

# **Regional Overview Housing and Micro-finance Case Studies**

## **Inception Brief**

THE UNIT FOR HOUSING AND URBANIZATION  
HARVARD UNIVERSITY GRADUATE SCHOOL OF DESIGN

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Development Alternatives Inc. (DAI)  
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## Introduction

The U.S. Agency for International Development Microfinance Office has requested an assessment of the current practices and linkages between housing and the flourishing microfinance field. The Unit for Housing and Urbanization at the Harvard Design School, working through Development Alternatives Inc. (DAI), has been asked to undertake a regional assessment of current housing-related micro finance institutions in Asia, Africa, Latin America and Eastern Europe. The assessment will provide regional overviews and develop six in-depth case reviews of representative programs that illustrate the emerging linkages between housing and microfinance and how these programs are providing credit to lower-income families.

As the microfinance field matures, the micro-finance institutions (MFIs) are becoming more sophisticated from added years of operating experience, more seasoned staff, and expanded information systems. In addition, the microfinance industry is shifting from supply-driven models to more market-driven approaches, as more institutions and additional sources of capital materialize to serve informal and formal economies. A tiered network of international and national intermediaries, community-based organizations and local banks are taking the place of government-run programs that were often out of the reach of lower-income groups. Once the sole domain of public sector programs and a few not-for-profit entities, the micro-finance field continues to rapidly expand, offer more loan products for lower-income households and increase competition among lenders.

One of the new services currently being explored by MFIs is housing finance. In many countries vast numbers of low-income households are seeking to improve their housing conditions but lack the necessary credit and are hindered by inaccessible financial institutions and rigid collateral requirements. Certain institutions, including Grameen Bank of Bangladesh, The Payatas Housing Project of the Philippines, FOSOFI of Mexico City, PRODEL of Nicaragua, and FINCA of Kyrgyzstan, to name a few, have been specifically addressing these constraints through extensive outreach and training programs, and by lending smaller loans with little or no collateral for home improvements and housing construction.

A number of institutions provide unspecified loans to be used at the borrower's discretion. Many of these loans are used for housing construction and improvements. For example, SEWA Bank of India estimates that nearly half of its loan portfolio is invested in housing.<sup>1</sup> Some Bolivian programs offer individual loans that have open usage (*libre disponibilidad*) and may be used for investment in businesses, housing or consumption. One micro-enterprise lender in Bolivia estimates that 20% of its unspecified loans are used for home construction and expansion.<sup>2</sup>

The use of micro-loans for housing improvements raises interesting questions regarding the linkages between housing and income generating activities. Often an improvement to

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<sup>1</sup> "Housing, a key component of SEWA's Loan Activity", *HIFI News*, December 1998, No. 5, Monique Cohen

<sup>2</sup> "Micro finance of Housing: A Key to Building Emerging Country Cities?" Inter-America Development Bank, Washington, D.C., Dr. Bruce Ferguson, pp. 10.

a home-based enterprise can indirectly enhance living conditions in the house. Therefore, given the varied needs and preferences of borrowers, questions arise concerning how “elastic” or targeted loan products should be. These are important issues facing practitioners as they manage more diversified loan portfolios and balance issues of client/member preferences, impact, performance, sustainability and the targeting of subsidies.

### Emerging Issues

Previous research on microfinance has focused on the micro-enterprise sector. Credit for housing construction, expansion, and improvement has not received the same level of attention, often because housing has not been perceived by policy makers and practitioners in the microfinance industry as a productive investment that generates income to repay the loan. Studies are now documenting how the home is an important component in the production of goods and services, especially for the informal market.

In addition, because traditionally structured housing loans can move beyond the “micro-level” in terms of amount, issues of the loan size, term, and interest rate remain challenges for using micro-finance techniques for housing loans. However, new research is showing that households are obtaining and repaying housing loans with shorter terms and unsubsidized interest rates. This lending pattern is being reinforced by:

- Lending institutions requiring that a history of savings be established prior to a loan and allow borrowers to scale-up only after demonstrating an ability to repay initial smaller loans.
- The willingness of lower-income households to spend at least 30% of their combined income on housing and viewing housing loans as the responsibility of the multiple income earners in the household.
- The concept that housing is more than shelter and creates income-generating potential through home-based activities and rental housing.
- The incremental nature of housing construction and expansion that lends itself to incremental financing.

Similar to the enterprise sector, new instruments are emerging in housing finance including collective loans as an alternative to traditional collateral requirements. For example, in the Grameen Bank of Bangladesh, small loans are made to groups of five members who agree to apply for and sign together on loans. Housing related loans are also becoming more flexible and diversifying to meet the immediate needs of lower-income families. In addition to home repair loans, credit is being provided for securing land occupancy rights (Bolivia, Brazil and the Philippines) and providing infrastructure. In the Philippines, Catholic Relief Services and its partners are providing housing (construction and renovation) and utility (water, electricity latrines etc) loans to clients starting the second or third loan cycles. This is part of the partners' commitment to uplift the over-all standard of living of poor members.

