

ECONOMIC AND SOCIAL COMMISSION FOR ASIA AND THE PACIFIC

**Urban Community-Based
Savings-and-Credit Systems in Cambodia,
the Lao People's Democratic Republic and Viet Nam**



UNITED NATIONS

ECONOMIC AND SOCIAL COMMISSION FOR ASIA AND THE PACIFIC

**REPORT OF THE
REGIONAL WORKSHOP ON WOMEN IN
URBAN LOCAL GOVERNMENTS IN SOUTH ASIA
ALLAHABAD, INDIA**



UNITED NATIONS

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I. INTRODUCTION

The need for the present publication was noted during the implementation of the UNDP-funded Urban Management Programme Asia-Pacific (UMPAP). UMPAP is an inter-agency initiative to address the growing challenge of the urban environment and poverty by strengthened urban management capacities. It aims to promote cities that are socially just, economically productive, ecologically sustainable, politically participatory and culturally vibrant. The programme is managed by UNDP, ESCAP, and UNCHS. The present publication is based on information collected through this network of UMPAP partners.

The following publication has the following goals:

(a) To document the community-based savings-and-credit initiatives in Viet Nam, the Lao People's Democratic Republic and Cambodia; their mechanism and present situation;

(b) To describe some key issues regarding urban community-based savings-and-credit initiatives in Asia;

(c) To develop suggestions for strengthening the existing schemes backed by a comparative analysis of the trends in the three countries.

Savings-and-credit schemes are being recognized as an effective medium to reach the poor. In the entire Asian region, savings-and-credit schemes have been formed in both rural and urban areas. Witnessing the success of different savings-and-credit schemes, international agencies and donors have started to pay special attention to them. Many Non-Governmental-Organizations (NGOs) are providing micro-credits as means to promote the concept of community development. They have been exploring how to institutionalize and mainstream them as a measure to alleviate poverty. Both NGOs' micro-credit programmes and community-based savings-and-credit initiatives are designed to address the gap caused by the reluctance or, inability of formal sector institutions to reach the poor.

After decades of war and internal conflicts, the focus of development assistance to the Indochinese sub-region is on the reconstruction and infrastructural development. Programmes on micro-finance by NGOs and international organizations are implemented to improve the livelihood, namely the social and economic base of daily survival.

The concept of community participation and community-managed development is still new in the sub-region. In this context, community-based savings-and-credit schemes have additional implications through mobilizing and strengthening community participation.

In community-based savings-and-credit schemes, communities play the central role of planning and management of the process. They can often become a breakthrough point and spark off other initiatives to improve the living conditions of the settlements. Although community-based initiatives are still new in these countries, they share many common features with those in other Asian countries. At the same time, through exchanges and training programmes, the know-how from countries which have advanced experiences in the area are pouring into the sub-region. The Indochinese experience could be therefore be described as the melting pot of experiences of the region. The process of community participation and community-managed development taking root in Indochina goes parallel with the development of

savings and credit initiatives. By documenting current initiatives in Indochina, It is possible to grasp the essential components of the mechanism of savings- and-credit as an effective contribution to urban management. Particular emphasis is put on the following aspects;

(a) Community savings-and-credit initiatives as an entry point to broader and more comprehensive development issues in the community;

(b) Community savings-and-credit initiatives as a basis for generating discussion on other matters at the community level;

(c) Community savings-and-credit initiatives as a tool to mobilize and generate resources in the communities

This publication is aimed at professionals and students in the field of human settlements. It also aims at providing policy-makers with ideas on how to develop effective linkages with community-based schemes and how to upscale them

The case studies from Cambodia, the Lao People's Democratic Republic and Viet Nam focus on the following aspects;

(a) The organization and management process;

(b) The community banking system and networking with other NGOs and CBOs;

(c) Interest rates;

(d) Partnerships/relationships with Government Organizations (GOs) and NGOs;

(e) Leadership;

(f) Women's participation;

(g) Environmental activities.

II. SAVINGS-AND-CREDIT AS A REGIONAL TREND

This part is based on information collected during the regional workshop on savings-and-credit (September, 1996), which was organized by the Asian Coalition for Housing Rights (ACHR) in Bombay, India. The workshop brought together different groups from six countries active in savings-and-credit. This was an opportunity for dialogue about their common issues and activities.

A. Keys to the expansion of savings-and-credit

Savings-and-credit initiatives have become a trend both at the regional and global level. The issue of "mainstreaming" savings-and-credit has been actively discussed among development agencies. The key to expanding savings-and-credit to a large scale operation can be summarized in the following points

- (a) There is no need for a sophisticated system;
- (b) Experience of dealing with money helps communities (especially women) to develop skills in dealing with other issues in their daily lives such as slum eviction and housing.

In addition, savings-and-credit schemes helps the urban poor to alleviate the need for money lenders and provides access to credit.

B. Initiating and developing savings and credit

The essence of the urban community-based savings-and-credit schemes is community participation. The systems have been developed to fit the lifestyle of the urban poor. They are designed by the poor, for the poor and managed by the poor. Community-based schemes develop incrementally. The system grows and evolves with the process. It grows out of the daily life in communities. In other words, the initiatives evolves around the common issues and needs of the communities. In the process, the activities provide a platform to share and discuss the issues perceived as important in the communities. Savings-and-credit activities are used as a penetration point for mobilization of communities for broader development issues.

Following are the stories of community leaders from Sri Lanka, South Africa, Nepal and India. Community leaders tell how their savings-and-credit schemes started.

Box 1. Sri Lanka: The birth of the Women's Bank

Mr. Nandasiri Gamage is the president of Praja Sehayka Sewaya -PSS, Women's Bank in Sri Lanka.

PSS is a community-based NGO run by community leaders. Leaders are elected by the people. PSS assist women to be organized as Women's Bank. Women's Bank has membership mainly in urban communities of Colombo and surrounding areas. Recently the network extended to rural areas. Nandasiri explained that he was searching for a good way to solve problems in urban poor communities in Colombo. He was working as a social worker. In 1989, he joined the NHDA/UNICEF programme to form women's groups. At the initial stage of the women's groups activities, people were depositing the money in the group's bank account. Since the credit procedure was cumbersome, the money was just lying in the bank. People discussed the matter and decided to pull the money out from the banks. Saving started in mid-September, 1991 and by December 1995, seasonal workers from many communities joined the group. The initial intention to form a group was to get rid of money lenders.

Community leaders working with PSS feel that the system they have developed is suited to Sri Lankan people, as it has come out of the process in Sri Lanka. The system was developed and decided by the poor. In the Women's Bank the interest rate for a housing loan is 25 per cent, which is very high for the poor, but this was the members' decision. Nandasiri feels that formal banking system and its procedures are unsuitable for poor people. People needed a system to be more accessible and easier.

On the role of PSS, Nandasiri said, "From the beginning we thought of educating sensitizing people in socio-economic issues, and to promote their skills in accounting and management such as how to keep accounts, how to handle money, and how to mobilize the resources. PSS remained a trainer and did not assume the position of questioning people about their money. As long as people needed PSS, they were ready to help."

On the matter of interest rates he says, "Interest protects the value of money. If the commodity value remains stable, the interest is not necessary. In Sri Lanka, the value of the rupee is falling. This is why a good interest rate is needed to protect against inflation."

The principle of the PSS is maintained in its working relationship with the communities. It is kept as open and transparent as possible. Through this relationship, capacity is gradually built in the communities. This encourages the communities to play bigger roles and create a good space within which to work and cooperate. A communal spirit emerges from groups sharing a common goal

Savings-and-credit system are regarded as an effective entry-point to strengthen communities. People have many everyday problems and by engaging them in daily savings and credit activities they are brought together and given the opportunity to discuss and solve any other problems or issues.

As new leadership emerges, it is expected that they should be honest, trustworthy, active and able to listen to others.

The following are some accounts from women who participate in savings-and-credit schemes .

Box 2. Sri Lanka

Ms. Kamala Rupasingha, manager of one branch of Women's Bank, Colombo.

"I came to know that the Women's Bank system would suit poor people. The groups were formed among the people living in the proximity. We started to save by Rp.5 and kept all the records. In the weekly meeting , we discuss all issues concerning housing, sanitation, education and other matters of daily life. We do not feel shy because we know each other, we know what we are talking about and we feel that we are equal. In Sri Lanka, women are allowed to move around in the communities because of this group system. 21 groups joined our branch. The groups are formed voluntarily and members from outside the groups can also get to know how the group is working."

Box 3. South Africa

South Africa, Ms. Rose Molokoane, Convenor, South African Homeless People's Federation.

"We became familiar with savings-and-credit schemes through the Mahila Milan scheme (a group of women pavement dwellers and slum women in Bombay) during an exposure visit to India. At first we were not sure whether it would work for us or not. Then MM showed us how to save. People had to get used to the concept gradually Now, if a woman leader does not go out collecting, people in the town come to her to ask why she has not been to their houses. The way I got the information on the group is from a neighbour. A group of women came together to save money. I was shy because I was not used to talking to people in groups. At first I went to satisfy my neighbours and did not feel comfortable at the meetings. But people encouraged me to come, saying that my presence meant a lot even if I did not speak during the meetings. The chairperson invited me to talk; in this way I slowly built up my confidence."

Box 4. Nepal

Ms. Saraswati Dhungana, a member of a savings-and-credit group in Kathmandu, Nepal.

"Three people asked me to join a savings group. I asked the coordinator of the group what type of people we needed. She said that we needed a group of women from our area. I would only trust my friends and they said they trusted me At first five people came to save the money and then it expanded to 16 people. Our community is facing eviction. There is a plan to construct a public park by the riverside. We organized a meeting and other people got to know what had been discussed. Then the members of the group increased. "

Box 5. India

Ms. Laxmi, "Mahila Milan".

