

# COMMUNITY DEVELOPMENT FUND IN THAILAND

A Tool for Poverty Reduction  
and Affordable Housing |



# **COMMUNITY DEVELOPMENT FUND IN THAILAND**

A Tool for Poverty Reduction  
and Affordable Housing

Nairobi, 2009

**UN**  **HABITAT**

## **The Human Settlements Financing Tools and Best Practices Series**

Community Development Fund in Thailand: A Tool for  
Poverty Reduction and Affordable Housing

First published in Nairobi in 2009 by UN-HABITAT.

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[www.unhabitat.org](http://www.unhabitat.org)

HS/1190/09E

ISBN: 978-92-1-132160-9

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Cover design : Andrew Ondoo/UN-HABITAT

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# TABLE OF CONTENTS

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TABLE OF CONTENT	II
LIST OF TABLES AND FIGURES	IV
ABBREVIATIONS AND ACRONYMS	VI
FOREWORD	VII
INTRODUCTION	1
HOW THE URBAN COMMUNITY DEVELOPMENT OFFICE WAS SET UP	4
Situation before setting up the Urban Community Development Office	4
The setting up of Urban Poor Development Fund and the Urban Community Development Office	5
The important elements that supported the achievement of setting up the Urban Poor Development Fund	6
THE OPERATION OF THE FUND	8
Scope of Urban Community Development Office activities	8
Fund Management	8
Urban Community Development Office / Community Organizations Development Institute integrated loan	10
Loans for Housing Projects	13
How to operate	13
URBAN COMMUNITY DEVELOPMENT OFFICE / COMMUNITY ORGANIZATIONS DEVELOPMENT INSTITUTE PERFORMANCE	15
General approach	15
Community networks as key operating mechanisms	16
Working with other existing organizations	18
CASE STUDY OF THE BAAN MANKONG UPGRADING PROGRAM	19
The new housing program	19
How to implement	20
Types of Baan Mankong Upgrading	20
Funding	22
How does Baan Mankong differ from conventional upgrading approaches?	22
What has been achieved to date?	23
How is the upgrading changing the quality of people's assets	24

RESULTS AND IMPACTS	26
General impacts on urban poor community development	26
Results and Impacts on low-income housing development: Case Study of Ruam Samakee Baan Mankong Project	28

## LIST OF TABLES AND FIGURES

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### TABLES

Table 1: Urban Community Development Office loans available in 1992
Table 2: The different Urban Community Development Office loans in 2000
Table 3: Types of Community Organizations Development Institute loans available since 2004
Table 4: Urban Community Development Office support to community housing projects
Table 5: Upgrading projects under the Baan Mankong Program
Table 6: Progress of Baan Mankong, January 2003 – October 2008
Table 7: Ruam Samakee housing types

### FIGURES

Figure 1 The Urban Community Development Fund
Figure 2 Development of UCDO/CODI Community Approaches
Figure 3 Network Approaches of CODI

## ABBREVIATIONS AND ACRONYMS

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BTA	Building Together Association
CODI	Community Organizations Development Institute
Co-op	Community Cooperatives
CPB	Crown Property Bureau
DANCED	Danish Cooperation for Environment and Development
DPF	The Duang Prateep Foundation
Fed	Community Federation
HDC	Human Development Center
HSF	Human Settlement Foundation
NESDB	The National Economic and Social Development Board
NHA	National Housing Authority
NGOs	Non-Governmental Organizations
PI	Plan International
POFD	People's Organization for Development
SC	Community saving groups
UCDO	Urban Community Development Office
UNESCAP	United Nations Economic and Social Commission for Asia and the Pacific

### List of Measurements conversion

1 US\$ = 35 Thai Baht (in 2009)



# FOREWORD

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The global housing crisis, especially in the developing world, is getting worse by the day making the right to adequate shelter a quest that is becoming more and more difficult to meet, despite the targets set by the Millennium Development Goals.

Such is the rate of urbanization – the influx of people into towns and cities, and their natural growth – that the world has now reached a point where for the first time now, half the global population lives in towns and cities.

By the year 2050, six billion people – two-thirds of humanity – will be living in towns and cities. And as urban centres grow, the locus of global poverty is moving into towns and cities, especially into the burgeoning informal settlements and slums, of the developing world. In the developing world, this is happening so fast that slums are mushrooming in what is termed the urbanization of poverty.

This makes it imperative that we use every means at our disposal to ensure that we at UN-HABITAT, and our partners, keep applying ourselves to Target 11 of the Goals – to achieve significant improvement in the lives of at least 100 million slum dwellers, by 2020.

And for this, we need innovative governance, and local thinking and reporting if we are to bring hope to the urban poor. Equally importantly, we need to support our towns and cities, indeed our countries, to adopt pro-poor policies and strategies that will obviate the need for further slum creation.

It is against this background, that the Human Settlements Financing Tools and Best Practices series focuses on the development of know-how, knowledge and tools in human settlements financing, from which Member States can learn in delivering affordable housing to the poor.

A handwritten signature in black ink, which appears to read 'Anna Tibaijuka'.

Anna Tibaijuka,  
Executive Director, UN-HABITAT  
Under-Secretary-General of  
the United Nations,





# INTRODUCTION

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The fifteen years' experience of the Community Development Fund in Thailand and other Asian countries have considerably contributed to an understanding that it can be a very powerful development mechanism to address urban poverty at a national scale. The Community Development Fund model supports poor communities in organizing savings groups and improves their capacity to manage their fund or the loans for community development activities. It is a mechanism that enables urban poor organizations to tap into resources directly by building up their own capacities and allows communities to decide and design various development activities. The challenge has been to use the community development fund to generate holistic community development, including housing construction by poor people at a national scale.

The Urban Community Development Office (UCDO) was set up in 1992 by the Thai Government to address urban poverty. During the initial stages, it was a special program under the National Housing Authority (NHA), having certain independence of its own administration and development processes with urban poor communities.

The UCDO was provided with an initial capital fund of Thai Baht 1250 million (USD 35.7 million), from which it could provide loans to organized communities for a variety of activities related to housing, land acquisition and income generation. Initially, loans were available to any community-based savings group, provided that they could demonstrate the capacity to manage community finance through community savings and loan groups, and that the loans would be used to respond to the particular needs of each group. Through this, the UCDO developed links with a wide range of community-based savings groups. The loans were given at low interest rates, which are even lower than market rates, compared to those charged by informal money lenders. However, income from loan operations was sufficient to cover the organization's administrative costs and allow UCDO to be sustainable.

As the savings groups became larger, stronger and greater in number, the UCDO facilitated links between community savings groups, which led to the formation of community networks at different levels.

The UCDO also supported communities in a particular city or province to form networks, to negotiate as a block with city or provincial authorities, or to work together on shared problems of housing, livelihoods, basic services and community enterprise, according to their needs, situation and changing context. Subsequently, the UCDO began providing bulk loans to these community networks which in turn lent to their member communities. The emergence of larger scale community networks in Thailand brought immense change to the community-led development process in general and also to the UCDO. These networks gradually became the means through which the UCDO's funds (and later Community Organizations Development Institute's funds) were made available to low income groups in the country.

The UCDO made links with other governmental and bilateral agencies to implement several other development programs and used flexible community network grants to work on development activities. For example, there was a small grants program for community managed environmental improvement project, with USD1.3 million from the Danish Government (Danish Cooperation for Environment and Development). This fund supported 196 projects, benefited 41,000 families, and strengthened the capacity of community organizations to work together and with the local government. Another notable achievement was a program designed to help savings groups facing financial crisis maintain their loan repayments after the Asian financial crisis of 1997 (with support from the Thai and Japanese governments).

The establishment of welfare funds for communities to use as grants, loan or partial loans for education, or income generation was another important initiative. For instance, small installments were used by those needing to pay school fees, those who are HIV positive, the sick and the elderly, all with the support of the World Bank's Social Investment Fund.

The success of the UCDO is self-evident. By the year 2000, 950 community savings groups had been established and supported in 53 of Thailand's 76 provinces. Housing loans and technical support had been provided to 47 housing projects (involving 6,400 households), and grants for small improvements in infrastructure and living conditions had been provided in 796 communities, benefiting 68,208 families. More than 100 community networks had been set up and more than 1 billion Thai Baht (USD28.6 million) had been provided in loans, with more than half of the loans having been repaid in full. In total, informal estimates suggest that assets of some 2 billion Thai Baht (USD 57 million) had been generated by all of these projects<sup>1</sup>.

However, the UCDO, at the time, was a special unit under the NHA. It became evident that both institutions had different development and administrative cultures that required different rules and regulations. With the UCDO under the administrative system of the NHA, its growth and flexibility tended to be limited. As further links with rural communities were established, its work expanded and increased links with rural communities emerged.

