and maternity benefits, plus occasional emergency loans.

Housing Loans
Approximately half of SEWA Bank's loan portfolio is invested in housing. Over the years and in response to a growing demand from its members, SEWA Bank has steadily increased the proportion of housing loans to the total portfolio. By the end of 1999, housing loans totaled $4.64 million (Rs198,092,021), awarded to approximately 14,905 women.

SEWA Bank first ventured into the field of housing loans in 1976, two years after its inception. In 1981, only 9 housing loans were provided. In 1986 the number had climbed to 322 and in 1999 it was 2,192. In 1992, the board of SEWA Union decided that housing-related activities needed more specialization, and SEWA Housing Services was established with the goal of improving housing for its members. In 1994 the new entity was officially registered as Gujarat Mahila Housing SEWA Trust.

Table 1: Evolution of Housing Finance by SEWA Bank. Selected years.

Year	Number of Women	Loan Amount (US$)
1976	3	35
1986	322	50,239
1997	1,712	706,812
1999	2,192	773,260

Smita Ghatate. Bridging the Market Gap. Housing Finance for Women in the Informal Sector. Gujarat Mahila Housing SEWA Trust. Ahmedabad: 1998.

In the scheme called "My Own Home Scheme," participants save a fixed amount every month towards repairing, upgrading or buying a home. Typically, prior to obtaining a housing loan, SEWA members live in semi-permanent structures with mud walls and floors with thatch or tiled roofs. With a SEWA housing loan, members can incrementally transform their temporary structures into permanent brick dwellings, plastering the interior walls, upgrading flimsy roofs with concrete, tiling the floors, and/or installing windows for light and ventilation.

The maximum housing loan is Rs25,000. SEWA Bank charges an interest rate of 14.5% on funds provided by HUDCO at 10.5%. On non-housing loans drawing on deposits by the Banks' members, the interest rate charged is 17%. Housing loans have to be repaid back over a period of 60 months. Since SEWA borrowers typically operate home-based micro-enterprises, the Bank allows its borrowers to obtain a housing loan as their first loan, without requiring prior participation in a micro-enterprise cycle. This arises from the fact that for a wide range of occupations by women in the informal sector, their home is a productive asset. It is their workplace, warehouse, sorting place and/or shop.

To become eligible for a housing loan, the borrower must begin by opening a bank account and saving regularly for a minimum of one year. This requirement helps the members in developing a habit of saving, and the deposited funds can be held as a lien by SEWA Bank against the loan. The member then submits an application which is evaluated based on the demonstrated savings pattern, the household income, the depositor's employment/business, her ability to make the payments or her successful repayment of previous loans (if any), the proposed use of the loan, and a cost estimate. The main criterion in the evaluation process is a recommendation from the area fieldworker, following a visit to the applicant's home.

The borrower must secure two guarantors to co-sign the loan application, one of whom must have a pay slip or income certificate. The Bank uses the previous year's savings to secure the loan; it does not require its borrowers to possess a land title for loan disbursement. However, SEWA Bank insists that the housing loan and the ownership of house be in the woman's name, not her husband's.

Prior to submitting an approval, the Bank sends a staff fieldworker to conduct a field inspection to verify the application. For loans less than Rs 5,000 (US$115), the Managing Director can approve the loan based on the staff person's recommendation, but, for loans greater than Rs 5,000 (US$115), the Managing Director, two Directors, a Manager, and a Loan Officer must all approve the loan. Once approved, the Bank disburses the loan by making the funds available in the borrower's savings account.

[PLEASE SEE GRAPHIC AT END OF SECTION]

Housing and Micro-enterprise Loans

SEWA reports that 37% of SEWA's housing loan borrowers operate small enterprises. Since many SEWA members work out of their home, home improvements are productive investments that increase both income and household assets, especially when facilitating the growth of these enterprises. An addition to a house that provides storage or work space, or a better roof that improves the working environment for a home-based micro-industry, can directly improve business conditions and spur higher sales figures.

> For many self-employed women like garment stichers, weavers and bidi rollers, their home is their work place. Women who work outside the home, like vendors and rag pickers also use their home to store, sort and process their products. Her home, in the form of shelter, is not only an asset in the traditional sense, but also a productive asset. This is even more true of poor and working women. (World Bank Report 1999)

Thus, for SEWA members working in the informal sector, the home is a productive asset and housing loans are seen as productive investments.

Although housing loans are generally substantially larger than micro-enterprise loans and despite the fact that most women's daily income ranges between Rs60 to 100 (US$1.23 - $2.30), many borrowers choose to pay off their loans over a shorter term than contracted, on average over three years. Usually, all the income earners in the household contribute toward the cost of the house. Indeed, low-income households show themselves willing to spend or exceed 30% of their income on housing, especially when they hold title to the asset (mostly it is informal ownership).

Infrastructure loans

SEWA, SEWA Bank, and the Mahila Housing SEWA Trust (MHT) are involved in a scheme called "Parivartan" (meaning transformation) or Slum Networking Project. The project's goal is to provide each family with on-site infrastructure, which includes individual water supply, underground sewerage, individual toilets, solid waste disposal service, storm water drains, internal roads and paving, street lighting and landscaping. Plus, the Ahmedabad Municipal Corporation (AMC) provides written land tenure security for a minimum period of ten years to all of the participants of the Slum Networking Project.

SEWA Bank and MHT, acting as financial and technical intermediaries respectively, motivate slum dwellers of Ahmedabad city to join the scheme, wherein each family contributes Rs2,100 (US $48.35) towards the receipt of an infrastructure improvement package ranging between Rs14,500 to Rs15,000 (US $333 to $345). Local industry matches the family contribution with Rs2,000 (US $48) and the balance is provided by the AMC. SEWA Bank makes available loans of up to Rs1,600 (US $37) to each family to meet their contribution. Loans may be repaid monthly in installments of Rs100 (US $2.30) or as a lump sum. The interest rate is set at 14.5%. As things stand, 18 slum communities have been identified for Parivartan.

For the three slums completed thus far, evaluation studies documented an average increase of Rs50 per day (US$1.15) in the net earnings level of members in these communities. Fruit and vegetable vendors, for instance, are able to wash their produce at home and do not have to wait in long water queues. This allows them to get to market at 6:00 a.m. and spend more time in selling.

Product performance
The repayment rate of loans administered by SEWA Bank was reported at 96% in 1999. While the breakdown of default and arrears was not specified, SEWA evaluation studies mentioned that the majority of non-repayments were not defaults, but rather short-term arrears due to such circumstances as illness or pregnancy.

Subsidies in the credit delivery system
From 1974 to the end of 1997, SEWA Bank operated without receiving subsidies. Funds were raised from members at an interest rate of up to 13.5% and lent at 17%, thus covering all costs associated. However, due to the special characteristics of housing loans, which are typically of a larger volume and have a longer repayment period, re-finance was sought by SEWA Bank. Since 1998, two capital sources have provided SEWA Bank with subsidized funds. HUDCO loaned SEWA Rs28.8 million at 9%, and subsequently 10.5%, for use in long-term housing and infrastructure loans. In 1999, HDFC loaned SEWA an additional Rs 27 million at 10% for housing and infrastructure finance. Both sources are below the country's average prime lending rate, which in February 1999 was 12%.

Use to which investments are put
A large majority (70%) of SEWA Bank's housing loans disbursed as of 1999 were utilized for general repairs or house upgrading, expansion of the house by adding a room, kitchen or toilet and sometimes for rent deposits. Only 30% of the loans were used for buying or constructing a new house. About three-quarters of the 151 families in Panna Lal ki Chali, a slum in Ahmedabad took out loans—in amounts ranging between Rs3,000 and Rs3,500 (US $69 and $80)—to install toilets.[6] Monsoon-proofing is another major category of home repair, accounting for 11% of loans in 1997.

Motiben

Motiben has lived in Ahmedabad ever since her marriage, more than forty years. The mother of a son and five daughters, she works in her home spinning thread on two very noisy electric charkhas that sit on her porch. This has been her work for 35 years, and the size and condition of her home have had a direct impact on her productivity and her ability to contribute to the family income. Motiben and her husband live with their son, his wife, and granddaughter Chetna. The family has always lived in a house made of pakka with a steel roof, but over the years they have made improvements to it with the help of loans from SEWA. Motiben began a savings account in 1988 and took her first of five loans in 1989. Three of these have been housing loans. The first, for Rs 4,000, she used to plaster her walls. The second, also for Rs 4,000, she used to install a stand-up kitchen. Her third loan was for Rs 10,000, and this she used to replace the house' clay floor with cement and tile, and to extend a covered porch in front of the house. This porch became her work area; she can work longer hours there, since the noise doesn't bother the other people in the house any more. The cement floor means she can work year round and keep her supplies dry in the rainy months. She also has more work space now which means she can leave her equipment and supplies set up, plus she was able to put in a larger charkha which enabled her to double her output of spun cotton thread. Today, she has tripled her income compared to 1980.
Extracted from "The Use of Housing as a Productive Asset: A SEWA Perspective." by Laurie de Freese.

[6] Credit Connections

Nanuben

Nanuben and her husband migrated to Ahmedabad 16 years ago. At that time they had only Rs 7 between them and the clothing on their backs. Today they have a thriving business worth over Rs 400,000 which they run from their three-room pakka house in Vastrapur Village, just outside Ahmedabad. Along the way, they have relied on wise business decisions, hard work, and institutions such as SEWA Bank. Nanuben's house is integrally linked with her economic productivity: it is both workshop and storehouse, and it is where the employees of the business, her family members, live.

Nanuben and her husband are old clothes vendors. They used to lose much of their stock during the monsoon, when their clay hut would flood and the clothes would be soiled and wet. Over the years, Nanuben has taken fourteen loans from SEWA Bank to improve her house, increase her stock of used clothing, invest in machinery and tools for her business, expand her house, or purchase land to expand the lot on which her house stands. With her growth in income and successive loans, she has been able to strategize and invest, and she has become a shrewd businesswoman.

Ibid.

Characteristics of borrowers

All depositors and borrowers from SEWA Bank are self-employed women. Urban members comprise 70% of the total, and the remaining 30% are in rural areas. Urban members are predominantly vendors, laborers or home-based workers. A survey on a sample of SEWA borrowers in 1998[7] showed that 76% had annual household incomes below Rs 18,000 (US$415), and half of these had annual household incomes below Rs 12,000 (US$276).

New members are recruited by means of the SEWA organizers working in the field, or through existing members or via word of mouth. Also, members serving as area community leaders encourage local women to open accounts with SEWA.

Accessibility of products offered, particularly to poorer female head of households

All SEWA members, including SEWA Bank's depositors and borrowers, are women. They are all engaged in the unorganized sector.

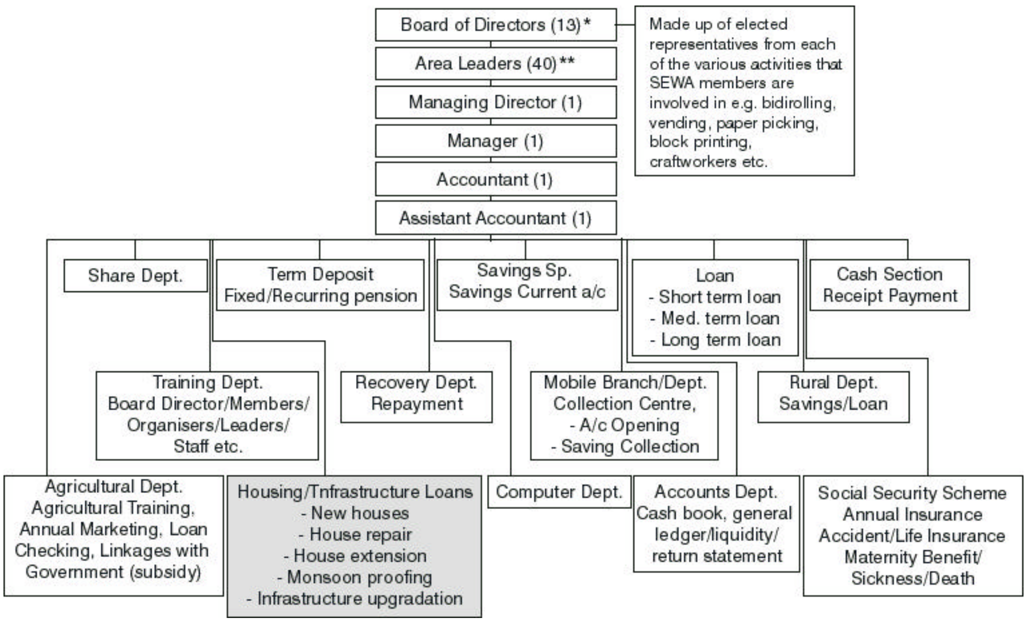
Other successes

SEWA Bank's housing loan program has led to major direct and indirect benefits. As a result of the infrastructure project Parivartan, informal interviews revealed that health problems and serious illnesses, including typhoid, malaria, diarrhea and skin disease, have been reduced by 75%. In addition, after the success of the project, members of SEWA Bank were inspired to take out a collective loan in the amount of Rs25,000 (US $575) per household for home improvements.

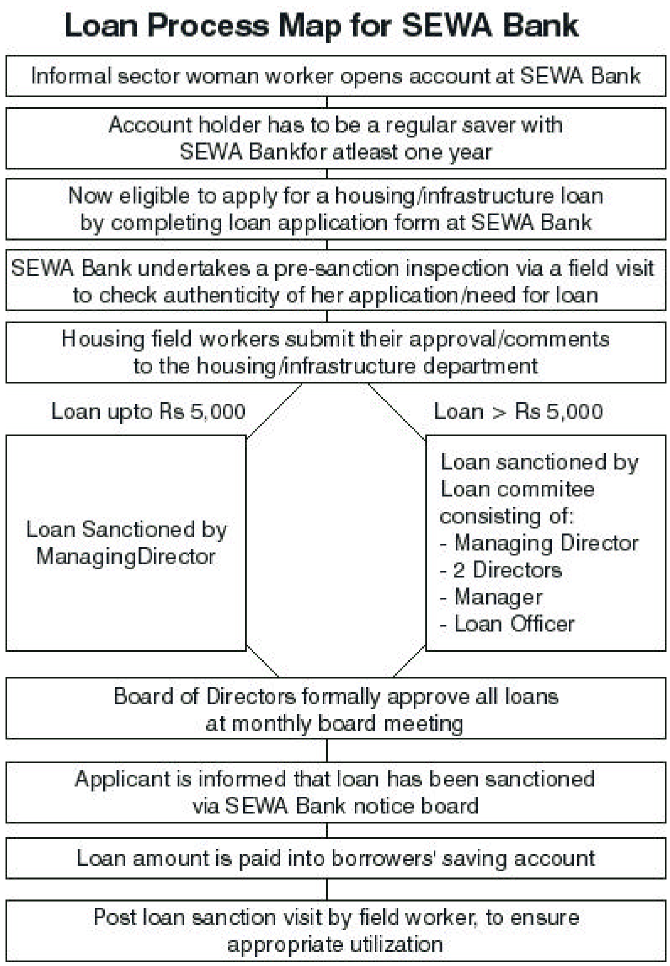
> "We have taken loans from SEWA Bank for Parivartan and now we will take loans for making pucca houses, so that our goods are not ruined in the monsoon. Our house is our storage place, our warehouse, and SEWA bank our mother." Kamlaban, a SEWA Member and Parivartan participant stated, in "Credit Connections" Report.

[7]Smita Ghatate. Bridging the Market Gap. Housing Finance for Women in the Informal Sector. Gujarat Mahila Housing SEWA Trust. Ahmedabad: 1998.

Finally, technical assistance, in the form of construction related assistance and training programs, is provided to borrowers if needed. Mahila Housing SEWA Trust has also facilitated the formal registration of Community Based Organizations (CBO's) in the Parivartan slums. Members can also attend the SEWA Academy where they are taught the necessary skills to work for SEWA in their communities.



Source: SEWA Bank



Source: 1 Credit Connections

SEWA Bank Institutional Table

	SEWA BANK
Exchange Rate	
1996 1997 1998 Current	 Rs 42.7:US$1
Institutional Information	
Date organization founded	1974
Total number of members/ depositors	220,000 SEWA, end 1999 112,750 SEWA Bank, end 1999
Total number of clients of all loans 1996 1997 1998 1999	 NA NA NA 35,936
Total number of all loans issued in one year 1996 1997 1998 Current	 NA NA NA NA
Size of portfolio (outstanding balance) 1997 1998 1999	 $3,250,585 $3,562,945 NA
Date housing loans commenced	1976
Total number of housing loans issued in one year 1996 1997 1998 1999	 1,449 1,712 1,341 2,192
Size of housing portfolio (outstanding balance) 1997 1998 Current	 $718,852 NA NA
Percent of portfolio dedicated to housing 1997 1999	 30% 50%
Size of the savings fund	$2,576,611
Operating costs of the institution related to housing	NA
Number of headquarter employees (1999)	80
Number of communities served	70 slums

	SEWA BANK
Number of branch offices served	8 extension counters
Client Information	
Percent of housing loans distributed to women 1996 1997 1998 Current	 100% 100% 100% 100%
Percent of housing loans issued to Urban residents 1996 1997 1998 1999	 NA NA 70% 90%
Percent of housing loans issued to peri-urban residents 1996 1997 1998 1999	 0% 0% 0% 5%
Percent of housing loans issued to Rural residents 1996 1997 1998 Current	 NA NA NA 5%
Number of clients with housing loans that are women	11,783 (cumulative, end of 1998)
Percent of clients with housing loans with small enterprises	37%
Percent of clients that use home for micro-enterprise activities	33%
Average weekly income of individual borrower	$24
Average weekly income of family engaged in housing loan	$59
Percent of members with land tenure	10%
Housing Product Purposes	
Housing loans	For new construction 30% Housing repairs/upgrading/addition 70%
Infrastructure loans	For participation in the Parivartan scheme for the provision of a service package (water, sewerage, drainage, road paving and lighting, landscaping and waste disposal) to slum dwellers, for building, toilet, electricity/ water connections

	SEWA BANK
Housing Product Terms	
Average size of housing loan 1996 1997 1998 Current	 NA NA NA $300
Minimum term	35 months (Urban) 20 months (Rural)
Maximum term	60 months
Interest Rate	17% on own funds 14.5% on funds from HUDCO and 13.5% from HDFC
Annual repayments for housing loans	NA
Minimum loan amount	NA
Maximum loan amount	$594
Average housing loan	$300
Average enterprise loan	$200 ($100 1st loan, 1998)
Housing Product Performance	
Repayment rate for enterprise loans	94%
Repayment rate for housing loans	96% (mid-98)
Number of housing loans used for land purchase	10% average
Total number of housing loans distributed since inception	14,905 (cumulative end of 1999)
Total number of houses built	NA
Collateral and Other Requirements	
Housing / Infrastructure loan: collateral requirements	Written guarantee from two persons, one of which must provide a pay slip or income certificate. Regular savings for at least one year: savings are taken as a lien as a form of security.
Housing / Infrastructure loan: other requirements	Recommendation from fieldworker is compulsory. While no land title is required to access the loan, SEWA insists that the housing loan and ownership title be in the woman's name. Approval by the Managing Director for loans less than $115 and for larger amounts, approvals by the Managing Director, two directors, a manager and a loan officer.

	SEWA BANK
Housing / Infrastructure loan: loan application evaluation criteria	Demonstrated savings pattern; household income; depositor’s employment/business; credit history if any; proposed use of the loan; cost estimate.

Case Study:
GRAMEEN BANK, BANGLADESH

Date Organization Started:	1976
Date Housing Loans Started:	1984
Type of Program:	Micro-Credit to Housing Finance Programs
Size of Housing Loan:	Tk5,000 to Tk30,000 (US$100 to US$600)
Interest Rate for Housing Loan:	8%
Term for Housing Loan:	Tk1,000/year (US$20) for loans <Tk10,000 (US$201) or 10 years for greater loans
Required Collateral:	Group accountability through collective signature
Default Rate:	<2%
Exchange Rate:	Taka 48.500 : US$1.00 (January 1999)

Country Profile[8]
The population of Bangladesh was estimated in 1997 at 124.3 million, with approximately 20% living in urban areas and 80% in villages. At that time it was estimated to be growing at an average rate of 1.82% per annum, but by 1999 the rate had slowed to 1.59%. Although industrial development has prompted migration to the cities, Bangladesh is one of the least urbanized countries in South Asia. There are three major cities: Dhaka, the capital and the largest, with a population of 6.95 million; Chittagong, the country's major port, with a population of 350,0000; and Khulna, with 1 million inhabitants. A number of industrial areas, such as Kalurghat, Sholashahar, and Faujdar Hat, have developed around Chittagong. Khulna, in the southwest, has become a commercial and industrial center; the opening of the port of Chalna nearby and the expansion of the Daulatpur industrial area have spurred its population growth.

Despite sustained domestic and international efforts to improve economic and demographic prospects, Bangladesh remains one of the world's poorest, most densely populated, and least developed nations. The economy is largely agricultural, with the cultivation of rice the single most important activity in the economy. Major impediments to growth include frequent cyclones and floods, the inefficiency of state-owned enterprises, a rapidly growing labor force of 56 million people that cannot be absorbed by agriculture, delays in exploiting energy resources (natural gas), inadequate power supplies, and slow implementation of economic reforms. Severe floods, lasting from July to October 1998, endangered the livelihood of more than 20 million people. The floods increased the country's reliance on large-scale international aid. So far, the East Asian financial crisis has not had a major impact on the economy.

Rural areas throughout Bangladesh are so thickly settled it is often difficult to distinguish individual villages. There are, however, some definable patterns. The inundation of most of the fields during the rainy season makes it necessary to build houses on higher ground. Continuous strings of settlements along roads are common in areas south of the Ganges and in the floodplains of the Mahananda, Tista, Jamuna, Ganges, and Meghna rivers. Similar settlements are also found in the hilly regions of southern Sylhet and in the Chittagong region. Settlements are more scattered in parts of southwestern Bangladesh, along the Bay of Bengal, in the floodplains of the Brahmaputra, in eastern and southern Sylhet, and in parts of

[8] The primary source for this section is: Economist Intelligence Unit: "Country Profile: Bangladesh 1998/1999." EIU Country Reports, November, 1998.

Chittagong. In central and western Sylhet and in the Chittagong Hill Tracts, settlements occur in a nucleated, or clustered, pattern. The traditional character of rural villages has changed with the addition of prefabricated one- or two-storied structures scattered among the thatched bamboo huts. Supplies of electricity and safe drinking water are often inadequate.

In 1999, life expectancy at birth was 60.6 years and the national literacy rate was 46.2% (52.1% for males and 33.3% for females). According to the World Bank's 1998 Poverty Assessment, the percentage of the population below the poverty line was 39.8% in rural areas and 14.3% in urban areas, while the overall unemployment rate was 35.2%.

Institution Profile

Background
In 1976 Muhammad Yunus established Grameen as a rural bank designed to provide credit and organizational help to poor women (94% of borrowers), using group responsibility in place of standard collateral requirements.

To participate in the loan program, a member must gather 5 people with similar economic and social backgrounds who will agree to apply for and sign together on loans. A cluster of groups (between 2 and 10) constitutes a center that is presided over by two officials: an elected chief and a deputy chief. The center chief directs the meetings and is responsible for making sure the center adheres to the Grameen philosophy. The regional offices have some autonomy in making decisions in their locale and report to the head office in Dhaka, which oversees the entire program.