Initially we did not know how to save. Whatever we earned, we spent. We started by saving 50 paisa (= US\$ 0.014). At that time, an order from the supreme court came with an eviction notice. I started to go out of the house to talk about what we could do. We thought that we should go. I heard that at that time a social worker was working with some women from the pavements. So we thought that we should go and see what they were talking about. The social workers were women. They were going to help us, not by giving us money but by advising us on our options. Other women started to ask what was happening in the meeting. We realized through our discussions that the government was not going to help us by giving money, so we needed a different plan. There is no easy way to heaven. We need to struggle and take pains one way or another."

The same woman told us that eventually her group Mahila Milan started credit activities. The beginning was rather accidental but inevitable. "When we set up the group, we started by saving and decided not to give credit. When I saved up to Rp.80, my husband fought with a neighbour and got caught by the police. I did not have the money to bail him out. I consulted others and whether I could get the amount of Rp.100. The group decided to lend it to me. This was the beginning of the credit programme. If any small things are needed, the money is lent to the members. Rp.1 is a service charge for Rp.100. This has gradually spread the credit activities as people have gradually developed trust in the group."

C. Savings

It is common to see regular savings in the existing saving activities of the region. Daily and weekly savings are popular. Saving activities are regarded as a platform for dialogue to share and solve problems that concern their daily lives. Saving activities provide opportunities to get to know each other better. To save daily or weekly is easier than saving the same amount on a monthly basis. Transparency in sharing and solving problems is common to the existing initiatives in the region.

Collection styles differ from scheme to scheme. In some schemes, savings are collected through group meetings. In other schemes, community leaders collect by visiting their members. Both styles have their own merits. Collection by meeting provides opportunity to share the problems in an open manner. Whereas individual collection makes members more free to talk about problems in private than in meetings.

One should also take note of the aspect for capacity and confidence building through saving activities. It builds up the belief that poor people can save and handle money. A community leader active in savings and credit scheme says, "The money should be mobilized or money should mobilize the people to bring people together through savings-and-credit. Money should be collected and mobilized in a useful way. There is no question of protecting the money; it should not be stuck, but keep circulating"

D. Credits and loans

The motivation for saving lies in the mobilization of funds for future utilization. Credit and loans go hand in hand with saving. There are various reasons for taking out loans such as; income generation, starting small enterprise, and house renovation. Loans for emergency needs such as medical care, education, family events and funerals are widely known. Different schemes have developed their own loan

guidelines. Basically loans are given to the members who have saved regularly and have participated in activities for a certain period of time. In many cases the size of the loan is a multiplication of the amount saved. The group assigns a treasurer who is responsible for collecting money and gathering information on why the loan is needed and by whom

Box 6. Women's Bank's Credit Programme

Mr. Nandasiri Gamage explains how the Women's Bank started the credit activities.

"Credit programmes started gradually as people wanted to expand it. Little by little people changed the size of their loans. They did not have a plan, but through daily practice, they came to know what was necessary and possible. So at a certain stage, our lending got fixed at Rp.500 per person.

We used to open separate accounts in different banks. At one point we calculated how much money was around. We found that it was better to put all the money into one place, by having a small community bank (credit union) then we were able to issue loans. By February 1992, we were giving credit of Rp.1,000 per person for groups of eight."

In the case of Women's Bank, decisions on loans and the conditions are made in group leaders' meetings. Rp. 5 per month for compulsory saving and Rp.10 per month for a welfare fund. Group leaders attend group meetings once a month to discuss and decide on loan disbursements. Members hold group meetings where they can raise questions Any unavoidable loan defaults are covered by the welfare fund.

E. Interest rates and repayment

Interest rates for savings and credit vary from scheme to scheme. In most cases, interest rates do not differ much from market rates.

There are two points that make savings-and-credit schemes different from commercial banking facilities. Firstly, savings-and-credit schemes provide easier access to credit. The systems are simpler and are more suitable to the lifestyles of the poor. Secondly, the control of the resources rest with its members and so does the profit gain.

For example in Sri Lanka, money lenders ask for 20 per cent per month or over 240 per cent per annum. in comparison, the rate of the Women's Bank is lower. The Women's Bank therefore provides an alternative to money lenders. When money is borrowed from money lenders, the interest is lost to them, whilst interest from community credit returned to its members and revolves. A net profit of 23 per cent per annum is shared amongst shareholders The interest gained is accumulated as a common share fund.and thus remains as profit for the community

The Urban Community Development Office (UCDO) in Thailand has an interest rate for loans that does not differ much from the market rate. This is because UCDO adds a few per cent of interest rate to be kept at the community level to cover the cost of administration. Repayment is managed through group responsibility. If some members are late in repayment, other members and leaders try to understand the problem and resolve it within the groups.

F. Organization and management

Organizational growth and management systems depend greatly on the quality of community participation. Thus, it is important to develop a system which is transparent and straight forward. Flexibility is also an important factor in order to allow the management system space to adjust and incorporate the change and needs which arise from the people. The decision-making process on loans and problem-solving mechanisms become more accountable and able to by overcome the difficulties in a participatory manner. Dominant leadership tends to hinder this growth process. Each scheme is rooted in its particular local context. The essential factor which sustains the schemes is that each management system is developed to enhance people's participation which is reflected in the system. The utmost priority is to provide urban poor communities with the access to credit while, at the same time building up their capacity and confidence. This eventually leads to the scheme's holistic growth and strengthens the urban poor as actors of urban development.

Exchange programmes within the region and exposures to different schemes have proved to be an effective training measure which strengthens management skills and refines systems contributing to the improvement of the management systems of the savings-and-credit schemes.

Box 7. Organizational growth of Women

Again, Mr. Nandasiri Gamage, one of the founders of the Women's Bank recalls how the Bank was established as a people's organization.

"As the group grew, some people thought of the legal entity. Twenty people decided to register as a credit union under the Department of Cooperatives. After the registration of Women Thrifty and Credit Union, many communities in Colombo got to know about us. All the money from various communities came to the centre. We thought that it was not wise that all the money be controlled by one organization, it would be better to decentralize. Then the branches were set up. As an NGO, we gave leaders assistance in bookkeeping and other necessary training. The centre serves as a training centre for women's banking.

Whatever the system is, the system at the bottom has to be strengthened in terms of developing linkages with others. Grants and subsidy may not help in this case. Collection and distribution of loans are decided at the branch level. The centre is not involved. There are interrelationship and exchange among branches. The centre is a forum. The forum is used to strengthen each branch."

G. Relationship with other actors

Communities' relationship with other actors is a crucial factor for the there are clear distinctions between NGO's programmes and community-based initiatives. Micro-finance programmes are implemented by many NGOs. This aims at providing the poor with access to credit. NGOs get involved with a goal of establishing a system where people can participate and manage. Thus NGOs initiate and facilitate the formation process with a view to pass it over to the hands of the communities they work with. On the other hand, in the case of community-based initiatives, communities take the lead in the process. NGOs get involved in many cases, but their involvement is to provide communities with technical support by way of training and advisory support. The balance in the relationship between communities and NGOs is important. NGOs' playing dominant roles in the process might create dependency

within the communities. The strength of NGOs is to cultivate/identify the poorest of the poor and provide opportunities of empowerment through micro-credit. This is the area where NGOs can be most effective.

There is growing recognition among governments, international organizations and commercial banks of the success made by urban community-based savings-and-credit initiatives. Some governments in the region have started to support the community-based savings-and-credit initiatives by setting up a fund for the poor. Thailand (the case of Urban Community Development Office) and India (RMK-Rashtriya Mahila Kosh fund) are good examples. The National Home Mortgage Financing Corporation of the Philippines has been operating a Community Mortgage Programme (CMP). This provides squatter communities with 25-year loan for land acquisition. Their success in mobilizing and managing the resources in the communities proved the schemes to these governments.

International organizations, donors and commercial banks have started to pay close attention to the community-based savings-and-credit schemes in the region. Micro-finance is regarded as an effective way to reach the poorest of the poor and the high repayment rate is characteristic for these organizations. There are some moves to "mainstream" the savings-and-credit initiatives, the most recent being the Micro-Credit summit which was held in February 1997 in Washington DC under the initiative of the World Bank.

Box 8. The Urban Community Development Office (UCDO) of Thailand

The Urban Community Development Office is an institution which provide savings groups in urban poor communities with loans for income generation and environmental improvement. It is an office of the National Housing Authority of Thailand and established in 1992.

•In 1990, NGOs conducted a research on the urban poor. The research team was composed of representatives of government organizations, professionals, NGOs and communities. In 1992, the Government of Thailand provided US\$ 50 million to set up a fund for supporting the urban poor. The loans are group loans. The types of loans of UCDO are for:

- (a) environment (environment and land acquisition);
- (b) welfare (emergency fund);
- (c) economic development (income-generation and occupational development);
- (d) housing, and savings-and-credit;

There are many causes to start savings-and-credit schemes. One main cause is eviction. Facing the threat of eviction, people have to prepare for resettlement. In Thailand, savings-and-credit is used to organize the communities. There are 2,023 urban poor communities in Thailand with 1.492 million people. Federations of slum community residents have been formed in Bangkok and other cities of Thailand. These federations have played an important part in developing the network among communities. The federation of slum communities in Bangkok started 15 years ago. They have pressed the government for policy change to suit the needs of the urban poor communities. This led to the formation of UCDO.

There are two major characteristics to note in UCDO. One is the management system. UCDO was the first organization to involve communities in the managing board. The composition of the board is; three persons each from Government (NESDB, the Ministry of Finance and the Central Bank), CBOs (communities facing

eviction and communities to be resettled) and NGOs (cooperatives, NGOs/academics and the private sector). NHA's governor is the chairperson and its managing director is the secretary. Decision-making is taken place very much from the bottom.

Another characteristics is the interest rate. The original interest rate from UCDO to the community saving groups is 8-10 per cent per annum. Then the group adds a margin of 2-5 per cent when they distribute the loan to the members. This additional interest remains at the community level to cover the administration and other costs.