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<sup>1</sup> Boonyabancha, Somsook (2005), "How upgrading of Thailand's informal settlements is spear : Heading a community-driven, city-wide, integrated social development process" paper presented in Arusha Conference, "New Frontiers of Social Policy" December 12-15, 2005

Some small urban centers are very similar to rural centers, for instance. At the same time, the management of the Rural Development Fund under the National Economic and Social Development Board (NESDB) was also in question. In 2000, the Government proposed the merger of the UCDO with the Rural Development Fund to become the Community Organizations Development Institute (CODI)

Building on the success of the UCDO, CODI was established in 2000 by virtue of the Royal Decree to become a new public organization under the Ministry of Social Development and Human Security. The royal decree allows developments organized under UCDO to continue and enables important changes in organizational functions and how it relates to the low-income community organizations that it supports. As a public organization, the CODI gets its own legal entity to apply to the annual government budget directly, which provides greater possibilities and flexibilities to expand wider linkages for collaboration between urban and rural groups (including working with communities on the fringes of cities that have both rural and urban characteristics).

The merger of the UCDO and the Rural Development Fund had resulted in CODI's initial capital fund of Thai Baht 2.899 billion (USD 82.85 million) which includes the following:

- Thai Baht 2,156 million from Urban Community Development Office
- Thai Baht 743 million from Rural Development Fund

During 2003, CODI made a proposal to the Thai government for the implementation of the Baan Mankong Program to address land and housing problems of low-income sectors which targeted 2,000 communities in 200 cities. The government budget was passed through CODI for infrastructure and housing loans interest subsidies. This is a very important national policy which gives CODI some flexibilities in applying new methods to improve urban poor housing at national scale

The UCDO/CODI has sought to open up inclusive processes that are controlled by the poor themselves. The suitable institutional form has to be flexible, dynamic and open to full participation. The 15 years experience of the UCDO and later CODI has shown that it is possible to alter the delivery of development systems for more favorable outcomes to the poor. The major lesson is that there is a need to support the poor themselves in becoming important players in the development process. The poor must be involved in decision making processes and in control of the activities that follow.

## CHAPTER 1

# THE ESTABLISHMENT OF URBAN COMMUNITY DEVELOPMENT OFFICE<sup>2</sup>

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### SITUATION BEFORE SETTING UP UCDO

The global economic expansion and relative stable political situation in Thailand in early 1980's allowed rapid economic development to take place. In fact, the country was undergoing significant transformation; (i) the private sector boomed, (ii) loans and finance from commercial banks were more accessible, (iii) many large infrastructure and construction projects took place as most urban centers expanded greatly and (iv) there was growth in the middle class and the service sector. Despite such development, income disparities between the rich and poor increased. The income share of the top 20 percent grew from 51 percent in the early 1980's to more than 60 percent in the 1990's, while the share of the bottom 20 percent fell from five percent to three percent during the same period.

Economic growth attracted more people to the cities due to greater opportunities in both the formal and informal sectors.

However, the lack of housing for the poor pushed the new migrants into cheaper accommodation in vacant land near the job opportunities. Poor security of land tenure and the lack of infrastructure resulted in a deteriorating living condition for the urban poor. It is estimated that in 1990 about 20 per cent of urban dwellers were living in low-income settlements. There were about 3,500 settlements with insecure land tenure, poor services, inadequate infrastructure and housing conditions. Surveys carried out by the National Housing Authority revealed that at least 13 per cent of Thailand's urban poor were under the threat of eviction. In fact, all slum communities are at risk of being evicted as they have no legal protection, no matter how long the settlements have been established for.

The National Housing Authority's plan to relocate Bangkok's urban poor to alternative sites was partly successful in addressing the eviction problems. Since employment opportunities at the new site were rare, household incomes often fell and many struggled to repay the cost of their new houses. Some had to abandon their new homes and return to the squatter areas in the cities.

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<sup>2</sup> The text in this section is drawn from Boonyabantha (2003), "A decade of Change: from the Urban Community Development Office(UCDO) to the Community Organization Development Institute(CODI) in Thailand"

## THE SETTING UP OF THE URBAN POOR DEVELOPMENT FUND AND THE URBAN COMMUNITY DEVELOPMENT OFFICE

In the early 1990's, The National Economic and Social Development Board (NESDB) began to look for alternatives to solve the problems of the urban poor communities. The initial solution was to generate greater income in low-income communities so that people could have the opportunity to buy land and housing. It was believed that if they could obtain security in the land and housing, they could explore new ways of increasing their incomes and promote their own development. A study team was set up under the National Housing Authority to analyse ways of addressing poverty. The study draws on the experiences of various cases in Thailand as well as those outside the country, such as the Grameen Bank in Bangladesh and the Community Mortgage Program in the Philippines.

By December 1990, the concept of the Urban Poor Development Fund had been formulated and the first step towards its establishment was being taken. Mr. Paiboon Watthanasiritham, a highly respected individual with extensive experience in both public and private sectors, was appointed to lead the study team in preparation for the Urban Poor Development Fund. Once the office had been established and was able to manage the Fund, Mr. Watthanasiritham became the first managing director of the office.

The study process in preparation for the Urban Poor Development Fund was one of the most critical steps since it brought together community groups, activists, community federation, NGO's, civic groups entrepreneurs and government staff that were active in urban poor development issues. Numerous meetings and discussions were organized to share and refine many ideas. The findings included a proposal to establish the Urban Poor Development Fund as a new institutional

form in Thailand to support urban community development activities and provide low-interest loans to community organizations for income generation and housing. The fund of Thai Baht 1,250 million (about USD 50 million in 1992) granted by the Thai government, would be available through the UCDO.

The Urban Poor Development Fund as managed by the UCDO was meant to support the urban poor. The funds allow flexibility in supporting different kinds of informal needs of the urban poor and be developed and implemented at their own pace. The Funds that supports community activities can also be linked with the need to organize community financial capacities, to manage their development finances and to fund groups through community savings and credit activities. If urban poor communities are able to develop their community savings and credit capacities on a large scale and access the Development Fund properly and easily, then the new system is enabling poor people to gain access to funds for their various development needs. Because the development and formal finance systems do not provide access to finance for the poor, the poor are lacking funds for their lives. This creates the need to build up alternative channels of finance for the poor to acquire access to all resources required for development.

The necessity to build up community savings and credit groups as communities' own finance pool has also become an important development phenomenon for poor communities. Each community savings group is acting as a small community bank serving families' basic financial needs. It is accessible and helps bring poor people to work. It becomes a new powerful development process managed by community people.

It could be said that Thailand's Urban Poor Development Fund was one of the new integrated development support systems for the urban poor in the region.

The important structural elements of the UCDO are:

- a. **Institutional development:** In the beginning, the fund would be implemented under National Housing Authority (NHA) to enable rapid establishment. The organization would be governed by a Board, which would institutionalize partnerships at the highest level as the board would include representatives from government agencies, academics and communities. It was intended that, the fund would be separated from the NHA at a later stage and be upgraded to perform at its fullest flexibility.
- b. **Administrative strategy:** The Fund's Board would be directly responsible for policy planning, implementation and the appointment of a managing director. The director would develop systems, practices and the staff team. The working system of the organization would be based on flexibility, efficiency and the participation of communities rather than the conventional system of bureaucratic control.

#### THE IMPORTANT ELEMENTS THAT SUPPORTED THE SETTING UP THE URBAN POOR DEVELOPMENT FUND

- a. **The Availability of Government Finance:** Between 1987 and 1990 the country was enjoying high economic growth - an average growth rate of seven percent a year. New legislation had resulted in the upward adjustment in land values and generated very large income for the government. Moreover, the government had launched a campaign, "tighten the belt", to restrict government expenditure at the time of fuel crisis in previous years. As a result, the treasury reserves and the government's financial status were particularly healthy.

- b. **Government Policies:** During the second half of the 1980's, Thailand had become one of the new industrial countries in Asia. Rapid growth, particularly in the industrial, commercial and construction sectors, had resulted in greater demand for unskilled labor in urban areas. The National Economic and Social Development Board (NESDB), which played an important role in preparing the 7th National Economic and Social Development Plan (1992-1997), viewed the urban poor as a major labor force for the economic growth of the country in the production and service sectors. The committee believed that they deserved better social services and investment opportunities and enhancement. They also thought that through the Urban Poor Development Fund, their expertise would be developed and they could become supplementary small entrepreneurs alongside major traders. Prime Minister, Anand Punyarajun, appointed after the coup d'etat, provided further support with strong focus on administration reform. Several new funds were set up to provide new instruments for country development.

