



SLUM UPGRADING FACILITY

Exchange visit to the Community Organisations Development Institute in Thailand

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Right: *A Penang Market vendor passes in front of the Slum Upgrading Facility Team. Photo © Ruth McLeod.*

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A woman vendor passes down the sidewalk of the upgraded waterfront at Bang Bua, Thailand
Photo © Ruth McLeod

“There are always people who benefit from a slum continuing to be a slum. Every slum has its own mafia which benefits from things remaining exactly the way they are – police, drug peddlers, slumlords, local politicians, outsiders. They will fiercely protect their system if they sense it is being threatened. This is not something easy, this community upgrading. All the slums in the world have their dark powers and dark influences. The question is - do community people have enough power to challenge that control and change it, or negotiate with it? Only when the poor organise themselves and come together can they break through this. The leaders and committee members in these communities get no salary, no benefits. They have to be clean if people are going to listen to them and trust them. This is the real upgrading of poor communities - the upgrading of people. Slum upgrading is about upgrading people’s confidence, their competence, their relationships, not just about improving their physical circumstances.”

Somsook Boonyabancha, Managing Director of Community Organisations Development Institute during the Slum Upgrading Facility visit to Bang Bua Community

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Introduction

It is estimated that up to 1 billion people live in slums in the cities of the world – one sixth of humanity – and that the numbers are rising. The UN-HABITAT Slum Upgrading Facility Pilot Programme was established in 2004 to examine ways in which innovative finance mechanisms can help address this problem.

The Slum Upgrading Facility is a technical cooperation and seed capital facility with a central purpose: to test and develop new financial instruments and methods for expanding private sector finance and public sector involvement in slum upgrading on a large scale. It is funded by the governments of the United Kingdom, Norway and Sweden.

The Slum Upgrading Facility operates under the premise that slums can be upgraded successfully when slum dwellers are involved in the planning and design of upgrading projects and able to work collaboratively with a range of other key stakeholders. Slum Upgrading Facility works with local actors to make slum upgrading projects “bankable” – that is, attractive to retail banks, property developers, housing finance institutions, service providers, micro-finance institutions, and utility companies.

The Slum Upgrading Facility has pilot projects in Ghana, Indonesia, Sri Lanka and Tanzania, where various approaches are being tested to support the purpose of the Pilot Programme. In order to facilitate this work, Local Finance Facilities have been established in Ghana, Indonesia, Sri Lanka and Tanzania. These facilities are focused primarily on accessing commercial finance for slum and settlement upgrading. To do that, Local Finance Facilities provide support that is referred to as “Finance Plus”.

Finance Plus is about much more than just money. By offering Finance Plus, Local Finance Facilities aim to do the following:

- bring together key players involved in city and national level slum upgrading strategies to address the challenge of financing;
- catalyse the integration of commercial finance into slum upgrading;
- provide mechanisms to blend different forms of funding to maximize affordability, and;
- provide a financial mechanism to support the implementation of city-based slum and settlement upgrading strategies.

The Community Organisations Development Institute, Thailand

The Community Organisations Development Institute, also called CODI, was established in 2000 with the aim to build a powerful society from the basis of the power of community organizations and civil society. Their particular strategies are as follows:

- To support and enhance the role of the community organizations and of the local mechanisms in development;
- To emphasize the role of community organizations as the core of the development process;
- To coordinate the efforts of civil society and their multilateral partners;
- To develop the learning process, knowledge body and information technology systems;
- To develop the Community Financial Institutes and the community – oriented economy;
- To build and develop the loan system as a tool for community development, and;
- To improve the efficiency and transparency of CODI's management systems to allow the developed partners to participate and engage in its activities.
- In the past eight years, CODI has been very successful in breaking new ground in slum and settlement upgrading in Thailand. Innovative land tenure arrangements, affordable housing finance, organised communities and government support has meant that many people in Thailand have been able to improve their living standards and own or upgrade their own homes.

In October 2008, a team from the Slum Upgrading Facility pilot projects visited Thailand to learn from the work of the Community Organisations Development Institute. The team was comprised of the national Slum Upgrading Facility coordinators from Ghana, Tanzania, Sri Lanka and Indonesia, three members of the International Slum Upgrading Facility Pilot Team, as well as representatives of the Local Finance Facilities that have been developed as a central part of the Slum Upgrading Facility programme.

This paper provides an overview of the discussions that took place and the learning that occurred as a result of the exchange visit.