Although interest rates are typically higher for microfinance loans, experience has shown that low-income households are willing to pay the higher rates for the immediacy of the

loans provided and the absence of collateral requirements. Similar patterns are emerging in housing related loans. For example, BancoSol in Bolivia lends at interest rates of 25 to 35%, as compared to the typical home loan rates of 15%. The Negros Women for Tomorrow Foundation in the Philippines provides a house repair loan of under \$380 payable over 25 weeks at an interest rate of 34% and a service charge of 2%. These types of loans indicate that as with micro-enterprise lending, housing improvement can be incremental and have a significant impact of the quality of life and income-earning potential of the borrower.

### Objectives

The regional overview will review recent trends and initiatives in housing micorfinance and highlight the diversification of services, financing mechanisms and methods of capitalization. The assessment of selected cases will focus on promising avenues for program structure, products, and outreach that are conducive to scaling up, diversification and expansion in order to fully integrate housing micro-finance into financial services for the micro-enterprise sector agenda.

### **Program Assessment Team**

The Unit for Housing and Urbanization at the Harvard Graduate School of Design has assembled the following team of senior faculty and specialists to undertake the assessment.

- Dr. Mona Serageldin–Adjunct Professor of Urban Planning and Associate Director, Unit for Housing and Urbanization–Research design, oversee research team and drafting of report.
- John Driscoll–Senior Research Associate, Unit for Housing and Urbanization–Specialist in Urban Planning, Housing and Community Development- Research design, case documentation, drafting of report.
- Kim Wilson–Senior Technical Advisor, Microfinance, Catholic Relief Service–Research design, review of cases and analysis of finance and microfinance of investments in housing.
- Christine Williams–Research Fellow
- Sameh Wahba–Research Fellow
- Graciella Fortin-Magana–Research Assistant

Additional field researchers will be engaged depending on the location of the six institutions that will be highlighted in the case reviews.

### **Work Plan and Research Methodology**

#### *Stage I-Review of Literature and Existing Micro-Finance Institutions*

With the rapid expansion of microfinance programs, a tiered network has developed among local lending institutions, governments, NGOs and international organizations including multinational and bilateral development aid organizations. This expansion of the microfinance industry has created information and operational frameworks that link

national and international financial institutions, governments and community organizations in both supporter and provider roles.

The first stage of the work will include an analysis of these networks that are primarily serving urban households and will include the following:

1. Reviewing Internet Web Pages of various institutions and relevant Internet databases such as:
  - Worldwide Microfinance Institutions List
  - Microfinance Network Internet Database
  - Virtual Library on Microcredit
  - Library of Congress
  - Virtual Finance Library
2. Contacting Regional Microfinance Groups and Centers such as:
  - Microfinance Center for Central and Eastern Europe and the Independent States - Warsaw, Poland
  - The Association of Asian Confederation of Credit Unions
  - INAFI-International Network of Alternative Financial Institutions
  - Philippine Coalition for Microfinance Standards
  - South Asian Network of Microfinance Initiatives
  - Banking with the Poor Network
  - Women's World Banking
3. Reviewing current and past journals, magazines and newsletters for relevant articles such as:
  - *Urban Studies*
  - *Journal of Economic Issues*
  - *Countdown 2005*
  - *Credit for the Poor*
  - *Grameen Dialogue*
  - *MicroBanking Bulletin*
  - *Microenterprise Best Practices*
  - *UCDO Update*
  - *Natural Resources Forum*
  - *Housing Finance News*
  - *Environment and Urbanization*
4. Contacting Institutional Program Directors via email, fax and phone to follow-up on interesting programs and meeting with program directors when possible.
5. Contacting intermediary and support organizations such as:
  - Accion International
  - Africare International
  - Cooperative Housing Foundation

An illustrative example of preliminary summaries of institutions reviewed is provided in this inception brief.

The review will begin to regionally classify programs and institutions into those that are:

- Formal Financial Institutions with housing products;
- Micro-lenders with specialized housing products; and
- Micro-lenders with more elastic loans that are used for housing and micro-enterprise activities.

Regional summaries will be written outlining typical housing production for low income families and how are these families obtaining credit. The regional summary will also include descriptions of the major institutions involved in providing credit for low-income families, the structure of the programs and whom they are reaching. Interesting cases that illustrate crosscutting concepts in micro-finance and housing will be highlighted. These summaries and a list of potential institutions for the final selection of cases to be reviewed will be discussed with the DAI Research Coordinator and the USAID Technical Coordinator.