[PLEASE SEE GRAPHIC AT END OF SECTION]

Capitalization of Portfolio Targeting Low-income Families
In 1983, the rural bank was formalized and registered as Grameen Bank. The original rural bank members provided 40% of the initial capital needed and the government of Bangladesh cooperated by contributing the remaining 60%. The bank has since increased its self-sufficiency dramatically and the government holds less than 10%.

Financial Update as of February 2000 for Grameen Bank

Item	Numbers		Item	Million (US$)
Number of branches	1,148		Cumulative Amount Disbursed	3,027.57
Number of villages	39,857		Amount of Housing Loans Disbursed	185.68
Number of members	2,355,985		Cumulative Amount of Savings in group fund	233.69
Cumulative number of houses built with Grameen Housing Loans	515,396		Balance of total savings (excluding group fund)	22.46

Courtesy of Grameen Dialogue, December 1999

Product Purpose, Structure, and Terms

Background
Prior to the establishment of Grameen Bank's housing loan program, Bangladesh Bank had made only one attempt at providing housing for the poor. Only half the proposed houses were

ever constructed, and the program failed to reach the poorest of the poor, owing chiefly to their lack of collateral. As a result, residents were forced to borrow from local informal lenders at exorbitant rates.

In 1984, Grameen Bank introduced housing loans, partly in response to an improvement in members' income-generating capacities. The aim of the program was to make funds available to members in good standing for building new houses or rehabilitating their old ones. The Bank disbursed 317 housing loans in its first year and by May 1999 had given out some 506,680 housing loans. The average repayment rate on these loans was 98%. Loans are currently available at 8% interest, which compares very favorably with the 20% interest charged for regular or short-term loans. The only bank branches eligible for housing loan disbursement are those that are at least two years old, have demonstrated an efficiency and organization in accounts and meetings, and have demonstrated that all borrowers have perfect repayment histories.

Procedure

Funds for the program accumulate in two ways. Each group member is required to deposit as personal savings 2Taka (4 cents) per week into a group fund, and for every loan disbursed, a deduction of 5% of the loan amount—a group tax—is deposited into the group fund. At the discretion of the group, the money from this fund can be used for member loans, and after 10 years the members can withdraw the savings and collect interest. Each member must also deposit weekly savings into an emergency fund, as insurance against default, death, accident, or other disasters.

Under the program, housing loans are made only to qualifying individuals. The applicant must have a history of regularly attending weekly meetings, must provide evidence of having acquired savings, and must prove that she has an adequate income and has successfully repaid one or more previous loans. She must then submit a proposal on the type of house planned and devise a repayment schedule.

Regular micro-enterprise loans are typically disbursed for one year to individuals and are paid back in weekly installments at 2% of the loan amount, usually no more than $20 for the first loan. When borrowers have repaid a first loan, they become eligible for a larger loan, culminating in housing loans of up to $300. To qualify for a housing loan, a member must provide legal documentation of land ownership where the house will be built. If the member does not own land, she is encouraged to use the loan towards land purchase.

If a borrower must rely on bulk income to pay her loans (such as money from a harvest), there are provisions for the member to pay whenever possible, as long as she demonstrates goodwill by providing token payments, although this arrangement is relied on only rarely. For the very poorest members, these requirements are more relaxed if the member is faced with a dire need for shelter.

The borrower's group and center members must agree to stand behind the loan for the individual member. Groups and center members are responsible for checking on the loan use, and if the borrower is not able to pay back the loan then the group and center members are held accountable. Furthermore, the members must promise not to transfer ownership of the house until the loan has been repaid in full. All center members must be present at the time of loan disbursement.

Usually the loan application process takes 3 to 4 weeks, although in urgent cases members can receive money in less than 10 days. The Area Manager must appeal to the Zonal Member for approval. Only 4 to 5 percent of loan applications are rejected, usually for lack of paperwork regarding land ownership.

[PLEASE SEE GRAPHIC AT END OF SECTION]

Types of Housing Loans
Five categories of housing loans are available: Housing, Basic Housing, Pre-basic Housing, Homestead Purchase, and House Repair. The basic housing loan is for TK12,000 ($242) and the larger standard housing loan is for amounts up to TK30,000 ($600). The maximum amount for a homestead purchase loan is TK10,000 ($202) and the house repair loan is TK5,000 ($101). The basic house proposed by the bank's housing program measures 12' by 18' and has a two-sided tin roof, four RCC (road cement and concrete) pillars, one wooden door, and two windows; it can be extended and modernized if desired. The standard house measures 15' by 21' and has a four-sided tin roof, eight RCC pillars, one wooden door, four windows, and a fence.

Basic Housing Loan Cost Breakdown

Item	**Amount in $**
Reinforced concrete pillars at $7.65 each	31
Eighteen corrugated metal sheets	91
Sanitary latrine	10
Other materials, including roof frame, etc.	110
Total	242

(Steele & Serageldin 1997, 77)

For loans of TK10,000 ($202) or less, members pay TK1,000 ($20) per year, and for loans greater than TK10,000, they divide the amount over a ten-year period. There is a maximum repayment period of ten years. Repayment is weekly, usually around TK 20 (40 cents) per week.

The borrower is responsible for the design of the house, but the bank makes sure basic health and safety requirements are met. The house must meet minimum Grameen standards, including having a pit latrine (since mid-1998, the bank has required members to install a latrine manufactured by the Grameen production facilities). Because bank officials are not technically trained in construction, the quality of the housing can be inconsistent and some unstable houses have been constructed as a result of inadequate technical assistance. However, in general the homes built under the program represent a substantial improvement over traditional low-income housing.

Product Performance
As of November 1999, the size of Grameen Bank's total portfolio was $2,951.78 million, while the size of the housing portfolio was $185.32 million, or 6.6% of the whole. The rate of repayment for all loans is 98%, and for housing loans it is close to 100% as they are available only to borrowers who have demonstrated a perfect repayment record.

Subsidies in the Credit Delivery System

Grameen Bank does not rely on donor funding. It obtains funds from the Central Bank of Bangladesh and lends them on to its borrowers at a higher rate of interest. The institution declares that it is able to operate profitably due to its high loan recovery rate, which allows it to make a small annual profit.

In 1987, after a devastating flood that destroyed 2 million houses in rural areas in Bangladesh, Grameen Bank received grants from UNDP to strengthen reconstruction efforts. In early 1988, Grameen Housing Programme received US$675,000; later, after having demonstrated successful management, two consecutive grants of US$500,000 and US$1 million were awarded.

Use to Which Investments are Put

All the Grameen Bank housing loans are given to rural residents and are used to construct housing. In some cases, the loan is used to purchase the plot of land upon which the house is built.

Characteristics of Borrowers

In November 1999, Grameen Bank had a total of 2,352,867 members, all of whom lived in rural areas. Only one candidate per family may apply to become a member of Grameen and they must not own more than 0.5 acre of land or have assets beyond the market value of one acre of land.

94% of Grameen Bank borrowers are female, and women also comprise the large majority of housing loan borrowers. In order to qualify for a housing loan, the homestead must be registered in the borrower’s name. Thus, women own most of the land on which houses are built using loan funds.

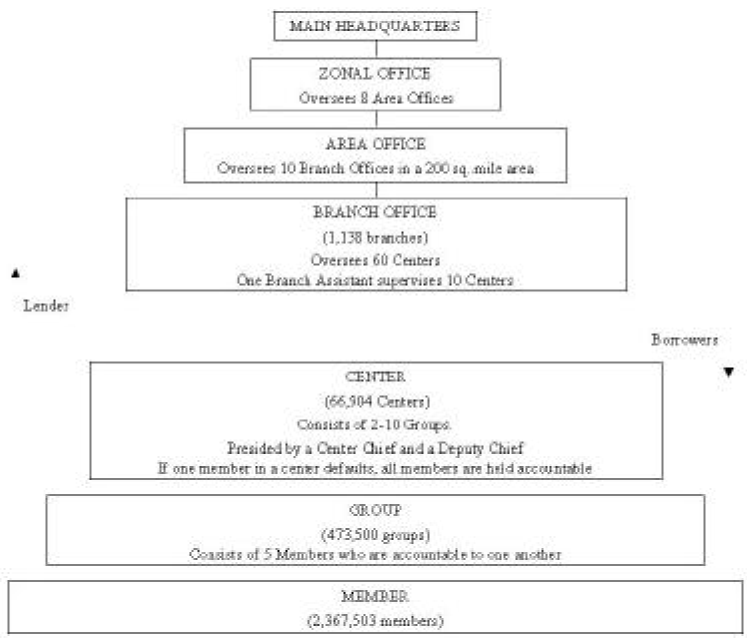
Other Successes

The Grameen Housing Program operated successfully right from the start, but it was not until the tremendous flooding of 1987 that the full impact of the program was realized. The houses that had been built under the Grameen guidelines were markedly more sturdy than the typical low-income dwellings, traditionally constructed of jute stick or bamboo, that required constant, costly annual upkeep and were very unstable, especially in any type of heavy rain or flooding. The new Grameen homes with their tin roofs and walls and sturdy pillars suffered far less structural damage.

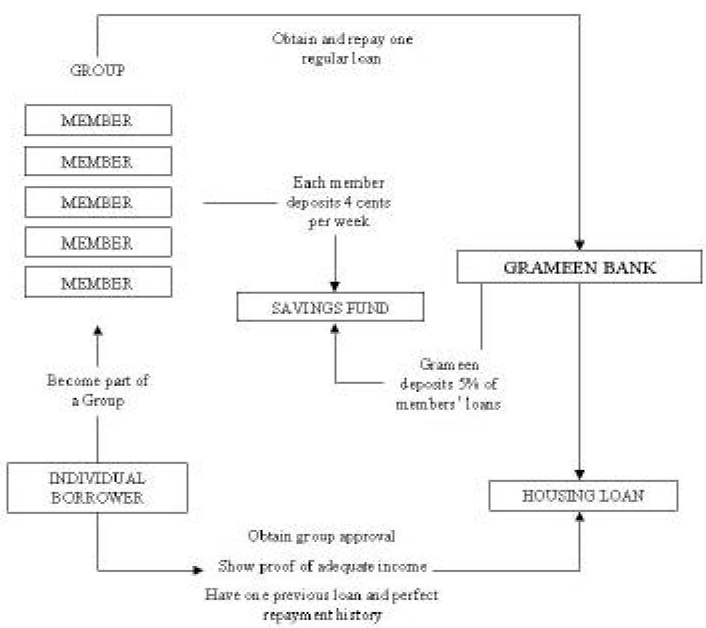
A sturdy, well-built house is a symbol of social status, so the standing and dignity of borrowers within society has improved. Bigger houses are also better work and study places, so housing loans can directly contribute to higher levels of income generation, and it is estimated that 95% of borrowers' children attend school.

By demanding standardized construction practices such as the use of cement pillars and installation of sanitary latrines, Grameen Bank assists in improving the health and safety of borrowers. In one survey, the general health of those with the new Grameen houses versus those with pre-existing or more traditional houses was greatly improved. Fever, influenza, and typhoid (among others) were down by almost 50%.

GRAMEEN BANK
ORGANIZATIONAL CHART



GRAMEEN BANK
HOUSING LOAN PROCESS



GRAMEEN BANK Institutional Table

	GRAMEEN BANK
Exchange Rate	
1996 1997 1998 Current	Tk 40.9 : US$1 Tk 45.5 : US$1 Tk 48.5 : US$1
Institutional Information	
Date organization founded	1976
Total number of members	2,355,987
Total number of clients of all loans 1996 1997 1998 Current	 2,059,510 (total members, 12/96) 2,272,503 (total members, 12/97) 2,364,755 (total members, 11/98) 2,355,987 (total members, 02/00)
Total number of all loans issued in one year 1996 1997 1998 Current	 NA NA NA NA
Size of portfolio (outstanding balance) 1997 1998 Current	 $385,770,000 (funds disbursed, 12/97) $388,070,000 (funds disbursed, 11/98) $185,680,000 (funds disbursed, 02/00) $3,027,570,000 (cumulative disbursed 02/00)
Date housing loans commenced	1984
Total number of housing loans issued in one year 1996 1997 1998 Current	35,499 (houses built, 12/95) NA 73,707 (houses built, 12/97) 79,784 (houses built, 11/98) 24,149 (houses built, 05/99) 511,134 (cumulative built, 11/99)
Size of housing portfolio (outstanding balance) 1997 1998 Current	 $15,630,000 (funds disbursed, 12/97) $20,270,000 (funds disbursed, 11/98) $5,840,000 (funds disbursed, 05/99) $3,027,570,000 (cumulative disbursed, 2/00)
Percent of portfolio dedicated to housing	6.7%
Size of the savings fund	$233,690,000 (02/00)
Operating costs of the institution related to housing	NA
Number of headquarter employees	NA (total staff in 1998: 11,183)

	GRAMEEN BANK
Number of communities served	39,857
Number of branch offices served	1,148
Client Information	
Percent of housing loans distributed to women 1996 1997 1998 Current	 NA NA NA 80%
Percent of housing loans issued to Urban residents 1996 1997 1998 Current	 0% 0% 0% 0%
Percent of housing loans issued to peri-urban residents 1996 1997 1998 Current	 0% 0% 0% 0%
Percent of housing loans issued to Rural residents 1996 1997 1998 Current	 100% 100% 100% 100%
Number of clients with housing loans that are women	506,680
Percent of clients with housing loans with small enterprises	100%
Percent of clients that use home for micro-enterprise activities	NA
Average weekly income of individual borrower	NA
Average weekly income of family engaged in housing loan	NA
Percent of members with land tenure	NA
Housing Product Purposes	
Housing loan (HL); Basic housing loan (BHL); Pre-basic housing loan (PHL)	New housing construction
Homestead / Land purchase loan (HLPL)	Homestead or land acquisition
House repair loan (HRL)	Housing repair
Housing Product Terms	
Average size of housing loan 1996 1997	 NA NA

	GRAMEEN BANK
1998 Current	NA NA
Minimum term	NA
Maximum term	120 months
Interest Rate	8%
Annual repayments for housing loans	$20 of the principal per year (loans<$202) Principal divided by 10 (loans>$202)
Minimum loan amount	$100
Maximum loan amount	$242, 1st loan; $600, 2nd loan (BHL) $202 (HLPL); $101 (HRL)
Average housing loan	NA
Average enterprise loan	$190 ($75 for the 1st loan, 1998)
Housing Product Performance	
Repayment rate for enterprise loans	98%
Repayment rate for housing loans	~100%
Number of housing loans used for land purchase	NA
Total number of housing loans distributed since inception	NA
Total number of houses built	506,680 (cumulative total, 05/99)
Collateral and Other Requirements	
Housing loan: collateral requirements	Group and Center liability on individual loans (co-signing the application).
Housing loan: other requirements	Legal documentation of land ownership for new housing construction loans. Weekly savings in group fund (no withdrawal benefits for 10 years) and weekly deposits in emergency fund. Excellent credit history of the individual (housing loans are contracted after income-generating loans). Excellent credit history of the branch. Branch in operation for a minimum of 2 years. Minimum health requirements including mandatory installation of a latrine manufactured by the Grameen production facilities.
Housing loan: loan application evaluation criteria	History of regular attendance of weekly meetings; adequate income stream and

	GRAMEEN BANK
	involvement in micro-enterprise; proposal of housing type and schedule of repayments.
Amount members involved in a savings scheme must deposit daily	$0.04 weekly (Tk 2)
Total savings amount required for members to access housing loans	NA
Institutional Linkages	
	Grameen Bank, and its founder Mohamed Yunus, has established partnerships and dialogues with numerous organizations in many countries. The Grameen model has been emulated in more than 40 countries. The Grameen Trust provides funds, training and technical assistance to more than 80 microcredit projects in 28 countries. The Grameen Foundation USA, established in 1997, seeks to advance the philosophy of Grameen in urban areas in the US and in developing countries.

Case Study:
PAYATAS SCAVENGERS ASSOCIATION, QUEZON CITY, PHILIPPINES

Date Organization Started:	1993
Date Housing Loans Started:	1997
Type of Program:	Shelter Advocacy to Housing Finance Programs
Size of Housing Loan:	Regular loans are used for home repairs and are 1.8 times one's savings, up to a maximum of P50,000 (US$1,294) for established savers. Members can also deposit savings toward financing land and housing acquisition
Interest Rate for Housing Loan:	1.5% per month
Term for Housing Loan:	24 to 48 weeks
Required Collateral:	Collective Liability on Group Lending
Default Rate:	
Exchange Rate:	Philippines Pesos 38.5 : US$1 (recorded in the first quarter of 1999)

Country Profile9

The total population of the Philippines was estimated in mid-1998 to be 74.75 million people, 54% of whom lived in urban areas. The annual population growth rate was estimated at 2.04%. Administratively the Philippines are divided into 72 provinces and 61 chartered cities. Population density is high in metropolitan Manila, which has a population of 9.5 million, and neighboring areas of the central Luzon region, whereas Mindanao, Negros, and other southern islands are sparsely populated. There have been two significant trends in population movement in the past 30 years. The first is the decrease in the proportion of the population living in rural areas, from 70% in 1960 to 46% in 1998, with the urban population growing by just under 4% per year on average during the same period. The second is migration to the agricultural frontier areas in Mindanao, despite the unrest in that region.

In 1998 the Philippine economy, a mixture of agriculture, light industry, and supporting services, deteriorated as a result of spillover from the Asian financial crisis and adverse weather conditions. Economic growth fell from 9% in 1997 to negative 0.5% in 1998, although it was expected to recover to over 2% in 1999. The government has promised to continue its economic reforms to help the Philippines, through improvement of infrastructure, overhauling the tax system to bolster government revenues, and moving toward further deregulation and privatization of the economy.

Life expectancy at birth is 66.58 years and the national literacy rate is high—95% for males and 94.4% for females. The percentage of the population below the poverty line in 1997 was estimated at 32% and the unemployment rate in 1998 was 9.6%.

Obtaining land tenure is a major obstacle for a large segment of the population in the Philippines, as is indicated by the prevalence of squatter settlements on land owned by the government or private interests. Squatters are under constant threat of eviction, and accordingly seldom undertake initiatives to upgrade their homes or infrastructure. As documented by Payatas Scavengers' Association, squatters desiring to gain access to water or

[9] The primary sources for this section are: Economist Intelligence Unit: 'Country Profile: Philippines 1998/1999'. EIU Country Reports, November 1998 .

electricity typically pay 3 to 4 times the cost of publicly provided services. Government subsidies towards housing loans do exist, through the Community Mortgage Program, but are available only to individuals having formal employment.

Institution Profile

Payatas, situated on a 15-hectare municipal dumping ground, is a village inhabited by 300,000 people, the majority of whom live in informal housing and work as waste-pickers. The average weekly household income in Payatas is $131. Despite the availability of a number of micro-finance options in the vicinity of Payatas, including the government-sponsored Poverty Alleviation Act, rural banks, formal micro-finance institutions, and various cooperatives and People's Organizations, this community of low-income scavengers had no access to capital, with the exception of the People's Organizations. Accordingly, they had to resort to local moneylenders, who lend at exorbitant rates.

In 1993, Father Norberto Carcellar, head of the Vincentian Missionaries Social Development Foundation (VMSDF), helped organize an association of waste pickers and legally register them as a People's Organization, entitled Payatas Scavengers' Association, Inc. (PSAI). The Association's early initiatives focused on the adoption of appropriate technologies for solid waste management and recycling, and the development of small and micro-enterprise programs. PSAI's main vision is to empower waste pickers and scavengers, hitherto seen as the lowest social class, and lift their social and economic status.

The Payatas community instituted a program that included informal savings schemes aimed at building a credit pool, promoting social interaction, and fostering empowerment. By 1996, more than 2,000 members were involved in the savings schemes. By 1999, the membership had mushroomed to a total of between 20,000 and 25,000. Over time, Father Norberto passed on to the community the administration of the savings and loans schemes, called Lupang Pangako Urban Poor Association (LPUPA), after the parish.

LPUPA operates the savings schemes through a door-to-door collection mechanism with the different savings' groups. In addition, LPUPA offers four types of financial products: the Regular Savings Deposit, the Providential Loan, the Business Loan, and the Deposit for Land and Housing Financing. To achieve their empowerment goal and improve the community's living conditions, PSAI has set up a housing arm, the Payatas Scavengers' Homeowners' Association, Inc. (PSHAI) to assist initiatives of land acquisition and housing construction on legal land, funded through the LPUPA savings and loans programs.

In the Payatas Association's organizational structure, clusters of 50 savings groups are formed (an average of 500 households per cluster), with each cluster having a particular focus such as health, education, housing, or elder care. The objective behind the creation of the clusters, which are legally registered as official organizations, is to increase the members' involvement at the local level and to empower them and increase their capacity to make a positive impact on their environment.

[PLEASE SEE GRAPHIC AT END OF SECTION]

Capitalization of Portfolio Targeting Low-income Families

As of mid-1999, the total collected in the Savings Fund from which LPUPA administers the different schemes was P31 million (US$802,069), or P10,945,236 (US$283,188) net of withdrawals. As for the land and housing finance deposits used for equity financing, the

Payatas group raised more than P600,000 (US$15,524), while the Iloilo group exceeded P1 million (US$25,873). These funds are supplemented with debt financing.

Product Purpose, Structure and Terms

Two of LPUPA's financial products provide funds for housing-related activities. Savings schemes are at the core of both products. Members involved in the savings schemes are arranged into savings groups of 7 to 15 families. Individual members must deposit a minimum of P25 (US$0.65) or a maximum of P250 (US$ 6.50) weekly. Once a savings group has acquired P1,000 (US$26), the group is given a passbook with which to record members' savings. When the group has saved P5,000 (US$129), they are eligible to receive loans.

Loans for Housing Repairs

Providential Loans, available for a variety of consumption purposes, provide small sums that many families use to carry out necessary housing repairs or small-scale home improvements such as putting in a new door or window. The maximum loan disbursed is 1.8 times the amount of savings, up to a ceiling of P50,000 for established savers. To receive a loan, a member must be approved by the savings group, the group leader, and a credit supervisor. In mid-1999, the total amount collected in the Savings Fund was P10,945,236 (US$283,188) net of withdrawals.

Loans for Land Acquisition

The second product, the Fixed Savings Deposit for Land and Housing Finance, introduced in August 1997, provides equity to be used in arranging leverage financing for the acquisition of land parcels and the construction of housing. Members collectively deposit savings into a Fixed Deposit for Land and Housing Finance. In this case, members are not permitted to withdraw their funds, which are retained to be used as equity. In Payatas, the group raised more than P600,000 (US$15,524), while a group in Iloilo exceeded P1 million (US$25,873).

Using the funds accumulated in the Deposit for Land and Housing Finance, the Payatas Scavengers Cooperative Housing Project (one of several Payatas clusters) operates to improve shelter conditions. The cluster's usual strategy hinges on identifying appropriate land parcels, mobilizing funds for and researching the title and owner, negotiating a price, and finally arranging the financing for the acquisition. To date, one 3-hectare parcel has been acquired. In addition, as part of the evolution of the LPUPA scheme, individual housing finance loans were envisaged for construction on a 2-hectare piece of land received by the Vincentian Missionaries for the development of housing for the Payatas' community. The design of new homes, for which technical assistance will be needed, remains a future challenge for the organization.