- c. **Experience from the Past:** Before the setting up of the Fund, several Non-Governmental Organizations (NGOs) such as the Human Settlements Foundation (HSF), Plan International (PI), People's Organization for Development (POFD), Building Together Association (BTA), the Duang Prateep Foundation (DPF) and the Human Development Center (HDC) had been active in addressing the needs of the urban poor and had assisted them in organizing community organizations, community savings and credit groups, and housing development. Several community organizations were organized into networks, helping and learning from each other. The more the communities linked together, the

more eager they became to improve their living conditions. As a consequence, there was increasing demand from communities for special types of funds to support their activities.

In 1988 and 1990, two Funds were set up for the purpose of community development, one was implemented by NHA and the other by the Social Welfare Department under the Ministry of Interior. The amount of NHA-managed fund was Thai Baht 119 million (USD 3.4 million), while that of Social Welfare Department was Thai Baht 250 million (USD 7.1 million). The performance of these Funds were not so successful which resulted in the formation of the new unit, UCDO, to run the new community fund in 1992.

The major reason behind the failures of those two Funds was probably because those Funds were managed in an old institutional style. The Funds were mainly used for land purchase and housing construction done by contractors. Management and Budgeting systems of the Funds were rather rigid and did not cater for any new initiatives by the communities.

Despite the above problems, innovative housing options such as land-sharing and community-driven housing activities were initiated, while about 60 community savings and credit groups were set up in several communities. They had formed a community network. As the community savings and credit organization processes expanded, communities developed the confidence and higher managerial capacity to implement activities, and recognition from the government and other development actors.

**d. Experiences from other Countries:** A study indicated that there were a number of successful experiences elsewhere in Asia. Programs such as Grameen Bank in Bangladesh and Community Mortgage Program (CMP) in the Philippines demonstrated that the urban poor were

capable of running their own savings groups and development activities, and taking care of the repayment process. The experiences proved that community development through this financial development strategy is viable and could lead to effective large-scale development.

In addition, international development agencies such as UNESCAP have promoted these examples through its publication entitled "Guideline on Community-Based Housing Finance and Innovative Credit System for Low-income Households". Field visits by several professionals and relevant government officials and NGOs were organized to facilitate the understanding of these programs.

**e. Community Savings Groups in Rural**

**Areas:** Savings and credit groups have long been introduced to communities in rural areas both informally and formally. The vigorous work of the Department of Community Development under the Ministry of Interior and several NGOs to promote the idea of savings groups had gradually gained acceptance from the communities. The movement of *Satcha-omsap* (Saving the Truth) emphasizing a community's own savings and credit processes, was developed and expanded widely in the early 1990's.

As a result of a study, the Urban Poor Development Fund was capitalized and the UCDO was set up in 1992. The formation of the UCDO was an attempt to take a new approach and develop a new process to address urban poverty at a national scale. The program sought to improve living conditions and increase the organizational capacity of urban poor communities through the promotion of community's savings and credit groups and the provision of integrated loans at favorable interest rates, as wholesale loans, to community organizations.



## CHAPTER 2

# THE OPERATION OF THE URBAN COMMUNITY DEVELOPMENT FUND

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### SCOPE OF THE URBAN COMMUNITY DEVELOPMENT OFFICE ACTIVITIES

The main activities of the Urban Community Development Office are:

- To stimulate community savings and loan groups, cooperatives and savings network.
- To develop managerial and financial management systems of community savings and loans groups, and to strengthen the capacity of group leaders and members.
- To establish community savings and loan groups for various development activities such as income generation, housing and environment-development projects and community welfare.
- To ensure that the Urban Poor Development Fund serves as a revolving fund to provide various kinds of loans including those for community revolving funds, income generation and housing improvement to all urban poor groups who organize themselves to apply for loans for their development projects.
- To promote community action planning for more holistic community development to be implemented by communities.

The key principle is to develop community organizations based on the idea that community organizations “are the key agent for their development” and to provide integrated loans for development projects to communities, based on the idea that loans are an instrument for development.

### FUND MANAGEMENT

The Urban Poor Development Fund was governed by UCDO’s Board of Directors, which had full power over all UCDO policies. The Board comprised four representatives from the government, four elected community leaders and three professionals from NGOs and the private sector. Having community representatives on the policy making committee was an important initiative, resulting in the nature of the program being transparent and participatory. Through UCDO/CODI, both community and government can become familiar with alternative ways of working. The poor, as an equal member of the decision making groups, can voice their needs, their aspects and their expectation in any decision making at Board meetings.

The fact that the Fund was a revolving fund allowed greater flexibility to manage a new development process led by people in community. Communities can access the Fund directly without undergoing negotiation with a government department and without a long bureaucratic procedure. This new way of managing the Fund allowed financial resources to be delivered directly to support community development.

This offered a new alternative to the conventional, expensive and externally managed development for the urban poor which very often meant long delays before funding was available and a need to spend the money quicker than required.

FIGURE 1 THE URBAN COMMUNITY DEVELOPMENT FUND

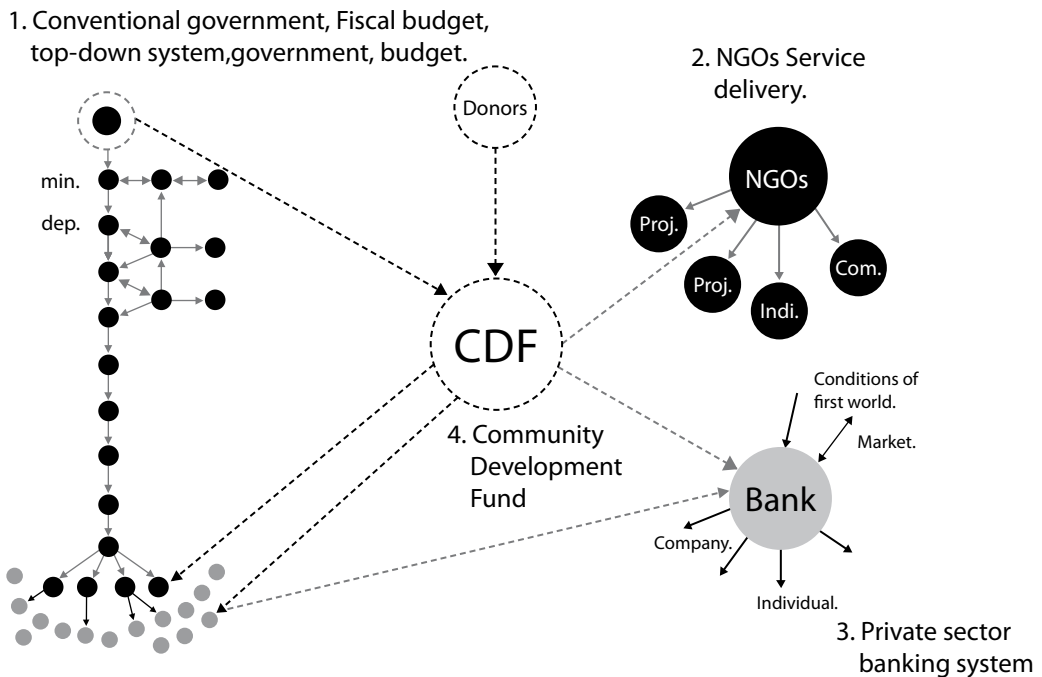


Figure 1 shows that the Urban Community Development Office functioned as a Community Development Fund, provided direct financial support to communities and linked other development actors to communities. It is the system for the poor that differs from the conventional government vertical system (in blue colour)

When the Fund was established, the Board had calculated that it would be self-sustaining with an annual average interest rate of seven percent per year. Income earned on the fund would cover the administrative and development costs of all activities. The structure of the average interest rate was as follows:

- four percent for administration and development activity costs
- one percent for bad loans reserve
- one percent for special community activities
- one percent to go back to the fund

At the beginning, some Board members were not comfortable with the idea that the UCDO loan rates did not undercut prevailing rates in the financial markets. After several discussions, the Board agreed that the average interest rate of 7 per cent per year fairly represented the share between the UCDO and community-based savings groups who were the borrowers. The savings groups had always added a margin of about five percent to cover their management costs, including expenses for their own development activities such as the community welfare. This margin was also used as a buffer, when any member could not manage the repayment for any particular installment.

### THE URBAN COMMUNITY DEVELOPMENT OFFICE/THE COMMUNITY ORGANIZATIONS DEVELOPMENT INSTITUTE INTEGRATED LOANS

UCDO offered three kinds of loans to community savings groups (not to individuals): (i) loans for community revolving fund, (ii) income-generation loans, and (iii) housing loans. Of these three types, loans for a revolving fund were quite unusual and notable for their flexibility. They were used as strategic loans to encourage the savings groups to lend the community capital to their members. These revolving funds may be used for emergencies, such as a shortage of food, medical needs, school fees or small income generation activities. Revolving fund boosted the capital held in community and enabled groups to better address a member's needs for small immediate financial liquidity.