#### *Stage 2-Assessment of the Six Institutions*

Once the six institutions are identified, a survey will be designed with the Unit's regional experts to ensure cultural sensitivity and that pertinent local issues are highlighted. The review will assess institutions, product design and delivery mechanisms in the context of the existing housing finance systems, legal and institutional framework and macro-economic environment and concentrate on the following issues:

- Potential and actual market reach of products offered
- Outreach to households below the 30<sup>th</sup> percentile
- Product structure and terms
- Product performance
- Subsidies in the credit delivery system
- Capitalization of portfolio targeting lower income families
- Characteristics of borrowers
- Accessibility of the products offered, particularly with reference to poorer female heads of households
- Purpose for which the loan is offered
- Use to which the investment is put from securing land occupancy to incremental housing construction and improvement, to creating space for home-based economic activities
- Innovative practices initiated by the organization

#### Schedule

The three deliverables for this regional review will be presented on the following dates:

- Inception Brief                      March 29, 1999
- Draft Report                         May 15, 1999
- Final Report                         May 30, 1999

## **Preliminary list of Housing-Related Microfinance Institutions**

### **ASIA**

Grameen Bank of Bangladesh  
Payatas Scavengers' Association of Philippines  
Self Employed Women's Association-SEWA-Co-operative Bank of India  
Urban Community Development Office of Thailand: The People's Bank  
Women's Thrift and Credit Co-operative Society in Sri Lanka  
Squatter and Urban Poor Federation-Cambodia  
The Activists for Social Alternatives, India  
NGO Revolving Fund-Philippines  
The Group Land Acquisition and Development (GLAD) Program, Philippines  
Federation of Thrift and Credit Cooperative Societies (Sanasa Federation), Sri Lanka  
The Human Development Foundation of Sri Lanka  
Catholic Relief Services works with the following partners in the Philippines:  
    Center for Agriculture and Rural Development (CARD)  
    Negro Women for Tomorrow Foundation  
    Vicariate Social Action Center of Calapan [Livelihood Assistance for Women (SACCLAW)]  
    Diocesan Social Action Center of Lucena [Tulong-Kalinga Program]  
    Diocesan Social Action Center of Sorsogon [People's Alternative Credit Program]  
    Diocesan Social Action Center of Legaspi  
    Center for Agriculture and Rural Development  
    Negros Women for Tomorrow Foundation [Project Dungganon]  
    Archdiocese of Jaro [Small Enterprise Assistance Program (JARSEAP)]  
    Diocesan Social Action Center of Borongan [Small Enterprise Kapital Assistance Program (SEKAP)]  
    Diocesan Social Action Center of Dumaguete [Small Enterprise Development Program]  
    Serviamus Foundation, Inc.  
    Ad Jesum Foundation, Inc.  
    Women's Indigenous Focus for Enhancement (WIFE) [Lalan Sa Kauyagan Project]

### **AFRICA**

People's Dialogue and Homeless People's Federation, South Africa  
The uTshani Fund, South Africa  
Housing People of Zimbabwe  
Rural Finance Facility, South Africa  
Build Together Program, Namibia  
Family Finance Building Society  
FINCA MALAWI  
Co-operative Bank of Kenya, Ltd.  
Kenya Rural Enterprise Program (K-REP)

***LATIN AMERICA***

Barrio Improvement Programs-Venezuela

BancoSol in Bolivia

FIE-Bolivia

PROA-El Alto, Bolivia

FOSOVI-Mexico City

PRODEL-Nicaragua

Fedevivienda and Housing Programs, Columbia\

Caritas Matagalpa, Nicaragua

Alternative Municipal Finance for Home Improvements in Fortaleza, Brazil

CABEI-Central American Bank for Economic Integration

ACCION International

Accion Comunitaria del Peru, Peru

Accion Empresarial, Panama

Actuar Tolima, Columbia

ADMIC, Mexico

Co-operative Emprender, Columbia

FAMA, Nicaragua

FENAPE, Brazil

FINAMERICA, Chile

Fundacion Ecuatoria de Desarrollo, Ecuador

Fundacion Mario Santo Domingo, Chile

FUNDAP, Guatemala

Genesis Empresarial, Guatemala

PRODEM, Bolivia

Diaconia, Bolivia

PROPESA, Chile

Emprender, Argentina

Casa Melhor

Programme 17, Argentina

Cobijo, Chile

Red Habitat, Bolivia

***EASTERN EUROPE***

Opportunity International, Russia

Fundusz Mikro, Poland

FINCA, Krygzstan

OXFAM

## **Selected Institutional Summaries**

### **ASIA**

#### **Grameen Bank of Bangladesh**

Established in 1976 as a rural bank that provides credit and organizational help to the poor, mostly women (92% of borrowers). The bank serves the poor with no collateral, relying on group responsibility to replace collateral requirements. Grameen Bank introduced low-income housing loans in 1984 as part of its social development program (same structure as the income-providing loans). The bank educates borrowers about money management and small-scale economic development and then makes small loans to them, usually no more than US\$20 per household the first time. When the borrowers have repaid these loans, they become eligible for larger and larger ones, culminating in housing loans of US\$300. In July 1997, it had given out 350,000 housing loans and has had no trouble getting the money back. "With that \$300, a family can build a house with a tin roof, concrete columns, and a sanitary latrine that, by Bangladesh standards, feels like a royal palace" comments Muhammad Yunus. Small loans are made to groups of 5 members who agree to apply for and sign together on loans. Borrowers are required to make weekly repayments over 15 years, (as with other organizations, loan repayment for housing is a significantly longer time period than for micro-enterprise repayments). The repayment rate is 98%.