[PLEASE SEE GRAPHIC AT END OF SECTION]

In September 1998, Payatas Scavengers' Homeowners Association, Inc. undertook an initiative aimed at acquiring a 3-hectare (30,000 square meter) parcel of land at Montalban, located about 10 kilometers from Payatas. Upon receiving information on this parcel from the National Housing Authority, with which the association collaborates, members of the Land Acquisition Team initiated a title research process and carried out a land survey, which cost an estimated P300,000 (US$7,762) paid in part by a grant from Levi-Strauss, Inc., and by members' sweat equity.

The Land Acquisition Team then contacted the owner to make an offer. After long negotiations, a price of P150 (US$3.90) per square meter was agreed upon, and a total of P4.5

million (US$116,430) was paid for the 3-hectare plot. For the down payment, the group raised P600,000 (US$15,524) through the fixed deposit savings schemes and supplemented it with a P150,000 (US$3,881) one-month bridge loan from the Kabalaka Homeowners' Association of Iloilo, a fellow member association of the Homeless People's Federation. Finally, the group arranged loan financing for P3.9million (US$100,906) repayable over five years at an interest rate of 13% annually from Domus Mariae Foundation, Inc., the housing arm of Caritas Manila. The entire process took 3 months until closing.

The 3-hectare parcel is to serve as a settlement for 425 households. As of the beginning of 1999, the community had started negotiations with the city to provide infrastructure on the newly acquired land. The process not only empowered community members and enabled them to obtain legitimate housing, but it also helped them develop many skills. For instance, during the process the Land Acquisition Team gained considerable managerial expertise.

Micro-enterprise versus Housing Loans
The average size of a loan used for housing repairs through the Provident Loan product is US$526, whereas the average small enterprise loan is US$789.

Subsidies in the Credit Delivery System
Theoretically, land and housing acquisition loans are to be leveraged from formal institutions on the basis of equity saved by members. However, in the only scheme implemented by PSHAI to date, the loan financing, at 13% interest, was arranged by an NGO, Caritas Manila.

For regular loans, funds are made available from the Savings Fund, with no subsidies. The German NGO, MISEREOR (Micro-Enterprise Financing and Promotion Program), provided the initial funding for the schemes known today as LPUPA. In addition, MISEREOR covers the operating costs. The micro-finance initiative also receives the support of the Vincentian Missionaries. Finally, the Payatas Scavengers' Association receives approximately P330,000 in subsidy from the National Homeless People's Federation Office, a parent organization of micro-finance initiatives in the Philippines.

Use to Which Investments are Put
Members of the Payatas Scavengers' Association typically use Providential Loans for housing repairs. It is estimated that almost half of these loans are used for small-scale housing improvements such as the addition of a door or window or the purchase of a small quantity of building materials.

Obtaining a loan for the construction of new housing is contingent upon having legal ownership of the land where the housing is to be built. Thus, such loan uses are tied to the land acquisition schemes financed by the recently established Fixed Deposit for Land and Housing Finance.

Characteristics of Borrowers
Members of the Payatas Scavengers' Association fall in the bottom 30th percentile of the Philippines national income distribution. A majority of them live in shack housing constructed from recycled building materials scavenged from the waste dump on which the Payatas village is located. About 80% of all members use their homes for small-enterprise activities. The most prevalent activity is home-based scavenging, a business in which families sort out trash and recyclable materials to sell or re-use. Common business activities include metal crafts, tin products, textile products, and the recycling of cement bags. Individual members have average weekly incomes of approximately US$23. Household incomes of families engaged in housing

loans range between US$80 and $131. Ninety-eight percent of all housing loans are issued to women.

Other Successes

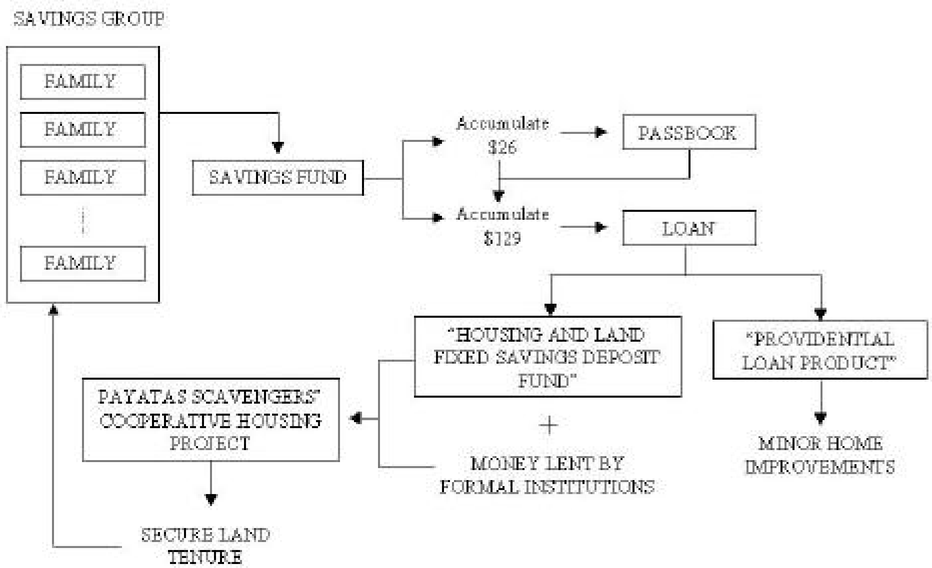
The clusters of savings groups, each comprised of about 500 households, formed to promote member involvement and active participation in public processes relating to health, education, housing, and other matters of interest to the local community, have proven their worth. Clusters for example send representatives of the community to official gatherings where discussions on issues like solid waste management are conducted. As a result, the community establishes communication with government officials for the exchanging of information and to discuss issues of concern. It is a testament to the success of the Association's efforts that on several occasions they have been asked by the government to consult on various low-income housing and resident issues.

At the request of several communities who developed an interest in the Association's work on housing schemes, the Payatas community has been involved in developing a national organization to improve housing. The Vincentian Missionaries Social Development Foundation has been conducting community exchanges so that members may observe the housing program and learn how to implement a similar one in their communities. In September 1998, these various savings organizations gathered at the Vincentian Seminary to form a federation, called the Homeless People's Federation. This organization is intended to provide a forum for discussion and coordination of national community-based organizations and has recently been working to negotiate water/electricity and land rights. On the work of the federation, Ramon Viray of Zamboanga Urban Poor Inc. commented that "it is more rewarding if we get something through our own efforts than to become more dependent on somebody. There is a true and greater satisfaction when we ourselves get things done through our own initiative."

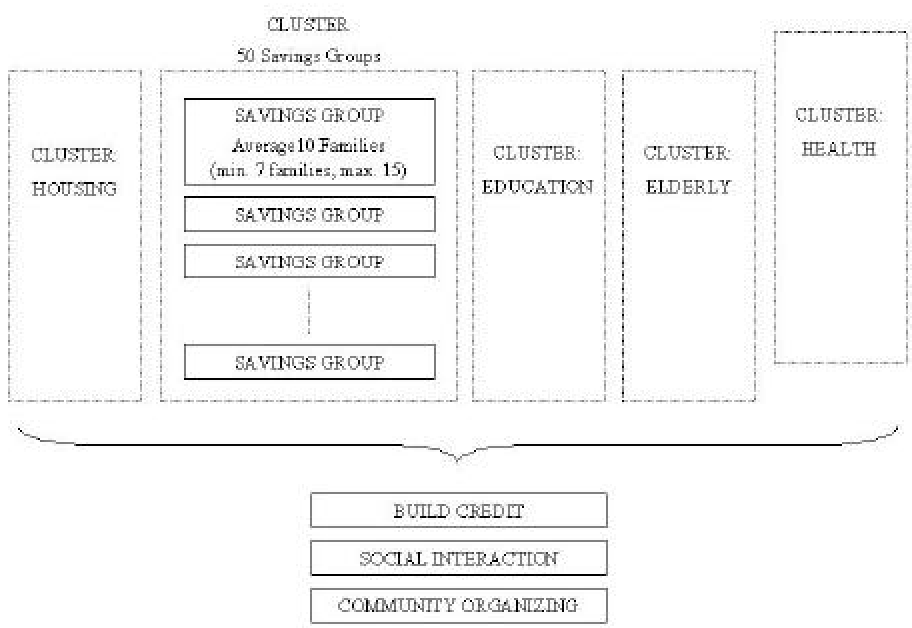
Nine area resource centers (ARCs) for the Federation have developed nationwide. In all, Federation members have managed to save more than P15,842,352 (US$409,892), net of withdrawals, and have saved more than P5,167,844 (US$133,708) for land acquisition initiatives. At a recent conference in June 1999 in Glan, Sarangani, 58 partners from the nine ARCs of the Federation convened to discuss financial and housing issues. The success of this event proved once again how community interaction and information gathering is one of the essential ways to empower communities. There were presentations on savings schemes and the importance of basic-record keeping that could be understood by the average community member. In addition, house designs were proposed and the differences between urban and rural settings were discussed, as was the issue of how purchasing power varies from one community to another, affecting the size and style of potential housing.

On an international level, the Federation has become affiliated with Slum Dwellers International and works to bring together representatives of various associations and groups from other countries or from elsewhere in the Philippines. In addition, the Federation is in partnership with various related organizations, including Shack Dwellers International, the South African Homeless People's Federation, Mahila Milan, the National Slum Dwellers Federation in India, the Namibian Housing Action Group, and the Tai Housing Federation.

PAYATAS SCAVENGERS' ASSOCIATION
HOUSING LOAN PROCESS



PAYATAS SCAVENGERS' ASSOCIATION
ORGANIZATIONAL STRUCTURE



PAYATAS SCAVENGERS' ASSOCIATION Institutional Table

	PAYATAS SCAVENGERS ASSOCIATION
Exchange Rate	
1996 1997 1998 Current	 P29.5:US$1 P40.9:US$1 P38.5:US$1
Institutional Information	
Date organization founded	1993
Total number of members	5,953 (20,000-25,000 nationwide in the Homeless People Federation)
Total number of clients of all loans 1996 1997 1998 Current	 2,000 NA NA 5,953
Total number of all loans issued in one year 1996 1997 1998 Current	 NA NA NA 388 group loans
Size of portfolio (outstanding balance) 1997 1998 Current	 NA NA $802,069 savings; $518,881 withdrawals $1,275,486 (cumulative disbursed mid-99)
Date housing loans commenced	August 1997
Total number of housing loans issued in one year 1996 1997 1998 Current	 PL: NA ; FSD: Not established PL: NA ; FSD: 1 saving cluster (425 hh)** PL: NA ; FSD: 1 saving cluster (425 hh)** PL: 200 ; FSD: 1 saving cluster (425 hh)**
Size of housing portfolio (outstanding balance) 1997 1998 Current	 NA NA PL: NA ; FSD: $15,524 (deposits) **
Percent of portfolio dedicated to housing	NA
Size of the savings fund	$802,069
Operating costs of the institution related to housing	$80,000
Number of headquarter employees	3

	PAYATAS SCAVENGERS ASSOCIATION
Number of communities served	2
Number of branch offices served	7
Client Information	
Percent of housing loans distributed to women 1996 1997 1998 Current	 PL: NA ; FSD: Not established PL: NA ; FSD: Not Applicable PL: NA ; FSD: Not Applicable PL: 98% ; FSD: Not Applicable
Percent of housing loans issued to Urban residents 1996 1997 1998 Current	 100% 100% 100% 100%
Percent of housing loans issued to peri-urban residents 1996 1997 1998 Current	 0% 0% 0% 0%
Percent of housing loans issued to Rural residents 1996 1997 1998 Current	 0% 0% 0% 0%
Number of clients with housing loans that are women	PL: 196 ; FSD: Not Applicable
Percent of clients with housing loans with small enterprises	80%
Percent of clients that use home for micro-enterprise activities	NA
Average weekly income of individual borrower	$23
Average weekly income of family engaged in housing loan	$131
Percent of members with land tenure	0%
Housing Product Purposes	
Providential loans (PL)	Although not a specific housing product, loans are sometimes used for housing repairs
Fixed Savings Deposit for Land and Housing Finance (FSD)	For land acquisition and new housing construction: the product is used as upfront equity needed to seek debt financing
Housing Product Terms	
Average size of housing loan 1996 1997 1998	 NA NA NA

	PAYATAS SCAVENGERS ASSOCIATION
Current	PL: $526 ; FSD: Not Arranged Yet
Minimum term	6 months
Maximum term	12 months
Interest Rate	18%
Annual repayments for housing loans	NA
Minimum loan amount	NA
Maximum loan amount	8 x savings or $1,295
Average housing loan	$526
Average enterprise loan	$789
Housing Product Performance	
Repayment rate for enterprise loans	
Repayment rate for housing loans	
Number of housing loans used for land purchase	200
Total number of housing loans distributed since inception	NA
Total number of houses built	PL: NA ; FSD: 425 houses envisaged**
Collateral and Other Requirements	
Housing loan: collateral requirements	Group liability
Housing loan: other requirements	Group savings required (P.5,000) and no withdrawals are allowed. Members are required to pay a membership fee and monthly dues and to attend weekly training sessions.
Housing loan: loan application evaluation criteria	None officially stated, although group and center's credit history are considered, and the group leader and the credit supervisor's approval are required
Amount members involved in a savings scheme must deposit daily	Min. $0.65/week Max. $6.47/week
Total savings amount required for members to access housing loans	$129.53/group
Institutional Linkages	

	PAYATAS SCAVENGERS ASSOCIATION
	Collaborate with Philnet; Part of Shack Dwellers International where they collaborate with South African Homeless People Federation, Mahila Milan and National Slum Dwellers Association in India, Namibian Housing Action Group, and Tai Housing Federation.

Notes:
* The notable drop in the figures (loan amount, outstanding loan balance) was due to the impact of the Asian financial crisis which saw the exchange rate change from an average of P29.5:$1 in 1997 to P40.9:$1 in 1998.
** An associated savings cluster (Iliolo group) part of the Homeless People Federation saved $25,873 towards land acquisition and is the Federation's leading savings-for-housing group. 3 other savings clusters were started by July 1999.

Case Study:
CENTER FOR AGRICULTURAL AND RURAL DEVELOPMENT (CARD), SAN PABLO CITY, THE PHILIPPINES

Date Organization Started:	1986
Date Housing Loans Started:	1992
Type of Program:	Micro-Credit to Housing Finance Programs
Size of Housing Loan:	P10,000-P20,000 (US$260-US$520)
Interest Rate for Housing Loan:	20% (+4% service charge)
Term for Housing Loan:	50 weeks
Required Collateral:	Collective Liability on Group lending
Reported Default and Arrears Rates:	0.29% and 0.07% respectively
Exchange Rate:	Philippines Pesos 38.5 : US$1.00 (recorded in the first quarter of 1999)

Country Profile
For information regarding the Philippines, please refer to the previous case on the Payatas Scavengers Association.

Institution Profile
In 1988, the Center for Agriculture and Rural Development (CARD) started its operations as a training and assistance program for landless coconut workers, and a small-scale micro-enterprise lending initiative. Under CARD's original scheme, micro-loans were provided to organized groups called *samahan*, with 15 or more members. All members were required to engage in business training aimed at reinforcing the group's collective structure and ultimately enabling their empowerment. Repayment schedules were left for the groups to determine according to their ability and willingness to pay. Savings were not compulsory. The *samahan* were left to devise their own savings scheme consisting of collection of monthly dues or through fund-raising activities. Ultimately, the initial scheme failed. Only 2 of the first 7 groups were able to repay their loans on time.

In January 1990, CARD revised their micro-finance program and began a fund program modeled after the Grameen Bank and entitled the Landless People's Development Fund (LPDF), in four *barangays* or villages in San Pablo City. For this purpose, a group of CARD members, led by the president Jaime Aristotle B. Alip, traveled to Bangladesh to study the successful operations of the Grameen Bank and the potential for replicability.

In September 1997, CARD became a micro-finance institution, consisting of both an NGO and a Bank. It reorganized its financial operations into a formal bank called CARD Rural Bank, which currently oversees 5 out of the 16 branches operated by CARD in the provinces of Laguna, Quenzon, Masbate, Marinduque, and Mindoro. The institution's loan portfolio by June 1998 exceeded P66 million, up from P6 million four years earlier. CARD also reports having become the Philippines' largest micro-finance institution, catering to 15,000 female members. In the near future, the management plans to transfer all micro-finance operations to CARD Bank, in parallel with a tenfold expansion to reach a target 150,000 landless females.

Capitalization of Portfolio Targeting Low-income Families
Funding for the institution's housing portfolio comes from loans from the People's Credit and Finance Corporation, Catholic Relief Services, and grants from CGAP.

Year	Number of housing loans disbursed	Amount of housing loans disbursed at year end	Number of housing loans outstanding	Amount of housing loans outstanding at year end
1996	1,974	P 12,385,000		P 7,730,428
1997	2,241	P 33,348,500	2,241	P 12,874,882
1998	2,819	P 39,261,000	3,193	P 16,953,086

Product Purpose, Structure and Terms

Currently, CARD offers 5 loan programs: Regular Project loans, which are small enterprise loans; Productive/Asset loans, used to finance larger businesses; Housing loans for land or housing purchase or improvement of an existing house; Multi-purpose loans for health, education and social activities; and the Loan Acceleration Program targeting micro-entrepreneurs with excellent loan repayment performance and with large capital needs. CARD's credit operations are administered in conjunction with two other activities: a mandatory savings mobilization scheme and training programs that are compulsory for prospective members.

All members must be actively involved in a savings program and must deposit a minimum of P20 (US$0.52) daily into an account for one and a half years before qualifying for a housing loan. At the end of the savings period, a member must have acquired P1,500 (US$39). As of February 28, 1999, a total of P13,855,407 (US $358,484) had been saved by 22,162 depositors. Of these, 21,983 are active members, but only 19,523 (89%) have actually taken out a loan from CARD.

Housing Loans

There are two types of housing loans, one with a maximum of P10,000 (US$260) and the other up to P20,000 (US$520). Both are repayable over 50 weeks, at an interest rate of 20% per year. In addition, the member must pay a 4% service charge on the loan amount, and there is a 2.5% redemption fee for loans exceeding P10,000 (US$260). Five percent of all loans are withheld in a central fund. Housing loans average P13,285 (US$349). As of June 1999, more than 2,896 housing loans have been disbursed.

To qualify for a housing loan, a member must have completed a second-cycle regular project loan, have saved regularly for at least 1.5 years, and have lived in the community for at least one year. For new housing construction loans, members must provide legal documentation of land ownership. Members must also be engaged in an ongoing micro-enterprise project of a type that can generate additional weekly income to the household and of which the borrower has prior knowledge or skill. Women who have not taken out project loans in the past are still eligible for a housing loan, but under more stringent criteria. They can only borrow a maximum amount of P10,000 (US$260) on their first housing loan and must have been a community member for at least 2 years.

After meeting these requirements, a member then forms a group of five women and submits a housing loan application to the Center, signed by her husband or legal guardian and her fellow group members. Upon approval by the entire center and the Center Chief, the technical officer then assesses the member's qualifications according to her attendance rate at weekly meetings, repayment rate of previous loans, and project status. The branch manager will then receive the loan application from the technical officer and will evaluate the information. Once approved, the member must sign a Letter of Understanding and a promissory note. The Letter of

Understanding is read at the next weekly Center Meeting, and the Loan Disbursement Ceremony is held at the Branch Office.

The first-cycle loan is processed in two to three weeks and disbursed within one to two months from initial contact. Loans are first given out to the two neediest women in the group; then, after a month of successful repayment, loans are disbursed to the 3 remaining members. As with Grameen, CARD's credit model relies on group accountability, where a center (no more than 40 women or 8 credit groups) is prohibited from accessing any loan for a designated penalty period if one or more individual members default.

To engage in the second cycle of a housing loan, a member must have demonstrated timely repayments and must consent to reinvest 25% of the original loan into a business project. In addition, the member must have a 100% repayment record and a 90% attendance rate for the training sessions. She must also be continuing with her ongoing micro-enterprise project.

[PLEASE SEE GRAPHIC AT END OF SECTION]

Housing Loans versus Micro-enterprise Loans
Housing loans make up only 9% of all loans disbursed by the organization. The average amount of a housing loan is P13,285 (US$349), whereas the average amount for a regular loan is much less: P3,932 (US$103). The minimum regular loan disbursed is US$57, and the maximum is US$520. The term for regular loans ranges between 25 and 50 weeks, depending on the loan cycle and size. The term for housing loans is always 50 weeks. The interest rate is set for all loans at 20%.

Product Performance
CARD reports a default rate of 0.29% and an arrears rate of 0.07% over its entire loan portfolio (combined for CARD Rural Bank and the NGO). The Bank reported that, as of December 1998, 0.13% of its entire portfolio was at risk; the overall institution had 0.06% of its portfolio at risk. The percentage of savings to loans of the institution is 29%, with savings amounting to P25 million and loans outstanding at P85 million.

The operation update report at the end of February 1999 shows 311 housing loans disbursed year-to-date out of a total of 8,678 loans institution-wide, or 4% of the total number. However, the amount disbursed for housing loans, whose average size is larger than project loans, was approximately 10% of the total amount disbursed. As of February 1999, CARD's total amount of loans outstanding was evaluated at P85 million. Of these, 18.4% (P15.6 million) were housing loans.

Subsidies in the Credit Delivery System
In its early years, CARD relied on subsidies to cover operational deficits. However, the institution has evolved over the years to become completely self-sustaining. Whereas CARD covered only 25% of its costs in 1994, it had achieved a ratio of 142% by the end of 1998, in parallel with a tenfold increase in its loan portfolio over the same period. Indeed, the institution's net income in December 1998 was reported at P1.14 million, and its assets totaled P56.9 million.

Use to Which Investments are Put
Housing loans can be used for the acquisition of a new house or land purchase, housing repairs and improvements, and, in some cases, purchase of appliances and other consumer durables.

However, most loans go toward housing repairs as many dwellings, constructed of lightweight materials, require frequent upkeep.

The type of house that is built using a housing loan from CARD is left to the discretion of the borrower. However, the technical officers conduct site visits to ensure that the loans are actually being used for home improvements or home construction.

Characteristics of Borrowers

In February 1999, there were 19,523 active members of CARD, all of them female. Of these, 89% were actually borrowers under one of CARD's loan programs. Ninety-five percent of members are below the poverty line, with a weekly income not exceeding P500 (US$13). Many are engaged in home-based activities such as artificial flower making, repackaging, and candy-making. One of the membership criteria limits the total marketable assets of each member to a maximum of P50,000 (US$1,294). Not all members have regular jobs but to be eligible for a CARD housing loan, a member must be the family breadwinner. In addition, the member must be in good health, be between 18 and 60 years old, and have lived in the community for at least one year. Most members own their own homes, with only 2% being homeless prior to engaging in CARD loan activity. The average size of families engaged in housing loans is 6.

Potential new members are identified using the House Index and the Means Test, aimed at ensuring that their earnings and assets are within the target group's range. Potential borrowers are then invited to a Projection Meeting where the program is introduced. Interested members sign up and must then undergo 24 hours of training, after which they must pass the group recognition test.

Other Successes

Land Acquisition

Any member applying for a loan towards new housing construction has to provide legal documentation of land ownership, while a member applying for a home improvement loan does not. Accordingly, CARD members who do not own their own land sometimes use housing loans to purchase lots, typically after the first or second loan cycles which are usually used for making home improvements and purchasing needed consumer durables.