TABLE 1: THE DIFFERENT TYPES OF URBAN COMMUNITY DEVELOPMENT OFFICE LOANS AS OF 1992

TYPE OF LOAN	PURPOSE OF LOAN	ANNUAL INTEREST RATE	MAXIMUM TERM
Revolving funds	Used as a revolving fund for a saving group	10 percent	1 year
Income generation	Individual or group business investment	8 percent	5 years
Housing (project)	Housing project for a community with immediate problems purchasing land and constructing housing	3 percent for a loan of less than 150,000 Baht. 8 percent for a loan between 150,000 and 300,000 Baht	15 years
Housing Improvement (non-project)	For repair and extension of house and utilities	10 percent	5 years

Loans for Revolving Fund were short-term loans for various community needs. It helped add more liquidity to existing community saving groups and provided community saving groups with more money for their own management and loan needs.

Income Generation Loans were meant to support income generation activities in a community. Loans were available either as a group loan to support community-based activity or as an individual loan to a single member .

Housing Improvement Loans (non project-based) were loans for housing repair and improvement. These loans were made available to community-based savings group which in turn on-lent such funds to an individual member for the purpose of building, repair, extension, installation or upgrading of her/his own house. Interests charged on this type of loans were the same as that of a revolving fund and repayment terms should not exceed 5 years.

Housing Loans (project-based) were loans extended to community organizations for integrated community housing projects. Loans could be used either to purchase land or build houses or both. Project-based housing loans had been important for communities which faced eviction and were in need of financing for new plots of land and housing construction. Demand for this kind of loan had risen notably. The maximum loan amount per family was Thai Baht 300,000 (USD 8,570) and the repayment term not exceeding 15 years.

To be eligible for the UCDO loan facility, community organizations should have organized savings activities within its community and put in place accurate and reliable accounting and financial management systems for at least six months. The more a community saved, the more it could borrow from UCDO.

Savings for project-based housing loan had a ceiling of Thai Baht 300,000 per household, the maximum amount of UCDO loans was ten times the amount of the community savings. Later the ceiling was adjusted, adding the element of time the savings groups had been established. For instance, the groups that organize savings activities for less than a year could get loans of no more than three times the amount of their savings. Those organizing activities between one and three years could receive loans of no more than five times their savings and those which had been saving for over three years could receive loans up to ten times their savings.

Besides the various community loans available, the UCDO also worked with other development organizations which offered grants for development activities to community organizations. These included:

- A USD 1.3 million grant program for community-managed environmental improvement projects from the Danish Government. The program supported 196 projects which benefited over 41,000 families, and strengthened the capacity of community organizations to coordinate among themselves and with local government.
- A special program from the Thai government to help community groups cope with debts and financial difficulties as a result of 1997 financial crisis.
- Social Investment Fund to support community welfare in the form of grants, loans or partial loans for education, income generation and for welfare of underprivileged groups such as those who were HIV positive, the sick, and the elderly.

TABLE 2: TERMS AND CONDITIONS OF UCDO CREDIT FACILITY IN 2000

Type of loan	Annual interest rate (%)*	Maximum term (years)
Revolving funds	10	3
Income generation	8	5
Community enterprise	4	7
Housing (non project)	08-Oct	May-15
Housing (project)	03-Aug	15
Network revolving funds	4	5
Financial crises impact alleviation	1	5
Loan Guarantee	Fixed deposit rate+2	Flexible

(\*) in most cases, the community will add a margin of about five percent on this rate charged by Urban Community Development Office

The national populist policy of Thaksin's government has initiated new programs such as Village Fund Program, which seeks to support development activities in each village/community by allocating one million Thai Baht as a revolving fund for each village/community. This one million Baht would be self managed by the village/community under a clear instruction designed by the central government. These new programs allowed communities/groups access to new financial resources of the Community Fund directly and could widely reach the poor throughout the country.

As the result, the Community Organizations Development Institute (CODI) had to review the type of loans made available to communities so as not to overlap with those of the village fund. CODI developed linkages and organised communities into networks, which became the major mechanism in development processes, as different kinds of loans were grouped in order to respond to the different needs of groups in each network.

TABLE 3: TYPES OF CODI LOANS SINCE 2004

Type of Loans	Annual interest rate	Maximum term (years)
Loans of housing and land	4	15
Loans for community enterprises	4	10
Loans for holistic development	3.5	10
Short-term revolving funds	6	3

(Source: Community Organizations Development Office annual report 2007, Bangkok)

## DETAILS OF PROJECT-BASED HOUSING LOANS

Category of projects-based housing loans: There were four types of housing projects which had been categorized as project-based housing and were eligible for loans from UCDO:

- Buying land of an existing settlement or land nearby
- Relocation
- Housing construction on leased land or occupying National Housing Authority resettlement projects
- Infrastructure improvement

TABLE 4: THE DIFFERENT TYPES OF UCDO- SUPPORTED HOUSING PROJECTS.

Type of project	Number of projects	Number of communities	Families		Loans	
			Numbers	%	Million baht	%
Buying existing slum land or land nearby	8	7	229	7.3	43.176	12.6
Relocation	20	45	2,713	87	257.153	74.9
Housing construction on leased land or National Housing Authority land	5	5	240	7.7	27.544	80
Infrastructure	4	-	-	-	15.456	4.5
Total	37	57	3,182	100	343.239	100

Boonyabanch, Somsook, A Case Study: Urban Community Development Office, Thailand

All the loans go to community organizations to manage as wholesale loans and the communities manage and collect repayments from their members to the UCDO. The UCDO provides technical support and link each group into a district network to support each other and to support workshops and learning capacity building processes. Community groups have to be responsible for collecting repayments and all related development processes of the families.

## HOW IT OPERATES <sup>3</sup>

### TO RECEIVE A LOAN:

The principle of this operation is to use the financial process as an instrument to strengthen community capacity and responsibility for their self-determined, self-managed community process. It was clearly publicized that any community is eligible to receive any kind of loans needed, provided that the group have their financial managerial capacity through the management of their savings and credit activities and made a loan proposal.

<sup>3</sup> The text in this section is drawn from Boonyabancha, a Case Study Urban Community development Office, Thailand

Once the staff of the UCDO learn of a group's needs, the office will explore ways to assist and facilitate. If a procedure to apply for a loan is developed properly, the community may be able to receive the loan within a month. In later stages, loans and development processes have been implemented with much more collaboration of community networks rather than a single group.

#### LOAN APPROVAL:

In the past, the UCDO would send community loan proposals to the UCDO Sub-committee for approval. Such a sub-committee comprise representatives from government banks, experts on community savings and experts from concerned organizations chaired by the UCDO Managing Director. The function of the sub-committee is to approve loans under 20 million baht while the loans that exceed 20 million baht must be approved by the UCDO's Board of Directors. After approval has been granted, the community and the UCDO would make a mutual agreement on community development plan, indicating how the loan would be utilized and managed. At present, community networks are major mechanisms for communities working on proposal preparation to request loans from the CODI and manage loans among their group members.

#### COLLATERAL:

It is compulsory that all committee members of community networks are guarantors to the loan. In housing projects, the land and housing are required as collateral as well.

#### REPAYMENT:

The community can decide on the amount and period of repayment, provided that it is not beyond the maximum terms specified by UCDO. The community or savings groups could decide whether repayment be made on a daily, weekly, fortnightly, or monthly basis. At present, the network loans also allow more flexibility in making repayments with a period of up to six months. The method of repayment is flexible and can be arranged according to the needs and processes decided by the community itself. Communities must make regular repayments of the loan according to the agreement or no later than the 10th of each month. Delay or default without reasonable notice will result in a fine. Groups that are consistent with repayment will receive awards and certificates.

## CHAPTER 3

# THE PERFORMANCE OF URBAN COMMUNITY DEVELOPMENT OFFICE/COMMUNITY ORGANIZATIONS DEVELOPMENT INSTITUTE

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### GENERAL APPROACH

One of the most significant approaches of the UCDO/CODI's work was to support communities in the implementation of key development processes, while facilitating the relevant activities to strengthen the managerial capacity of stronger community organizations, which would in turn be able to lead various community processes. For the urban poor, organizing themselves into saving and credit groups is a simple, direct and uncomplicated way of taking care of their immediate day-to-day needs. Saving activities became a tool which could link poor people in a community and help them find ways to handle simple credit needs as well as managing more complex development activities. So the UCDO/CODI worked to encourage, facilitate and enable, in all possible ways, community organizations and networks to act as key operating mechanisms in development processes. The ideas behind the approach were:

- First, community savings and loan activities draw people together and offer opportunities for members to develop their strengths through making collective decisions about concrete activities that affect the community.
- Second, the financial mechanisms are grounded in daily activities. Savings and lending are quick, simple and related to daily needs of the poor themselves.
- Third, savings and loan activities provide the urban poor an opportunity to use their own resource base to address their basic needs.
- Fourth, it creates ongoing learning within the community that every member can relate to and be involved in. It is a gradual process that provides the communities with the capacity and confidence for their development process.