#### **Payatas Scavengers' Association-Philippines (Scavengers' Development Programme)**

This foundation was formed in 1993 with the assistance of the Vincentian Missionaries Social Development Foundation, who, after living there for two years, worked to organize the scavengers working on the 15-hectare open pit. They began a micro-lending scheme adapted from a modified Grameen Bank model. The integrated program draws on many donors with nearly all projects having individual donors to account to. The small loan scheme operates as an informal community bank, without the obstacles of a formal bank but with the essential processes to make it accessible to the poor. The financial system banks heavily on internally generated funds obtained by compulsory savings by groups at a pace determined by their savings capacity. While it began as a lending system solely for micro-enterprises it has evolved into loans being made available for other welfare needs. These loans can cover all aspects such as health, housing, education, and emergency house repairs. Recently, they have embarked on some land and housing initiatives using savings from their microfinance schemes to fund their programs. The project, called the Payatas Scavengers Cooperative Housing Project works with land identification, design, encourages interaction with other communities to share methods in the learning process. They currently are organizing a "Savings for Housing Scheme" which will be designed as a complement to the ongoing savings and credit schemes for business or welfare. The communities are combining microfinance savings with large-scale community loans to buy the land on which they live and are beginning to be recognized by landowners and by the National Housing Authority. They are also seeking to link into an international federation of homeless savings groups.

### **SEWA Co-operative Bank of India**

Shri Mahila Sewa Sahakari Bank was formed as a trade union in 1972 to improve the lives of poor, informal-sector women workers. Two years later a co-operative bank owned by shareholding members and supervised by the Bank of India was formed. SEWA clients are self-employed women, with a very low-income level, no or very low savings, no assets and no access to raw materials. The women own the Bank and policies are made by their own elected board. The Bank of India determines the interest rates on loans and deposits, areas of operations and proportion of deposits that can be loaned. The SEWA Bank has only one loan regardless of its stated purpose or whether it is secured or unsecured. The loan is for three years, may be up to Rs 25,000 and is repaid monthly at an annual interest rate of 17%. One guarantor is required if the loan is under Rs 2,000; otherwise, two guarantors are needed. SEWA Bank estimates that nearly half of its loan portfolio is invested in housing. These funds are used for incremental improvements in housing, new construction, and home repairs. SEWA puts emphasizes the character of clients rather than the collateral required by commercial banks. For example, Maniben Parmar wanted to borrow money to make house repairs. A friend, Ashaben, had recommended her. "It's for improving her living standards". Although her husband's income had helped her secure the money, the loan would be in Maniben Parmar's name alone. Her husband could not make withdrawals from her savings account, nor could apply for a loan of his own. *"The women see home improvements as productive investments which will generate both short and long-term returns in the form of higher earnings and greater household assets."* (HiFi News December 1998 No.5) Prior to making a housing loan, many SEWA members were previously formal or informal homeowners or long-term renters with secure occupancy living in shacks made of cardboard or scrap materials with dirt floors. SEWA Bank loans of between Rs 10,000 and 25,000 have allowed members to replace their former shacks with permanent housing, some with at least three rooms. When loans are used for housing they are often more than 10,000 which mean monthly repayments between Rs 500 and Rs 1,000. While this amount represents significant payments for women, whose daily income ranges between 60-100 per day, many pay off their loans in under the required three years. This is achieved because 1) SEWA demands that a regular pattern of savings has been established, 2) low-income households have demonstrated a willingness to spend 30% of their income on housing when they have title or secure occupancy of this asset, 3) households generally see housing loans as the responsibility of all income earners in the family; everyone contributes to the cost of the house.

### **Women's Thrift and Credit Co-operative Society in Sri Lanka**

Only those who have successfully managed small enterprise loans are allowed access to housing credits. The housing loan program has developed partly in response to the need for housing improvement and partly in response to the close link between housing and business development as many of the women operate their enterprises from their own home. The program began with 10 loans in 1992, and by 1994, about 50 loans had been given to different members of the credit union. There is a maximum loan balance of US\$300 but no upper limit to the

amount lent. More recently, additional capital has enabled an increase in the number of loans that can be offered.

#### **The Activists for Social Alternatives, India**

Mission is to alleviate poverty and uplift poor women and children toward sustainability, expand the network and accessibility of microcredit and strengthen the linkages through national and international microfinance institutions. It has served the Tamil Nadu area of India since March 1993. There are now 2,733 borrowers 100% of all borrowers are female and 100% of all first time borrowers are below the poverty line. The poverty index is measures through two factors, one a housing index (a thatched hut or small house with mud walls in a rural area), an income lower than \$450 per year, and owning less than 1.5 acres of dry land or .5 acres of wet land. There is an obligatory training course where they have regular attendance for 2 months, and they must save money and be a member of the organization to borrow money. The institution is owned and managed by the representatives of the clients. Seasonal loans are available as well as housing loans, and are given as a second or third stage loan, available on the contingency that other loans have been successfully paid off.