This information was documented through a survey of 50 randomly selected members in the Mindoro Branch of CARD. It was found that 10% of the sample (5 members) was actually using housing loans to purchase small lots ranging between 100 and 120 square meters. This finding is considered to be a quintessential indication of CARD's success in empowering its female membership, who were until then solely perceived as "housewives." Indeed, not only did CARD members overcome the gender bias, but they also managed to accomplish a major achievement otherwise impossible for households with their socio-economic characteristics, due to the high land prices in CARD's operating areas.

Na Cely –A CARD Member

Na Cely had always saved. When she missed her ride into the city and walked instead, she would save the amount she didn't use. During the year, every time she cooked rice for her family she would take one handful and put it aside in a separate pot. When other people in the village were in need of some rice to tide them over, she would loan it out.

She had never been inside a formal bank, as she knew that there was no way she would have ever been granted a loan. Instead, she and her husband, a tenant farmer on a 1.6 hectare plot, would borrow using the local *pasong* system. They would borrow 100p from the village trader for fertilizer, and at the end of the season, they would have to give back the 100p and 2 cavans of unmilled palay. "Sometimes, after the harvest, almost all our palay had to be used to pay our debts. Sometimes, we could not even have enough for consumption….the interest was too much!".

Na Cely's greatest want was to send all six of her children to school. With every spare coin she could save, she paid for her children's elementary education.

When she become involved with CARD, she was pleased with the idea that members had to save for 1.5 years before having access to a loan. "Because of the pledged savings, I was able to expand my business in a short time. Aside from the regular project loan, we could also access loans from the Center Fund. My broom-making project used to be a group project financed from the Center Fund."

Na Cely describes how the CARD lending and savings process has elevated her self-image and role in her family and community. "As a result of the trainings, we women realized that we can be more than just housewives, we can become our spouse's partners in improving our lives." She is now the mother of a seaman, a computer technician, and three elementary school teachers. In addition, in 1998, after paying off her Productive Enterprise Loan, Na Cely was finally able to take out a P50,000 Acquisition Loan from CARD. This loan, combined with P18,000 from her broom business, allowed her to purchase the title to her land. Since then, she and her husband have purchased two lots, one in the urban center(P120,000), and one in her village (P25,000).

In 1998, Na Cely was elected by her fellow members sit on the CARD Bank Board. Having people in communities sit on the board is one way that CARD seeks to involve members in the operations of the Bank.
(Extracted from CARD)

Training Programs

Members must attend weekly training meetings for 50 weeks per year for at least one to two hours each week. Sessions address capacity building, program procedures, project proposals, and leadership training, and have an attendance rate of 90%. Weekly meetings also serve as a forum for discussing matters such as hygiene, proper nutrition, business administration, and preservation of the environment. The Centers have also been involved with various activities including fund-raising drives and cleanliness drives.

After extensive training, members are encouraged to work as officers of their centers, each of which is run by a Center Chief who is a member of the community. Volunteer local bank worker training is given to members who choose to serve as representatives of the program.

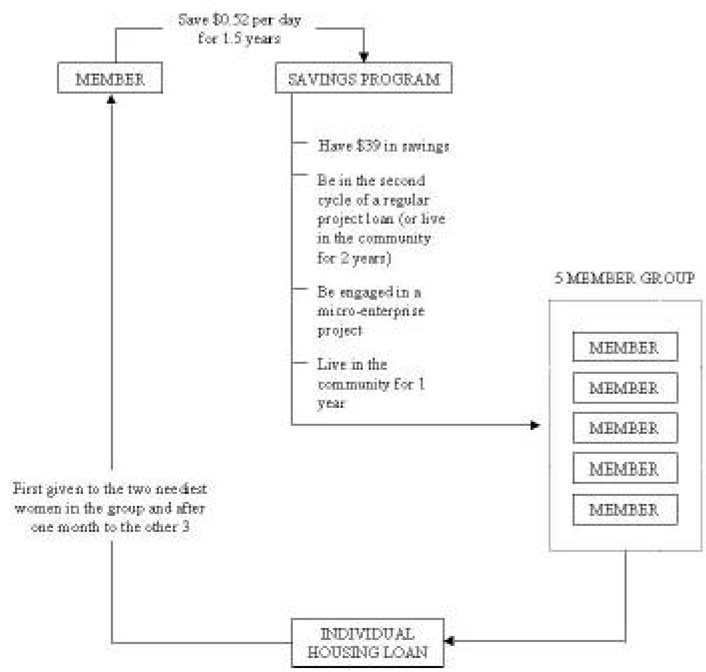
CARD also sometimes administers training programs for other NGOs, in which instruments such as radio programs, brochures and pamphlets are used.

Partnerships and Sister Organizations

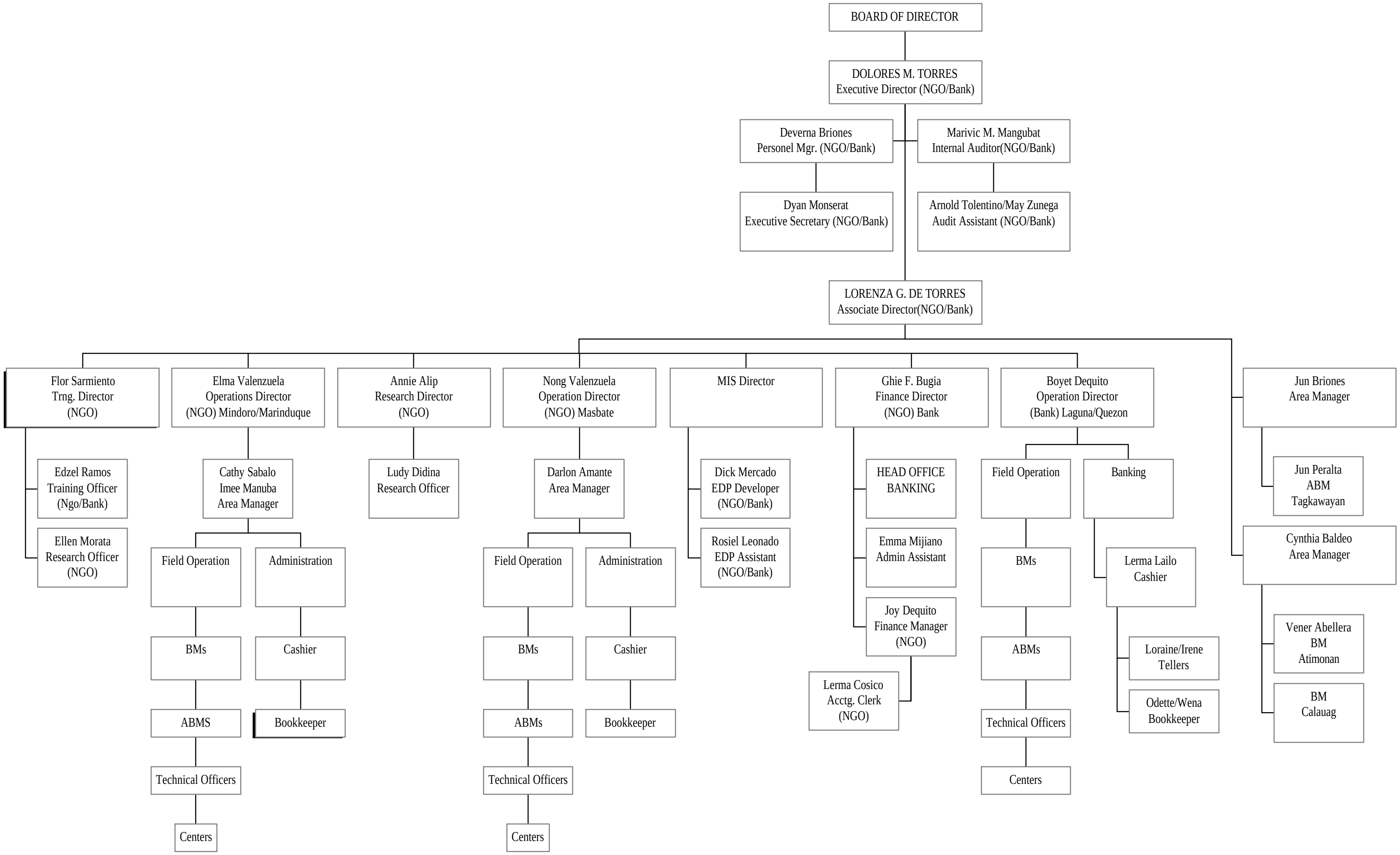
CARD is a member of Philnet, Cashpor, and the Microcredit Council of Practitioners. The institution has a close collaboration and partnership with Grameen Savings Bank Foundation, CGAP, and Plan International.

CENTER FOR AGRICULTURE AND RURAL DEVELOPMENT (CARD)

HOUSING LOAN PROCESS



CARD ORGANIZATIONAL CHART



CARD Institutional Table

	CARD
Exchange Rate	
1996 1997 1998 Current	 P29.5:US$1 P40.9:US$1 P38.5:US$1
Institutional Information	
Date organization founded	1986
Total number of members	19,523
Total number of clients of all loans 1996 1997 1998 Current	 17,892 19,523 (February 99)
Total number of all loans issued in one year 1996 1997 1998 Current	 8,705 15,586 45,748 29,663
Size of portfolio (outstanding balance) 1997 1998 Current	 NA NA $2,211,687
Date housing loans commenced	1992
Total number of housing loans issued in one year 1996 1997 1998 Current	 1,974 2,241 2,819 1,229
Size of housing portfolio (outstanding balance) 1997 1998 Current	 $436,436 $414,501* $446,577
Percent of portfolio dedicated to housing	6% (98) 4% (99 YTD)
Size of the savings fund	$638,978
Operating costs of the institution related to housing	$79,625
Number of headquarter employees	NA (total staff in 1998: 44)
Number of communities served	NA
Number of branch offices served	16

	CARD
Client Information	
Percent of housing loans distributed to women 1996 1997 1998 Current	 100% 100% 100% 100%
Percent of housing loans issued to Urban residents 1996 1997 1998 Current	 0% 0% 0% 0%
Percent of housing loans issued to peri-urban residents 1996 1997 1998 Current	 2% 2% 2% 2%
Percent of housing loans issued to Rural residents 1996 1997 1998 Current	 98% 98% 98% 98%
Number of clients with housing loans that are women	311
Percent of clients with housing loans with small enterprises	NA
Percent of clients that use home for micro-enterprise activities	NA
Average weekly income of individual borrower	<$13/week
Average weekly income of family engaged in housing loan	<$13/week
Percent of members with land tenure	
Housing Product Purposes	
Housing loan	For land or housing purchase or improvement of existing house
Housing Product Terms	
Average size of housing loan 1996 1997 1998 Current	 $240 $504 $341* $359
Minimum term	NA
Maximum term	12 months
Interest Rate	20%

	CARD
Annual repayments for housing loans	NA
Minimum loan amount	NA
Maximum loan amount	$286 1st loan $576 2nd loan
Average housing loan	$349
Average enterprise loan	$103
Housing Product Performance	
Repayment rate for enterprise loans	99.71%
Repayment rate for housing loans	>99%
Number of housing loans used for land purchase	10% (in a sample survey)
Total number of housing loans distributed since inception	311
Total number of houses built	NA
Collateral and Other Requirements	
Housing loan: collateral requirements	Group liability; application signed by husband (or legal guardian) and fellow members, and approved by the entire center and the center chief Legal documentation of land ownership for new housing construction.
Housing loan: other requirements	Regular saving for 1.5 years Participation in an ongoing income-generating project Successful completion of two regular microenterprise loans; otherwise, more stringent criteria for housing loans are applied Minimum residence in the community for 1 year (2 years if no regular loans were previously taken out)
Housing loan: loan application evaluation criteria	Attendance rate of weekly meetings; credit history; project status.
Amount members involved in a savings scheme must deposit daily	$0.13
Total savings amount required for members to access housing loans	$39 over one and a half years
Institutional Linkages	

	CARD
	Member of Philnet, Cashpor and the Microcredit council of practitioners. The institution collaborates closely with Grameen, CGAP and Plan International.

Notes:
* the notable drop in the figures (loan amount, outstanding loan balance) was due to the impact of the Asian financial crisis which saw the exchange rate change from an average of P29.5:$1 in 1997 to P.40.9:$1 in 1998.

REGIONAL SUMMARY: LATIN AMERICA

Three-quarters of the total population of Latin America lives in urban areas. In some countries the proportion is even higher: 89% in Argentina, 84% in Chile, over 80% in Uruguay, and 78% in Brazil. By contrast, in El Salvador and Guatemala the percentage of total population living in rural areas is higher, 43% and 61%, respectively. Poverty is concentrated in rural areas, particularly among the indigenous populations.

The colonial patterns of urban settlements along the coastal zones and legal codes introduced in the 16th century have shaped development in the region. After independence, the lack of population pressure and the continued reliance of the economy on the exploitation of natural resources allowed colonial ownership patterns to remain unchanged. Since about 1900, the development of transportation networks, the growing gap between rural and urban living conditions, and sharp swings in economic cycles prompted massive migration to the major cities reinforcing patterns of concentration and primacy.

Land Ownership Patterns and Squatter Settlements

Land is generally controlled by large landowners, charitable organizations, and mining companies. State ownership of land in and around cities is limited. For the majority of the population, access to land is limited to two equally undesirable options, settlement on marginal sites or invasion of public or privately owned land. Topography and soil conditions constrain the availability of buildable land, inflating land values and pushing poorer segments of the population to settle on marginal and environmentally hazardous sites such as steep slopes or lowlands, while pressure on accessible sites has led to overcrowding and congestion in existing settlements.

Governmental reluctance to confront issues of concentrated land ownership and rampant speculation in land has impeded the implementation of coherent urban development strategies and land regularization policies. Public land reserves have been lost to squatterization throughout the region. Government response to the invasion of public land was slow to coalesce into action programs because of the inability of central governments to regulate land markets and the lack of workable urban development strategies at the municipal level. In some cities, governments have attempted to provide serviced sites as an alternative to illegal occupancy. Complicating the picture still further, political parties in different countries have at various times supported illegal occupants and promised to regularize tenure on invaded public lands.

The government's ability to interfere in conflicts between private owners and illegal occupants is limited. Laws legalizing squatter settlements generally restrict their scope to publicly owned land, and mandate servicing prior to the issuance of titles. These laws may grant tenure to occupants in existing squatter settlements and prohibit new "invasions," but do not address the status of squatters on privately owned land.

Throughout the 1980s and 1990s the number and size of squatter settlements grew and there was an intensification of "invasions" of vacant land and empty buildings as well as encroachments on abutting properties. By 1986, Lima had 737 *barriadas* covering 10,700 hectares, of which 78% were located on public land, and in Venezuela it was estimated that 61% of Caracas' inhabitants lived in the city's *barrios*.

The Economic Picture: Rampant Inflation

Economic recession, debt crisis, and runaway inflation have led to severe curtailment of government housing and social programs. Control of land is central to the urban development process; however, in Latin America budget cuts, currency devaluations, and skyrocketing land prices (the value of a lot on the urban fringe can double in two to three years) have prevented municipal authorities from acquiring the land needed to implement basic infrastructure works.

Inflation also impacts micro-finance initiatives in the region. Virtually all housing micro-finance initiatives require participants to join a savings group where they regularly make deposits into a common account for a period of time before becoming eligible for housing loans. However, the very concept of maintaining a savings account is a challenge in Latin America, where inflation in some countries can be as high as 600% per year.

At times of rapid inflation, people have little incentive to save, since the interest rate earned in most institutions fails to compensate for the loss of value of the local currency. Lending institutions must structure their programs to entice borrowers to take advantage of financial offerings available. In Fortaleza, capital of one of the poorest Brazilian states, new approaches to housing and income-generating financial systems have been experimented with since 1988. For example, Casa Melhor and PAAC were faced with low-income households that had no incentive whatsoever to keep cash savings; in fact, money was generally exchanged for merchandise goods as quickly as possible. However, the ability to leverage their savings, through a loan and an in-kind grant, provided the necessary incentive that prompted about 80% of the households who attended the initial introductory sessions to express their willingness to participate in the program. Less than a year later 50% had in fact applied for and obtained their first micro-loans.

Land, Housing, and Infrastructure

For lower income households, access to land is a precondition for better shelter conditions and improved economic prospects. Addressing this need are a number of institutions, including Banco Solidario in Ecuador, founded to serve the 70% of the economically active population that has difficulty accessing credit from traditional financial institutions. Its clients are small businesses, micro-businesses, family businesses, solidarity groups, and both urban and rural self-employed persons. The bank is currently initiating a housing loan program that offers credit for the purchase of serviced sites as well as for housing construction, housing improvements, and expansion.

For the working poor, income generation is an integral part of housing improvement efforts. Investing in the house increases the income-generating potential of home-based activities. Building up the business generates income to help finance home improvements. The housing needs of the poor balance between different but equally important objectives: use of the house for productive activities, additional space for children, accommodations for married children, the rental of a room for income-generating purposes, and the improvement of sanitary facilities. The vast majority of the working poor are self-employed and do not have fixed incomes. Lack of access to credit forces families to make do with inadequate resources, to live and work in multi-functional spaces combining makeshift shacks, partly finished rooms, and temporary partitions for walls.

FIE, in Bolivia, estimates that 20% of its micro-credit for small enterprises goes to home construction and expansion. For this reason, FIE is now interested in developing a new line of micro-credit specifically to finance housing. PRODEL, in Nicaragua, has been working since 1993 to improve living conditions and social development of low-income groups, especially female-headed households and residents of blighted communities, by supporting housing improvement activities of municipal authorities and community groups and by offering short-term loans to individuals sufficient for small-scale upgrading and repairs such as building new roofs, improving floors, or adding a new room. Collateral requirements are flexible; annual interest charged is 24% over a four-year period; and technical assistance is offered to enhance the quality of housing improvements. Over two-thirds of loan recipients are women.

In countries where poverty is predominant in rural areas, such as Guatemala, access to infrastructure, particularly electricity and water supply, is a major problem. Fundacion Genesis Empresarial is an innovative micro-finance program specializing in providing credit to low-income rural communities. Its micro-loan program for infrastructure, the Community Infrastructure Lending Program (CILP), has expanded rapidly over six years in terms of volume of funds disbursed and the number of communities and households reached, while maintaining an excellent financial performance. The program's low arrears rate demonstrates the role of innovative micro-finance initiatives in addressing the challenge of financing services when needs far outpace the capacity of responsible public authorities to provide basic services.

Grassroots Advocacy Organizations

One of Latin America's distinctive characteristics is the proliferation of CBOs and NGOs providing services in urban areas and organizing communities of *barrios* and *favelas* and other squatter settlements, to pressure public authorities for regularization and services. Many initiatives providing housing micro-credit have emerged from the advocacy role of these organizations promoting access to land and shelter for lower-income communities. Community-based organizations can reach the low-income segments of the population. Local parishes, NGOs, and other civic groups can develop or improve their capacity to offer credit services to their particular constituencies as an extension of their development or charitable activities. There are also community-based organizations that extend small credit activities for housing and basic services. A willingness to work with local populations is the principal characteristic of these organizations. Latin America highlights the combined impact of community pressure on city officials and advocacy by the urban grassroots movements in *barrios* and *favelas* as well as the ensuing public/private partnerships in many housing finance programs.

In Fortaleza, Brazil, Casa Melhor (Better House Program) and PAAC (Self-help Housing Support Program) are two housing improvement loan programs emanating from an advocacy agenda. In 1990, upon the failure of a national self-help housing program launched three years earlier, hundreds of grassroots organizations and housing activists in Fortaleza, a city of 2.5 million inhabitants in the northern Ceara State, demanded better access to land, infrastructure, and construction loans. As a result, the Community Fund for People's Housing was created, overseen by 100 persons from 30 organizations including Cearah Periferia, a leading NGO providing technical assistance to community groups. Cearah Periferia received assistance from GRET, a French NGO providing technical assistance. Continuous lobbying culminated in a proposal presented to the Minister of Housing in 1993 and an international conference on alternative housing finance, sponsored by Habitat International and the German NGO, Misereor. Ultimately, the two housing improvement micro-finance programs, Casa Melhor and PAAC, emerged.

Casa Melhor and PAAC illustrate how partnerships can develop between communities and municipalities with political support and financial assistance from higher levels of government. Both programs are the product of a partnership between the Fortaleza city council; Rondon Popular Council, a community-based organization; and Cearah Periferia, an intermediary NGO and the University.

The basic premise of both programs, which differ in their geographic coverage, is the formation of community-based savings and loans associations which can qualify for matching funds provided through loans from the NGO and in-kind from the City Council. Individual loans are awarded to members of an eligible savings and loan association and are guaranteed by a usufruct right to the land and collective liability. Peer group pressure and incentives regarding future access to credit (up to three consecutive loans) ensure timely repayment of loans.

Institutional Framework and Financing Mechanisms

The Central American Bank for Economic Integration gives loans to small and mid-sized enterprises and provides technical assistance through intermediary financial institutions. Priority is given to projects with a direct impact on poverty alleviation and sustainability of the target population, in addition to urban improvement and housing for low- and middle-income groups. Its clients include public authorities, public and private financial institutions, small and micro-enterprises, communal or development societies, and NGOs. ACCION International and its network of affiliates have also provided assistance, in the form of small-scale loans, but with a focus on entrepreneurs. More than 60% of loan recipients have been women. Benefits include improved housing conditions through increased employment opportunities and higher income earned.

In Latin America, the average amortization schedule of surveyed initiatives ranges between one and five years. The longer amortization schedules are indicative of the higher cost of entering the urban land and housing markets in Latin America relative to Asia, where housing finance initiatives (with the exception of the two pioneering institutions Grameen and SEWA) offer loans with one year maturity on average.

Fundacion Genesis Empresarial draws a distinction between enterprise and infrastructure loans. The microenterprise portfolio has a much better risk/return profile than the Community Infrastructure Lending Program. The former generated in 1997 a positive return on investment of 10% (see detailed case study, below) whereas the latter only approached breaking even. Two factors adding to the operational cost of the infrastructure program are the capacity- building costs and the technical assistance required to ensure the adequacy of the systems installed.

One of the achievements of the Brazilian initiatives Casa Melhor and PAAC is to link their low-income constituencies to formal financial institutions. After successful repayment of a maximum of three sequential micro-loans, low-income applicants are ready to contract their fourth loan from formal financial institutions in Fortaleza at a market interest rate. The successive investments combine individual savings, and in-kind public subsidy, and a loan extended by an intermediary NGO. The two programs differ in their modalities for gradual self-reliance. Casa Melhor requires members to take on larger loans to make up for the phasing-out of the public-subsidy component after the first two loans, whereas PAAC mandates an increase in savings. In both programs, participants who have successfully completed the three-loan program are deemed credit-worthy by formal financial institutions.

Schemes encouraging densification in regularized settlements represent an innovative mechanism to accelerate the production of new low-cost housing in areas where land costs are high. In the process, they also increase the return on public investment in municipal infrastructure by ensuring better valorization of property. A pilot project in Villa El Salvador in Lima, Peru, is an example of the densification of the urban fabric of a low-rise low-density settlement. DESCO, a private NGO, pioneered a scheme in which they offered loan guarantees and technical assistant to property owners wishing to access credit for vertical expansion of their building. The loan guarantees, amounting to 25% of the value of the housing loan, cover the risk assessment determined by formal financial institutions, thereby inducing them to offer credit to otherwise ineligible borrowers. Using this mechanism, DESCO created a badly needed link between formal financial institutions and limited-income groups.