## COMMUNITY NETWORKS AS A KEY OPERATING MECHANISM

Between 1997 and 1999, the economic crisis affected the community-based savings groups immensely. Therefore, it required the UCDO/CODI to seek a new process of setting up community savings groups and to revive groups facing financial difficulties. The whole system of the UCDO/CODI operation was reviewed and there was a desire to uncover new mechanisms that would support the process of how to transfer the repayment responsibilities to a more communal responsibility rather than just a bilateral relationship between the UCDO and each single community and a few leaders. Having learnt from past experiences, the UCDO/CODI moved in a new direction that brought groups together to work and share responsibilities in the form of a network.

Since 1996, several programs have started to work as networks in such areas as community-driven environment activities and community welfare programs.

The new approach has proven to be efficient in implementing a significant number of community development projects by several communities themselves, on a city, district and country scale. With this new approach, the communities found themselves connecting with each other and were mobilized to deal with several other issues such as land, housing, infrastructure, education, health and planning. The process of connecting urban savings and loan groups in the same city and district, or with similar development issues and common interests, to form different community networks at various levels had a significant impact.

Community networks link communities to work together with common agreements. They adopt common rules, norms, simple coordinating structure and taskforce bases on various activities that are planned and agreed together. In Thailand, it is always working with a loose linking mechanism without legal status rather than a tight structure. However, it has been widely accepted as an important development mechanism.

FIGURE 2 DEVELOPMENT OF UCDO/CODI COMMUNITY APPROACHES

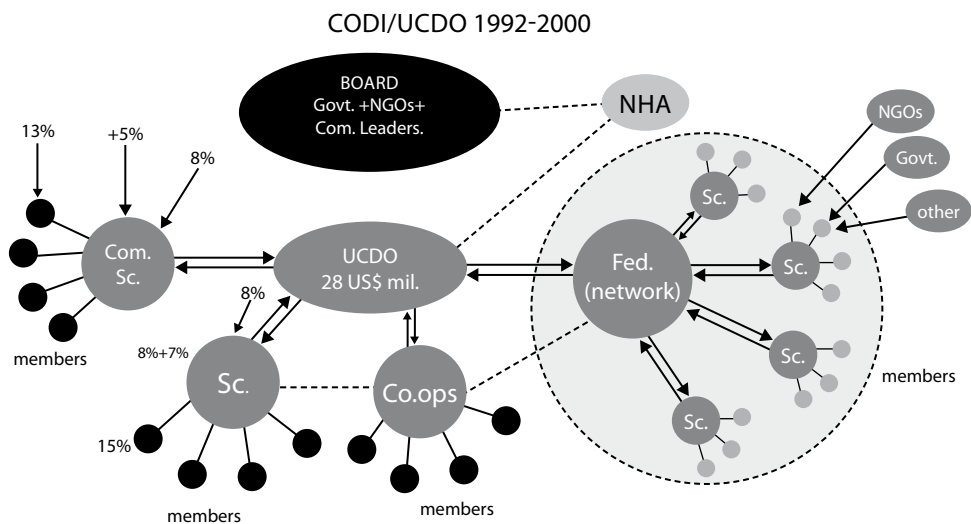


Figure 2 shows the development of the Urban Community Development Office from providing loans to single saving groups, it attempted to link those saving groups in the same city to work together as a network

Since then, the UCDO/CODI's main strategy has been to facilitate the establishment of community networks and federations in order to strengthen community collaboration, management and mutual learning in various urban constituencies.

By the end of 1997, most of the community networks, in cooperation with these other local actors, have gradually assumed the responsibility of loan consideration and development for their member communities. This is another significant step towards decentralizing UCDO's operational process.

FIGURE 3 NETWORK APPROACHES OF CODI

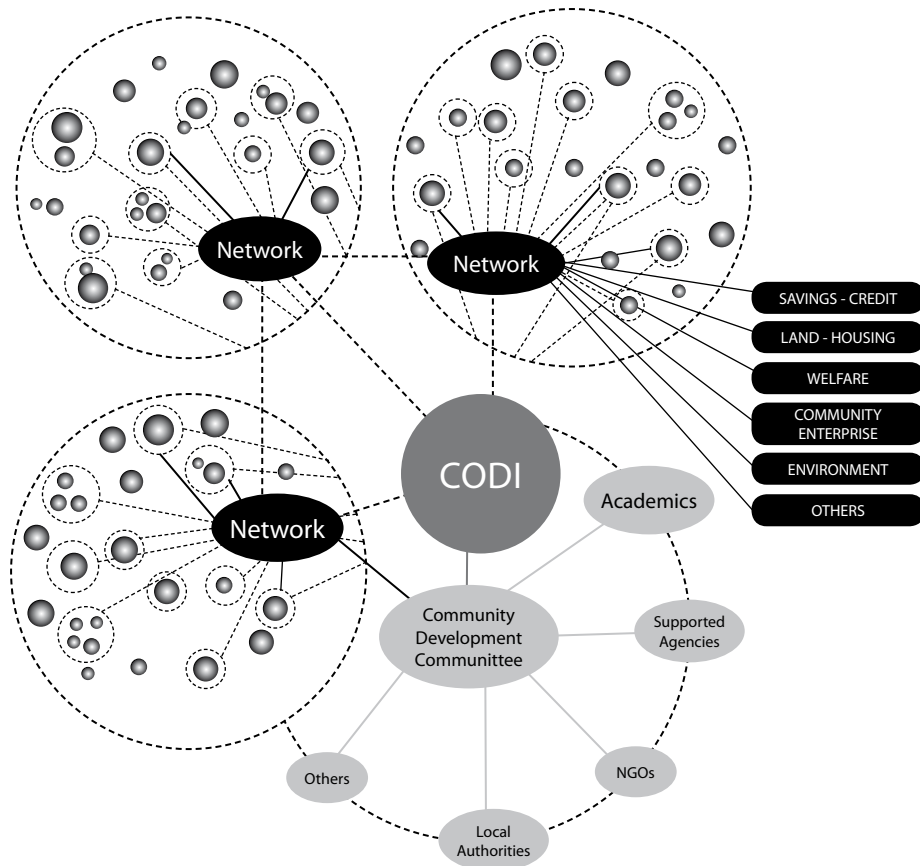


Figure 3 shows how the Urban Community Development Office facilitates the emergence of community networks in each constituency to link all communities to work together on various development aspects and to link with existing development agencies and local authorities to form the Local Development Committee in each city

### WORKING WITH OTHER EXISTING ORGANIZATIONS

Another UCDO/CODI approach was to work with as many existing organizations as possible, including the government, local authorities, NGOs, federations and professionals, and regard all existing organizations as potential development partners, to be supported and strengthened, and to work together in implementing programs.

In several cities there were attempts to bring all urban groups to work together in the form of the Urban Community Development Committee, which became a success. The building capacity of local partnerships to work together through UCDO/CODI interventions has been one avenue of implementation. Subcontracting development activities to NGOs and the municipal government has also been implemented. Moreover, UCDO/CODI initiated direct financial support to NGOs, community networks and local authorities to implement development projects in several cities.

## CHAPTER 4

# CASE STUDY OF THE BAAN MANKONG (SECURE HOUSING) PROGRAM

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### THE NEW NATIONAL HOUSING PROGRAM USING THE COMMUNITY DEVELOPMENT FUND AS THE KEY DEVELOPMENT PROCESS AND IMPLEMENTATION<sup>4</sup>

In January 2003, the Thai Government announced two new programs as part of the government's efforts to address the housing problems of the low-income groups and provide secure housing to one million households. The first is the Baan Mankong (secure housing) Program, which channels government funds (in the form of infrastructure subsidies and soft housing and land loans) directly to urban poor community organizations. This program is being implemented by the CODI. The second is The Baan Ua Arthorn (we care) Program, in which the National Housing Authority designs, constructs, and sells ready-to-occupy flats and houses built by contractors at subsidized rates to lower-income households who can afford the "rent-to-own" payments of Thai Baht 875-1330 (USD25-38) per month at the beginning and about Baht 2,000 – 2,500 (USD 57 – 71) now.

The Baan Mankong Program was specifically set up to support upgrading processes that are designed and managed by existing low-income communities and networks. These communities and networks work with local governments, professionals, universities to plan an upgrading program which will resolve the land and housing problems covering all urban poor communities in that city.