#### **Negros Women for Tomorrow Foundation, Inc., Philippines**

This organization was begun in 1989, and now serves 8,366 borrowers. Its mission is to empower the poor women of Negros, Philippines by providing a special credit and savings scheme and promoting the values of discipline and hard work, thereby improving their quality of life. 100% of borrowers are female, and 95% of the first-time borrowers are below the poverty line. To determine the level of need, the organization takes into consideration the following measures: house index, income index, and personal savings. Clients are required to participate in training programs before becoming members and also take part in a health/nutrition seminar. There are also workshops available in environmental concerns, skills training, and food processing. Group lending is the norm, and the average loan period is one year. Housing repair loans are the most common housing-related loans and are given after borrowers have a proven track record of repayment. Loans of under \$380 are provided over 25 weeks at an interest rate of 34% and a service charge of 2%.

#### **Center for Agriculture and Rural Development, (CARD) Philippines**

Mission is to provide microcredit to at least 150,000 of the poorest rural women. The organization consists of 100% women, 95% of whom are below the poverty line (determined by at least 3 indices). Their per capita income must not be more than P500 per month, with total marketable assets of not more than P 50,000. They must not have a regular job, nor be a white-collar employee and be between the ages of 18 to 60 years. There is a required savings system where clients must give a weekly pledge and 5 percent from their loans. Training is obligatory; (at least 24 hours of initial training) covers group building and value formation, systems, program procedures, and how to make project proposals. In addition, volunteer local bank worker training is given to members who willingly accept

the role of a representative of the program in the community, such as scouting other women to join the program. Average 1<sup>st</sup> loan is P 1,909 (US\$50), and the annual interest rate is 20%, with a 4% service fee for a 25 week loan cycle. Requirements for a loan include project proposals, group/center approval, and project inventory. The organization offers 5 major loan products including microenterprise loans, loans for larger business, housing loans for the purchase of a house, lot and or consumer durables and improvement of an existing house, and a Multi-Purpose Loan, for health, education and social activities and the Loan Acceleration Program for more advanced loans. CARD has recently formalized their microlending programs into a formal rural bank.

### **NGO Revolving Fund-Philippines**

To make up for some of the inadequacies in the government-funded Community Mortgage Program, several Filipino NGOs have gotten together to manage a revolving loan fund to support housing projects for low-income communities. To date the fund has provided 5,500 families with PhP 36.2 million (US \$1.4 million) of pre-finance, thereby enabling them to access government funds equal to over 10 times this figure. The revolving fund is used for a number of activities. One is pre-financing Community Mortgage Program projects on land that will be lost if funds are not immediately available. The release of government funds takes about 6 months and therefore cannot be used in the purchase of private lands if the owner wishes an immediate sale. The funds are also used as equity of counterpart funding for government loans and for shorter-term loans for acquiring land or purchasing homes. Community savings have contributed to these financial investments and average savings are equal to about 1/3 of the revolving funds released.

### **Squatter and Urban Poor Federation-Cambodia**

In addition to the need for income, housing has long been a concern for squatters in Phnom Penh, but land tenure is a major obstacle. Seeking to better understand their housing needs and options, members of the Federation came together in 1997 to design their own houses and showed their designs to other community members, NGOs and municipal and state officials. Later in the year, the governor responded by offering land to the 124 families who are members of the Toul Svey roadside community. The community has recently shifted their savings into a housing loan fund. This fund is being established with contributions from the Squatter Urban Poor Fund, the Asian Coalition for Housing Rights, Shack Dwellers International and the municipality. In 1997, the United Nations Center for Human Settlements was proposing to finance the infrastructure development. Therefore, the contract would be provided to the community and provide training, jobs and capacity building. Community members would collectively build the houses.

### **The Group Land Acquisition and Development (GLAD) Program in the Philippines**

GLAD offers collective loans for land purchase, site-development and housing construction provided by the Home Development Mutual Fund (HDMF), a nation wide-savings system which mobilizes funds from mandatory contributions paid by formal sector employers and employees as well as small savings in order to generate long-term loans to meet housing finance requirements of its members. The loan proceed is given directly to the owner of the land to be purchased by the group. The loan remains a collective liability of the group until the completion of site development that should not exceed two years from the date of initial loan release. During this time, officers of the association are responsible for collection monthly loan payments from individual beneficiaries and remitting them to HDMF. The default rate is high, at 20%.

### **Federation of Thrift and Credit Cooperative Societies (Sanasa Federation)-Sri Lanka**

This program was started in October 1991, and its number of borrowers is now 85,000. Clients are 70% female, and 30% of first time borrowers are below the poverty line (poor people with a monthly income less than US\$25). Clients must attend training programs monthly and must save in order to receive loans. The mission of the organization is to ameliorate the bad living conditions of poor families by granting them credit for self-employment. Electricity loans and housing loans are also provided.