Several intermediaries promote lower income groups' access to public programs. For example, in El Alto, Bolivia, PROA channels funding for Mutual La Paz toward home improvement loans, through a land regularization program created in 1993 to give people adequate security for a loan. FUSAI in El Salvador provides bridge financing for poor households to help them become eligible for a national subsidy administered by the Fund for Popular Housing, FONAVIPO. FUSAI funds enable the households to acquire the plots they intend to build housing on, in order to be eligible for the FONAVIPO subsidy, which covers building construction. The largest use of FUSAI funds is, however, for construction purposes such as buying building materials.

Cobijo, a micro-finance initiative in Chile, funds households unable to accumulate through their own resources the minimum savings amount required to receive state subsidies under the Progressive Housing Program. These lower income families can participate in a revolving fund and borrow collective loans towards meeting the savings' requirement. Housing NGOs such as the Fundacion de la Vivienda Popular (FVP), a *barrio* improvement program in Venezuela, help organize community groups and channel small amounts of government funding to them. These community groups make small loans (from $500 to $2,000) to households for two to five years, in the form of building material receipts. Families pay according to their ability. Peer pressure from other community members waiting for the borrowers repayments to access credit has played a large role in the excellent program performance.

A major micro-credit institution in South America is BancoSol in Bolivia. BancoSol grew out of a successful micro-lending operation launched in 1983 by a Bolivian NGO, Promotion for the Development of Micro-enterprise (PRODEM). After nine years of successful expansion, PRODEM decided to convert the operation into a private commercial bank for micro-credit. As such, the Bank could have access to larger capital resources on the national and international market, and offer full financial services to its borrowers.

During its expansion phase as a commercial bank experiencing growth, BancoSol limited its products by focusing exclusively on micro-enterprise loans for the poorer segments of the population. In 1995 BancoSol had a micro-lending portfolio in excess of US$ 32 million and close to 65,000 borrowers, of which 70% were women. By 1998 the number of borrowers increased to 75,215.

The Bank initially avoided any involvement in housing micro-finance, considered a financially risky and politically contentious operation in the context of Latin America. Paralleling the path taken by Grameen Bank in India--albeit in an urban context--BancoSol is now considering offering products for housing micro-finance. This change in policy comes partly in response to demand from clients whose rising incomes allow them to take on the carrying charges of more sizable loans and partly because of the large potential market for these products among households with incomes ranging from the 20^{th} to the 40^{th} income percentile.

BancoSol offers an alternative institutional model to the Grameen Bank, with a similar capacity for growth and innovation and the potential of becoming a leader, nationally and regionally. BancoSol is primarily a commercial bank and its management has a responsibility to safeguard the institution's financial viability and ensure value and returns to its shareholders. PRODEM owns only 30 % of BancoSol's shares; the balance is held by Profund, Inter-American Investment Corporation, and several local investors. Today, BancoSol is one of the best performing banks in

Bolivia in terms of profitability and liquidity, as a result of tightly managed operations and the expansion of its client base.

Case Study:
GENESIS EMPRESARIAL: COMMUNITY INFRASTRUCTURE LENDING PROGRAM, GUATEMALA[10]

Date Organization Started:	1988
Date Infrastructure Loans Started:	1988
Type of Program:	Shelter Advocacy to Housing Finance Programs
Size of Infrastructure Loan:	Q800-3,000 per Household (US$120-450)
Interest Rate for Infrastructure Loan:	21% to 30%
Term for Infrastructure Loan:	1-4 years
Required Collateral:	Group lending, one member's property as collateral
Default Rate:	7.74%
Exchange Rate:	Quetzal 6.67 : US$1.00

Country Profile[11]

In 1998, Guatemala's population was estimated at 10.8 million, with approximately 39% living in urban areas, making it one of Latin America's least urbanized nations. In 1998, the largest metropolitan area by far was Guatemala City, with 2.4 million inhabitants. The devastating civil war in Guatemala ended in 1996, and reconstruction subsequently commenced. One of the nation's important challenges is the social and economic development of its rural marginalized and largely indigenous population, which is faced with a very inequitable land distribution and has very poor access to educational and health services. Among Latin American countries, Guatemala has the highest percentage of population living in poverty, followed by Bolivia.[12] Genesis Empresarial ("Genesis" hereinafter) estimates that less than 30% of the rural population has access to infrastructure, and only about 50% of the urban population. Only about one-third of the adult population is employed in the formal sector. The national illiteracy rate, 44%, is among the region's highest, with the majority of the illiterate in rural areas. Life expectancy in 1995 for males was 63 years, and for females 68 years.

Genesis Empresarial's involvement in financing community-based delivery of infrastructure in rural areas grew out of the presence of major obstacles associated with the provision of water and electricity for rural communities. INEG, the state-owned enterprise in charge of rural electrification, requires communities desiring electric supply to form a committee, submit an application for cost estimate, and decide on the amount of community equity to be contributed toward the project. Next, the committee must apply for a state or municipal subsidy to cover the remainder of the cost. Upon approval, the committee must hire a private construction firm which will be overseen by a representative of INEG.

For water supply, the communities need to follow the same steps, in addition to meeting other requirements, i.e., to commission and pay for a study on the quality of local water sources, and to maintain the system after delivery. These procedural requirements have proven unrealistic for most rural communities, which typically lack financial resources to satisfy the cost-sharing requirements, organizational skills and capacity to administer the process, and political power to obtain sufficient subsidies.

[10] This case study draws heavily from a 1998 Report on the Genesis.
[11] The primary source for this section is: Economist Intelligence Unit: 'Country Profile: Guatemala 1998/1999'. EIU Country Reports, November 1998
[12] Zoraida Portillo: Latin America: No end on Poverty in Sight. Inter Press Service: January 5, 1998

Institution Profile

The overarching vision of Genesis Empresarial, established in 1998, is to improve living conditions for the rural poor in Guatemala. In line with that vision, Genesis offers its rural constituency group loans and technical assistance for micro-enterprises and infrastructure retrofitting. It also offers micro-enterprise loans for individual borrowers, provided that they have a guarantor with full-time formal employment. In just over a decade, the institution has reached a total of 23,500 borrowers, through a network of 38 branch offices (13 major centers and 25 mini-centers) in Guatemala City and 16 other localities. The institution's staff numbers 153, of which 38 work in the main office, 53 loan officers extend micro-enterprise credit, and 13 development officers handle infrastructure initiatives.

Through its Community Infrastructure Lending Program (CILP), the focus of this research, Genesis has provided its constituency with financial and technical assistance. By the end of 1998, the institution had reached more than 10,000 households in 210 communities, issuing group loans with a total volume of Q35 million. Infrastructure loans specifically target the delivery of water and electric supply.

[PLEASE SEE GRAPHIC AT END OF SECTION]

Genesis has received technical assistance from international institutions such as USAID and Accion International and from Fundacion Solar and Plan Internacional on the national level. The Central American Bank for Economic Integration (BCIE) and several national commercial banks provide financial support and collaboration. The current challenge facing Genesis, as outlined in a detailed study on the institution's future restructuring, is its transformation into a formal financial institution, within which micro-enterprise and infrastructure operations will be administered separately.

Capitalization of Portfolio Targeting Low-income Families

Genesis is the largest provider of micro-loans in Guatemala, in terms of both portfolio size and number of members served. In June 1998, the outstanding overall loan portfolio exceeded Q74 million (US$11.2 million), while for the Community Infrastructure Lending Program the figure was approximately Q13 million (US$2 million). The total amount disbursed to date in the CILP exceeds Q35 million (US$5.25 million). In 10 years, the Foundation built an equity of about Q25 million (US$3.8 million).

Product Purpose, Structure and Terms

Genesis offers two types of loans, both at interest rates that exceed average commercial loan rates, which were generally ranging around 18% in 1999.

Micro-enterprise Loans

Genesis offers its urban and rural members micro-enterprise loans ranging from Q100 to Q25,000 (US$15 to $3,970) at a monthly interest of 2.5%. In 1997, the average interest rate for the microenterprise portfolio was 34.71%. Maturity periods range from one week to a maximum of one year. Generally, loans are offered to groups, with collective liability. However, the institution also offers individual micro-enterprise loans, conditional upon the presence of a guarantor with a full-time job in the formal sector and whose salary exceeds two minimum wages. In 1998, a total of 13,000 members received micro-enterprise loans.

Applicants are required to attend two preparatory training sessions, after which they can develop an investment plan and structure their repayment schedule. Repayment schedules are weekly, bi-weekly or monthly. The option of using collective liability in lieu of collateral in group loans has resulted in a larger demand for group borrowing than for individual loans, which need to be co-guaranteed.

Infrastructure Loans

The Community Infrastructure Lending Program is the institution's more financially sound product, with a lower arrears rate than for the institution overall (7.74% versus 11.11%). Infrastructure group loans are offered at interest rates ranging from 21% per annum on funds from BCIE to 30% per annum on funds from commercial banks. In 1997, the average interest rate charged on CILP loans was 25.4%. A prerequisite for participation in the program is a requirement that at least 90% of a community must agree to the provision of infrastructure. The project is then administered through groups of four to twelve families. Loans are primarily used for the provision of electric supply, administered through the CIDER program launched in 1993, or, to a lesser extent, for water supply administered through the more recent CIAR program launched in 1995.

Loans range from Q800 to 3,000 (US$120 to 450) per household, and are offered to clusters of four to twelve rural families from the same community and who share similar socio-economic characteristics. Genesis assists its borrower community in organizing and registering a project committee (for water or electricity) and helps them put together the technical study and assess estimated costs. They also help the community in filing applications for matching grants provided by the public sector, as well as helping them structure repayment terms that match their financial capacities and put together the applications for credit.

Collective liability through group pressure is the primary collateral. In addition, one household in each participating group is required to present some proof of land ownership to be detained by Genesis. The document of land ownership is not used as collateral, but rather as an instrument to pressure groups to make repayments if they are in arrears. Member groups are allowed to pay back the loan in terms that are adjusted to their income. Maturity periods range from one to four years, according to the group's capacity to repay. Individual repayments are structured according to the individual household's needs. Typically repayments are monthly, but for agricultural laborers the option of repaying after harvests is available.

Genesis monitors the repayment process periodically with the different clusters and assists communities in occasional disputes with contractors. Genesis also assists communities in dealing with their free-rider members, who decide to join the electrification program once capital costs have been paid and where the only fee is the hook-up connection.

Through CILP, Genesis provides its constituency with both financial and technical assistance. In 1997, Genesis' peak year, a total of Q18.9 million (US$2.8 million) was disbursed, divided equally between water and electric supply projects. As of mid-1998, with a head office and 12 branches, the institution had reached more than 10,500 households in 210 communities, issuing group loans with a total volume of more than Q35 million (US$5.4 million). At that time, the outstanding balance of the portfolio exceeded Q12.5 million (US$2 million).

[PLEASE SEE GRAPHIC AT END OF SECTION]

Product Performance

In the short term, the infrastructure portfolio carries more arrears than the micro-enterprise portfolio but performance improves over time, as CILP groups typically are prompter in repaying outstanding installments. In June 1998, the arrears rate (the ratio of the total outstanding principal balance of loans with installments overdue for more than 30 days to the total outstanding portfolio) was 11.11% for the institution as a whole. For the Community Infrastructure Lending Program, the arrears rate was 7.74%. When loans with overdue installments of less than 30 days are added, the arrears rate for the institution's total portfolio increases to 18.87%, and that for the CILP to 22.2%. The CILP portfolio has more delinquency in the short term than its micro-enterprise counterpart.

Genesis predictably shows a sound financial performance in the field of micro-enterprise lending, due to the influence of financial incentives in the form of following loans. However, the infrastructure loan portfolio appears to be even more financially sound than the micro-enterprise portfolio, although a Genesis study reported that infrastructure loans were disproportionately awarded to first-time borrowers with no established loan repayment discipline. The CILP's sound financial performance is striking for first-time borrowers.

Subsidies in the Credit Delivery System

Genesis-administered loans do not carry any subsidies. The pricing of loans reflects the risk, return and transaction costs associated with different sources of capital. BCIE funds are priced at 21%, or 3 percentage points above the average commercial bank lending rate, and the interest rate on Genesis' own funds is 30%. For 1997, the return on investment over the average portfolio size was minus 1.2% for the CILP and plus 10.5% for the microenterprise portfolio. The difference was attributed primarily to the administrative cost overrun, as development officers, unlike microenterprise loan officers, have substantially larger tasks on hand. Improved performance in 1998 led the CILP's return on investment to jump to plus 1.2%.

Genesis loans do not cover all costs associated with the implementation of a given electric or water supply project. Public assistance is sought by communities and, when approved, is offered as a matching grant to the community's own contribution to the project.

Use to Which Investments are Put

The majority of CILP loans awarded by Genesis have been used to provide electric supply. The entire community gets a connection to the extended public grid and households get individual hook-ups. The electrification program, entitled CIPER, was launched in 1993. More than Q22 million in cumulative loans through mid-1998 were awarded to 8,702 participant households in 189 communities.

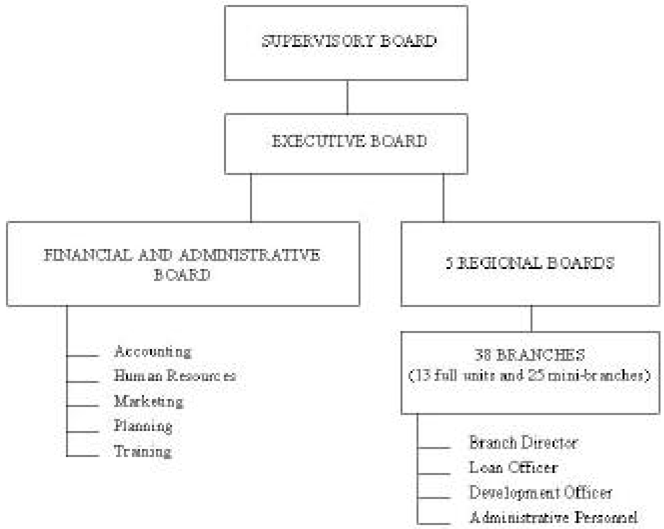
By comparison, water supply initiatives have been scarce. Typical village-type connections include cisterns or ground reservoirs to which members get individually connected. Through the CIAR program, launched in 1995, a cumulative amount of Q13.5 million was disbursed to 1,820 families in 21 communities. One of the water supply projects was an experiment in terms of scale and not only absorbed a disproportionately large sum of money but also failed to achieve the desired objectives, thus leaving Genesis in position to finance only small ventures.

Characteristics of Borrowers

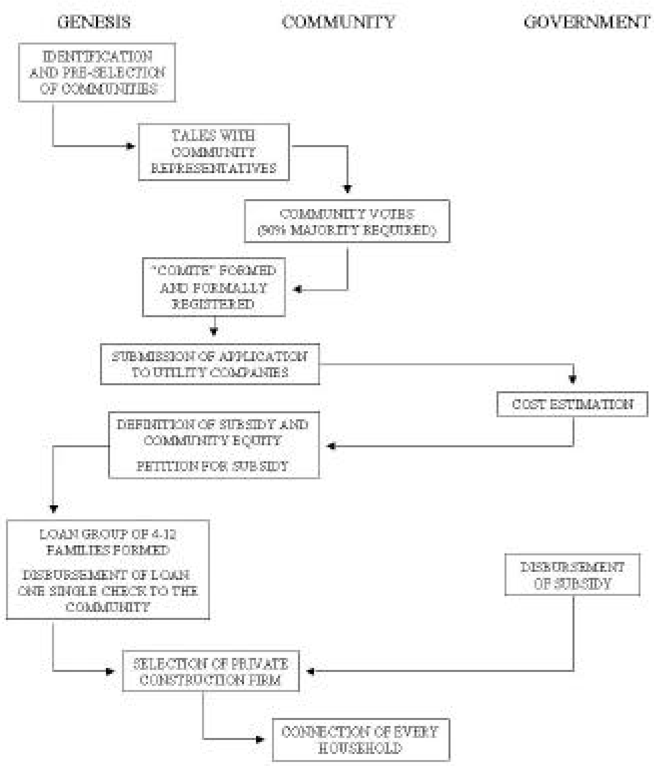
All CILP customers are low-income communities living in rural areas. The monthly household income of 75% of the CILP participants is less than US$250. Other factors that increase the eligibility of a particular community include physical proximity to existing infrastructure networks, which helps keep capital costs within budgetary limits, and records of previous organizational capacity demonstrated at the community level, which helps limit Genesis' scope of involvement.

As reported, the annual household income of 75% of participants in the CILP is less than US$3,000. The CILP targets entire low-income rural communities, as attested by the requirement that 90% of the settlement residents should approve the retrofitting of infrastructure prior to proceeding. No specific gender targeting was mentioned.

GENESIS
ORGANIZATIONAL CHART



GENESIS
LOAN PROCESS



GENESIS EMPRESARIAL Institutional Table

	GENESIS
Exchange Rate	
1996 1997 1998 Current	 Q 6.67 : US$1
Institutional Information	
Date organization founded	1988
Total number of members	10,500
Total number of clients of all loans 1996 1997 1998 Current	 NA NA 23,500 (Total: mid-98) 22,413 (Active: December 98)
Total number of all loans issued in one year 1996 1997 1998 Current	 NA NA NA NA
Size of portfolio (outstanding balance) 1997 1998 Current	 NA $11.2 million (mid-98) NA
Date housing loans commenced	1988
Total number of housing loans issued in one year 1996 1997 1998 Current	CILP loans: 250 465 155 (mid-98) NA
Size of housing portfolio (outstanding balance) 1997 1998 Current	 NA $2 million (mid-98) NA
Percent of portfolio dedicated to housing	18%
Operating costs of the institution related to housing	$261,535
Size of the savings fund	NA
Number of headquarter employees	38
Number of communities served	483 (Total) 210 (CILP)
Number of branch offices served	38 (Total) 12 (CILP)

	GENESIS
Client Information	
Percent of housing loans distributed to women 1996 1997 1998 Current	 NA NA Total: 38%; CILP: Not Applicable NA
Percent of housing loans issued to Urban residents 1996 1997 1998 Current	 0% 0% 0% 0%
Percent of housing loans issued to peri-urban residents 1996 1997 1998 Current	 0% 0% 0% 0%
Percent of housing loans issued to Rural residents 1996 1997 1998 Current	 100% 100% 100% 100%
Number of clients with housing loans that are women	Not Applicable (loans for communities)
Percent of clients with housing loans with small enterprises	NA
Percent of clients that use home for micro-enterprise activities	NA
Average weekly income of individual borrower	NA
Average weekly income of family engaged in housing loan	75% make less than $60/week
Percent of members with land tenure	1 family per lending group must show proof of land ownership
Housing Product Purposes	
CILP	Provision of water and electricity for rural low-income communities
Housing Product Terms	
Average size of housing loan 1996 1997 1998 Current	 NA NA NA $120-450
Minimum term	12 months
Maximum term	48 months
Interest Rate	21% (funds from BCIE) 30% (funds from commercial banks)

	GENESIS
Annual repayments for housing loans	NA
Minimum loan amount	NA
Maximum loan amount	NA
Average housing loan	varies from $120-450
Average enterprise loan	$15 to 3,970. Average first loan: $440. Average loan for 1998: $1,684
Housing Product Performance	
Repayment rate for enterprise loans	88.89%
Repayment rate for housing loans	92.66%
Number of housing loans used for land purchase	Not Applicable
Total number of housing loans distributed since inception	1,172 group loans
Total number of houses built	Not Applicable (8,702 and 1,820 households respectively serviced with electricity and water, mid-98)
Collateral and Other Requirements	
Housing loan: collateral requirements	Group liability. One member in a cluster of 4 to 12 households presents proof land ownership: Genesis detains the document not as collateral but rather as an instrument to pressure for repaying arrears.
Housing loan: other requirements	None
Housing loan: loan application evaluation criteria	None specified
Amount members involved in a savings scheme must deposit daily	Not applicable
Total savings amount required for members to access housing loans	Not Applicable (90% of the community must agree)
Institutional Linkages	
	NA

REGIONAL SUMMARY: SUB-SAHARAN AFRICA

Population

In 1997, 31% percent of the population of Sub-Saharan Africa lived in urban areas, a level of urbanization comparable to South and South East Asia. However, during the period from 1980 to 1995, the region experienced the highest rate of population growth in the world as well as the highest average annual rate of growth of the urban population.[13] Sub-Saharan Africa suffers from a high concentration of poverty and underdeveloped social and economic infrastructure, particularly as relates to health, education and access to public services.

Historical Land Development Patterns

In the 19th century the European colonial administration introduced codes copied or adapted from western systems governing property rights, registration, acquisition and transfer of land, development regulations and taxation of real estate property. But deeply ingrained customs proved resilient and enduring, forcing colonial administrations to adopt a more conciliatory attitude and recognize the legitimacy of customary law, albeit within a limited perimeter of designated village lands. In rural areas the two systems coexisted in parallel.

In the British colonies, urban land policy drew on English common law and the home rule tradition. Tribal groups were allowed partial autonomy in internal governance and could thus manage their lands in accordance with their own customary laws. In the French colonies, the civil code granted provisional land concessions designating allowable uses and a time frame for development. The right of tribal groups to collective ownership of designated village lands held under customary law was recognized.

Colonial administrations prevented any intrusion of customary law in the cities. In east Africa the commissioner of lands granted 99-year leases for urban parcels. The leases could be converted to freeholds upon fulfillment of specified conditions and payment of a fee. In the French colonies, municipal authorities granted urban land parcels as a provisional concession to a private party; title to the land was acquired upon certification that it had been developed as mandated by the terms of the concession. To allow the settlement of African populations in the cities, colonial authorities instituted the occupancy permit system which allowed holders to occupy a lot but did not entitle them to acquire property rights over the land.

With independence came an assertion of cultural identity, which led to the resurgence of customary rules and religious precepts and, conversely, the authority of the State had to be strengthened to prevent the confusion arising from the application of different customary tenure practices. In general, post-independence legislation sought to: redefine and expand the public domain; control land development; and regulate transactions of customary holdings. Examples of legislation during this period in the early 1960s include:

- In Kenya, the Land Adjudication Act provided for the consolidation of native landholdings stipulating that this should be done in accordance with customary land tenure practices, while the Registered Land Act sought to integrate different systems and modernize the registration process.
- In Ghana, the Administration of Land Acts authorized the state to intervene in the management of tribal lands and to control their use.

[13] The World Bank: 'World Development Report 1997: The State in a Changing World'. Oxford: Oxford University Press, 1997. pp.230-31

- In the Ivory Coast, private ownership of land was retained and village lands continued to be held under customary collective ownership and management.
- In Cameroon and Senegal, non-registered land was declared part of the State domain. Individuals and groups could obtain land allocations, which give them a right of utilization but not ownership of the land. However the utilization rights can be inherited.

In all the newly independent African nations, the coexistence of two parallel legal systems mandated setting up mechanisms to structure and regulate their interface. This in turn demanded the reinterpretation, adaptation and integration of customary rules and tenets within the framework of codified law. The urban fringe provided the geographic setting for this challenging interface.

Land Development on the Urban Fringe

Rapid population growth and massive rural/urban migration resulted in a dramatic expansion of the urbanized area in the larger cities. Spilling over municipal boundaries delineated in colonial times, urban development, formal and informal, occurred either on domanial reserves or village lands held under customary law and managed by clan leaders.