Once these upgrading plans have been finalized, the CODI channels the infrastructure subsidies (received from the government) and housing loans (from the CODI's revolving fund) directly to the communities, who own the projects and do all the work themselves.

The Baan Mankong Program has set a target of improving the housing, living conditions and tenure security of about 200,000 poor households, in 2,000 poor communities in 200 cities, within five years, representing over half of the urban poor in Thailand. The program is a demand-driven approach and imposes as few conditions as possible, in order to give urban poor communities, networks and various stakeholders as much freedom as possible to design their own programs.

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<sup>4</sup> the section was drawn from Somsook Boonyabancha, How Upgrading of Thailand's Informal Settlements is Spearheading A Community-Driven City-Wide, Integrated Social development Process, conference paper, 2005

The challenge is to support upgrading in ways that allow urban poor communities to lead the process and to build local partnerships in the process, so that the whole city contributes to the city-wide solutions. A key to this flexibility is the ability to use flexible financial management, which in turn allows communities and their local partners as much flexibility in implementation as possible.

## HOW TO IMPLEMENT

The first step for establishing the Baan Mankong Program is to identify the relevant stakeholders and explain the program. The second step is to organize community meetings for the stakeholders to take ownership of the program. These meetings ultimately establish a joint committee to oversee the implementation of the project. This committee includes urban poor community and network leaders, as well as municipal officials, local academics and Non-Governmental Organizations to integrate urban poor housing into each city's overall development and to create a joint mechanism to plan and implement housing development together.

This process starts by gathering information. The committee organizes a survey to collect information on all households, housing security, land ownership, infrastructure problems, community organizations, savings activities and existing development initiatives. The survey process also provides opportunities for people to meet, learn about each other's problems and network. The collected information is used to create an improvement plan that covers all the informal settlements in the city. Meanwhile, collective community savings and loan groups are established to mobilize resources within the community, and to strengthen community groups by building their collective management skills.

After the preparation work is completed, pilot projects are selected and assigned on the basis of need or for the learning possibilities, a certain community might provide best practices both for the community itself and for the rest of the city. Once pilot communities are selected, development plans are drafted for initiation. These projects are often used as "learning centers" for other communities and actors throughout the process.

## TYPES OF THE BAAN MANKONG UPGRADING PROGRAM<sup>5</sup>

### ON-SITE UPGRADING:

Usually upgrading means that the house, walkway, open space as well as infrastructure are improved without changing the layout or plot sizes.

### ON-SITE REBLOCKING:

Reblocking is a more organized way of improving the infrastructure and physical conditions in existing communities by making some adjustments to the lay-out of houses and roads. Communities can then gradually develop their houses at their own plots. Reblocking is often undertaken in cases where communities are succeeded to buy or get a long term lease for the land they've already occupied.

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<sup>5</sup> the text in this section was drawn from the Community Organizations Development Institute Update, No. 5, March 2008

**ON-SITE RECONSTRUCTION:**

In this upgrading strategy, existing communities are totally demolished and rebuilt on the same land, either under a long-term lease or community ownership of the former slum land. It constitutes considerable physical change, and requires new construction to a new environment. In this alternative, communities are allowed to continue living in the same place and to remain close to their workplaces but housing will be reconstructed and re-allocated

**LAND SHARING:**

Land-sharing is a housing and settlement improvement strategy which allows both the land owners and the community people to share the land. The settlement will be divided into two portions. The community will buy or lease the less commercially-attractive portion to reconstruct the settlement, and the rest of the land is returned to the land-owner for development.

Since the land-sharing process requires the ability to translate conflict between the land owner and community into a concrete win-win form which requires long negotiation, only a few land-sharing projects have been implemented under the Baan Mankong Program such as Ruam Samakee, Tung Wah, and Klong Lumnoon.

**RELOCATION:**

The greatest advantages of the relocation strategy is that it usually comes with housing security, through new land rights, outright ownership or long term land lease. In all cases of relocation, whether it is nearby or far away, communities have to face the cost of reconstructing their houses at the new site, and in some cases it means the additional burden of land purchase payments and livelihood.

**TABLE 5: DIFFERENT KINDS OF UPGRADING PROJECTS UNDER THE BAAN MANKONG PROGRAM**

Upgrading	Number of families	%
Upgrading/reconstruction in same location	50,963	66.36
Relocation	25,722	33.5
Shelter house for homeless	107	0.14
Total	76,792	100

Source: Community Organizations Development Office, Baan Mankong Progress Report, October 2008

## FUNDING:

There are three main components in the financing of the Baan Mankong Program. The first part is a subsidy from the government which equals Thai Baht 68,000 (USD 1,943) per family. The second part is a long-term loan for housing development financed by CODI and the third is savings by each household. The government subsidy is channeled through CODI to the community organization which owns the project rather than given directly to each household. Such subsidy can be broken down as follows:

- a) **Infrastructure Subsidy:** The fund is used to develop infrastructures in the project such as electricity, water supply, walkways and sewerage etc. The size of each community's subsidy is calculated by multiplying the number of households by the amount a family is entitled to receive, which also varies according to project types.
- On-site upgrading subsidy: 25,000 Baht (USD 715) per family for communities upgrading settlements in the same place.
- Relocation subsidy: 35,000 Baht (USD 1,000) per family for communities rebuilding their settlements on the land sites relocated to the communities.

For example, a community of 200 houses which is going to be upgraded on the same site, will get a total upgrading budget of 5 million Baht (USD 142,857) to work with. The clear subsidy allocations will allow all urban poor communities to know approximately the amount of subsidy they can plan for their upgrading together, by multiplying this amount with the number of families.

- b) **Housing Subsidy:** Each family is entitled to receive Thai Baht 20,000 (USD 571) as housing cost subsidy. Community members should agree among themselves on how to utilize this portion of government subsidy. There are cases where the fund is distributed to each household.

It could then be used to reduce financial burden of the family such as deducting the principal amount of housing loan. In some cases, community members agree to keep such amount in a pool as a revolving fund for procuring construction materials for the housing project.

- c) **Administrative Subsidy:** A grant equal to five percent of the infrastructure subsidy is set aside to cover administrative expenses during the process. Any group or organization, whether an NGO, a local university, a group of architects, or a local government agency, who has been selected by the community to assist and support their local upgrading process is entitled to receive such amount of fund .
- d) **Capacity Building Subsidy:** This amount aims to support activities which could improve the knowledge and skills of the implementing organizations and their members as well as to broaden the knowledge base among other low income communities. For example, the fund could be used to finance exchange visits between Baan Mankong implementing communities in different cities so that they can learn from each other. The fund also covers the cost of seminars, meetings, on-the-job training, and etc.

## HOW DOES BAAN MANKONG DIFFER FROM CONVENTIONAL UPGRADING APPROACHES?

Unlike conventional approaches, Baan Mankong allows urban poor communities and networks to be the key actors in this housing upgrade program. They control the funding, manage the projects and implement the improvements. They also undertake most of the building activities themselves, which means most of the funds would remain within the community and work as seed capital for additional investments in housing and community.

As the program is “demand-driven by communities” rather than supply-driven by government agencies or contractors, priority is given to communities which are ready to implement their own improvement projects. There are a great variety of solutions for Baan Mankong housing upgrade, to fit each community’s own needs and priorities. For example, communities have to make decisions about how to use the infrastructure subsidy, which land to buy or to lease and what type of housing is suitable for particular community cultures and environment. The program also allows flexibility for communities to coordinate with their local partners in the planning and implementing process to achieve the mutual goals. CODI only acts as a facilitator to provide technical support such as expertise necessary for housing design and infrastructure designs.

The most notable feature of the Baan Mankong Housing Program is that it is more than just physical upgrades. The process stimulates deeper but less tangible changes in the community’s social structures. These changes pave the way for other social amenities such as community development funds, community welfare systems, and subsidized housing for elderly and underprivileged people. This collective work also strengthens a community’s managerial system, boosts the confidence of its members, and changes their relationships with the local government and other development actors in their city.

When people’s own upgrading plans for their communities are integrated within the city’s planning and development strategies, it helps trigger acceptance of poor communities as legitimate parts of the city, and as valuable partners in the city’s larger development process. Secured land tenure is negotiated for most communities individually, using a variety of tenure options, such as co-operative land purchase, long-term lease contracts, land swapping, land sharing or long-term user rights. Most of the tenure negotiations happen locally, with minimal legal procedures and minimal involvement of national bodies, but in all cases, the emphasis is on collective - rather than individual - land tenure.

#### WHAT HAVE BEEN ACHIEVED TO DATE:

The table below describes the progress achieved by the Baan Mankong Program up to October, 2008. Initiatives are underway in 1,251 communities, approving 76,792 households and working in 237 cities throughout Thailand.