### **The Human Development Foundation of Sri Lanka**

The mission of this foundation is to eliminate discrimination against women and empower them thorough sensitization and promotion of participation in primary income-earning activities. In addition, it is designed to improve the socio-economic and health standards of low-income families through the development of entrepreneurial capacity among rural poor women and unemployed families. 100% of borrowers are female, and poor women are defined by those from families who are earning less than 25\$ monthly. Members must contribute to a group savings fund. Purchasing shares of Women Development Societies is also obligatory. Clients must attend training programs and are required to show some sort of savings pattern to obtain a loan. The general loan period is for three months, but may be larger for the housing loans.

### **Urban Community Development Office of Thailand: The People's Bank**

Established in 1992 as a government-sponsored organization to provide credit to enhance slum-dwellers and the urban poor to generate income and obtain adequate housing with secure rights. Established in response to the growing inequality within Thailand. The office provides wholesale loans to qualified savings and credit organizations to lend to individuals. Eligibility includes that the group must be involved with savings activities for at least three months, and demonstrate a clear management structure. Includes general purpose revolving loans to meet immediate household or community needs with a max of five years;

income enhancement loans for 5 years for equipment and working capital; and housing loans up to 15 years maturity to finance group housing projects including land purchase and non-project housing loans for up to five years. Housing loans account for the highest share. All community members or savings group must sign their names as guarantors for a loan. The community or group may repay daily, weekly, fortnightly or monthly, according to the needs and process. By 1995, up to US\$15 million of housing loans had been granted to 30 organizations and 4,000 households.

## **AFRICA**

### **People's Dialogue and Homeless People's Federation, South Africa**

Since starting to give housing loans in 1995, the portfolio of this organization – an alliance of an NGO and grassroots organization— has grown significantly. It now has over 1,000 housing savings schemes linked through exchanges and undertaking activities related to savings, and loans for emergency and income generation. Its membership totals 50,000 persons, primarily women. The housing loan fund amounts to over R23 million. Direct access to government housing subsidies enabled members obtain over 1,200 subsidies, while 900 members have built houses financed solely through government funded housing subsidies. Housing loans are offered through the uTshani Fund. The federation has been mobilizing community savings for housing and found it to be a powerful tool.

### **The uTshani Fund, South Africa**

The strategy of this fund and its parent NGO (People's Dialogue and the South African Homeless People's Federation) is to provide support through loan finance and technical assistance for housing, modeled on the housing construction processes actually pursued by the poor.

### **Housing People of Zimbabwe**

Housing People of Zimbabwe planned on launching in 1997 a housing cooperative investment trust fund to support the development of housing cooperatives throughout the country. The work of Housing People is targeted at families with a monthly income of Z\$315 to \$5,000. At last count, in 1998, there were 150 housing cooperatives in Zimbabwe, registered and unregistered, of which Housing People is assisting 30.

### **Rural Housing Finance (RHF), South Africa**

This housing finance program, initially started by the Rural Finance Facility (RFF), has for the past two years been restructured into an autonomous legal entity. While the loans RHF awards are secured by the pledge of a Provident Fund withdrawal benefit, the beneficiaries were previously unable to access funds from formal financial institutions because their income was too low. Thus, RHF's innovation in this regard was to lend to a group of lower-income individuals who had enough collateral value to secure their loans but not enough income to be eligible for borrowing from the formal market.

### **Build Together Program, Namibia**

The program has steered government resources toward a housing loan program for low-income households. It operates through a settlement-based Community Housing Development Group, which identifies individual households and offers loans to enable them to have capital for housing development and improvement.

### **Family Finance Building Society**

The mission stems mainly from the farming community where crop payments are seasonal, causing a large portion of family funds to be tied up at a certain time of the year. One of the bank's major marketing advantages is that it is small and community-based. Works in conjunction with the Kenya Entrepreneurship Promotion Program through a program called Credit Link, for women entrepreneurs who are doing business in the open markets or who have ideas for an enterprise but lack financing. Loans made to women's groups do not require collateral. Other loans do, but FFBS is flexible on the issue of collateral, which can include vehicles, machinery, savings, salaries, household goods, etc.

### **FINCA MALAWI**

The program's urban borrowers live in neighborhoods with few amenities; houses have no electricity, and several homes may share a water source and toilets. Many of the roads leading into these neighborhoods are impassable to vehicles. FINCA Malawi estimates that 40% of its clients are single mothers, demonstrating that it has been successful in reaching the neediest segments of the population.

### **Co-operative Bank of Kenya, Ltd.**

Formed in 1965, when coffee growers were marginalized by commercial banks. Purpose is to provide savings and credit services to small and credit services to small and micro clients. Operates two micro-finance agencies in Nairobi and two pilot branches in Maro and Karatina. Members are micro and small enterprise owners in industry, agriculture, fishing, housing and banking.