Village chiefs working independently or with "village associations" started to subdivide and sell their ancestral land. In larger African cities, these new informal settlements experienced very rapid growth through further subdivision of parcels, the addition of rental accommodations, and overcrowding.

Unrelenting pressure on urban land underlies the sustained increase in land values. In Abidjan, between 1985 and 1990, land prices doubled while real incomes declined by 25%. The share of the land component in total housing costs increased from under 15% in the mid-60s to over 50% in the late 80s. Given the rapid appreciation of urban land values relative to incomes, it could take up to 10 years for a young family to accumulate the capital needed to acquire a plot. In this context, the role of the extended family (multiple wage earners) and the income generating activities of women are essential to give a family access to property ownership.

Land Regularization

Since independence, government authorities have been reluctant to enforce regulatory measures that openly conflict with customary rights. Preventing the subdivision of village lands would be viewed as an unwarranted intrusion of government in tribal affairs, preempting the traditional rights of villagers to manage their own property. Legalization became the only politically acceptable policy and regularization the only technically feasible solution.

In the Ivory Coast, procedures for the regularization of subdivisions on village lands are lengthy and cumbersome and cannot keep up with the demand for new legal landholding. The regularization process entails first the transfer of customary holdings to the State "domain" and then a reallocation of the domanial land to lot owners as provisional concessions. In Guinea, the restructuring and upgrading projects represent the sole mechanism by which land tenure is regularized.

In certain cases, decentralization laws have created an administrative hierarchy of units of local government, whereby neighborhood councils provide a first and all-important step in the regularization of tenure in the informal settlements by legitimizing transactions, as an official body, long before restructuring or upgrading projects are envisaged. Neighborhood groups have banded together to lay out an informal subdivision, to contract the construction of an access road, and successfully to negotiate with utility companies the supply of water and electrical connections to the community, when the necessary trunk infrastructure was already in place.

Land, Infrastructure and Housing Issues

In South Africa and Zimbabwe, government sponsored programs have been established to provide municipal infrastructure to marginalized communities and housing subsidies to poor families, in order to alleviate the legacy of social inequity.

In South Africa, the national housing subsidy has played an important catalytic and supportive role in fostering the development of housing micro-credit initiatives. The South African People's Dialogue, the Homeless People's Federation, and the uTshani Fund are three interlinked organizations that provide loans for lower income groups, including those who are eligible for the government's subsidy program, to help them acquire land and build their houses. Upon occupancy of the unit and transfer of title, the household is eligible to receive the subsidy, which is then used to repay the loan.

CHF, a US-based NGO, acts as an international intermediary offering bridge financing in South Africa. CHF proceeds to build the houses for community groups using low-cost technology that the organization has developed. After occupancy and payment of the government subsidy, the family repays CHF. The funds are then channeled to a new cycle of housing construction.

The South African Rural Finance Facility (RFF), an NGO established in 1992, operates in rural areas and offers micro-finance for both microenterprises and housing. The structure of the two products reflects the issue of how documenting land ownership is problematic and that alternative forms of collateral are required for housing loans. RFF loans for microenterprises are unsecured and offered to groups of lower income residents, mostly women, who are jointly responsible for repayment. The average loan amount was R600 in 1997. In contrast, housing loans can reach a maximum of R8,000 and are secured by the pledge of withdrawal benefits from Provident Funds and are offered to low-income households having at least one wage earner holding formal employment

In Zimbabwe, the South African Homeless People's Federation served as a model for small scale initiatives in Harare. Some residents of a fringe settlement, called Dzivarasekwa Holding Camp, which serves as a temporary location for residents of squatter settlements displaced by the government, initiated collective savings schemes, one of the first steps in the HPF model leading to land acquisition, lobbying of public authorities, and possibly managing a housing construction project. The Dzivarasekwa savings scheme also followed the experience of Mahila Milan, in India, in staging a full-size cloth housing demonstration for public officials to gain their support in future steps.

In Kenya, one of the region's largest and most innovative micro-finance institutions is the Kenyan Rural Enterprise Program (K-REP). Their housing loan program is in the initial stages. They are currently undertaking research to determine communities' needs. K-REP has found that most communities must first obtain land tenure in order to avoid the problems arising from building permanent housing on land for which people only have certificates. The program's target group is those who are excluded from formal low-income housing programs administered by the government and others. K-REP hopes to create a partnership with local authorities whereby they can first resolve the land tenure issue in order then to establish permanent communities.

Institutional and Financial Frameworks

An interesting pattern emerges in Sub-Saharan Africa whereby housing micro-credit models are adapted to existing community-based organizations. The prevalence of cooperatives in rural and urban areas, building societies particularly in Anglophone countries, and *caisses d'épargne* in Francophone countries has played a major role in shaping housing initiatives. The adaptation of micro-credit to these institutions is best illustrated by an example from Zimbabwe. Housing People of Zimbabwe (HPZ) is an NGO providing technical and financial assistance for low-income groups organized in housing cooperatives –a prevailing institutional form in Zimbabwe.

The first steps are similar to traditional micro-credit operations. Savings groups are organized and members make periodic deposits. When sufficient savings are accumulated, the funds are deposited in a Housing Investment Trust and invested to hedge against inflation. The funds are used to acquire land, which can be put up as collateral to access credit. HPZ differs from other micro-finance institutions in that it offers participating cooperatives a range of options for the development of their housing project. Cooperative members are free to select the option that best meets their needs and means:

- Obtaining subsidized long-term loans from building societies if members can meet the income eligibility criteria
- Short term contractor credit if appropriate
- Establishing a revolving fund with staggered internal loans for members to build core houses
- Saving to buy building materials and providing sweat equity

K-REP started its operations as an intermediary NGO providing financial and technical assistance to small NGOs operating micro-credit initiatives in rural Kenya. Owing to limited success in the first years, the management of K-REP decided in 1989 to restructure the organization and introduce a direct micro-lending program, in parallel to the technical assistance, which was reduced in scale.

During the past decade, K-REP has built up a highly performing micro-enterprise lending operation, while gradually working towards financial sustainability. K-REP, which depends primarily on donor funding, has witnessed a remarkable increase in the volume of savings deposited to access micro-loans, relative to the volume of donor grants. A World Bank study[14] reports an increase in deposits from Ksh 2.4 million to Ksh 55.3 million over the four-year period ending 1995, while donor support averaged Ksh.88 million per year. By 1995, K-REP's activities generated almost enough income to cover its operating expenses including technical assistance.

In the first half of 1999, K-REP was granted a license to become a commercial bank specialized in micro-credit, in a first-of-its-kind venture in Africa. The model K-REP opted to follow was that of BancoSol in Bolivia, with the focus on developing the institution and ensuring its financial sustainability as its primary objective. K-REP is orienting the bulk of its micro-finance operations towards rural areas. It will be offering a broad range of commercial financial services in urban centers. By combining a financially sustainable micro-credit program for microenterprises with profitable commercial operations, K-REP Bank hopes to retain its original purpose, while achieving overall profits on the institution level to pay shareholders' dividends.

[14] 'The Kenyan Rural Enterprise Program: Directing Credit to Low-Income Groups' in Findings: Africa Region. Number 80, February 1987.
Available at: http://www.worldbank.org/aftdr/findings/english/find80.htm

Regional Networks

The creation of a regional network grouping Homeless People's Federations in South Africa, Namibia, Zimbabwe and Kenya has created the opportunity for exchanges on common issues including community organizing, shelter advocacy and housing. Each national federation is a formalized network of autonomous community-based organizations that operate in similar ways:

- They are primarily concerned with housing finance and are managed at the grassroots level
- They make extensive use of savings and loans groups to help members gain self-confidence and encourage participation and mutual interaction
- They develop a collective and more powerful voice in shelter issues
- They maintain a predominantly female membership

These national organizations have exchanged visits and promoted a dialogue on the successes and limitations they frequently encounter. Federations from these four countries are at the core of an international movement, Shack/Slum Dwellers International (SDI), formalized in 1996 to promote an international exchange on shelter issues and to strengthen the groups' capacities to deal with their local environments. Other participants in SDI include the Philippines' Federation, the Colombian FedeVivienda, and the Indian Federation comprising SPARC, Mahila Milan, and the National Slum Dwellers Federation in Bombay (the network's oldest member, having joined in 1986).

Case Study:
THE SOUTH AFRICAN HOMELESS PEOPLE'S FEDERATION, THE PEOPLE'S DIALOGUE AND THE UTSHANI FUND

Date Organization Started:	1990
Date Housing Loans Started:	1995
Type of Program:	Shelter Advocacy to Housing Finance (SAHF)
Size of Housing Loan:	First loan: 9,000 Rand (US$ 1,467)
Interest Rate for Housing Loan:	1% per month
Term for Housing Loan:	15 years; 3 years, if in conjunction with a government subsidy
Required Collateral:	Group lending
Default Rate:	7%
Exchange Rate:	Rand 6.17 : US$1 (February 1999)

Country Profile[15]

According to the 1996 census, South Africa's population was 40.6 million, with approximately 55.4% living in urban areas. In 1991, the two largest metropolitan areas were the Cape Peninsula with 2.2 million and Johannesburg with almost 2 million. The most important challenge facing South Africa is the social and economic integration of the nation's black community after years of segregation and neglect, with a primary emphasis on the extension of infrastructure and the generation of employment opportunities. In 1991, the national adult literacy rate was 82% and life expectancy was 62.7 years. The country's Human Development Index has shown a substantial improvement in the past decade.

In 1999, the average commercial bank lending rate was 23%.

The South African Government has implemented a housing subsidy program for low-income households earning under R1,500/month ($250/month). Eligible households have access to R16,000 (US$2,608) with which to build single family houses. The subsidy is dispensed upon construction and occupancy of the house and transfer of land title. When combined, these conditions prove to be a major hurdle for low-income families, who do not have the means to construct a house in the first place. Developers, based on agreements with local governments, can submit applications to build low-income housing developments. In many such cases, these developments are mass-produced and of generally poor quality and inadequate size.

Institution Profile

The South African case is an interesting partnership among three entities:

- *The Homeless People's Federation (HPF),* a formalized network of communities and savings and credit collectives.
- *The People's Dialogue*, also called the Dialogue for Shelter, an NGO that provides support to the Federation's network of informal settlements on issues of empowerment, interaction with other communities and proper representation to government and other formal institutions.
- *The uTshani Fund,* which provides bridge financing to members of HPF for housing construction and then helps them receive housing subsidies from the South African government.

[15] The primary source for this section is: South Africa Statistics Book, 1997.

The Homeless People's Federation

The Homeless People's Federation is a formalized network of more than 800 squatter communities and some 1,500 savings and credit collectives. Member institutions in the Homeless People's Federation share several characteristics. Residents reside in settlements dominated by shacks and are required to enroll in savings and credit groups. Furthermore, each institution must be managed at the grassroots level. Women are encouraged to participate and to take active leadership positions in directing the organizations. All organizations within the Federation are actively involved in gaining land tenure and affordable housing. The Federation is also in charge of all managerial and administrative aspects of the Savings Schemes, including treasury, bookkeeping and collection.

The HPF has successfully demonstrated to public authorities that low-income communities are capable of organizing themselves into legitimate and productive groups. Member communities have gained political support for their grassroots initiatives, particularly as they have demonstrated their successful self-reliance instead of having outsiders organize and educate them on shelter issues. HPF currently represents the homeless on the National Housing Board that advises the Ministry on Housing, and also serves on the National Housing Task Team. HPF was awarded the International Year of Shelter Memorial Prize.

The People's Dialogue

The People's Dialogue, initiated in 1991 in South Africa, is an NGO that provides support to the member organizations of the HPF on issues of empowerment, interaction with other communities and proper representation to government and other formal institutions. The primary goal of the Dialogue for Shelter is to encourage the community-based members of the Federation to work together and form active groups engaged in community development through information collection, organization of community exchanges, and technical assistance in a variety of activities including housing construction. With 18 employees at the corporate headquarters, the Dialogue for Shelter delegates all housing schemes to local members of the Federation.

The uTshani Fund

The financial arm of the Dialogue for Shelter is the uTshani Fund, which provides bridge financing to members of HPF for housing construction and then helps them to receive housing subsidies from the South African government. HPF targets 7 million persons nationwide who are eligible for the subsidy but cannot afford contractor-delivered housing. Through this system, HPF has assisted households in participating communities to build housing at about half the average cost of formal sector developers. The Fund has provided 41 building groups associated with the Federation close to 5,000 loans for housing construction. To date, over 240 housing groups have or are in the process of constructing houses.

	July 1993	**July 1994**	**April 1995**	**April 96**	**January 1998**	**July 1998**	**July 1999**
Savings Schemes	58	137	198	316	1,000	1,100	2,000
Active Savers	2,178	7,002	9,627	17,280	40,000	50,000	70,000
Total Savings (in ,000s)	R34	R165	R272	R453	R2,500	R3,000	R3,500

Source: Bolnick, Joel and Mitlin, Diana (1999b). Finance and Empowerment: Shack Dwellers International. Paper presented at the Housing Micro-Finance Conference in Port Elizabeth, South Africa, 22-24 November 1999.

The average loan size disbursed by the uTshani Fund is R8,950. The Federation has requested that half the members in each savings group contract smaller size loans to ensure that the poorest have equal access to the housing loans. Indeed, the better-off among the poor typically demand the maximum loan size of R10,000; however, 80% of the loans disbursed were of the maximum amount.[16] The organization of the savings groups is viewed as a key tool for organizing and empowerment while the actual amount saved relative to the cost of the housing is less important.[17]

The Federation and the uTshani Fund hope to prove to the South African Government that Federation members can more effectively utilize the housing subsidies, and that they are capable of constructing housing of high quality. With financial assistance from the Fund, members do not have to rely on developer-constructed housing, but can instead build the housing themselves and eventually receive their subsidy to repay the loans. Although the national government is in arrears on its disbursement of subsidies, members now own their own homes, thus fulfilling the organization's primary goal.

Capitalization of Portfolio Targeting Low-income Families

In 1998, the uTshani Fund’s balance sheet included assets of more than R9 million (US$1.46 million) in cash and commitments from overseas donors, and R7 million (US$1.14 million) in loans. The institution’s annual operating costs for housing-related programs total US$150,000. In 1999, capital in the uTshani Fund stands at R18 million (US$2.92 million), half of which is in the accounts for lending purposes. The other half is in future pledges by international donors over the next two years. Besides international donors and repayment by government, the Fund is replenished by the uTshani Trust, started by Joe Slovo, the first post-apartheid Minister of Housing, with a grant of R10 million (US$1.62 million) to the Federation’s efforts in 1994.

Product Purpose, Structure and Terms

The Homeless People’s Federation offers its members housing loans from the uTshani Fund. In addition, members are involved in initiatives to acquire land and provide infrastructure.

A savings program lies at the core of all HPF activities. Members are required to deposit small sums daily, with no prescribed minimum amount. There are more than 50,000 members in savings groups regularly involved in daily savings activities. In the process, members profile their settlements, map their communities and survey members in the scheme for information on actual living conditions.

Savings by Federation members are used to provide small-scale emergency loans at a monthly interest rate of 1% and income-generating loans at 2% per month. Housing savings schemes are used to access housing loans from the uTshani Fund; the latter are disbursed as construction materials, not as cash, to ensure they are not diverted to other emergencies.[18]

Housing Loans

The expansion of the housing finance scheme relies on word of mouth, as individuals share information about the Homeless People's Federation and the Savings Groups with their communities. A typical community with thousands of residents is subdivided into savings groups of 50 to 100 persons. Each group then elects three treasurers who carry the responsibility of opening a savings account and collecting money from members of the group. All members must demonstrate their savings discipline in order to be eligible to receive a loan from the uTshani Fund.

[16] Bolnick and Mitlin, “Finance and Empowerment: Shack Dwellers International.” 1999.
[17] (Bolnick and Mitlin, 1999:7
[18] Ibid.

Loans are in bulk to buildings groups, which are usually composed of ten members from a local housing savings group. Loans are typically R9,000 (US$1,459) for first-level loans and are deposited directly into the savings account established by the savings group. The exact amount available to members is determined according to his/her ability to pay, calculated based on monthly repayments over a 15-year period. The minimum loan amount is US$20, and the maximum is US$2,500. Members must submit a proposal for the type of house they plan to build, to ensure that costs do not exceed the loan amount. Most houses are constructed of brick and block with tin roofs.

The Federation's leadership at the city level makes decisions on loan approvals, as HPF's central leadership has devolved powers to the regions. Most loan applications are approved. Failure to be approved usually means the regional leadership considers that the applicant group has not done sufficient preparation. Technical assistance is provided by the People's Dialogue and skilled Federation members, and includes reviewing building designs and cost re-evaluation in case problems arise.

Before a loan is disbursed, the building group selects which members will receive the loan. Loan terms are changed if a government subsidy is to be received; the term of the loan is then limited to 3 years instead of 15 years. Loans are given in the form of building materials to ensure that they will be used for housing purposes only. Monthly interest charged is 1% on the outstanding balance. A levy of 2% of the loan amount is charged only when the subsidy is issued. In this case, half of it goes back into the fund and the other half is retained to cover administrative expenses. Each participating member is also required to make a deposit of 5% of the loan in a separate account, which then goes towards a life insurance fund after repayment of the loan.

After a one-month grace period, loan repayments to the uTshani Fund begin, via local banks, with monthly payments per household averaging around R100 (US$16).

[PLEASE SEE GRAPHIC AT END OF SECTION]

Product Performance

The organization reported a repayment rate for small enterprise loans of 95% and 93% for housing loans. The average amount taken out for a small enterprise loan is one-third the amount of an average housing loan.

Subsidies in the Credit Delivery System

Money disbursed from the uTshani Fund is paid back with interest over 15 years, if no governmental subsidies are involved, or over 3 years, if the participants receive the national subsidy for housing. However, the interest rate charged on loans from the uTshani Fund is far below market rate. Funds are charged 1% monthly, while South African commercial banks lend at 23% per annum on average.

For loans in which participants are eligible for the national housing subsidy, the South African government has become the *de facto* borrower. HPF reports that at present the main creditor to the uTshani Fund is the national government, with arrears of more than R25 million (US$4,075,000) in non-disbursed subsidies for houses already erected. As such, the participating households are no longer considered to be the actual borrowers. According to HPF, the opportunity cost of the delayed disbursement exceeds R3 million in interest only.

Use to Which Investments are Put
Loans from the uTshani Fund are primarily for housing construction. However, in several instances, group applicants used their funds to acquire land or provide infrastructure to service their housing.

Characteristics of Borrowers
Members of the South African Homeless People's Federation are shack dwellers, falling within the bottom 20% of the national income distribution. Typically, they pay high charges to rent housing and/or land, or live illegally on squatter land. About 10% of the members were actually homeless, having never had housing. The majority of members (80%) live in urban areas, 15% in peri-urban locations, and the remaining 5% in rural areas. Average HPF households make about US$30 per month. As many as 60% of members use their home for micro-enterprises, including sewing, selling fruit, and carpentry.

While the Federation has a commendable track record in enabling its constituency to access shelter, its cost recovery remains a function of the national subsidy program. Hence, the organization functions as an institutional and financial intermediary between low-income communities and the South African government.

Accessibility of Products Offered, Particularly to Poorer Female Heads of Households
Within the HPF membership, 90% of the recipients of loans from the uTshani Fund are women. Moreover, HPF particularly encourages females to take leadership positions in its community-based member groups, which deal with savings and credit.

Additional Successes

Other Shelter-related Initiatives
The Housing Savings Schemes are clustered together into larger groups to address issues beyond bricks and mortar, including land acquisition, infrastructure development, small enterprise training, health and education issues.

Land Acquisition
More than 60% of the Federation's members live on land with no secure title, which is one of the main criteria for receiving government subsidy. Addressing this challenge, members of the Federation have to date secured land tenure for 17,000 families, on more than 295 hectares of acquired land. In addition, more than 3,500 members have taken out loans for land acquisition.

Members of the Federation have in some cases, such as in Kanana, staged land invasions. In the face of threats to leave squatter sites, members have demonstrated considerable initiative to local officials by drawing site plans, proceeding to install low-cost infrastructure, and building their own homes with uTshani loans. Members would then lobby for legalization of tenure, in order to be eligible for the government subsidy needed to repay the loan.

Infrastructure
In several instances, members have led an initiative, financed by their personal savings schemes, to install infrastructure. In Joe Slovo village, members of local savings schemes applied for loans from the uTshani Fund for that purpose. Members were not only hoping for the delivery of infrastructure, particularly regular water supply, but also hoped that when they had proven their capacity to implement and install their own services, provincial and municipal officials would release subsidies for the projects. With a R500,000 (US$80,050) loan from the uTshani Fund, at 12% interest annually, the group installed 350 water taps in the community, with meter

installation, at a much lower cost than in neighboring villages. As reported in 1999, the group hoped that the subsidies would be released within 6 months.

Houses in Kanana were connected to the sewage and water supply networks installed by members of savings schemes. Households currently have running water and flush toilets in their newly built 60-square-meter houses. The average infrastructure cost was less than R1,000 (US$162) per household, and the average housing construction cost was about R10,000 (US$1,621). Both figures were a fraction of the cost of contractor-delivered housing and infrastructure suggested by government officials for the settlement.

Kanana

In 1991, a group of backyard shack dwellers living in Sebokeng, in a severely overcrowded situation and paying exorbitant rents, formed a committee in response to an urgent need for land. For three years, the group attempted to acquire land and conduct housing improvements through local officials, with no success. In 1994, the leaders of the Committee identified a suitable piece of land just outside of Sebokeng, and decided to stage an invasion. The first families moved in on April 13th, 1994. Eleven days later, there were more than 1500 families living on the land. They called the settlement Kanana.

Immediately after the invasion, the people of Kanana were threatened with eviction within 48 hours because, as they were informed, they lacked proper running water. In response to this claim, the people of Kanana quickly mobilized and tapped into the main water lines: within two days, they had running water. Pursuant to strong lobbying and after several meetings with local officials, they were allowed to stay.

Simultaneously, residents in Kanana received a visit from members of the South African Homeless People Federation of Gauteng. Subsequently, households in Kanana joined SAHPF. There were 9 Housing Savings Schemes in Kanana, and every group received training by Federation members on housing design and cost assessment of building materials. In addition, each member's repayment capacity was charted to determine payment plans. Members applied and received loans from the uTshani Fund. In 1996, the first 27 houses were constructed.

Despite the opposition of governmental housing agencies who wanted control over development of the land, community members carefully plotted their new village layout, installed water and proceeded to build affordable housing with uTshani Loans.