Aside from providing credit, UCDO provides opportunities for training in accounting, developing partnership and linkages among different actors such as government, credit unions, communities and NGOs. Seeing the success of UCDO, The Government of Thailand has been considering to use the UCDO model for rural development. From December 1992 to September 1996, UCDO has granted loans to 96 credit organizations, covering 162 communities for about 13,850 families. The value of loans disbursed totals the equivalent of approximately US\$17 million. The repayment rate is about 98.7 per cent.

H. Training and exchange programmes

Training and exchange programme play an important role in the formation and development of community-based savings-and-credit schemes. Exchange and exposure programmes have proven to be an effective training measure for poor urban communities in Asia. Rather than classroom-style training, being exposed to successful experiences can often convince people of the importance of developing community-based initiatives. Information sharing is another advantage of the exchange programmes. By exchanging skills and information, both parties learn from each other.

Exchange programmes are widely organized within and between the regions thus developing 'South-South' linkages. Recently the South African Homeless People's Federation has been promoting exchanges with groups in Asia.

Box 9. People's Dialogue and South African Homeless People's Federation (SAHPF)

People's Dialogue on Land and Shelter is a GO established in 1991 with the aim of facilitating a system of networking among urban informal settlements in South Africa. With the facilitation of the People's Dialogue, this South African Homeless People's Federation (SAHPF) was formed in 1994 by the residents of these settlements. It is an organization without political bias. Since its inception it has established a network at the national level. The federation was formed to address needs in the settlements, especially the housing needs. Housing Savings Scheme was already active when the federation was formally established. It quickly expanded to many cities of South Africa and linked to the federation. Based on the success of the savings scheme, the federation started in 1994 to negotiate with the South African Government. The government agreed to make a grant of 10 million around (US\$2.3million) to set up a fund to disburse credits to the homeless poor. The name of the fund is Outshine Fund. Outshine means "grassroots" in the Zulu language.

One of the factors that strengthened SAPHF is the exchange programme. Through this, people learn and gain information. For example, if one community has a problem, another community can visit them and advise how to resolve the problem. This exchange proved to be effective.

Another form of exchange is a newsletter. SAPHF publishes newsletters both in written and recorded forms. It is recorded on a tape and called "Talking Newsletter". This is useful to obtain information, understand the schemes/activities and develop interest in joining the scheme. What is important in the exchange programme, is that people get to know other communities and also to understand how savings-and-credit is used in other communities. The exchange programme is organized at five levels; the community, the regional, the national, the continental and the international.

Members of savings-and-credit groups invite the entire community to a training programme. Enumeration is done to get the community profile. A House model exercise is also part of the programme. By making a model, people understand better the actual size of a house. Through exchanges, people identify available skills in the community. A building and training information centre was set up along with the training activities. Many activities take place in the centre. Savings-and-credit and other components come together. It happened that government authorities also started to visit daily to obtain information.

III. THE CASE OF CAMBODIA

A. Phnom Penh - city context

Phnom Penh is the capital of Cambodia. Since the general election in 1993, the population of Phnom Penh has been increasing. Repatriates from the refugee camps along the border started to migrate to Phnom Penh. The current population of the city is estimated between 1 and 1.3 million including suburban areas. The total national population is 10,702,000. This represents 12 per cent of the total national population.

According to the survey done by a group of local and international NGOs involved in the urban sector in 1993-1994, there were 187 squatter communities with 20,564 families in Phnom Penh. The urban poor slum population is substantially larger. The number of squatters has increased rapidly in recent years, with a large influx of migrants from rural areas. This migration is due mainly to the unstable political situation and poverty in the provinces. In addition, recurrent natural disasters and the movements of seasonal migrant workers are other causes for this shift towards the city.

Phnom Penh has consistently suffered from an inadequate infrastructure. The infrastructure system from the French colonial time still exists but it is not functioning properly. Basic services for squatter settlements are not sufficient. The largest squatter settlement lies upon the river banks of the Bassac river, an area is prone to the floods, which worsens the hygienic level of the settlement.

With foreign investment and financial assistance by international organizations, the number of urban development projects has increased. This has put squatter communities under the continuous threat of eviction.

The concept of participatory community development is still new in Cambodia. Due to its recent history words such as cooperation, participation, community, and cooperatives often raise negative images among the people. Another factor affecting the Cambodian people is the destruction of trust as secret reporting, treachery and execution were prevalent during the Pol Pot years. Cambodia presently suffers from a huge lack of trained personnel. The government system and documentation such as property documents were also damaged during that time. All these factors have affected urban poor communities. The present unstable political situation is an additional factor.

Following a series of recent events such as the repatriation of Vietnamese forces, the general election and the formation of a newly elected government, the number of local and international NGOs as well as international assistance has increased. Through their intervention, the concept of community participatory development has been introduced slowly into Cambodian society.

Box 10. Ms Tho Thary Block Tan Pas Community, Phnom Penh, Cambodia: “How I started a saving group in my community”

"Some friends came to invite my community to form a saving group. They explained that savings groups aimed at improving the situation of squatter communities. I did not believe their explanation. Then I was invited to observe daily saving activities. Still I questioned the need for saving. As for myself, I am squatting on the government's land and my community will face eviction at any time. I learned that savings was a good tool to deal with eviction. It was at this time when I conveyed an idea of starting saving activities to my neighbours. They were raising questions such as; 'how can you keep money?', 'Can we take out our money later?', 'Who came to tell you to form the group?', and 'How can we save the money?' It was difficult to explain to the people. Some saved 15 days and withdrew the money. For the first three months, only three people joined. By now 60 of 500 families in the community became members, but I do not think it is enough. Up to now I find it difficult to talk to the people. I am trying my best -I visit the houses I try to learn from other communities' experience about the importance of saving money."

2. Actors: government, communities and NGOs

1. Government

As mentioned above, the urbanization of Phnom Penh is a recent trend. It started in 1991. At the national level, the Minister of State for Urban Affairs has been working on issues concerning urban development and restoration of Phnom Penh and other cities of the country. Under the ministry are two departments, the Bureau of Urban Affairs which has been working on a master plan for capital city, and the municipality of Phnom Penh, which has been working in the area of urban planning and infrastructure.

Under the recent administration, as of yet there is still no urban master plan for Phnom Penh. There has been a lack of human resource in many areas of development. The faculty of Architecture and Urban Design of the University of Fine Arts in Phnom Penh resumed eight years ago. It has been the only institute in Cambodia which offers training in architecture and urban planning. Until the faculty resumed, training in architecture was mainly taken up by civil engineering department of the Institute of Technology. Those who finished civil engineering have been offering services in designing, drafting, and supervising the construction therefore in this context, the concept of community participation and partnership is still new to the Government of Cambodia.

2. NGOs

There are 361 NGOs presently operating in Cambodia, 79 of which are presently active in the Phnom Penh area. NGOs tend to be more active in the areas of rural development. Between 1979 and 1989, only certain number of NGOs was allowed to operate. In 1991 when the peace agreement was signed, the ban was lifted. Since then the number of local and international NGOs has increased. Cooperation Committee for Cambodia (CCC) serves as a forum of local and international NGOs and platform for dialogue with the Cambodian government.

UNCHS Phnom Penh Squatter Communities and Municipality Project carried out a study called "A report on the financial services available to the urban poor of Phnom Penh" to be called "the UNCHS Study"¹. According to this study ten NGOs and one CBO have been identified as presently active in micro-finance programmes. Some are savings-and-credit and others are credit programmes. They are: CARITAS-Cambodia; SKIP; World Relief; CWDA (Cambodian Women's Development Association); CARE International; ACLEDA (Association of Cambodian Local Economic Development Agencies); Redd Barna (Save the Children - Norway); PADEK (Partnership for the Development of Kampuchea); Khemara; Urban Sector Group. Squatter and Urban Poor Federation (SUPF) is a community-based organization.

A common feature of NGO-run savings-and-credit programmes in Phnom Penh is that economic activities are given higher priority than other financial needs such as housing. More programmes are designed to provide an access to loans for income generation and other small-scale economic activities. This is because the economic improvement through income generation is regarded as the first step to social security. Of the eight NGOs raised in the UNCHS study, seven NGOs require savings.

3. Communities

As mentioned above, the concept of participatory community development is new to Cambodia. The concept was introduced through different interventions of NGOs. Some settlements have identified leaders have organised themselves as communities. The threat of evictions and the absence of policies for the urban poor have put the communities in a vulnerable situation. Savings-and-credit schemes started as a way to tackle this situation. These communities have gradually gained experiences in managing activities and started to develop networks among themselves by exchanging information and experiences. Saving-and-credit activities initially evolved around the issues of land and housing, livelihood and economic activities has also become another focus of the scheme.

The level of self-reliance in these organized communities varies from community to community. The basis on which community organizations stand is still fragile and more support is needed to strengthen the managing capacities. However, the UNCHS Study shows some interesting features of communities dealing with NGOs interventions.² While NGOs try to avoid the overlap of the operational areas among themselves, the communities try to keep different options open so that they can choose a most suitable option based on the needs. This shows that although still fragile, the communities are slowly finding their own ground to deal with external actors.

C. Characteristics of management systems

1. NGOs

Many NGOs micro-finance programmes are implemented as part of community development programmes. In many cases, the programmes are combined with orientations. Most of the orientations aim at making people understand loan policies and their conditions and also to appreciate the value of saving. A few others are coupled with health education for women and children. Training of trainers approach is popular as an effective tool to multiply skills. Of the eight programmes studied by

¹A report on the financial services available to the urban poor Of Phnom Penh, UNCHS support to Phnom Penh squatter communities and municipality for participatory urban development project, September 1996.

²Ibid., p. 32

the UNCHS Project team in Cambodia, seven relied on external funding sources for loans.³ Some programmes provide external funds first and gradually encourage the communities to start saving to increase the level of sustainability.