TABLE 6: PROGRESS OF BAAN MANKONG, JANUARY 2003 – OCTOBER 2008<sup>6</sup>

Total number of projects approved	702 projects
Number of districts and cities where the program is underway	237 cities and districts in 76 provinces
Number of districts/cities where projects have been approved	237 districts and cities in 69 provinces
Number of households/communities in approved projects	76,792 households/1,251 communities
Total budget approved	Thai Baht 2332 million (USD66.64 million )
Infrastructure upgrading subsidy	Thai Baht 2292 million (USD65.54 million )
Housing and land purchase loans	

### HOW DOES THE UPGRADING PROGRAM IMPROVE PEOPLE’S ASSET QUALITY?

As a result of settlement upgrading, the issue of land tenure has been resolved, shacks and makeshifts are replaced by permanent housing and necessary utilities and basic services are put in place. These have substantially improved the quality of assets owned by low income people. Prior to upgrading, most people who were squatters barely own any fixed asset. Through the program, participants are able to negotiate long-term lease contracts with state or private land-owners, and are able to apply for CODI loans. This enables Thailand’s poorest urban citizens to accumulate assets worth between USD 2,500 and USD 12,500, combining the value of land, house and infrastructure improvements. Secure land tenure is essential in allowing this development to happen and opens up the gate for additional energy, development resources and investment to flow into these communities, thus compounding this increase in the real value of people’s assets. And when land is owned or leased collectively and becomes a communal asset, it is also a way of mitigating the trend of market forces pushing the poor out of the upgrading areas.

Financial assets in turn build social capital. Upgrading activities build the capacity of individuals and communities to improve their livelihoods, and manage the finances which would then enable communities to develop their welfare activities to look after each other in a variety of ways and help support their more vulnerable members. As needed, people start savings groups in their settlements to pool their resources and manage both their internal savings and external funds collectively. These collectively-saved funds are like a community bank, and present “countable” financial assets to all people in the community. When they begin the upgrading activities, and as they have to repay their land and housing loans in the longer term, everyone has to manage their finances responsibly – both as individual households and as a group. Since loans are only made to communities, their members are collectively responsible for repayments and for figuring out what to do when someone can’t pay. All this builds a group’s social cohesion and its ability to manage finances and to assist its own members.

<sup>6</sup> CODI, Baan Mankong Report, October, 2008

When communities go through the experience of managing a large and complex housing and infrastructure project, people invariably acquire skills, enhance capacities and develop greater confidence to take on more complex jobs. The reconstruction of a community calls for all kinds of inputs and different skills – when community people organize all these skills to upgrade their housing, they complement each other and synergies are achieved. When people are given the space to manage their own upgrading project, it broadens skills, generates confidence, and becomes a skill-development exercise. This in turn generates new career assets. Many people in upgraded communities, previously worked as low-paid construction laborers, have been able to get higher-paid skilled jobs or even to become small construction contractors. The communal fund alternatively provides community members with financial support for their investments and enhances income generation activities.

In many of the upgrading projects – especially those where people have found and bought inexpensive alternative land that is not directly accessed by roads (which is called “blind land” in Thailand), their networks have often been able to negotiate with the local politicians to get roads, sewers and water lines extended into the new settlement.

When trunk infrastructure comes to such pieces of “blind land”, it dramatically increases the asset value of that land and the neighboring plots. In these ways, poor communities are becoming pioneers in bringing development, investment and human liveliness into neglected areas of the city. Upgrading thus becomes a way to transform a city’s non-asset areas into lively, thriving and developable asset areas.

Community organizations in Thailand have succeeded in meeting not only their explicit goal of improving the physical infrastructure of local slum settlements, but also led to the accumulation of political, social, and financial capital. An assets framework illustrates how the different types of assets have built upon and reinforced one another. Property rights bring with them a sense of legitimacy, infrastructure improvements, while creating much-needed capital, and the participation of the poor. Combined, these factors also build another, perhaps more important asset, human capital.

## CHAPTER 5

### RESULTS AND IMPACTS

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#### GENERAL IMPACTS ON URBAN POOR COMMUNITY DEVELOPMENT

##### INCREASE IN COMMUNITY ORGANIZATIONS AND NETWORKS:

After 15 years of implementation, the total amount of UCDO fund had increased by 120 percent from Baht 1,250 million in 1992 to Baht 2,800 million in 2007. UCDO merged with Rural Fund to form CODI in 2000. Activities were taking place in 3,000 sub-districts/cities, in 76 provinces throughout the country. More than 50,000 community organizations are based on community finance, saving and loan groups. More than 1,800 community networks with different functional scopes in both urban and rural areas were set up across the country, such as the canal-side community network, the railway community network and the community welfare network. At present, community networks have been widely accepted as an important development mechanism by most formal development agencies.

##### INCREASE IN COMMUNITY ASSETS AND DIRECT FINANCIAL RESOURCES:

More than 3,558.53 million baht have been granted through various types of loans to 637 community organizations. 4,048 communities have benefited along with 377,022 families and more than half of the loans have been repaid. On the communities' side, by setting up saving groups, the amount of community savings, when added together, is now more than Thai Baht 500 million (USD 14 million). These community-owned savings are used as fast-revolving funds that circulate among community members. Roughly calculated, the assets generated within communities as a result of this savings and loan process is almost Thai Baht 2,000 million (USD 57 million),

##### INCREASED COMMUNITY MANAGEMENT AND ENTREPRENEURSHIP SKILLS:

Having their own resource base, linkages with several other groups, and back-up from the UCDO/CODI as a part of government organization, communities have developed the confidence to implement activities which directly address their own insecure conditions. With a stronger financial base and increased confidence in their own development capacity, several communities have been able to develop community enterprises and to invest together in many activities.

#### DEVELOPING MORE DIVERSE HOUSING SOLUTIONS – FROM INDIVIDUAL PROJECTS TO CITY PROCESSES:

Several types of housing projects have been developed through loans to community initiatives, including buying existing slum land and resettling on land that is close to former communities. As the community network process became stronger, several city-wide housing development activities were introduced in the cities as city-wide upgrading, through the work of Community Development Fund processes. It is a breakthrough, and an important direction, in which local community networks work together with the city to develop city-wide plans for providing secure land and housing for all the existing slums in the cities that have been implementing the Baan Mankong program.

#### DEVELOPMENT OF LARGE SCALE COMMUNITY WELFARE ACTIVITIES:

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

#### COMMUNITIES HAVE STRONGER STATUS AND CAN DEVELOP BETTER PARTNERSHIPS WITH LOCAL AUTHORITIES AND OTHER DEVELOPMENT ACTORS:

Several cities have developed urban community development forums as a collaborative platform for communities and other development actors on a regular basis. Many formal development programs have also developed structures of partnership, with community representatives sitting at the highest committee level. Furthermore, the consensus that poor communities should be key development actors and should participate in the decisions that relate to their lives is getting popular.

#### CHANGING THE WAY HOW DEVELOPMENT INSTITUTIONS ARE MANAGED:

Most development institutions, whether local, national or international, often advocate decentralization and participation. But the way in which they set up their institutional systems and the way it is administered and implemented seems to contradict their original intentions and purposes. This new approach has demonstrated new development possibilities, in which communities are the prime actors at all stages.

## RESULTS AND IMPACTS ON LOW- INCOME HOUSING DEVELOPMENT: CASE STUDY OF RUAM SAMAKEE RECONSTRUCTION PROJECT

### GENERAL INFORMATION

Ruam Samakee Community was a squatter community of 124 families occupying 0.89 hectares of swamp land in Ramkhamhaeng Soi 39 in Bangkok. The land was owned by the Crown Property Bureau (CPB). Most settlers were migrants from northeastern Thailand, who worked as vendors, producing goods in unregulated factories and labourers in the Ramkhamhaeng business area, earning about Thai Baht 10,000 to 30,000 (USD 286 to 857) per month. In 1998, the CPB planned to develop the area covering about 40 hectares of land which housed over 1,000 families in seven communities. Ruam Samakee was one of them. Originally, CPB decided to lease the land to a private developer and let the developer deal with the eviction of existing slums. Ruam Samakee was the first community that started organizing themselves to set up savings groups and welfare program. They began dealing with informal debt problems, started income generation activities and developed environment activities by cleaning up the ditch next to community. This was carried out with the District Office while negotiating the acquirement of house registration numbers, in order to gain access to proper municipal electricity and water at the official rates.

After being registered as a cooperative, the community entered into negotiations with the CPB for a long-term lease on the land they had already occupied. After a lengthy negotiation, a land sharing agreement was reached in which the community agreed to return a plot of 0.16 hectares to the CPB and then rebuild their houses on the remaining plot of 0.73 hectare on a long term collective lease.