### **Kenyan Rural Enterprise Program (K-Rep), Kenya**

Established in 1984, K-Rep initially provided technical assistance and financing to NGOs with credit programs to micro enterprises, but its mandate was expanded to provide direct lending through group lending on a variant of the Grameen Bank. Later on, several new schemes were introduced, including individual lending, loans to rotating savings and credits associations and wholesale credit to NGOs which then carry loans to individuals using established K-Rep methodology. Default rates ranged between 1 to 4 percent. K-Rep is the country's largest single micro-financing institution, which was in the process of conversion into a micro-finance bank.

### **The Cooperative Housing Foundation, South Africa**

CHF put in place a Technical Service Center (TSC) in South Africa which works with local NGOs including the Urban Services Group in enabling residents organize in community housing associations and undertake the development of self-help low-cost housing. CHF raised funds for seed money and bridge financing for jump-starting the projects and financing demonstration initiatives. It also provided loans for low-income families, which are disbursed to finance construction: their repayment is ensured partially by a governmental subsidy awarded to the families after units have been developed. The initiative also introduced innovative low-cost building technologies to keep construction costs low.

### **Réseau des Caisses Populaires du Burkina Faso**

Its initial mission was to provide poor women access to credit using solidarity and moral support as the only form of collateral. Its clientele was primarily women (80 % of the borrowers) and about 85 % of its borrowers are below the poverty line: of these, about 90 percent are in the bottom half of the income distribution below the poverty line.

## ***LATIN AMERICA***

### **BancoSol in Bolivia**

Lends at interest rates at 25 to 35% rather than the usual home loans (from banks) at 15%. This is due to the extra work that fixed-cost lending entails and the technical assistance provided by the institutions. Experience shows that micro-entrepreneurs need immediate loan availability rather than low interest rates and are willing to pay the higher rates for the immediacy of the loans that are provided, often without any collateral.

### **FIE-Bolivia**

Estimates that 20% of its supposed micro-finance loans go to home construction and expansion. For this reason, FIE is now interested in developing a new line of micro-credit specifically to finance housing.

### **PRODEL-Nicaragua**

Since its inception in 1993, PRODEL has been working to improve living conditions and social development of low-income families, especially those headed by women and those living in run-down communities. The program includes individual housing improvements and short-term loans. The agency does not implement projects but rather supports other agencies to do so, including a government commercial bank, municipal authorities, and community organizations. Housing loans are offered to those living within the programs' target areas. The loans are sufficient for small scale upgrading and repairs such as building new roofs, improving floors, new rooms and kitchens. Loans have to be repaid and an amount between 15 and 20% of household income is used to calculate the size of an affordable loan. Loans average US\$600. The interest rate

is 24% and collateral is flexible with loans being repaid within 4 years. 2,000 loans have been given (by 1997) and 68% of borrowers are women. Technical assistance is offered to improve the quality of housing improvements.

### **PROA-El Alto, Bolivia**

Channels Mutual La Paz funding for home improvement loans. Created a land regularization program to give people adequate security for a loan. Since the program's start in 1993, PROA had channeled \$3,883,883 millions to 775 borrowers as of March 1996. The loan amounts averaged \$3,750, and are geared towards construction amounts and terms range from five to ten years, according to the borrower's ability to pay. Repayment amounts must range from \$25 to \$50 per month. One flaw with the program is that it relies on limited availability of funding from one major institution. PROA has the capacity to lend 3 times the amount available from this financial institution. In addition, if Mutual La Paz terminated funding, PROA's housing program would have to be shut down.

### **Casa Melhor**

By 1997, this program in Fortaleza, Brazil, had reached more than 1,500 families and by 1998, it was projected that the program would be extended to reach 7,000 households. The key objectives of the program include: 1) loans being offered to both formal and informal sector employees; 2) a land property title is not necessary to secure a loan, and a "right of use" and a "squatter's right" is enough to secure a loan; 3) the resident's association plays an active role throughout the process; 4) the program includes social, technical, and financial support. Three possibilities are being explored to expand financial opportunities for housing. These include: 1) setting up a municipal fund at city level which could serve as a reference point for interested authorities; 2) setting up an independent peoples housing fund, managed by the residents' associations and community organizations involved; 3) creating a community and municipality bank for popular housing.

### **Diaconia, Bolivia**

This organization has been operating for 9 years and has a revolving fund for investment and growth. Loan funds ranging from US\$500 to US\$2,500 can be used for housing construction/improvement at 2% monthly interest over a 2-year period. Loan capital is also provided for micro-entrepreneurs at a 2% monthly interest for periods ranging between 8 months and 2 years.

### **FOSOVI-Mexico City**

Financial incentives are used with housing loans. No interest is charged if repayment schedules are maintained, but if there is a delay, the central bank rate is demanded. A sub-program called the **Programa Integral de Mejoramiento Habitacional Urbano (PRIMUR)** is designed to improve the quality of life through micro-loans and technical assistance, for low-income families who are living with infrastructure deficiencies, with inadequate housing, and deficiencies in basic levels of service.