2. Community-based savings-and-credit groups

In Phnom Penh, there are federations of urban poor communities formed under the initiative of the Urban Sector Group (USG) as well as savings-and-credit groups participating in the programmes of other NGOs. As of January 1997, the Squatter and Urban Poor Federation (SUPF) is the only existing federation of urban poor communities engaged in savings-and-credit programmes in Phnom Penh. It also emerged out of the initiative of USG. The activities of SUPF are run and managed solely by the community people themselves. The majority of funds of SUPF is self-financed, although SUPF has received external support to expand the loan scale. Savings is regarded as an important platform to build confidence among the community members.

Photo 1: Group leaders counting collected money from communities



D. Women's participation

Women's participation is evident in savings-and-credit activities in Phnom Penh. The percentage of membership by gender in the case of SUPF is approximately women 95 per cent and men 5 per cent.

Women in urban poor communities play the central role in daily survival. Especially after years of war and internal conflict, there are many women-headed families in the communities, which makes women's presence evident in community activities. Culturally there is not much social restriction on women to be active in community activities. These two factors are enhance women's participation within community activities.

E. Leadership and group dynamics

There is no formal election procedure for the leadership. Leadership emerges out of the activities. At the federation level however, informal ways of selecting leaders in a collective manner are gradually developing and are practiced by the members. In the present unstable situation of Cambodian society, trust is a crucial element in community organizations. The recognition of leadership remains at the community level. There has been no legitimate framework to recognize urban poor squatter communities. Community leaders have developed skills from on-the-job experiences. Exposure and exchange programmes have been effective in building up confidence among leaders of community organizations as potential actors in the development process.

³Ibid., p. 20

F. Training of community leaders: the significance of exchange and training

Exposure and exchange activities have proven to be an effective tool for training and capacity building. Since the experiences of savings-and-credit is still new in Cambodia, exposure often convinces leaders when they see with their own eyes the outcome and the process.

- (a) Exposure and exchange activities are effective in the following aspects;
- (b) Learning from experiences of others who have achievement certain goals;
- (c) Providing an opportunity to compare one's own experience with others';
- (d) Encouraging new initiatives by being exposed to new methodologies;
- (e) Through different kinds of exposure, community people were convinced by the community-based approach. This is because the skills learned are appropriate, simple and low-cost.

In the case of SUPF, linkages with savings-and-credit groups in Bombay, India (a team from Mahila Milan "Women Together", National Slum Dwellers' Federation-NSDF, and the Society for Promotion of Area Resource Centers-SPARC) have been established. The area of exchange is not just restricted to savings-and-credit, but also community organization and the development of alternatives to eviction are seen in relation to savings-and credit.

G. Future scope-strength and weaknesses

As mentioned before, the situation of urban poor communities in Phnom Penh has been unstable at different levels; there is no policy framework or a support structure.

In this situation, the strength of the community-based initiatives is people's willingness to organize and sustain them. Community leaders put their time and energy in the activities. Exposures and exchange programmes organized by external organizations have been helpful in building up confidence among community leaders. The UNCHS project on squatter communities⁴ is the first project to support squatter communities in Phnom Penh. To a certain extent, it has provided the communities with a framework to continue their work.

The unstable situation of Cambodian society can put communities in a vulnerable state. High expectation towards external agencies so far have worked positively for communities by drawing attention of people and bringing them together. But in the future this could raise a negative effect if the expectations are not met. The informality of the organizations and lack of experiences is another factor to be considered. There have been no clear-cut principles for management systems, but the communities have been trying to nurture a cooperative environment based on the trust. This could on one hand create dependency of leadership on a particular person. On the other hand, one could argue that since savings-and-credit schemes are designed for the poor and by the poor, one should admit the value of this informal

⁴Support to Phnom Penh squatter communities and municipality for participatory urban development project (CMB/95/009).

system The efforts have been made to increase the accountability and transparency in their management.

H. The case of USG and SUPF

1. History

USG and SUPF are the pioneer organizations in urban community sector in Phnom Penh. Training and exchange programmes have played a key role in bringing the communities and NGOs together to achieve the growth of USG and SUPF. Training and exchange visits were organized under the Training and Advisory Programme of Asian Coalition for Housing Rights (ACHR). The training team was composed of Indians and Filipinos. The first visit of the team was in February 1994. It was a training on participatory enumeration/survey skills. This mobilized squatter communities in Phnom Penh and concerned NGOs.

In the preparation process of this training programme, the participants decided to form a federation of the urban poor communities, local and international NGOs working on urban issues. The federation was named the Urban Sector Group (USG). The outcome of the survey was presented as the work of USG at a meeting with representatives of the government and the Municipality of Phnom Penh. This was the first occasion that the urban poor communities and NGOs jointly expressed their concerns and proposed that they would make efforts to improve the situation. The decision to form the USG was an attempt to continue this initiative and dialogue with the government. Local NGOs seconded the staff to USG. At the initial stage, USG was managed by these staff and community leaders.

In the course of training and exchange visits of the training team, USG started a savings programme in May, 1994. The members of USG started savings as a means to develop an alternative to eviction. USG explained to the members that the main purpose of saving activities was to secure land and housing foreseeing the increasing threat of eviction. Savings was introduced as a means to convince the government of the communities capacities to mobilize and manage resources.

By mid-1994 the number of evictions started to increase. With the community-organizing process just started, the people had to deal with pressure of evictions from the government. The people had to deal with these problems from scratch and savings was the most accessible means to take.

As participation increased, the members gradually started to express the interest in loans for economic activities and emergencies. On 9 April 1995, SUPF was formed by a group of community leaders initially active in USG. who also with continued saving activities. In 1995 ,recognizing the expressed needs of the members, both USG and SUPF started the credit services.

The level of confidence amongst communities increased through experiences gained and exposure visits to other countries. At the same time the UNCHS study explains that it has become difficult for both USG and SUPF to sustain the same level of interest in savings. The reason being that that initial motivation for the saving scheme was aimed securing land and housing. However, due to the lack of direct results the communities interest began to wanes⁵ Therefore a parallel function of USG and SUPF was set up, which was credit provision as a way to deal with economic and emergent needs.

⁵ Ibid., p.14.

As of January 1997, present memberships of SUPF counts to 2920 in 53 communities. The saved amount is 100,200,000 Riels (US\$37,111.11)⁶. USG has 905 members in 22 communities, who have saved 8,083,532.08 riels (US\$2,994) as of December, 1996.

Other than savings-and-credit activities, USG and SUPF are engaged in activities such as day care schools for children, exchange visits, research and training for land acquisition and housing, and emergency relief activities. They are managed by the communities themselves. Both USG and SUPF are collaborating with the UNCHS project.

2. Savings

The case of SUPF

For SUPF, savings are collected daily by group leaders who turn over the collections to the community leaders. Members are organized by groups of at least twenty members formed on a geographical basis within the community. Savings are put together in bank accounts. The interest rate for savings is 2 per cent per month. Every community has one bank account. Before November 1996 savings were kept in the bank account used to earn bank interests at 5 per cent per annum. since then SUPF changed their bank and have been earning interest of 12 per cent per annum.

Community groups of SUPF meet twice a week. In addition to this, community leaders' meetings are held every fortnight. From time to time SUPF organizes workshops on book-keeping in the communities. There are ten group leaders who monitor the savings-and-credit. Three treasurers are elected by the members. Book keeping skills are taken from the experiences of community-based schemes in Thailand and India.

The case of USG

Savings are collected daily by group leaders and turned over to USG through community leaders. The savings are deposited in bank accounts set up for each community.

The minimum savings is set at 2,000 riels (US\$0.74) per month. It is possible for any member to save any amount as long as it exceeds 2,000 riels, and paid on a daily basis. If the members are on credit, minimum saving of 200 riels (US\$ 0.074) per day is also required.

The saving model of USG is similar to SUPF. The difference from SUPF is that USG allows members to borrow from their savings in times of need. A member can withdraw up to a maximum of 50 per cent of his/her savings but only if he or she has accumulated savings of a minimum of 20,000 riels (US\$ 7.40). The member must give a reason for taking out all or part of the savings in writing and seek approval of the community member. For SUPF, the members cannot withdraw individual savings unless they are quitting the membership.

3. Credit

The case of SUPF

⁶Official currency exchange rate (as of March 1997) is US\$1=riel 2,700.

SUPF provides loans with 5 per cent interest per month. Out of the 5 per cent interest, 2 per cent is the service charge, another 2 per cent goes to the credit capital and the remaining 1 per cent goes to the emergency fund. As of February 1997, 25,800,000 Riels (US\$ 9555.55) were disbursed to 708 members.

It consists of:

(a) Crisis loan (small business): 17,700,000 riels(US\$ 6555.55) disbursed to 654 families at 5 per cent interest rate per period of loan;

(b) House repair loans: 8,100,000 Riels (US\$3,000) disbursed to 54 families at 2 per cent loan period interest rate.

The amount of a loan is specified at 2 to 2.5 times the money saved. The amount of the first cycle loan is 50,000 riels (US\$ 18.51), repayable within 55 days with an interest rate of 5 per cent per month with daily repayments of 1,000 riels (US\$ 0.37). The number of people who could get the loans for every cycle is determined by how much the community saved.⁷

To apply for a loan, members must have savings of at least 50 per cent of the amount of the loan. In terms of credit sources, 38 per cent is from external funds while the rest 62 per cent is allocated from community savings.

The repayment rate is 72 per cent on time and 28 per cent with delay an default.

The case of USG

The credit systems of USG is similar to the SUPF. However, there are two differences in the financial source its credit and the management system. For USG most of the funds for credit come from the external sources (72 per cent). The rest 28 per cent is allocated from community savings. Lately USG has been trying to increase the share of community savings in credit funds as a way to increase the level of sustainability.

As for loan qualifications, there is no conditions on savings. The applicants must be engaged in small business. They must continue to save and cooperate with USG.