Box 1 THAILAND – The National Context²

Thailand the National Context: has a population of 65 million people and has never been colonised. 85% of the population are Buddhist and 10% Muslim. There is a constitutional monarch with party elections held every 4 years. Bangkok, the capital, has a population of 10-11 million people, and is about thirty five times as big as Thailand's second largest city. Urbanisation in Thailand began in the 1960's and intensified in the 1980's. Currently 65% of the population is rural and 35% urban. 5,500 low-income communities exist in 300 cities comprising a population of 8.25 million people. 65% of these people pay land rents, but have no contractual tenure security, and 35% are squatters. 445 communities are currently under threat of eviction. 70% to 80% of the urban population cannot afford housing in the public and market housing systems so they stay in slums. The current base interest rate is 7%. The exchange rate as of January 2009 is 35 Thai Bhat (THB) to the US dollar.

² Drawn from an introduction provided to the participants by Somsook Boonyabancha, the Managing Director of COD.

A Brief History of the Development of the Community Organisations Development Institute

Housing in Thailand has generally not been considered the responsibility of local government. The National Housing Authority was set up in 1973. Initially the work of the National Housing Authority focussed on the construction of houses and flats. Then, from 1977 into the 1980's there was a programme of sites and service development. This was significant because it led to an acceptance that slum dwellers could stay in their existing locations rather than being relocated. Slum upgrading also began in Thailand in 1977 and has continued to evolve to the present time.

In 1992 the Urban Community Development Organisation was established within the National Housing Authority. Its role was to extend loans to organised communities for settlement upgrading including land acquisition, housing improvement, housing construction, infrastructure installation and livelihood based activities. Urban Community Development Organisation was capitalised with a capital grant from the Thailand Government of USD\$50 million.

Over the next decade, the Urban Community Development Organisation provided loans and assistance to many urban communities and was able to demonstrate how successfully communities could lead their own development if they were organised and could access the resources – particularly loans - that they needed.

Initially the Urban Community Development Organisation worked directly with individual communities, but as the work scaled up this became inefficient and a more effective way of working evolved. Communities were encouraged to form networks. Some of these were city or regionally based. Others were linked to a specific livelihood base or a common kind of location. For example, networks of communities living along river banks formed, as did networks of taxi drivers.

The one thing that all these communities and their networks shared in common was a base in community savings and loans. The financial organisational capacity, competence and confidence provided the anchor for the future development and expansion of Urban Community Development Organisation work, which consequently became increasingly decentralised into a more horizontal network structure.

In 1992 there was a new approach, with the Urban Community Development Office becoming CODI, the Community Organization Development Institute. The establishment of a Community Development Fund as a new support mechanism meant that donors, banks, non-governmental agencies and the government were able to use CODI as the means to directly reach the urban poor community groups.

In 2000, the Urban Community Development Organisation merged with the Rural Development Fund to form the Community Organisations Development Institute in order to extend the services offered to national scale. Its Board was inclusive, made up of one third community representatives, one third government and one third from other agencies such as universities and non-governmental organisations.

Within two years the Thailand Government recognised that a concerted effort was required if slum upgrading was to be tackled at the scale needed to create cities without slums. As a result, in January 2003, the Baan Mankong Programme was launched. It has a target to achieve 200 cities without slums within five years. Community Organisations Development Institute has the responsibility of overseeing that programme and is currently working in 230 cities, still basing its work around a fundamental principle of working with community based savings and loan groups.

The Community Organisation Development Institute was able to link various networks together, so that groups comprised of savings and credit, land and housing, welfare, community enterprise, environment and others were linked into networks. These networks were then able to link into the broader CODI network of academics, support agencies, non-governmental organisations, local authorities and others through a community development committee.

As Somsook Boonyabancha, Managing Director of CODI states: “Savings creates the eligibility to get a loan. Savings is compulsory. No savings, no housing! Savings is a horizontal system – it brings people together who want to come together. It is also a political vehicle that helps poor people to create change”.

The Baan Mankong Programme is an ambitious programme that seeks to build on and leverage community resources. In all the projects, at least 10% of the finance comes in the form of a contribution from the community. Sometimes there is money from local government and increasingly the commercial banking sector is also becoming involved. So far, the programme has operated in 226 cities and Bangkok districts in 76 provinces. A summary of progress to date is given in Table 1 below.

Table 1 Baan Mankong Progress January 03 to March 08

PROJECTS APPROVED

Total number of projects approved (some cover several communities)	512
Total number of communities involved	1,010
Total number of families involved	53,976
Total budget approved	US\$ 46.13 million (upgrading subsidy) US\$ 52.26 million (housing & land loans)

PROJECTS BY TYPE OF UPGRADING

	Communities	H.holds	% of total
On-site upgrading, reblocking, reconstruction	443	34,516	64%
Nearby relocation (within 5 km)	237	7,393	14%
Relocation (more than 5 km away)	329	11,997	22%
Common house for elderly, poorest, homeless	1	70	0.1%
TOTAL	1,010	53,976	