Training Programs

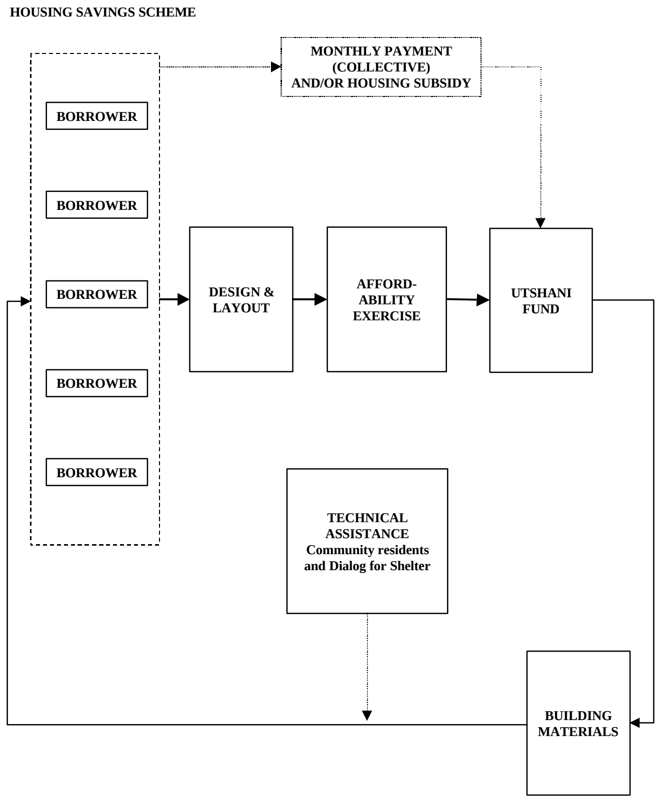
The Federation provides its members with technical assistance, including financial and technical support for income-generating activities, and youth and family support. Federation members come to centers to learn essential financial skills, including budget making, bookkeeping and loan repayments capacities, as well as how to build affordable houses. The majority of the training is done by previously-trained members passing on their newly acquired skills from group to group and area to area.

Partnerships with National and International Organizations

The Dialogue for Shelter has established a strong partnership with Mahila Milan in India. Members from South Africa traveled to Bombay in 1993 to receive training, and spent twelve days learning and participating in seminars, meetings and other activities led by the women of this well-established housing organization. Upon their return to South Africa, they conveyed their knowledge through similar programs and initiatives, particularly the demonstration of housing construction capacities, using full-size cloth models. Interaction between the two groups has grown stronger through the years. In addition, Dialogue for Shelter collaborates with Shack Dwellers International in the Philippines, helping more traditional micro-finance groups push for community empowerment and social change, using micro-finance as a platform to address these issues. In addition, the Federation has partnerships with the National Slum Dwellers' Federation of India, Zimbabwe Homeless People's Federation, Cambodia Urban Poor Federation, Muungana Kenya, and Payatas Scavengers' Association in the Philippines.

The South Africa Homeless People's Federation has been instrumental in providing access to affordable housing and in doing so have provided alternatives to the more expensive contractor-built housing. In doing so, the Federation has demonstrated to the South African government the capabilities of its members. As a result, 5 of the 9 provinces have signed agreements with the Federation to pass subsidy funds to members through a new disbursement system within the uTshani Fund. More than 2,000 subsidies have been granted to Federation members to date.

uTshani Loan Process



HOMELESS PEOPLE'S FEDERATION / UTSHANI FUND Institutional Table

	HPF / UTSHANI FUND
Exchange Rate	
1996 1997 1998 Current	 R6.17 : US$1
Institutional Information	
Date organization founded	September 1990
Total number of members	70,000
Total number of clients of all loans 1996 1997 1998 Current	 17,280 40,000 50,000 70,000
Total number of all loans issued in one year 1996 1997 1998 Current	 NA NA NA NA
Size of portfolio (outstanding balance) 1997 1998 Current	 NA ($ 73,420 in savings) NA ($ 405,187 in savings) $ 2,714,610 ($ 567,261 in savings)
Date housing loans commenced	February 1995
Total number of housing loans issued in one year 1996 1997 1998 Current	 696 1,100 1,600 NA 5,000 (cumulative, mid-99)
Size of housing portfolio (outstanding balance) 1997 1998 Current	 NA NA $ 181,960 uTshani Fund capitalization of $1.15M in 1998 and $2.92M in 1999, including future pledges from international donors
Percent of portfolio dedicated to housing	6.7%
Size of the savings fund	$810,373
Operating costs of the institution related to housing	$150,000.00 per year
Number of headquarter employees	18

	HPF / UTSHANI FUND
Number of communities served	800
Number of branch offices served	4
Client Information	
Percent of housing loans distributed to women 1996 1997 1998 Current	 100% 100% 100% 100%
Percent of housing loans issued to Urban residents 1996 1997 1998 Current	 100% 90% 80% 80%
Percent of housing loans issued to peri-urban residents 1996 1997 1998 Current	 10% 15% 15%
Percent of housing loans issued to Rural residents 1996 1997 1998 Current	 5% 5%
Number of clients with housing loans that are women	NA
Percent of clients with housing loans with small enterprises	NA
Percent of clients that use home for micro-enterprise activities	60%
Average weekly income of individual borrower	$130
Average weekly income of family engaged in housing loan	$300
Percent of members with land tenure	40%
Housing Product Purposes	
Housing loan	New housing construction (land acquisition is secured by Federation lobbying); or land acquisition; or infrastructure provision
Housing Product Terms	
Average size of housing loan 1996 1997 1998 Current	 $1,378 $1,378 $1,459 $1,459

	HPF / UTSHANI FUND
Minimum term	
Maximum term	180 months 36 months (if recipient is eligible for the national housing subsidy)
Interest Rate	12% An additional 2% is levied from the subsidy upon receipt to replenish the fund and cover administrative costs
Annual repayments for housing loans	US $729,335 ($ 195 per household)
Minimum loan amount	$20
Maximum loan amount	$2,500
Average housing loan	$1,459
Average enterprise loan	$500
Housing Product Performance	
Repayment rate for enterprise loans	95%
Repayment rate for housing loans	93%
Number of housing loans used for land purchase	3,500
Total number of housing loans distributed since inception	5,000
Total number of houses built	5,000
Collateral and Other Requirements	
Housing loan: collateral requirements	Group liability
Housing loan: other requirements	Group savings required with daily deposits with no minimum amount. Regular meetings
Housing loan: loan application evaluation criteria	None except solidarity group backup
Amount members involved in a savings scheme must deposit daily	No requirement
Total savings amount required for members to access housing loans	No requirement
Institutional Linkages	
	Part of a regional network grouping Homeless People's Federations in South Africa, Namibia, Zimbabwe and Kenya Part of Shack Dwellers International (an international network formalized in 1996)

	HPF / UTSHANI FUND
	where they collaborate with Mahila Milan and National Slum Dwellers Association in India, and other members of the organization (the Philippines' Federation, the Colombian FedeVivienda).

Housing Micro-Finance Initiatives

Section III. ANNEXES

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COMPARATIVE INSTITUTIONAL TABLE

	SEWA BANK	CARD	PAYATAS SCAVENGERS ASSOCIATION	HPF / UTSHANI FUND	GRAMEEN BANK	GENESIS
Exchange Rate						
1996 1997 1998 Current	 Rs42.7:US$1	 P29.5:US$1 P40.9:US$1 P38.5:US$1	 P29.5:US$1 P40.9:US$1 P38.5:US$1	 R6.17 : US$1	Tk40.9 : US$1 Tk45.5 : US$1 Tk48.5 : US$1	 Q6.67 : US$1
Institutional Information						
Date organization founded	1974	1986	1993	September 1990	1976	1988
Total number of members	220,000 SEWA, end-99 112,750 SEWA Bank, end-99	19,523	5,953 (20,000-25,000 nationwide in the Homeless People Federation)	70,000	2,355,987	10,500
Total number of clients of all loans 1996 1997 1998 Current	 NA NA 35,936 	 17,892 19,523 (02/99)	 2,000 NA NA 5,953	 17,280 40,000 50,000 70,000	 2,059,510 (12/96) 2,272,503 (12/97) 2,364,755 (11/98) 2,355,987 (02/00)	 NA NA 23,500 (Tot:06/98) 22,413 (Act:12/98)
Total number of all loans issued in one year 1996 1997 1998 Current	 NA NA NA NA	 8,705 15,586 45,748 29,663	 NA NA NA 388 group loans	 NA NA NA NA	 NA NA NA NA	 NA NA NA NA
Size of portfolio (outstanding balance) 1997 1998 Current	 $3,250,585 $3,562,945 NA	 NA NA $2,211,687	 NA NA $802,069 sav; $518,881 wtdrw $1,275,486 (cum.disbursed 06/99)	 NA ($73,420 sav) NA ($405,187 sav) $2,714,610 ($567,261 sav)	 $385,770,000 (12/97) $388,070,000 (11/98) $185,680,000 (02/00) $3,027,570,000 (cum. disbursed 02/00)	 NA $11,200,000(6/98) NA
Date housing loans commenced	1976	1992	August 1997	February 1995	1984	1988

	SEWA BANK	CARD	PAYATAS SCAVENGERS ASSOCIATION	HPF / UTSHANI FUND	GRAMEEN BANK	GENESIS
Total number of housing loans issued in one year 1996 1997 1998 Current	 1,449 1,712 1,341 2,192	 1,974 2,241 2,819 1,229	 PL:NA; FSD: Not est. PL:NA; FSD: 1 cl. (425hh)** PL:NA; FSD: 1 cl. (425hh)** PL:200; FSD: 1 cl. (425hh)**	 696 1,100 1,600 NA 5,000 (cum. 06/99)	 35,499 (houses built 12/95) NA 73,707 (houses built 12/97) 79,784 (houses built 11/98) 24,149 (houses built 05/99) 511,134 (cum. 02/00)	CILP loans: 250 465 155 (06/98) NA
Size of housing portfolio (outstanding balance) 1997 1998 Current	 $718,852 NA NA	 $436,436 $414,501* $446,577	 NA NA PL:NA; FSD:$15,524 (dep)**	 NA NA $181,960 Fund cap $2.92M(99) incl. future pledges from intl. donors	 $15,630,000 (12/97) $20,270,000 (11/98) $5,840,000 (05/99) $3,027,570,000 (cum. disbursed, 02/00)	 NA $2,000,000 (06/98) NA
Percent of portfolio dedicated to housing	50% (99)	6% (98) 4% (99 YTD)	NA	6.7%	6.7%	18%
Size of the savings fund	$2,576,611	$638,978	$802,069	$810,373	$233,690,000 (02/00)	$261,535
Operating costs of the institution related to housing	NA	$79,625	$80,000	$150,000.00	NA	NA
Number of headquarter employees	80 (99)	NA Tot. staff 1998: 44	3	18	NA Tot. staff in 1998: 11,183	38
Number of communities served	70 slums	NA	2	800	39,857	483 (Total) 210 (CILP)
Number of branch offices served	8 extension counters	16	7	4	1,148	38 (Total) 12 (CILP)
Client Information						
Percent of housing loans distributed to women 1996 1997 1998 Current	 100% 100% 100% 100%	 100% 100% 100% 100%	 PL: NA; FSD: Not established PL: NA; FSD: Not Applicable PL: NA; FSD: Not Applicable PL: 98%; FSD: Not Applicable	 100% 100% 100% 100%	 NA NA NA 80%	 NA NA Total: 38%; CILP: Not Applicable NA
Percent of housing loans issued to Urban residents 1996 1997 1998 Current	 NA NA 70% 90%	 0% 0% 0% 0%	 100% 100% 100% 100%	 100% 90% 80% 80%	 0% 0% 0% 0%	 0% 0% 0% 0%

	SEWA BANK	CARD	PAYATAS SCAVENGERS ASSOCIATION	HPF / UTSHANI FUND	GRAMEEN BANK	GENESIS
Percent of housing loans issued to peri-urban residents 1996 1997 1998 Current	 0% 0% 0% 5%	 2% 2% 2% 2%	 0% 0% 0% 0%	 0% 10% 15% 15%	 0% 0% 0% 0%	 0% 0% 0% 0%
Percent of housing loans issued to Rural residents 1996 1997 1998 Current	 NA NA NA 5%	 98% 98% 98% 98%	 0% 0% 0% 0%	 0% 0% 5% 5%	 100% 100% 100% 100%	 100% 100% 100% 100%
Number of clients with housing loans that are women	11,783 (cum., 1998)	311	PL: 196; FSD: Not Applicable	NA	506,680	Not Applicable (loans for communities)
Percent of clients with housing loans with small enterprises	37%	NA	80%	NA	100%	NA
Percent of clients that use home for micro-enterprise activities	33%	NA	NA	60%	NA	NA
Average weekly income of individual borrower	$24	<$12.95/week	$23	$130	NA	NA
Average weekly income of family engaged in housing loan	$59	<$12.95/week	$131	$300	NA	75% make less than $60/week
Percent of members with land tenure	10%		0%	40%	NA	1 hh per lending group must prove land ownership
Housing Product Purposes						
	Housing Loans: for new construction and housing repairs	Housing loans: for land or housing purchase or improvement of existing house	Providential Loans (PL): Although not a specific housing product, loans are sometimes used for housing repairs	Housing loans: New housing construction (land acquisition is secured by Federation lobbying); or land acquisition; or infrastructure provision	Housing loan (HL); Basic housing loan (BHL); Pre-basic housing loan (PHL): New housing construction	CILP: Provision of water and electricity for rural low-income communities

	SEWA BANK	CARD	PAYATAS SCAVENGERS ASSOCIATION	HPF / UTSHANI FUND	GRAMEEN BANK	GENESIS
	Infrastructure loans: For participation in the Parivartan scheme for the provision of a service package (water, sewage, drainage, road paving and lighting, landscaping and waste disposal) to slum dwellers		Fixed Savings Deposit for Land and Housing Finance (FSD): For land acquisition and new housing construction: the product is used as upfront equity needed to seek debt financing		Homestead / Land purchase loan (HLPL): Homestead or land acquisition	
					House repair loan (HRL): Housing repair	
Housing Product Terms						
Average size of housing loan 1996 1997 1998 Current	 NA NA NA $300	 $240 $504 $341* $359	 NA NA NA PL: $526; FSD: Not Arranged Yet	 $1,378 $1,378 $1,459 $1,459	 NA NA NA NA	 NA NA NA $120-450
Minimum term	35 months (Urban) 20 months (Rural)	NA	6 months		NA	12 months
Maximum term	60 months	12 months	12 months	180 months 36 months (if recipient is eligible for the national housing subsidy)	120 months	48 months
Interest Rate	17% on own funds 14.5% on funds from HUDCO AND 13.5% FROM HDFC	20%	18%	12% An additional 2% is levied from the subsidy upon receipt to replenish the fund and cover administrative costs	8%	21% (funds from BCIE) 30% (funds from commercial banks)
Annual repayments for housing loans	NA	NA	NA	US $729,335 ($ 195 per household)	$20 of the principal per year (loans<$202) Principal divided by 10 (loans>$202)	NA
Minimum loan amount	NA	NA	NA	$20	$100	NA
Maximum loan amount	$594	$286 1st loan $576 2nd loan	8 x savings or $1,295	$2,500	$242, 1st loan; $600, 2nd loan (BHL) $202 (HLPL); $101 (HRL)	NA
Average housing loan	$300	$349	$526	$1,459	NA	varies from $120-450

	SEWA BANK	CARD	PAYATAS SCAVENGERS ASSOCIATION	HPF / UTSHANI FUND	GRAMEEN BANK	GENESIS
Average enterprise loan	$200 ($100 1st loan, 1998)	$103	$789	$500	$190 ($75 for the 1st loan, 1998)	$15 to 3,970. Average first loan: $440. Average loan for 1998: $1,684
Housing Product Performance						
Repayment rate for enterprise loans	94%	99.71%		95%	98%	88.89%
Repayment rate for housing loans	96% (mid-98)	>99%		93%	~100%	92.66%
Number of housing loans used for land purchase	10% average	10% (sample survey)	200	3,500	NA	Not Applicable
Total number of housing loans distributed since inception	14,905 (cum., end of 1999)	311	NA	5,000	NA	1,172 group loans
Total number of houses built	NA	NA	PL: NA; FSD: 425 houses envisaged**	5,000	506,680 (cum. total, 05/99)	Not Applicable (8,702 and 1,820 households respectively serviced with electricity and water, mid-98)
Collateral and Other Requirements						
Housing / Infrastructure loan: collateral requirements	Written guarantee from two persons, one of which must provide a pay slip or income certificate. Regular savings for at least one year: savings are taken as a lien as a form of security.	Group liability; application signed by husband (or legal guardian) and fellow members, and approved by the entire center and the center chief Legal documentation of land ownership for new housing construction.	Group liability	Group liability	Group and Center liability on individual loans (co-signing the application).	Group liability. One member in a cluster of 4 to 12 households presents proof land ownership: the document is detained by Genesis not as collateral but rather as an instrument to pressure for repaying arrears.

	SEWA BANK	CARD	PAYATAS SCAVENGERS ASSOCIATION	HPF / UTSHANI FUND	GRAMEEN BANK	GENESIS
Housing / Infrastructure loan: other requirements	Recommendation from area leader is desirable. While no land title is required to access the loan, SEWA insists that the housing loan and ownership title be in the woman's name. Approval by the Managing Director for loans less than $115 and for larger amounts, approvals by the Managing Director, two directors, a manager and a loan officer.	Regular saving for 1.5 years Participation in an ongoing income-generating project Successful completion of two regular project loans (for microenterprises); otherwise, more stringent criteria for housing loans are applied Minimum residence in the community for 1 year (2 years if no regular loans were previously taken out)	Group savings required (P5,000) and no withdrawals are allowed. Members are required to pay a membership fee and monthly dues and to attend weekly training sessions.	Group savings required with daily deposits with no minimum amount. Regular meetings	Legal documentation of land ownership for new housing construction loans. Weekly savings in group fund (no withdrawal benefits for 10 years) and weekly deposits in emergency fund. Excellent credit history of the individual (housing loans are contracted after income-generating loans). Excellent credit history of the branch. Branch in operation for a minimum of 2 years. Minimum health requirements including mandatory installation of a latrine manufactured by the Grameen production facilities.	None
Housing / Infrastructure loan: loan application evaluation criteria	Demonstrated savings pattern; household income; depositor's employment/business; credit history if any; proposed use of the loan; cost estimate.	Attendance rate of weekly meetings; credit history; project status.	None officially stated, although group and center's credit history are considered, and the group leader and the credit supervisor's approval are required	None except solidarity group backup	History of regular attendance of weekly meetings; adequate income stream and involvement in micro-enterprise; proposal of housing type and schedule of repayments.	None specified
Amount members involved in a savings scheme must deposit daily	NA	$0.13	Min. $0.65/week Max. $6.47/week	No requirement	$0.04 weekly (Tk2)	Not applicable
Total savings amount required for members to access housing loans	12 months of savings	$39 over one and a half years	$129.53/group	No requirement	NA	Not Applicable (90% of the community must agree)
Institutional Linkages						
	The organization links SEWA (trade union), SEWA Bank and Mahila Housing SEWA Trust (housing arm of SEWA). Locally, the	Member of Philnet, Cashpor and the Microcredit Council of Practitioners. The institution collaborates closely with Grameen,	Collaborate with Philnet; Part of Shack Dwellers International where they collaborate with South African Homeless People Federation, Mahila Milan and National Slum Dwellers Association in India, Namibian	Part of a regional network grouping Homeless People's Federations in South Africa, Namibia, Zimbabwe and Kenya Part of Shack Dwellers	Grameen Bank, and its founder Mohamed Yunus, has established partnerships and dialogues with numerous organizations in many countries. The Grameen model has been emulated in	NA

	SEWA BANK	CARD	PAYATAS SCAVENGERS ASSOCIATION	HPF / UTSHANI FUND	GRAMEEN BANK	GENESIS
	organization collaborates with Ahmedabad Municipal Corporation on the Parivartan scheme for the provision of infrastructure and services to slum dwellers. Nationally, SEWA collaborates with the National Council of Applied Economic Research. Internationally, SEWA (through SEWA Academy) is collaborating with Harvard University and UNIFEM (United Nations Fund for Women) in an initiative called WIEGO (Women in Informal Employment Globalizing and Organizing), aimed at bringing informal sector women into the mainstream through research, statistics and programs and lead to policy changes.	CGAP and Plan International.	Housing Action Group, and Tai Housing Federation.	International (an international network formalized in 1996) where they collaborate with Mahila Milan and National Slum Dwellers Association in India, and other members of the organization (the Philippines' Federation, the Colombian FedeVivienda).	more than 40 countries. The Grameen Trust provides funds, training and technical assistance to more than 80 microcredit projects in 28 countries. The Grameen Foundation USA, established in 1997, seeks to advance the philosophy of Grameen in urban areas in the US and in developing countries. .	

Notes:
* The notable drop in the figures (loan amount, outstanding loan balance) was due to the impact of the Asian financial crisis which saw the exchange rate change from an average of P29.5:$1 in 1997 to P.40.9:$1 in 1998.
** An associated savings cluster (Iliolo group) part of the Homeless People Federation saved $25,873 towards land acquisition and is the Federation's leading savings-for-housing group. 3 other savings clusters were started by July 1999.

SURVEY OF MICROFINANCE PROGRAMS BY REGION

Name of Organization / Contact	Synopsis
AFRICA	
Rural Finance Facility Mr. Chris Hock PO Box 665 Johannesburg 2000 Tel 011 404 2405 Fax 011 404 1402 Email:chock@iafrica.com	RFF established a housing loan program, registered under a separate legal organization known as Rural Housing Finance (RHF). RHF housing loans are contingent upon borrowers providing as collateral a signed pledge against their withdrawal benefits from the Provident Fund (or retirement fund). The Provident Fund is automatically deducted from formal paychecks, so this system tends to exclude the lower income groups who do not usually have a formal income. Therefore, anyone without access to the Provident Fund does not have access to the housing loans.
Kenya Rural Enterprise Program Mr. Nthenya R. Mule PO Box 39312 Nairobi, Kenya Tel 254 2 572 422 Fax 254 2 711 645 Email k-rep@form-net.com	K-REP's housing loan program is in the initial stages. They are currently undertaking research to determine communities' needs. K-REP has found that most communities must first obtain land tenure in order to avoid the problems arising from building permanent housing on land for which people only have certificates. The program's target group is those who are excluded from formal low-income housing programs administered by the government and others. K-REP hopes to create a partnership with local authorities whereby they can first resolve the land tenure issue in order then to establish permanent communities.
Cooperative Housing Foundation Headquarters: 8300 Colesville Road, Suite 420 Silver Spring, MD 20910 USA Tel 301 587 4700 Fax 301 587 2626	The Cooperative Housing Foundation (CHF) serves as an intermediary between the government and low-income people to mobilize funds for housing. CHF, a large housing finance organization and technical assistance provider, works with banks and formal institutions throughout the world to provide housing through loans and other methods for middle and lower income families. CHF receives its funding from USAID: it provides lending institutions interest and fees to cover costs and operates on a consistent basis with local banking institutions and housing authorities. CHF encourages home-based small enterprises, in order to use home improvements to enhance income-generating activities. It provides services to people by working to establish systems for low-income people to gain credit, establish their own community organizations, and engage in training activities. It is involved in NGO strengthening, community improvement through the construction of infrastructure, and women’s development. Often CHF brings government and non-government officials to the US for experience.

uTshani Fund, People's Dialogue and the Homeless People's Federation Helena Hendricks/ Joel Bolnick PO Box 34639 Groote Schuur Capetown 7937, South Africa T 27-21-47-5116 F 27 21 47 4741	The People's Dialogue, initiated in 1991, is an NGO that provides support for a network of informal settlements. It facilitates the empowerment of informal communities through their interaction with other communities and ensuring their proper representation to the government and other formal institutions. It now serves as the support arm of the Homeless People's Federation, an organization of squatter communities which it helped formalize and which consists of 1100 savings and credit collectives in more than 200 communities. There are more than 40,000 families involved in daily savings, with a repayment level of 98%. The objective of the Homeless People's Federation is to prove to the government that low-income communities have the capacity of organizing themselves into legitimate and productive groups. In 1994, South African Housing Minister Joe Slovo allocated a grant of Rand 10 million to an emerging housing fund, known as the uTshani Fund. (The support was stopped after his death). With this money plus support from overseas, savings schemes were started and the housing loan program was initiated. The uTshani Fund totals R 23 million, and has over 3,200 members in 134 schemes. The Fund provides bridge financing to members of the Federation, and enables them to receive government housing subsidies for which they are eligible but which they could not previously access. Loans provided to local housing groups of 10 members are usually R 8500 and are deposited directly into the members' savings fund. Loans are reduced when and if the subsidy is received from the government. The monthly interest rate is 1% and the term is 15 years or 3 years if received in conjunction with a government subsidy. The strategy of this fund is to provide support through loan finance and technical assistance for housing, modeled on the housing construction processes actually pursued by the poor (see case study).
Housing People of Zimbabwe Killian Munzwa PO Box CY2686 Causeway Harare, Zimbabwe Tel 263 4 79 73 9610 Fax 263 4 73 9610	HPZ has a housing program where members make weekly or monthly contributions into a trust fund, which are then invested to hedge against inflation. Funds are then directed towards the purchase of land parcels. After land acquisition, the construction of housing can occur in several ways. Members can start saving in a similar fund and money is invested for housing construction, or they build houses, providing sweat equity. Another option is to obtain short-term credit from contractors using land as collateral, provided members can show that they have some savings; the funds used for housing construction are repaid over one to three years. Or, group members can get together and initiate a revolving fund that can be used by each member in turn to build a core house.