Initially the management and monitoring body for the credit consisted of four staff members who were not residents of the communities.⁸ In an effort to make it more sustainable at the community level, USG recently changed the structure. The new system allows the community leaders to make decisions on loan applications. The

⁷Ibid.,p.14

⁸Ibid.,15

decisions are reported to USG. USG follows the cases up and monitors their operations⁹.

The repayment rate is 100 per cent for loans using community savings and 48 per cent for loans using external funds¹⁰.

⁹According to a recent interview with Mr.Lim Phai, Coordinator of Urban Sector Group, February 1997.

¹⁰UNCHS study, p.17. The low repayment for loans using external funds (48 per cent) is due to an emergency loan provided to a community burnt down by a fire (Bandos Vichea community). The people of the community did not repay the outstanding loans. All loans provided to the community made use of the external funds.

VI. CASE STUDY OF THE LAO PEOPLE'S DEMOCRATIC REPUBLIC-SIHOM PROJECT SAVINGS AND CREDIT SCHEME (SIPSACRES), VIENTIANE.

A. Country context

According to the 1995 census, the total population of the Lao People's Democratic Republic was 4,581,258. Another study by ADB shows that the population of Vientiane municipality in 1993 was 155,870 (3.4 per cent of the national population). The study projects a 3.4 per cent growth rate between 1995 and 2000 in the municipality.

According to the Country Report of the American Friends Service Committee (AFSC) in 1995, there are 40 international NGOs operating in the Lao People's Democratic Republic.¹ No local NGOs are yet allowed in the country.

The majority of development projects are located in rural areas for international donors and NGOs. Micro-credit programmes are implemented by 14 international NGOs. Most are only credit programmes and savings is not a requirement for these. Credit programme are regarded as a means to promote community development and sustainable environment. According to the the Lao People's Democratic Republic Microfinance Profile published in October 1996 by UNCDF², the emphasis of micro-finance programmes such as village revolving funds is more on the social aspect than on the financial one. Loans are often subsidized and repayments are relatively low. Especially in areas where a cash economy was introduced recently, these programmes provide opportunities for the villages to learn how to deal with it while strengthening the social role.

International donors are investing in development of the country. In urban areas such as Vientiane, the approach puts more emphasis on macro and infrastructural development. It is based on the expected increase of economic investments in the country. A community-based approach is still new in the field of urban development. The community-based savings-and-credit scheme in urban areas, SIPSACRES is the first urban community-based savings-and-credit scheme in the Lao People's Democratic Republic.

B. Cultural and socio-economic context of the area

The Sihom project consists of seven villages in Chantaboury District, Vientiane Municipality. These villages are Wat Chan, Sihom, Haisok, Kualuangneua, Kualuangtai, Tongtum and Hongkantai. The district has 37 villages with a total population of 59,607. The so-called Sihom area (the project area) is the district's most densely-populated area with a population of about 8,000 people. There is no data on the average annual income per family in the area. According to an Asian Development Bank sample survey in 1993, the average household income per month is US\$250.

¹ Country Report, Fiscal Year 1995, Quaker Service, the Lao People's Democratic Republic-American Friends Service Committee.

² UNCDF, October 1996.

Although the area is located in the central part of the municipality, some parts have of the area has rural characteristics. Typical for the residents in the area is that they have different sources of household income. Adult men and women are engaged in different activities and all contribute to the household income. Some household members are employed as officers, others do private business. Most women in the villages are engaged in trade on the local market. Small-scale home industries, crafts, small shops and services are also typical means to earn part of the household income.

Generally the people maintain the culture of mutual help. They observe traditional rites and festivals in the villages. People have lived in the area for over a few generations. In the neighborhood they are well connected to each other. The population is more or less stable, this enhances participation in the scheme and also serves as a guarantee. The scheme is characteristic in a sense that it was set up under the banner of a UN project. In the region, there are more examples of spontaneously organized schemes.

C. History of the scheme

Sihom Project Savings and Credit Scheme, to be called SIPSACRES, started in June 1995 under Rehabilitation of the Sihom Area Project (LAO/89/C01). The scheme was set up as the main arm of the community development component under the project.

Sihom Rehabilitation Project originally focused on infrastructural improvements namely the realignment of the Nam Pasak canal, and improvement of accessibility through the construction and improvement of roads and drainage in the area. The community development aspect was added shortly before the project document was approved. The United

Photo 2: CDC office of the Sihom Project



Nations Capital Development Fund (UNCDF) allocated US\$ 30,000 as Community Development Fund.

The idea of a community-based savings-and-credit scheme came up in 1994 when Economic and Social Commission for the Asia and Pacific visited Vientiane to explore possible cooperation in the field of urban development. Later, a joint ESCAP and ACHR (Asian Coalition for Housing Rights, a regional NGO network based in Bangkok) mission provided an opportunity to discuss the usage of the US\$ 30,000 fund which was made open to village leaders. Initially, the community had the idea of dividing the fund among villages. During the mission, some of the experiences of community-based finance systems in other countries in the region were introduced. In the course of discussion, the participants expressed the need for extra income. The idea of using the money "several times" attracted them. Thus, they agreed to set up a revolving fund from which the people could access loans.

Another ESCAP and ACHR mission was arranged in October 1994 to discuss the formation of savings-and-credit schemes further. The team was composed of six people representing two different organizations in Bangkok and Bombay. By the end of the meeting, the idea of forming a savings and credit system was fully agreed. From the experience of Thailand, the savings component was regarded as a guarantee for borrowing money. The experience of Thailand was taken as an example in the process of formulating rules and regulations.

The scheme was named after the project and a core group of 14 people representing the village chiefs and one leader per village worked on the rules. The process took several months. All details were discussed and the final version was made ready by January 1995. It took another five months to get approval from the municipality of Vientiane. Together with the rules, the composition of the Executive Committee was approved. In addition to the fund of US\$ 30,000 from UNCDF, ESCAP provided US\$ 6,000 as a seed fund for the revolving loans after one year of operation.

As of 31 December 1996, SIPSACRES has extended the membership to 347, with 215 women and 132 men. The saving amount totals to 20,228,400 kip (approximately US\$ 21,868)³. The members are only eligible for loans after six months of continuous saving. Loans numbering 129 and totaling 13,192,000 kip (approximately US\$ 14,260) have been disbursed so far. Repayment rate is 100 per cent. The average amount of monthly savings per member continues to be 4,000 kip, about US\$ 4.35. Over 70 per cent of the loans are for productive activities. 17 per cent of the loans are invested in improvements of housing and living conditions, 8 per cent in health and 3 per cent in education.

D. Role of the United Nations, the Government, NGOs and communities

The community-based approach is not particularly new in the the Lao People's Democratic Republic. In rural areas, international NGOs such as Quakers, World Education, and others have adopted this approach for rural development in general. Agencies such as United Nations Development Programme (UNDP) have played a key role in promoting participatory approach in the development of the country.

For savings-and-credit schemes in urban areas, the situation differs from rural areas. The first urban community based savings-and-credit scheme in the Lao People's Democratic Republic was a collaboration between the villagers, United Nations agencies, the government and international NGOs that led to the success of the

³ The currency exchange rate for Kip is US\$1=Kip 925 as of September 1996.

scheme. In developing the scheme, NGOs in other countries of the region were involved by sharing their experiences in urban community development. United Nations agencies such as UNDP, UNCDF and UNCHS provided necessary back-support in the organizational and technical aspects. ESCAP, as a regional body, provided support by organizing study visits and exchange programmes with experienced NGOs in the region. Villages in the area put their efforts in the formation of the groups, management, reporting and documentation.

E. Management system

Photo 3: SIPSACRES staff counting the money brought by a group leader and recording in the members' passbooks.

1. Savings and credit system

The idea of the scheme is to provide credit to people who have shown the ability to save money on a monthly basis (minimum 2,000 kip, maximum 50,000 kip per month). People interested in the scheme are required to form a small group. One of the members acts as the leader and collects the monthly savings. Members may choose whether they pay monthly repayment and interest every month. An alternative option is to pay the interest monthly and pay the loan at another time within a maximum repayment period of six months. Regular savings is a condition to be a member of SIPSACRES. All members benefit from the interest of the funds and savings which are deposited at the Settatirat Bank in Vientiane.



Regular savings is a condition to be a member of SIPSACRES. All members benefit from the interest of the funds and savings which are deposited at the Settatirat Bank in Vientiane.

2. Loan disbursement

For the loan disbursements, the application form has to be co-signed by one other member, the village chief, the president of the scheme, and the community development officer. Members know each other and will not approve a loan if they find the applicant unreliable. Up to September 1996, no loans have been refused so far.

The loan procedure is explained on the back of the application form and rule are explained that in case of refusal the applicant can bring up the case at the monthly meeting.

3 Rules and regulations

Rules and regulations were developed based on the learning from the study tours to Thailand. The organizational structure consists of the Loan Attribution Committee, the Executive Committee, the leaders of savings groups and the members. The Loan Attribution Committee has the overall responsibility for the correct use of the funds therefore playing a controlling role. The Executive Committee is responsible for the management of the fund, monitoring and information. The members of the committee hold monthly meetings and discuss problems and exchange information on the situation of each village. The office of SIPSACRES is located in the Community Development Cell Office in the Sihom area. There are three paid staff members working on a daily basis: the chief of SIPSACRES, an accountant and a secretary-cum-cashier. Monthly financial statements, prepared by the accountant and chief, are

checked by the Executive Committee members and sent to the members of the Loan Attribution Committee after approval.

F. Interest rate

There are two types of loans: regular loans and emergency loans. They are given to the people based on need. The purposes of regular loans are basically small business, livelihood and other emergent needs. The interest rate is 2 per cent per month. This rate is the standard rate of the Bank of the Lao People's Democratic Republic. The interest rate should not be set lower than this rate. Compared with moneylenders who offer loans with 20-30 per cent per month, this is affordable.