PROJECTS ORGANISED BY TYPE OF HOUSING PROBLEM

	Communities	H.holds	% of total
Solving eviction problems after fires, floods, debt crises & housing scattered squatters	684	39,311	73%
Securing tenure in existing slums	286	13,191	24%
Developing new communities in new sites	40	1,474	3%
TOTAL	1,010	53,976	

PROJECTS BY TERMS OF TENURE SECURITY

Co-operative land ownership	623	23,479	44%
Long term lease to community co-operative	226	20,980	39%
Short term lease to community co-operative (< 5 years)	59	4,143	8%
Permission to use land	102	5,104	9%
TOTAL	1,010	53,976	

Visits to a range of projects

The Slum Upgrading Facility team was able to visit a range of different projects in Bangkok supported by the Community Organisations Development Institute. These included five projects (four on publicly owned land and one on privately-owned land):

- **Suan Phlu** – a replacement housing project located on Treasury Department land that was catalysed by a devastating fire that destroyed the housing of 1,200 households;
- **Behind Pinang Market** – a replacement housing project that was catalysed by another fire, this one in a small squatter community on land belonging to the Port Authority of Thailand;
- **Dock Resettlement** – a potential relocation project for very poor households living by the docks, on Port Authority of Thailand land;
- **Klong Bang Bua** – an ambitious project to re-block the layout and reconstruct the houses in a network of 13 adjacent squatter settlements strung along both sides of a 13 km long canal, on Treasury Department land, and;
- **Charoenchai Nimitmai** – an in-situ reconstruction of a 50-year old land-rental community after its poor residents formed a cooperative and negotiated to buy the land they had been renting from its private owner.

Suan Phlu

The Suan Phlu settlement in the centre of Bangkok's financial and entertainment district was established over 70 years ago. Today it occupies some of the highest-valued land in the city - currently around THB 500,000/square metre (US\$14,391). The 1,200 families who lived there were squatters on the land under Treasury Department ownership. Twenty years ago, motivated by a fear of eviction, the community set up savings so that they could have

Lessons that Slum Upgrading Facility can learn from CODI

Focus on demand led processes

CODI helps communities to come up with plans that they can implement and community organisations are the owners and caretakers of the developments that take place. The focus is on demand rather than supply driven initiatives and instead of a project or construction management focus, the emphasis is on flexible financial management, allowing communities and local development partners to plan and implement together.

Think big

If you start with small ambitions your results will also be small. If you start with a big ambition your achievements will be big as well. Big round numbers sound good to politicians and they are more likely to support you if you think on a large scale. If you just play with projects you will never reach the real scale that is needed.

funds to develop housing in the future. The initial savings group started with 15 members who tried to convince others to join. More and more people took part, saving once a week but never less than THB100 (US\$2.88). In 1993 they formed a cooperative and joined with Treasury Department officials to survey the area as part of an effort to regularize their tenure on the land with formal rental agreements.

There is long history of attempts by the community to try and get legal rental agreement but these attempts were not successful. In April 2004, a major fire destroyed almost the entire settlement. In the coming weeks, negotiations about redevelopment options for the community took place with the Treasury Department, municipal officials and a variety of concerned agencies. In 2005, an agreement was reached to divide the community in two parts: those families who wanted to get ready-made flats in 5-story blocks that would be built by the National Housing Authority, and those who wanted to build their own housing with from the Community Organisations Development Institute's Baan Mankong Programme. In the Baan Mankong side of Suan Phlu, which comprises 264 households, the land was given to the community cooperative on a collective 30-year renewable land lease, at the rate of 5 THB (US\$0.14) per sq metre, which works out to about US\$3 - 4 per unit). This model of negotiated long-term rental agreements has now been replicated in many other communities, with the Community Organisations Development Institute playing an important role as an intermediary organisation that can facilitate negotiations between the relevant parties.

After the fire, the community worked with architects from the Community Organisations Development Institute to develop a range of house designs and layout options. They worked out detailed prices before agreeing on a final design. The housing units built in the first phase of construction cost BHT200,000 per row-house unit (US\$5,756). In the second phase, improvements were made based on experience in the first phase, and the cost increased to BHT245,000 (US\$7,052). Finally, in the third phase, a small terrace was added to the basic row-house unit, increasing the cost to BHT 268,000 (US\$7,714). The community felt they did not have sufficient building skills to carry out the construction themselves, so they hired a contractor, negotiating a fixed labour and material cost for each phase. The loans for the construction were provided

Be inclusive

Keep the programme open to all organisations. Don't just deal with your own small baby. As Somsook put it - "at CODI everybody is our baby".

Work at a city level scale and profile

Each city plans for three years – coordinating groups, having surveys and holding city wide discussions. A few projects are selected that everyone can learn from. They become the city university and people visit and exchange to learn. It is important to create a big event. The mayor comes; all the slum communities come together and march under a single banner. People begin to really believe that they are going to change the slums in the city.