### **Fedevivienda and Housing Programs, Columbia**

Has sought to change housing policies in Columbia for the benefit of the homeless or those that are inadequately housed. In addition to campaigning and advocating change, it has also become involved in housing loan programs in order to demonstrate an alternative strategy for delivering effective housing support to the poor.

### **Alternative Municipal Finance for Home Improvements in Fortaleza, Brazil**

In Fortaleza, capital of one of the poorest Brazilian states, new approaches to housing and income-generating financial systems have been experimented on since 1988. These new approaches have resulted in the introduction of a savings grant, and loan financing strategy for housing improvements.

### **Barrio Improvement Programs-Venezuela**

Housing NGOs such as the FVP Fundacion de la Vivienda Popular help organize community groups and channel small amounts of government funding to them. These community groups make small loans (from \$500 to \$2,000) to households for 2 to 5 years, in the form of building material receipts. Families pay as much as they can afford, usually between US\$25 and US\$60 per month. Non-payment is almost non-existent, because of the peer pressure from other members of the community who are waiting for the borrowers repayments to fund their own loans.

### **CABEI-Central American Bank for Economic Integration**

This organization gives loans to small and mid-seized enterprises and provides technical assistance through intermediary financial institutions. Works in social development, including integral rural and urban development, health, education, nutrition, environmental consulting, housing, and capacity-building in management. Priority is given to projects with a direct improvement in poverty eradication, promoting the target population's sustainability. Also deals with urban improvement and housing services and development of housing issues, for low-income, mid-income and higher-income. Clients include governments, autonomous decentralized or centralized institutions, private investors, private banks, state banks, financial institutions, micro, small sized, and mid-seized enterprises (through financial intermediaries) municipalities or town councils (through financial intermediaries) communal or development societies, regional or central American organizations, NGOs).

### **ACCION International**

Accion and its network of affiliates, since 1973, has loaned over 1.7 billion in loans averaging about \$600, and assisted over 1.4 million entrepreneurs, over 60% of whom are women. In Latin America, loans start as low as \$100. ACCION has played a key role in the creation of a number of fully commercial institutions, including **Mibanco in Peru and Finamerica in Columbia**. ACCION affiliates serve 76,000 poor and low-income entrepreneurs. Allows people to improve their homes indirectly through increased employment

opportunities and higher income. *Norma Salazar of Guatemala was able to enlarge a store that she built in front of her home and improve her income. Eddy Alvarez has been able to start a plaster statue making enterprise, and with the increased income has been able to move into a larger house, with four bedrooms and a patio.* It has 19 member institutions in their network to whom they provide technical assistance: including **Fundacion Nacional para el Desarrollo de Honduras (FUNADEH)**, **Banco Solidario/Grupo Enlace of Quito, Ecuador.** Other ACCION Latin American Network Institutions include:

- Accion Comunitaria del Peru-Peru*
- Accion Empresarial-Panama*
- Actuar Tolima-Columbia*
- ADMIC-Mexico*
- Co-operative Emprender-Columbia*
- FAMA-Nicaragua*
- FENAPE-Brazil*
- FINAMERICA-Chile*
- Fundacion Ecuatoria de Desarrollo-Ecuador*
- Fundacion Mario Santo Domingo-Chile*
- FUNDAP-Guatemala*
- Genesis Empresarial-Guatemala*
- PRODEM-Bolivia*
- PROPESA-Chile*
- Emprender-Argentina*

### **Cobijo, Chile**

One of Cobijo's current projects for the lowest-income groups is a revolving fund for families unable to save the amount required to enter the progressive Housing Programme (government sponsored). The revolving fund gives loans to support collective initiatives and these loans can also be used for the savings contribution that is required.

## ***EASTERN EUROPE***

### **Opportunity International, Russia**

Provides small-scale credit loans up to \$1500 to women-owned micro-businesses through group lending. By developing NGO partners, OI has pioneered women's co-operative lending programs in western Russia and developed leasing programs in Nizhny Novgorod and Rostov. The credit programs have lent more than 2,000 loans/leases to Russian Entrepreneurs. 87% of borrowers are women, and the programs have created more than 1,200 jobs.

### **Fundusz Mikro, Poland**

Founded in October 1994 to extend loans to the micro-enterprise community. Target clients were enterprises with up to 5 employees. In 1996, it opened up 12 branches and another 12 in 1997. By 1997 80% of the 6,000 clients were taking loans in groups, with 4 or more borrowers to a group.

**FINCA, Krygzstan**

Serves more than 6,500 clients organized into 500 groups. In 1997, after only 2 years of operation, the program reached the \$1 million mark in loans disbursed for the year. In 1998 it tripled its loans disbursed, to more than \$3 million. FINCA also was able to reach another milestone in 1997, covering over 100% of its operating costs with interest income. Average loans are \$100.