Loans can be repaid over a shorter periods if members prefer. Emergency loans can be applied in case of emergencies such as fire, death of a family member or severe illness. The interest rate for an emergency loan is 1 per cent per month and the maximum amount is 50,000 kip. The repayment period is one month.

G. Women's participation

Women's participation comes out clearly in all processes. Women play an important role in money collection, management and decision-making. Traditionally the position of women is strong in Lao Loum Society. Lao Loum are the ethnic groups in the plain areas of the Lao People's Democratic Republic. During the planning and implementation process of SIPSACRES, attention was paid to gender issues. The need for affordable loans for women was raised by female leaders in the area at the initial planning stage of the scheme.

Many women leaders are members of Chantaboury district branch of the Lao Women's Union (LWU) and other mass organizations. LWU is a nationally organized mass women's organization in the Lao People's Democratic Republic. In Chantaboury district alone, it has a membership of 4,287 women. Women leaders have had opportunities to develop leadership skills and experiences by joining in the activities of LWU.

Although SIPSACRES is independent from the LWU and other mass organizations, leaders have gained experience in the management and leadership from the involvement in these organizations. The percentage of membership by gender is women 63 per cent, men 37 per cent.

The rules of the scheme deal equally with male and female members. This is an attempt to avoid "new dependencies" among spouses which are seen in some credit programmes.

Box 11. Daily life of Mrs. Khonpeth and SIPSACRES

Khongpeth is a woman in her forties. She lives with her children and husband in the project area. Khongpeth is an active woman. She is an active member of the Lao Women's Union and enjoys visiting the Community Development Cell Office to offer her help in community activities. She is one of the villagers who went to Sri Lanka on a study tour and is a village volunteer for the recently initiated community-based sanitation programme which is yet another component of the Sihom project.

Khonpeth is the leader of one of the savings groups. Originally the group consisted of four members but one has moved to another part of town.

"As a member of the Lao Women's Union, I have good contact with many women in the area. When I found out about the scheme I talked to many people about it and soon people showed interest in joining. We do not have to convince people as they are eager to join. We do not believe in pushing people to become a member as we do not want to be pushed ourselves either.

"Before joining the scheme I did not save money. In our society women are responsible for managing the household income. We earn part of the income. My husband is a policeman. He earns about 30,000 kip per month. Per month we need at least 90,000 kip for daily expenditures like food, clothing, water, and electricity. Both women and men contribute to the household income. Often the share of female income earners is bigger.

"It is a pity you cannot talk to the other members now as they are all at the market, but I can tell about their income earning activities. The other three members of my group sell fresh fruits at the market. They have done this for years and they know the prices and the risks. They buy a certain amount of seasonal fruits and sell it on the market. Sometimes they lose money because they are not able to purchase enough. For example they buy four boxes of apples from China one day. They sell about half of that quantity on that day and do not have enough cash to buy new stock of another type of fruits the next day. We have been discussing how to avoid this kind of situation. A loan from the scheme might help the saleswomen.

"No, we have not taken out a loan for income generating activities but in the future we will. One of my friends who is a member of the group is considering entering the wholesale. She will be able to make more money if she earns part of her income through the wholesale of fresh fruit. She knows how to choose and store the stock, she knows the risks involved and therefore she will plan well before taking a loan. So far I have not faced problems in collecting the monthly savings. Sometimes I have to remind other members that the collecting date is approaching but every month the savings have been according to the schedule. Members are free to fix the amount of savings themselves. Within a group we are saving different amounts. I expect that repayment will be easier with the routine of regular savings, as credit and repayment is linked to savings. People are already used to putting some money aside. Also the fact that the savings are a guarantee makes the risk of not being able to repay smaller. The economical and psychological burden of taking on a loan becomes smaller.

"We are happy with the savings scheme as it gives us an opportunity to participate in the project. By now we understand about the project and we know to whom we have to speak when there is a problem. I already told the responsible person that he will hear us if we are not happy, even if he does not want to hear, we will let him know."

Interviewed and compiled by Nild van den Brink.

H. Relationship to environmental improvement

When the scheme was set up, the members expected to secure loans for economic development. In the Sihom area, 70 per cent of the houses are connected to open drains, whereas 30 per cent of the houses use septic tanks. After coming back from a study visit to Sri Lanka, a group of village leaders started to work in their own villages using the concept they learned on community-based sanitation system.

To facilitate this, they have developed the idea to combine savings-and-credit scheme with community environmental improvement. The project technical team has developed a septic tank model considering the affordability and feasibility. A demonstration station has been set up in a district hospital. The cost of the model will be between US\$ 100 and 130. Community people have just started to identify problem areas and develop improvement plans. The savings-and-credit scheme has been nurturing concern for the community environment and enhancing spirit of taking practical initiatives.

Along with this, communities have started to envisage a more comprehensive model of environmental improvement by including other factors affecting the environment, such as solid waste management and local drainage. The Environmental Improvement Programme was formed as a result A fund of US\$ 65,000 was earmarked for sanitation loans. This will be distributed through a credit line linked to SIPSACRES. The fund is under the umbrella of SIPSACRES but it has a different set of rules.

I. Leadership and group dynamics

1. Village volunteers

Village leaders play an important role in the system. They are residents of the area and were already known to the communities when the scheme started. Since they are well connected in communities, they contributed to the growth of the scheme. As volunteers, they manage following tasks:

- (a) collection of savings and repayment;
- (b) organizing new members;
- (c) consulting problems concerning savings-and-credit;
- (d) serving as a link between members and the management office.

2. Perceptions of village volunteers

One of the main reasons for the hard work of village volunteers is that they want to make sure that this initiative is successful. They do not want to be responsible for any mismanagement of the fund. The general sentiment in the beginning was that people were afraid that the money saved would be lost. Thus there was a need to establish a good management system. Rules which were made by the executive committee serves as a good protection for the people and the government.

Saving is much encouraged as many people want to increase the amount of their loan. There are requests from four other districts in Vientiane to join the and the municipality has approved the expansion. Village volunteers feel that the present scheme is manageable because of the similarities and good connections in the area.

Box 12: Daily life of Mrs. Chansay, a member of SIPSACRES

We find Mrs. Chansay in her little grocery in front of her house in Sihom village. Chansay lives together with her sister, her husband and two children. She came to Vientiane some 20 years ago. Chansay is originally from Pakse, a city in the south of the Lao People's Democratic Republic. She is one of 10 children that remained from a family with 14 children born. Chansay is 42 years old. Her husband works as a government officer and earns 32,000 kip per month. This is far from enough to pay all expenses. Chansay earns some 90,000 kip per month, which is used for daily expenditures. She joined the savings scheme in September 1995.

"I am very happy with the savings-and-credit scheme. It is the first time I've saved money regularly. Also for other members it is the first time. We never go to a bank. We do not know the rules and besides it takes too much time. We are busy you know, I have my shop in front of the house but the other members of my group have their stall at the evening market. They get up at four a.m. every day and go to the market to sell their goods. Some of them go home for lunch but we do not have time to go to a bank. The savings scheme is easy. As the group leader I collect the savings every month on a fixed date. The others must trust me. We knew each other before we became a savings group. We all live nearby and see each other every day.

" I save 5,000 kip per month, that is all I can afford. My sister and my husband are also part of the scheme but they are part of another group.

" I have not taken out a loan yet. In the future we want to improve our house. We have lived in this house for many years but it needs to be maintained and improved. We cannot afford to pay for improvements as they cost a lot. Normally we would have to go to a moneylender. They charge something like 20 per cent interest per month. We hope to save some more money over the next few months and then we will be able to get a loan from the scheme."

interviewed and compiled by Nild van den Brink, Community Development Specialist of Sihom Rehabilitation Project.

J. Significance of exchange and training

Study tours to Thailand and Sri Lanka on community-based sanitation systems and savings-and-credit schemes were organized with assistance of ESCAP and ACHR. The group comprised of community leaders from seven villages, district and municipality officers and doctors of district hospitals. Study tours brought positive results in the aspect of capacity and confidence building. They helped develop understanding of community development processes in partnership with government agencies. Seeing with their own eyes the achievement of the communities in other countries of Asia increased enthusiasm among community leaders. It convinced them that the approach is feasible in their own context. Especially, study tours to Thailand (Credit Union of Thailand) provided input in developing rules for the savings-and-credit scheme. the Urban Community Development Office of Thailand and the Women's Bank in Sri Lanka also provided good models for SIPSACRES. SEVANATHA, a Sri Lankan NGO experienced in community-based sanitation also proved to be helpful.

K. Institutionalization and organizing process

The first general assembly of the scheme was convened in mid-December 1996. It was attended by village leaders, representative of the Sihom Project, district office and Vientiane Municipality. It was an opportunity to receive formal recognition of the scheme. Considering the growth scale of the scheme, it was felt that public recognition was important. The idea of expansion would facilitate a more dynamic processes. This was already approved by the Municipality. The

next step is to register the scheme as a legal institution. At this stage, SIPSACRES is legal under the Rehabilitation of Sihom Area project but permission has still to be given by a higher authority which is the Vientiane municipality.

Photo 4 ; The first general assembly of SIPSACRES held in December, 1996



L. The future scope: strengths and weaknesses of SIPSACRES

The strength of SIPSACRES is its community participation. Members feel that they own scheme. The management is carried by the people. Decisions on small matters are made jointly. The scheme formulated a management system as simple as possible. Upon setting up the scheme, they felt that the system should be easy for members to understand and also easy to manage for those responsible for its management. The system leaves some flexibility so that it can respond to the people's needs. Since it is the first urban community-based savings-and-credit initiative in the Lao People's Democratic Republic, village volunteers especially make much effort to make sure that it serves the needs of the people. The success of SIPSACRES so far owes much to the dedicated work of the village volunteers. Those village volunteers are experienced community leaders who deal with different problems in the village communities. There are requests from other districts to set up a similar scheme. There is a question of interest rates and affordability when replicating it in poorer communities. If compared on economic criteria, Sihom is not the poorest area of Vientiane. In the case of SIPSACRES, its essence is the model and the process. It has provided people with access to credit and has been serving as an instrument to strengthen community participation in the development processes.