When the Baan Mankong Program started in 2003, Ruam Samakee was chosen as one of the ten pilot projects. In May 2003, two young architects from the Community Organizations Development Office began working with the people to help develop a new layout plan, with three lines of row-houses arranged along two lanes, a small community center and playground. In the three months that followed, they demolished all the old houses, raised the level of the land to prevent flooding and laid the new infrastructure. By the end of 2004, the construction of 82 housing units was completed. By 2008, they had completed the construction of 124 units.

The pilot upgrading projects at Ruam Samakee prompted a larger development process which eventually included seven informal communities under the Crown Property Bureau ownership in the area.

In April 2004, the CODI signed a Memorandum of Understanding with the CPB to assist in the redevelopment plan for all seven settlements on the principle that everyone will remain on the land with adjusted spacing and on-site upgrading. Community-based cooperatives would be set up to acquire long term lease contracts on the land owned by CPB.

### UPGRADING PROJECT DETAILS

**a) Housing Types:** The community with assistance from the CODI young architect team, has developed three housing types that comply with family size, household's activities and affordability (Table 7).

Detached twin houses were designed for extended families, row houses for single families and flat houses for a single person or couples with no children or renters that stay in the community for at least 5 years before the project started. The renters pay about double the price as they do not invest in housing construction and land lease. It was invested

TABLE 7 HOUSING TYPES OF RUAM SAMAKEE HOUSING PROJECT

House type	No. of units	Storey	Living space	Loan repayment per month(Thai Baht)
Detached twin house	77	2.5	120 square meters	940
Row house	30	2	92 square meters	867
Flat for renters	24	4	16 square meters	1,905

by the housing cooperatives. Also renters may have temporary stay culture. CODI also grants loans for renter housing construction.

**b) Land and Tenure Status:** Before joining the Baan Mankong Program, the community lived on the CPB's land as squatters. Through the Baan Mankong Program, the community succeeded in negotiations with the CPB to get a 30-year land lease agreement with the rental cost of only Thai Baht 4 per square meter or Thai Baht 180 (about USD5 ) per family per month. Compared with the prevailing market price, the community had struck a very favourable deal with CPB. In addition, the transaction was among the first long term lease the CPB has given to former squatters. In the past, only one-year land lease was granted.

The land leases are based on collective leases given to housing cooperatives that have full rights to the development and legitimacy of the land. The collective arrangement allows the community to develop other full social and economic collective systems together.

**c) Housing Construction Costs:** The average housing construction cost in Ruam Samakee was Thai Baht 310,000 (USD 8,857) per unit, or about Thai Baht 2,810 (USD 80) per square meter. The amount exceeded the ceiling of housing loan available from CODI which was set at Thai Baht 130,000 (USD 3,714) per unit. The additional amount came from household savings. In order to minimize

the construction cost, some families used the materials from their old houses such as doors, window frames and used timber.

**d) Housing Standard:** After upgrading, the quality of houses in the Ruam Samakee has been greatly improved. The house structure is made of reinforced concrete and bricks. Most are two or two and a half- storey buildings with two to three bed rooms, a living room, a kitchen and a toilet.

The living space of the house after upgrading has been increased by almost three times, comparing to the former average size. Before upgrading, the average size of Ruam Samakee's houses was 38 square meters, with an average of five people per house, while the housing density was 7.6 square meters per person. After upgrading, the average size of houses has been increased to 110 square meters. This increase has elevated the average living space per person to 22 square meters, which is three times above the national minimum standard of 6.4 square meters per person.

As the quality of the houses was improved, the function of the houses was also improved. For the Ruam Samakee community, their houses are not only a place to live but also to work and to raise children. The assessment showed that about 37 percent of the community members used their houses as a means for income generation, such as having the front part of the house as a grocery shop, food stall, car workshop or laundry.

- e) **Basic Services:** Before upgrading, most families in the community had no access to basic services. 47 percent of the families did not have a power meter, 37 percent did not have proper access to their houses, 95 percent did not have a drainage system, and none had any septic tank.

Through the Baan Mankong Program, the community received a total subsidy of Thai Baht 5 million (USD 142,857) for infrastructure upgrading and basic services. After many workshops and technical assistance from the CODI architect team, the community agreed to construct a five-meter wide access road, drainage system, three units of communal septic tanks, waste bank, community hall, 20 by 18 meters community park, water supply and electricity.

The improvement of basic services and environment has significantly improved the attitude of members in the society. After the upgrade, people have increased environmental awareness. For example, they no longer throw garbage into the canal, and have regular canal-cleaning activities in the community.

- f) **Housing Affordability:** The majority of the Ruam Samakee community members work in the informal economic sector, earning an average monthly income of Thai Baht 15,000 (USD 428), with average monthly expenses of Thai Baht 9,500 (USD 271)<sup>7</sup>. Using 30 percent of the total household's income as the affordability benchmark, the affordable houses of the Ruam Samakee community should not cost more than 4,500 Baht (USD 128) per month.

Compared with options to rent or to buy housing in nearby areas, a rental apartment with a size of around 25 square meters would cost about Thai Baht 3,000 (USD 86) per month while buying a 96- square meter house on a 48-square meters plot of land would cost about Thai Baht 900,000 to 1 million(USD 25,714 to 28,571).

Through the Baan Mankong Program, each family has taken about Thai Baht 120,000(USD 342) in housing loan, with Thai Baht 875 (USD 25) monthly repayments for a 15 year period. Combining with the land lease cost per month, the monthly expense for housing is only Thai Baht 1,055 (USD 30), which is less than 10 percent of the average household income per month. This option definitely is more affordable for the community.

The other advantage of this program is that they could continue to live in the same area, which means adults could keep their jobs and their children could stay in the same school. Furthermore, with proper housing status, members can apply for better job opportunities, hence boosting the economic and social condition of the community .

## FINANCIAL SUSTAINABILITY

There are three indicators that could be used to measure this program's financial sustainability: the community's commitment in the form of savings activity, the community investment in their housing and the social contract binding the community members together.

The Ruam Samakee community's commitment to having secured housing has been reflected through their efforts in organizing themselves and starting the savings group activities since 1996. In 2003, the community savings had reached Thai Baht 1,768,500 (USD 50,528). This enabled them to take a loan of Thai Baht 17,685,000 (USD 505,284) from CODI or approximately ten times their savings.

The housing cooperatives borrowed a loan from CODI at an interest rate of two percent per year and then added a two percent margin before on-lending such fund to individual families at four percent per annum. The two percent margin is used to cover loan administrative expenses, community welfare and acts as a buffer for unsteady repayments so that CODI's loan is repaid punctually.

<sup>7</sup> CODI financial assessment report, 2004

In general there is an average of about 10 to 15 percent of debts incurred, which at times, community cooperatives need to resolve the non-repayment problems. The methods that community cooperatives adopt to deal with such problems include: helping the problem families and negotiating to get extra rooms or house space for rent. Since land is collective and used as collateral and all committee members are guarantors, it is a very solid mechanism to bring community people together to be responsible for all problems, such as bad debts.

Although community savings had reached a minimum requirement for acquiring CODI's housing loan, each family continued their savings activity at a minimum of Thai Baht 200(USD 6) per month. The purpose of this voluntary savings is to create an emergency fund for those who are in urgent need of cash to repay their loans, to pay for healthcare or for children's education and etc.

The second indicator was the amount of investment the community put into the housing project. Although participants in the Baan Mankong Program are entitled to the government subsidy, a community actually invests more capital than the government. In the case of Ruam Samakee, the community does not obtain land ownership but a long term lease agreement. However, members were willing to invest in their houses with an average cost of Thai Baht 310,000 (USD 8,857). Three years later, the market value of the property had increased by almost threefold.

The third indicator was the social contract which has been strengthened as a result of the program. Living in the slum without proper land titles has excluded the community members from the formal property law protection. In the absence of formal regulation protection, the community would develop their own "social contract" to protect their properties in the slum. Through this program all community members are included without exception and they become the manager for their own project. This arrangement provides enough flexibility for the community to apply their own rules and regulations, which informally became a "social contract" among the community members. This social contract regulates the monthly loan repayment, land renting collection, and penalties for those who fail to honour this social contract.



The Community Development Fund in Thailand has showed to be a very powerful development tool to address urban poverty and affordable housing at a national scale. The Community Development Fund model supports poor communities in organizing savings groups and improves their capacity to manage their fund or the loans for community development activities. It is a mechanism that enables urban poor organizations to tap into resources directly by building up their own capacities and allows communities to decide and design various development activities. This publication documents the experience of the Community Development Fund through the evolution, operation and management of the Urban Community Development Office and later the Community Organizations Development Institute. It illustrates the practices and performance of the projects funded by the Community Development Fund, through the case studies of the Baan Mankong Upgrading Program and the Ruam Samakee Project

HS/1190/09E

ISBN: 978-92-1-132160-9

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