FINCA Uganda/Malawi/Tanzania Fincaafr@starcom.co.ug (local affiliate) Michael McCord, Mary Margaret Nansubuga, Credit Manager Ftoomey@sukumanet.com (Africa affiliate) Fran Toomey Finca@mail1.starcom.co.ug (Africa affiliate) Peter Okaulo Finafric@infocom.co.ug (Africa affiliate) Clare Wavamunno	FINCA Africa has initiated a process of a potential partnership with Habitat for Humanity, by investigating the feasibility of operating Habitat's mission from within FINCA's program, and the design and costs of the houses to be built. In essence, the partnership would be structured so that Habitat builds the houses and uses their system through FINCA's offices. FINCA, in turn, would collect the repayments and pass it to Habitat. Their loans, usually of about $100, are not enough for housing needs, but the Finance Company of Uganda supplies housing loans of $10,000 as a conduit for a low-cost housing scheme.

ASIA	
GRAMEEN BANK Khalid Shams, Executive Director, Fax. 011 880 2803559 Chitra Aylar 202.628.3560 1709 New York Avenue, Suite 101, Washington DC 20006 USA	Grameen Bank was established in 1976 as a rural bank that provides credit and organizational help to the poorest of the poor, with women comprising 94% of borrowers. The bank substituted group responsibility and peer pressure to replace traditional collateral requirements. Grameen Bank introduced low-income housing loans in 1984 as part of its social development program, through the same structure as the income-providing loans. The bank educates borrowers about money management and small-scale economic development and then avails small loans, not exceeding US$20 per household for the first loan. Upon timely repayment of these loans, borrowers become eligible for larger ones, culminating in housing loans of US$300. As of May 1999, Grameen had helped build more than 500,000 houses. "With that $300, a family can build a house with a tin roof, concrete columns, and a sanitary latrine that, by Bangladesh standards, feels like a royal palace," comments Muhammad Yunus. Housing loans are offered to individuals who are required to sign individual pledges and also obtain signatures from all members of their center. Borrowers are required to make repayments over a 10-year period. The repayment rate is 98% (see case study).
SEWA-INDIA Mirai Chatterjee Fax. 011 91 79 550 6446 Ms. Ela Bhatt, Chairperson 91 79 657 6074	Shri Mahila SEWA Sahakari Bank was formed in 1974, as a co-operative bank owned by shareholding members of SEWA. These are self-employed women with very low-income levels, who have little to no savings or assets. The Bank of India, which supervises SEWA Bank, determines interest rates on loans and deposits, areas of operations, and the proportion of deposits that can be loaned. SEWA Bank offers a three-year housing loan of up to Rs 25,000. The loan is repaid monthly and is charged an annual interest rate of 17%. While no traditional collateral requirements are in place, one co-signor is needed for loans under Rs 2,000, and two guarantors are required for larger amounts. SEWA Bank estimates that nearly half of its loan portfolio is invested in housing. Housing loans, typically ranging between Rs10,000 and Rs25,000 and with monthly repayments between Rs500 and Rs1,000, have allowed members to replace their former shacks with permanent housing, some of which have three rooms. While this amount represents significant payment for women whose daily income ranges between Rs60 and 100 per day, many pay off their loans in less than the required three years (see case study).

CARD FOUNDATION-Philippines Annie Alip CARD@msc.net.ph #20 M.L. Quezon Street City Subd. San Pablo City, Philippines Tel. 6369 582 4309/7772/6560 Fax.6349.562.0009	CARD's mission is to provide micro-credit to at least 150,000 of the poorest rural women. All of the organization members are females, 95% of whom are below the poverty line. Membership requirements include a per capita income not exceeding P500 per month, total marketable assets less than P 50,000 and no regular job. A required savings system is in place: clients must make a weekly contribution and deposit 5 percent of their loans in a common fund. Training of at least 24 hours is mandatory and covers issues of group formation, program procedures and values, as well as how to make project proposals. In addition, members willing to accept the role of program representative in the community receive training on local banking work and new members' mobilization. An average first loan is P 1,909 (US$50), and is charged an annual interest rate of 20%, in addition to a 4% service fee. First loans are repayable over 25 weeks and second loans, of larger sums, are repaid over 50 weeks. Loan application requirements include a project proposal, the group/center approval, and a project inventory. CARD offers 5 major loan products: micro-enterprise loans; loans for larger business; housing loans for the purchase of a house, lot and/or consumer durables, or for improvement of an existing house; a multi-purpose loan for health, education and social activities; and the Loan Acceleration Program, a larger line of credit for more advanced enterprises. In 1997, CARD formalized their micro-lending programs into a formal rural bank (see case study).
SPARC (Society for Promotion of Area Resource Centers) Sheela Patel sheela@sparc.ilbom.ernet.in	A group of community members join savings schemes to accumulate the necessary funds to jumpstart the process. They then stage a demonstration to leverage support from public officials: a group gets together and builds houses from cloth in a ceremony intended to demonstrate to public officials their solidarity and capacity for organizing themselves into formal groups. The South African Homeless People's Federation has emulated their model and conducted similar demonstration ceremonies.

Payatas Scavengers Foundation Father Norberto, Vmsdfi@infor.com.ph Vincentian Missionaries Social Development Foundation, Inc. 221 Tandang Sora Avenue, Quezon City PO Box 1179 NIA Road, Philippines Tel. 632.455.9480 Fax. 632.454.2834	This foundation was formed in 1993 with the assistance of the Vincentian Missionaries Social Development Foundation, who organized the scavengers working on the 15-hectare dumpsite. A micro-lending scheme, adapted from the Grameen Bank model, was started with support from several donors. The small loan scheme operates as an informal community bank, without the obstacles that hinder the poor from accessing formal banks. Financially, the program relies heavily on internally generated funds obtained from compulsory savings; however, groups determine the pace according to their savings capacity. In the beginning, the program provided micro-enterprises loans only. It then expanded to offer loans for emergencies and other needs such as health, education, and emergency house repairs. By the end of 1998, they had embarked on a land and housing initiative and developed a savings scheme to finance their programs. The first steps of the project, called the Payatas Scavengers Cooperative Housing Project, are land identification and housing design. The project encourages interaction with other communities to share methods in the learning process. They currently are organizing a housing savings scheme, in parallel to their ongoing savings and credit schemes for income-generating activities and welfare. Communities use their savings to leverage loans with which to buy the land that they occupy. They are beginning to be recognized by landowners and by the National Housing Authority. They are also seeking to establish links with international federations of homeless savings groups (see case study).

LATIN AMERICA	
BancoSol Bolivia Juan Domingo Fabri, Marketing chief jvilla@bancosol.com.bo	BancoSol, founded in 1992, offers micro-loans for small enterprises at annual interest rates ranging from 25% to 35%, whereas loans from commercial banks are charged 15%. The bank's experience showed that micro-entrepreneurs need immediate loan availability rather than low interest rates and are willing to pay the premium on interest rates for the immediacy of the loans provided without any collateral. This bank's premium is due to fixed costs and covers the technical assistance it provides. BancoSol, which did not have a specific loan program, plans to start one at the end of 1999.
Banco Solidario Ecuador Maya Alexandresco Correa, Technical Assistant bcosolid@ecnet.ec www.solidario.com.ec	The bank was founded to serve the 70% of the economically active population that has difficulties accessing credit from traditional financial institutions. Clients are small businesses, micro-businesses, family businesses, and solidarity groups, as well as urban and rural self-employed. The bank is currently initiating a housing loan program that offers credit for the purchase of serviced sites, housing construction, housing improvements and expansion.
FUSAI (Fundacion Salvadorena de Apoyo Integral) El Salvador Samuel Ayala, Credit Manager Tere de Aguilar fusai@itinet.net	FUSAI, a private non-profit non-partisan organization, was founded in 1993 with the goal of participating in economic and development projects. Its mission is to support projects that aim at alleviating extreme poverty through the socio-economic integration of the marginalized populations. FUSAI offers micro-credit for the construction of low-income housing in a way that capitalizes on a government subsidy program granted to the poorest families. FUSAI granted $1,886,100 in loans, of which 37% went to housing improvements and additions: the remainder, invested in new organized settlements, reached 22 new communities and contributed to the construction of 2,184 new houses.
Genesis Empresarial Guatemala	Established in 1998, the overarching vision of Genesis Empresarial is to improve living conditions for the rural poor in Guatemala. In line with that vision, Genesis offers its rural constituency group loans and technical assistance in two fields, micro-enterprises and infrastructure retrofitting. The institution also offers micro-enterprise loans for individual clients, provided that they have a guarantor with full-time formal employment. In over 10 years, the institution has reached a total of 23,500 clients through a network of 38 branch offices (13 major centers and 25 mini-centers) in Guatemala city and 16 other localities. Of these, more than 10,000 in more than 200 communities were served by the infrastructure loan program (see case study).

PRODESI Guatemala Rodolfo Juarez prodesi@guate.net	PRODESI has been operating in the field of housing finance for several years. Its loan program is flexible and can be used for renovations and for new construction, as long as the use of funds remains within the loan amount.
FONDESURCO Peru Ricardo Munoz Hurtado Executive Committee descolca@interplace.com.pe	Despite offering housing loans, the institution has not encountered a large demand: they have only granted about 10 loans for the improvement of rural inns. The reason for the low demand is that the government has two large housing finance programs, FONAVI and Banco de Materiales, which have very high default rates.
ACODEP Nicaragua Armando J. Garcia. President acodep@tmx.com.ni	The institution just started a housing program.
FUCAC Uruguay Javier Pi Leon, General Manager fucac@adinet.com.uy	The institution gives loans for housing improvements.

RESEARCH FROM SECONDARY SOURCES

ASIA	
Women's Thrift and Credit Co-operative Society Sri Lanka	The housing loan program has developed partly in response to the need for housing improvement and partly due to the close link between housing and business development: indeed, many of the female members operate home-based enterprises. The program began with 10 loans in 1992; by 1994, about 50 loans had been awarded to different members of the credit union. Only those who have successfully managed small enterprise loans are allowed to access housing credits. There is a maximum loan balance of US$300 per member. Recently, additional capital has enabled an increase in the number of loans offered.
The Activists for Social Alternatives India	Their mission is to alleviate poverty and uplift poor women and children toward financial sustainability, expand the accessibility of micro-credit and strengthen the linkages through national and international micro-finance institutions. The organization has served the Tamil Nadu region in India since March 1993. There are now 2,733 borrowers, all of which are females. All first-time borrowers are below the poverty line, as defined by a housing index (a thatched hut or small rural house with mud walls), have an annual income of less than 4450, and assets less than 1.5 acres of dry land or .5 acres of wet land. There is a mandatory training course for 2 months. Members must save money and be a member of the organization to access credit. The institution is owned and managed by representatives of its membership. Housing loans and seasonal loans are given as a second or third stage loan, contingent upon timely repayment of the first loans.
The Human Development Foundation Sri Lanka	The foundation's mission is to eliminate gender discrimination and to empower females through sensitization and promoting their participation in primary income-earning activities. In addition, it seeks to improve the socio-economic and health standards of low-income families through the development of entrepreneurial capacity among rural poor women and unemployed families. All borrowers are poor females, whose family income does not exceed US$25 monthly. Members must contribute to a group savings fund, and purchase shares of Women Development Societies. Clients must attend training programs and are required to demonstrate a savings pattern prior to obtaining a loan. The general loan amortization schedule is over three months, but may be longer for housing loans.

Negros Women for Tomorrow Foundation, Inc. Philippines	This organization was begun in 1989, and now serves 8,366 borrowers. Its mission is to empower the poor women of Negros, Philippines, by providing a special credit and savings scheme and promoting the values of discipline and hard work, thereby improving their quality of life. 100% of borrowers are female, and 95% of the first-time borrowers are below the poverty line. To determine the level of need, the organization takes into consideration the following measures: house index, income index, and personal savings. Clients are required to participate in training programs before becoming members and also take part in a health/nutrition seminar. There are also workshops available in environmental concerns, skills training, and food processing. Group lending is the norm, and the average loan period is one year. Housing repair loans are the most common housing-related loans and are given after borrowers have a proven track record of repayment. Loans of under $380 are provided over 25 weeks at an interest rate of 34% and a service charge of 2%.
NGO Revolving Fund Philippines	To make up for some of the inadequacies in the government-funded Community Mortgage Program, several Filipino NGOs came together to manage a revolving loan fund to support housing projects for low-income communities. To date the fund has provided 5,500 families with P36.2 million (US $1.4 million) of pre-finance, thereby enabling them to access government funds equal to over 10 times this figure. The revolving fund is used for a number of activities including pre-financing Community Mortgage Program projects for the acquisition of lands. The release of government funds takes about 6 months and therefore cannot be used to purchase private lands whose owners require immediate cash payments. The funds are also used as equity or counterpart funding for government loans and for shorter-term loans for land or housing acquisition. Community savings, averaging about one-third of the funds borrowed, have contributed to the revolving fund.
Federation of Thrift and Credit Cooperative Societies (Sanasa Federation) Sri Lanka	This program, started in October 1991, has now 85,000 borrowers, of which 70% are females. 30% of first time borrowers are below the poverty line, that is, with monthly incomes less than US$25. Clients must attend monthly training programs and must save in order to receive loans. The mission of the organization is to improve living conditions of poor families by granting them credit primarily for self-employment; electricity loans and housing loans are also provided.

Squatter and Urban Poor Federation Cambodia	Housing is a major concern for squatters in Phnom Penh, but land tenure has been a critical obstacle. Seeking to better understand their housing needs and options, members of the Federation came together in 1997 to design their own houses and showed their designs to other community members, NGOs and municipal and state officials. Later in the year, the governor responded by offering land to the 124 families, members of the Toul Svey roadside community. Recently, the community has shifted their savings into a housing loan fund, established with contributions from the Squatter Urban Poor Fund, the Asian Coalition for Housing Rights, Shack Dwellers International and the municipality. Finance for infrastructure development was earmarked by the United Nations Center for Human Settlements at the end of the year. In addition to a job creation component, the community is to receive training and capacity building to enable people to collectively build their houses.
The Group Land Acquisition and Development (GLAD) Program Philippines	GLAD offers collective loans for land purchase, site-development and housing construction. Funds are provided by the Home Development Mutual Fund (HDMF), a nation wide-savings system that mobilizes funds from mandatory contributions paid by formal-sector employers and employees as well as small savings. HDMF uses the funds to generate long-term loans to meet housing finance needs of its members. Loans are given directly to the owner of the land to be purchased by the group. Loans remain a collective liability of the group until the completion of site development, which should not exceed two years from the date of the loan release. During this time, officers of the association are responsible for collecting monthly repayments from individual beneficiaries and remitting them to HDMF. The default rate is high, estimated at 20%.

Urban Community Development Office of Thailand: The People's Bank Thailand	The People's Bank, established in 1992 in response to the growing inequality within Thailand, is a government-sponsored organization which provides credit for slum-dwellers and the urban poor for income-generating activities, as well as obtaining adequate housing with secure rights. The office provides wholesale loans to qualified savings and credit organizations to on-lend to individuals. To be eligible, a group must have been involved in savings activities for at least three months and demonstrate a clear management structure. Financial products include: general purpose revolving loans to meet immediate household or community needs, repayable over five years; income enhancement loans for 5 years for equipment and working capital; housing loans for up to 15 years maturity to finance group housing projects including land purchase; and non-project housing loans for up to five years. Housing loans account for the highest share of funds loaned. All members of a community or a savings group must co-guarantee a loan.

AFRICA	
Build Together Program Namibia	Build Together is a government-sponsored housing loan program for low-income households. It operates through a settlement-based Community Housing Development Group, which identifies individual households and offers loans for housing development and improvement.
Family Finance Building Society Kenya	The Family Finance Building Society is a small community-based financial institution which targets the farming community who, due to the seasonality of crop payments, have a large portion of their household funds tied up until a certain time of the year. The Society works in conjunction with the Kenya Entrepreneurship Promotion Program through a program called Credit Link, offered for female entrepreneurs who operate businesses in the markets or who desire to start an enterprise but lack financing. Collective loans made to female groups do not require collateral, while other loan products do. However, FFBS is flexible on the type of collateral, which can include vehicles, machinery, savings, salaries, household goods, etc.
Co-operative Bank of Kenya, Ltd. Kenya	The Bank was established in 1965, when coffee growers were ignored by commercial banks. Its purpose is to provide savings and credit services to small and micro-businesses. It operates two micro-finance agencies in Nairobi and two pilot branches in Maro and Karatina, offering micro and small enterprise owners credit for income-generating activities as well as for housing purposes.

LATIN AMERICA	
FIE Bolivia	FIE estimates that 20% of its micro-credit for small enterprises goes to home construction and expansion. For this reason, FIE is now interested in developing a new line of micro-credit specifically to finance housing.
PRODEL Nicaragua	Since its inception in 1993, PRODEL has been working to improve living conditions and social development of low-income groups, especially female-headed households and residents of blighted communities. The program offers individual housing improvements and short-term loans. The agency does not implement projects but rather supports other agencies to do so, including municipal authorities and community organizations. Housing loans are offered to those living within the program's target areas and are sufficient for small-scale upgrading and repairs such as building new roofs, improving floors, adding a new room or a kitchen. Loans are calculated on the basis of the maximum repayment capacity, estimated at 15 to 20% of household income. Loans average US$600 and are charged an annual interest rate of 24% over a 4-year period with flexible collateral required. By 1997, 2,000 loans have been awarded, 68% of which were given to females. Technical assistance is also offered to enhance the quality of housing improvements.
PROA El Alto, Bolivia	PROA channels funding for Mutual La Paz towards home improvement loans. Through a land regularization program created in 1993 to give people adequate security for a loan, PROA has in just three years channeled $3,883,883 million to 775 borrowers. The loan amounts averaged $3,750, and are geared towards construction costs. The terms range from five to ten years according to the borrower's ability to pay, and repayment amounts range from $25 to $50 per month. One limitation of the program is its reliance on available funding from one major institution: if Mutual La Paz terminated funding, PROA's housing program would have to be shut down.

Casa Melhor Fortaleza, Brazil	By 1997, this program in Fortaleza, Brazil, had reached more than 1,500 families. By 1998, the program had reached 7,000 households. The key features of the program include: (1) offering loans to both formal and informal sector employees; (2) no land property title is necessary to secure a loan: a "right of use" or a "squatter's right" is considered adequate; (3) the residents' association plays an active role throughout the process; (4) the program includes social, technical, and financial support. Three possibilities are being explored to expand financial opportunities for housing. These include: (1) setting up a city-wide municipal fund which could serve as a reference point for interested authorities; (2) setting up an independent peoples housing fund, managed by the residents' associations and community organizations involved; (3) creating a community and municipality bank for popular housing.
Diaconia Bolivia	This organization has been operating a revolving fund for 9 years. Loans ranging from US$500 to US$2,500 can be used for housing construction/improvement at 2% monthly interest over a 2-year period. Credit is also provided for micro-entrepreneurs at a 2% monthly interest for periods ranging between 8 months and 2 years.
FOSOVI Mexico City, Mexico	This program uses financial incentives in operating housing loans: no interest is charged if repayment schedules are maintained, but in case of delay, the central bank interest rate is charged. A sub-program called the Programa Integral de Mejoramiento Habitacional Urbano (PRIMUR) is designed to improve the quality of life through micro-loans and technical assistance for low-income families living in infrastructure- and/or service-deficient, inadequate housing.
Fedevivienda and Housing Programs Colombia	As part of its mission and campaigns to change housing policies in Colombia for the benefit of the homeless or those living in inadequate housing, Fedevivienda has become involved in housing loan programs in order to demonstrate an alternative strategy for delivering effective housing support to the poor.
Alternative Municipal Finance for Home Improvements Fortaleza, Brazil	In Fortaleza, capital of one of the poorest Brazilian states, new approaches to housing and income-generating financial systems have been experimented with since 1988. These new approaches have resulted in the introduction of grants to match savings schemes, and loan financing strategies for housing improvements (one of which is Casa Melhor).

Barrio Improvement Programs Venezuela	Housing NGOs such as the Fundacion de la Vivienda Popular (FVP) help organize community groups and channel small amounts of government funding to them. These community groups make small loans (from $500 to $2,000) to households for 2 to 5 years, in the form of building material receipts. Families pay according to their ability, usually between US$25 and US$60 per month. Peer pressure from other community members waiting for the borrowers repayments to access credit has played a large role in the excellent program performance.
CABEI-Central American Bank for Economic Integration Central America	This organization gives loans to small and mid-sized enterprises and provides technical assistance through intermediary financial institutions. Their work includes integrated rural and urban development, health, education, nutrition, environmental consulting, housing, and capacity-building in management. Priority is given to projects with a direct impact on poverty alleviation and sustainability of the target population. The organization also deals with urban improvement and housing service for low- and middle-income groups. Its clients include governments, autonomous decentralized or centralized institutions, private investors, private banks, state banks, financial institutions, micro-, small- and mid-sized enterprises, municipalities or town councils (through financial intermediaries) communal or development societies, regional or Central American organizations, and NGOs.
ACCION International	Accion and its network of affiliates have since 1973 loaned over US$1.7 billion in loans averaging about $600. Over 1.4 million entrepreneurs, over 60% of whom are women, were assisted. In Latin America, loans start as low as $100. ACCION has played a key role in the creation of a number of commercial institutions, including Mibanco in Peru and Finamerica in Columbia. ACCION affiliates serve 76,000 low-income entrepreneurs and have had indirect impact on housing conditions through increased employment opportunities and higher income earned.
Cobijo Chile	One of Cobijo's current projects for the lowest-income groups is a revolving fund for families unable to save the amount required to enter the government-sponsored Progressive Housing Program. The revolving fund gives loans to support collective initiatives: funds can also be used for the required savings contribution.