V. CASE STUDY OF HO CHI MINH CITY, VIET NAM

A. Country Context

1. Micro-finance programmes in Viet Nam

This part is a summary of the "Microfinance in Viet Nam" - A collaborative study based upon the experiences of NGOs, United Nations agencies and bilateral donors-, a study published by the Consultative Group to Assist the Poorest (CGAP) formed under the auspices of UNDP-Hanoi. There are some 60 savings-and-credit programmes operating throughout Viet Nam.¹ They are supported by NGOs and international organizations such as UNICEF and UNFPA. The above report also states that US\$ 2.1 million in loan funds have reached an estimated 67,000 participants.² Ten NGOs and international organizations are classified as being actively involved in micro-finance.³ They are: ActionAid; Viet Nam (AAV); CARE International; People's Credit Fund-Development Internationale Desjardines (PCFs-DID); Groupe de Recherche et d'Echanges Technologiques (GRET); the Mennonite Central Committee (MCC); Oxfam UK/I; Save the Children Fund UK(SCF-UK); the Swedish International Development Authority (SIDA); the United Nations Fund for Population Activities (UNFPA); and the United Nations Children's Fund (UNICEF).

They are grouped by approaches into three categories:⁴

- (a) Concentration on savings-and-credit-AAV, GRET, PCFs, Oxfam UK/I;
- (b) Savings-and-credit as part of a package: SCF-UK, CARE, MCC, SIDA;
- (c) Savings-and-credit as an entrypoint for other activities: UNICEF, UNFPA.

The above three approaches are similar to the experiences of Cambodia and The Lao People's Democratic Republic. It depends on the programme whether to draw a clear boundary between the second and the third approach. In the case of UNICEF and UNFPA, savings-and-credit activities provide opportunities for campaigning activities, whereas when taken as part of a package, a variety of activities on community development go parallel with savings-and-credit.

The schemes are managed by groups although the group sizes vary. Some programmes maintain individual savings-and-credit style, but they are expected to cooperate with each other as members of the schemes.

2. Interest rates

The UNDP report states that the average interest rate of the credit is 2.0-2.5 per cent per month which is higher than Viet Nam Bank for Agriculture.⁵ The average loan

¹Microfinance in Viet Nam: Main Report: A collaborative study based upon the experiences of NGOs, UN agencies and bilateral donors, Consultative Group to Assist the Poorest-UNDP, Prepared by Alan Johnson, Hanoi, May 1996
NGOs mentioned in the above study are Hanoi-based. In addition to these, JIVC, CIDSE, and ENDA also active in savings-and-credit programmes.

² Ibid., p.3

³ Ibid., p.1

⁴ Ibid., p.10

size is between Viet Nam Dong (VND) 150,000 (US\$13.63)⁶ and 500,000 (US\$45.45). Savings are regarded as a compulsory component for the group membership and loans. While schemes in Cambodia and The Lao People's Democratic Republic require a minimum six month period of saving, the average period of compulsory savings in Viet Nam is three months.

3. Actors: government, mass organizations, and NGOs

Over the past few years, some new financial schemes for the poor have been initiated in Viet Nam and have so far proved to be successful. They are Viet Nam Bank for the Poor and People's Credit Funds.

*Viet Nam Bank for the Poor (VBP)*⁷

The Viet Nam Bank for the Poor was established in August 1995. It is a non-profit bank aiming at alleviating poverty through provision of credits for the poor. The target for VBP operations in 1996 was to extend credits to 1.5 million poor households (UNDP report).

*People's Credit Funds (PCFs)*⁸

People's Credit Funds was established by the State Bank of Viet Nam. PCF forms saving-and-credit cooperatives at the commune level. It has been supported by external agencies such as Development International Desjardins (DID). At the end of 1995, PCF formed 534 cooperatives with over 150,000 members, with a total deposit of VND 250 billion (approximately US\$23million) and loans amounting to VND 385 billion (approximately US\$35million.)

Aside from the above two, mass organizations such as Viet Nam Women's Union, have been active in the area of savings-and-credit. They often develop partnerships with NGO programmes. In rural areas, Viet Nam Bank of Agriculture (VBA) established partnerships with programmes of NGOs.

4) Training

All the ten organizations covered in the UNDP report include training as part of their packages⁹. Training comprises of initial skill-based training (basic book-keeping and accounting), on-the-job training, and periodic refresher training. Similar to the experiences in micro-finance programmes of NGOs in Cambodia and The Lao People's Democratic Republic, "training of trainers approach" is often used.

B. Situation of Ho Chi Minh City-urbanization and slums- City Context

The population of Ho Chi Minh City (Ho Chi Minh City) is estimated at about five million. According to the report of Mr. Nguyen Minh Dung, Director of Land and Housing Department in February 1995, there were 555,340 houses in the city, of which 67,000 were slum houses. Of these 24,000 houses were located on the canals

⁵ Ibid., p.6

⁶ Official currency rate (as of March 1997) is US\$1=VND11,000

⁷ Ibid., p.2

⁸ Ibid., p.2

⁹ Ibid., p.5

(total length: 37 Km). In 1977, the total number of slum houses was 43,000.¹⁰ To improve the living conditions of the city, Ho Chi Minh City targeted the following by the year 2000:

- a) To redevelop all the existing slum houses (24,000 houses), to achieve this about 4,000 - 5,000 houses need to be demolished every year;
- b) To increase the residential area of the city from 24 million square meters up to 36 million square meters. To do so, about 30,000 - 40,000 houses need to be constructed. There is an infrastructural need for adequate supply of basic services such as water and electricity.

The policy approach on housing is basically to encourage the people to invest in houses rather than the state supplying them.

New satellite areas are also being constructed to increase developed areas in the city. This is managed through capital accumulated through capital investment and joint ventures with foreign investors. The development of 30 new settlements is planned.

Depending on the quality and tenure of the existing houses, the residents have the following options available to them:

- (a) renting houses from the state;
- (b) buying houses through amortization;
- (c) compensation and relocation (self-arrangement);
- (d) relocation to new economic zones.

C. General situation of Savings and Credit programmes in Ho Chi Minh City

1. History of savings and credit programmes in Ho Chi Minh City

The gap between the poor and the rich has been growing rapidly in Ho Chi Minh City. During the socio-economic transition, mass organizations such as Vietnamese Women Union (VWU), Youth Union, and Labour Union have had to implement budget cuts in their programmes. Mass organizations have been required to transform their activities to be more community-based, shifting from the traditional political activities. Women's credit programmes have been formulated both in urban and rural areas with support from international non-governmental organizations. They are regarded as a tool to address the people's needs more effectively. Many women's credit programme are modeled on Grameen Bank (Bangladesh) and Women's Bank (Sri Lanka). As a result of the cooperation between CIDSE and Central Vietnamese Women's Union, the Grameen Bank has become the most prevalent model followed in Viet Nam. The case of Tiet Kiem Mua Xuan and the Youth Association which will be mentioned later, is an example of another type of small-scale savings-and-credit programme by women in Ho Chi Minh City.

¹⁰Slums in Ho Chi Minh City- Existing Situation and Solutions , Tran Ngoc Phuong, Land and housing Department, Ho Chi Minh City).

In Viet Nam, few NGOs are active in urban areas. There are more NGOs operating in rural areas. In addition to the NGOs covered in the UNDP study, there are other NGOs active in the area of savings and credit. FOS, a Belgian NGO has been implementing credit programmes in rural areas of the Mekong Delta. FOS concentrates on savings-and-credit with a local partner called ISA. Cooperation Internationale pour le Development et la Solidarite (CIDSE) Environmental Development Action in the Third World (ENDA), Japan International Volunteer Center (JIVC) have been implementing the projects in Ho Chi Minh City. ENDA, and JIVC are implementing savings and credit as part of the packaged programmes.

2. Hiep Tanh Community

The case of the Hiep Tanh community in Ho Chi Minh City can be regarded as one of the pioneer experiences of the urban community-based savings-and-credit initiatives in the city.

Hiep Tanh community is located in the Subdistrict 9, District 4 of Ho Chi Minh City. Hiep Tanh in Vietnamese means "combined strength" and was named by the residents of the community. ESCAP, with the People's Committee of Ho Chi Minh City, organized a "Community-Level Workshop on Participatory Settlement Development" in August 1990. The objective of the workshop was to assist local community leaders and authorities in establishing a community-managed planning process in the city. More than 80 local participants represented various levels of local government, academic institutions and several selected low-income communities. In the workshop, Hiep Tanh community was identified as a pilot area for an initiative to promote the concept of participatory planning-and-improvement for urban poor communities in the city. Savings started in early 1994, whilst credit programmes started in early 1993.

The community is covered by the City's public construction projects. Due to this, some of the houses in the community had to be relocated. As of February 1997, the savings-and-credit groups are still in operation with the same rules. The amount of credit ranges from 300,000 to 1,000,000 Dongs (US\$27.27 to US\$90.9). The total fund available for credit is 70 million Dongs (US\$6,363.63). Fifteen members are using the credit which is managed by the ward office.

3. Case of CIDSE

CIDSE is an international working group of 18 Catholic development agencies. It implements programmes on rural development, health, credit, income generation and emergency aid. Their main targets are ethnic minorities, women, farmers and the unemployed.

CIDSE has been involved in savings-and-credit programmes. The programmes were designed based on the Grameen Bank Model. One of the main counterparts is the Viet Nam Women Union (VWU). Most programmes are located in rural areas. In Ho Chi Minh City, CIDSE has been implementing small project on income generation and employment in District 1, 3, 8 and 11. Savings-and-credit schemes are implemented through the subdistricts and CIDSE plays an advisory role. Groups of 5-11 are formed as basic units of a scheme. Members hold regular monthly meetings. As part of the programmes, CIDSE involves institutions such as Poverty Alleviation Commission, Labour Union and district offices through training, regular meetings, seminar and exposure trips. The programmes are aimed at:

- (a) promoting job creation and productivity through credit; and
- (b) supporting the urban poor in determining and managing their own development processes.

CIDSE's approach is to clearly target the poor, with special focus on women. They encourage a "small loan and small repayment" policy and simple accounting and book-keeping systems.

One of the CIDSE's counterparts in Ho Chi Minh City is District 3, Ward 9, Women's Association, which is actually organized by the community. The part of the slum settlement being supported by CIDSE has been upgraded with concrete walkways and piped water.

4. Case of ENDA

ENDA is an international NGO working in the area of sustainable environment and community development. Its activities are funded by the European Community, the French Government, and European NGOs. ENDA implements programmes on slum improvement and community development in Ho Chi Minh City and Hue city.

ENDA plans to expand their activities gradually to other cities. ENDA has also been supporting communities of ethnic minorities in the central highland of Viet Nam on sustainable development. They also work with awareness programmes, using television and video.

In Ho Chi Minh City, ENDA supports the Triangle Community in Ward 5, District 11. The experience of the Triangle community will be taken as a case study in a separate section. Other than this, ENDA supports three other community development projects in Ho Chi Minh City.

The approach of ENDA is to strengthen the communities' capacities so that they can eventually take the lead in the community development process. Savings-and-credit activities are regarded as part of the ENDA's integrated community development programmes. ENDA supports social workers and local organizations as partners in savings-and-credit programmes. Social workers are those who are trained as facilitators cum motivators to assist community leaders. Most participants of the activities are women. To maximize the community participation, ENDA and its partners have developed the following principles:

(a) To maximize saving as a financial basis rather than relying on the external resources;

(b) To promote exchange of experiences among the people, community leaders and social workers;

(c) To maintain the spontaneity of the member gatherings, mutual guarantee and election systems of group leaders and accountants, regular meetings, and flexibility in the credit scales;

(d) To leave as much of the decision making and follow up as possible to the communities; and

(e) To provide different types of interventions based on the needs of local partners.

The style of ENDA is based on the regular collaboration between social workers and local authorities. The registration and accounting system is kept as simple as possible. The savings-and-credit activities are developed as a lead-up to environmental improvement. Awareness and education activities on health, environment, nutrition and family planning are encouraged at the same time.

D.The case of Tiet Kiem Mua Xuan in the Triangle Community, Ho Chi Minh City

1. The History of Tiet Kiem Mua Xuan-Spring Saving Group in My Tho City: An example of community-based savings-and-credit programme in Viet Nam

Tien Kiem Mua Xuan, (Spring Saving Group), in My Tho city, a suburb of Ho Chi Minh City, was the idea of a woman named Mother Six (Ma Sau). She was the chairperson of the Woman's Union of Ward 3. She has contributed substantially to the development of the savings and credit initiative. It started in 1980s as a small savings group to prepare for the Tet new year celebration. Ma Sau convinced poor families to save a small amount of money every day. The first programme was pig feeding. Members saved money according to their capacity and fed pigs using the savings. After one year, the pig meat was divided according to the saved amount.

By 1986, the number of the saving members increased significantly, and pig farming was replaced by a bank savings account which repaid the principal and interest at the end of the year. Soon after Ma Sau decided to incorporate a credit programmes in the savings and provide low interest-rate loans to poor families.

Groups are organized geographically according to existing neighborhoods. Each neighborhood group elects a three person committee composed of a money-keeper, an accountant and a manager. Monthly group meetings are held publicly to review the group's financial activities. Applications for loans are reviewed during meetings by the group and are granted based on the availability of funds and the financial need of the applicant.

Loan rates are determined by members according to the calculations of repayment days. This is a system where the interest rate is converted into a duration of days for which the loans are required to repay the daily-specified amount. This is an attempt to simplify the standard interest rate calculations. For example, instead of issuing a loan with 6 per cent interest rate over 50 days, members may grant a 100,000 Dong (US\$9) loan with payment requirements of 2,000 Dong (US\$0.18) per day for 53 days, where three days are considered as "interest repayment days". The "interest repayments days" will then be divided so that one day of interest is allotted to the group fund, one to the management committee, and another as dividend for the members.

By 1993, total savings in the programme amounted to 320 million Dong (US\$ 29,090). 4,600 women had received loans and about 2,000 members had improved their standard of living as a result of the programme. An important characteristic of the programme was the development of community networks which allowed poor women in different groups to exchange experiences and the creation of a diverse base of information. By exchanging information, the women are able to take control of the programme.

2. Youth Association and Triangle Community

The Youth Association in Ho Chi Minh City has been active in the field of community-based savings-and-credit. Youth Association is a public organization set up in parallel with the Youth Union.

The Triangle Community is in Ward 5, District 11 of Ho Chi Minh City. It was formed in the early 1990's when District 11 demolished a cemetery and transformed it into a new real estate site. The poor families who lived in the cemetery were relocated to the small triangular plot of land behind the new housing estate, hence the name, Triangle Community. Without support to build new houses and because of

other financial reasons, many families quickly sold off their new plots of land to better-off families.

The Tiet Kiem Mua Xuan Programme started in the Triangle community in 1994. When it started, only a third of the original family remained in the community. The other two thirds of the community consisted of new families with varying income levels. The mix of old and new members and the different income levels caused fragmentation within the community and left poor families even more vulnerable. Many of the remaining poor families were planning to sell their houses at the time when the social workers started to intervene.

With the purpose of exchanging experiences at the grassroots level, a group of 80 women living in seven slum communities in Ho Chi Minh City was organized to visit the Tiet Kiem Mua Xuan programme in My Tho City in early 1994. The Triangle Community women's group was the only one of the 7 communities which had not started a credit programme at that time. The other six communities were involved in projects started between 1990-1992 through the Slum Improvement Projects under the Land and Housing Department of the Ho Chi Minh City. The Slum Improvement Projects were supported by Asian Coalition for Housing Rights (ACHR), Japan International Volunteer Center (JIVC), and CIDSE. After the training visit, three groups decided to try the My Tho model in their respective communities. After the implementation of the Slum Improvement Projects in 1994, activities were taken up by the NGOs which developed a direct working partnership with the wards. However, the Triangle community women's group has been the only one successful in sustaining its programme.

The Triangle Community women's group began its programme after the Tet of 1994 (February 1994) and retained the Tiet Kiem Mua Xuan name. The group kept the basic structure of the My Tho model and decided on 500 Dong as the daily minimum saving.

The programme encountered many difficulties in the first year. Since the My Tho model was new to the existing credit groups, it took time to gain trust and recognition from the local authority. However since 1995, the level of trust has increased among group members. In that year, the total amount of savings tripled. In 1996, the savings increased another three-fold and the number of members more than doubled from the year before.

The annual savings per person varies from 200,000 Dong (US\$18.18) to 3,800,000 Dong (US\$345.45). In 1996 alone, loans totaling 24,500,000 Dong (US\$2,227.27) were distributed to group members. The size of loans per member varied from 200,000 Dong (US\$18.18) to 3 million Dong (US\$272.72). The interest rate is 3 per cent per month, slightly higher than other credit programmes in Ho Chi Minh City.

The main characteristic which distinguished this programme from other credit programmes in Ho Chi Minh City is its autonomy. Group management is extremely flexible and varies across the groups according to the needs and capabilities of each group member. Repayment schedules (daily, weekly, or monthly) are chosen by borrowers according to their individual financial circumstances. Grants from external organizations are only accepted in circumstances when members' needs exceed the groups savings.

The success of the initiative in the Triangle Community attracted the attention of the local authority. They are now considering the replication of the experience of Triangle Community in other communities.

3) Role of ENDA

Youth Association has been working in District 11 since 1994. With funds from EU, ENDA has been supporting the association since 1995 not only in the area of savings- and credit but also for improving the environment, for basic infrastructure improvement and awareness creation. ENDA has been assisting the association in developing activities in Than Thong Hiep community which is in the neighborhood of the Triangle community.

In an effort to expand the approach of the Triangle Community, the local authority needed external assistance. In November, 1995, ENDA signed an agreement to cooperate with the Youth Association of Ho Chi Minh City. Under the agreement ENDA would support social workers for continuing the community-based projects and also future development of initiatives like Tiet Kiem Mua Xuan in other areas. The support by ENDA aims at increasing the collaboration between social workers and the local authority to foster more community participation.

4) Participation of Women

The Tiet Kiem Mua Xuan programme was created by women for women. Women's participation is visible in all of its activities. Although there are many men involved, all group leaders are women. Not only have these women leaders gained great respect in the community they have also improved their management capacity by a learning-by-doing approach and through the exchange of experiences among other groups and projects in the city.

5) Impact on the community

The programme has been managed by the community in favor of poor families. The community people have been empowered to take more responsibility in managing activities. The system is designed to allow flexibility. The minimum rate of saving is set low in order to create openings for whoever wants to participate. Loan rules are set based on the members' needs and capacities.

Savings have become popular in the community as more and more members have experienced the benefit of savings. Saving has become not only a great resource for poor families in risky situations, but also a means to engage in economic activities in the long term.

In 1996, the community was engaged in upgrading the water supply systems and community roads. In 1997, it is expected that the improvement in the electricity and sanitation systems will also be initiated in the community.

6) Future scope

Although the positive outcome of the programme is being recognized by the local authority, it is still too early to evaluate the viability and sustainability of this approach. The replication of this approach in other communities should be carefully examined. The strength of the Tiet Kiem Mua Xuan approach is its autonomous structure which allows people to take initiatives, especially in the mobilization and the participation of poor women. Many other existing credit programmes in Viet Nam are managed according to the rules set by the external/funding agencies. In developing credit programmes, it is important to create an environment whereby local initiatives are encouraged.

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