Take a holistic approach

CODI makes use of a holistic upgrading process to build strong and secure community organisation and collective managerial capacity for integrated physical, economic and social improvement. Ideally this starts with a city-wide development process to maximise the potential for scaling up solutions that work.

directly from the Community Organisations Development Institute to the Cooperative, but each time the work was measured prior to payment of the contractor, representatives from cooperatives in other parts of the community network came to help.

Behind Pinang market

Pinang Market is a vibrant, bustling market in the Klong Toey area of Bangkok, which many hundreds of people rely on for their livelihoods. A fire destroyed a small squatter settlement of 28 households located directly behind the market, sandwiched in a narrow strip of land between a factory and an elevated expressway. When that happened, the Baan Mankong Programme supported people who had been living there to negotiate a short-term land lease for the same land, from the Port Authority of Thailand, and provided an infrastructure grant and housing loans to completely rebuild the community. The people are doing all the construction themselves, with a mostly-women construction team.



A Penang Market vendor passes in front of the Slum Upgrading Facility Team. Photo © Ruth McLeod

The Slum Upgrading Facility Team was impressed with the simplicity of the building technology being used by the community. Steel frame construction supplied by a contractor providing the structural strength needed for the building, but also allowed for

People like to do things together so strengthen social structure

It's important to find a way for people to be able to stay together and work together. You have to build a social structure that provides internal pressure so that many people become involved. Smaller groups linked together mean that more people become engaged in planning and implementing projects. Savings is crucial to this process. When people are well organised they can work with detail and care.

Somsook elaborates further – “The cluster as the base provides an anchor for the social form of planning. Contemporary planning is often based just on individuals not on the need for social structure. It is important to build and maintain social wealth because most of the communities are poor in economic terms. This process creates a new freedom for our people. You cannot give it from outside. It has to come from the people themselves. This is so much more important - building strength and freedom not just housing for the poor.

walling that can be built easily by the community themselves, thus reducing costs. The construction of housing units that are almost under flyovers was surprising to some of the visitors. In Jakarta, Indonesia, for instance, low income households have been evicted from informal settlements developed under the city's overhead road system. It seems that a different approach is being taken in Bangkok with households being helped to improve their living conditions in situ so that they can maintain their livelihood base in the market itself.



One of the Penang Market new housing units under construction.
Photo © Ruth McLeod

One of the most impressive features of the Pinang Market project is the detailed way in which the community tracks and controls building costs. People contribute much of the labour. As they put it: “we have cost control though sweat because we don't have much money”. They also track planned and actual expenditure on a large board that everyone in the community can see so that the way in which money is being spent is clear to all.

The project should not bring people into a new jail”.

Savings and Loan systems as the base

The key players in demand-driven upgrading are the savings groups. “No savings no housing” is a common saying within CODI, because without savings it's impossible to build a sustainable system.

Help people to provide the information base so that they can choose the best solutions

People and information have to come first. People make a survey of their existing slum communities – how many people live there, for example. Each community in the network decides what the survey is good for and that goes up on the board – the details about what questions will be asked, how they will be asked, what the forms will look like, who will ask the questions. Then there is a need to check, because the people's surveys create a lot of headaches as well.

People collect the information. It's not a highly technical survey but it provides the basic information about who's



The details for project financing on display in the community meeting Room. Photo © Ruth McLeod



A housing development under an over pass demonstrating an effective in situ development option. Photo © RuthMcLeod

there. People learn. You have to open a very big space for people to join in. This is their university. This is how people learn and build capacity and everyone can do it. That's the most crucial thing. Communities meet with other communities that help them. Once people are sitting together the process goes deeper checking where the water supply is, for example. That's the beginning of the planning process.

Decentralised processes work better than centralised control

Learning spreads rapidly when people are able to link up with each other and learn from other experiences. CODI has supported the formation of a national system of networks that provide a base for learning and inter-community support.

Strengthen the relationship between people and the Government

Linkage between the government and the people is very important because the people provide information for

Charoenchai Nimitmai

The Charoenchai Nimitmai community occupied 4.9 hectares of land in Bangkok's Chatuchak District, bound on one side by railway tracks, on another by a roaring expressway and on the third side by a drainage canal. The community's 41 families, many of whom were poor railway employees, had been renting their land from a private land owner for over 50 years. When the Urban Community Development Organisation surveyed the community in 1995, as part of its national survey of urban slums, they encouraged the community to form a savings group. Five women began the first group, but by 1998, all 41 households were saving and had saved a total of THB3 million (US\$ 85,700).

In 1998, the owner of the land decided to sell it to the business sector and established a market price of THB87 million (US\$ 2.5 million) for the land. Finding themselves threatened with eviction, the people from the community went to the owner and negotiated for him to postpone the purchase. Eventually, they were able to persuade him to sell the land to the community at a greatly reduced price of THB15 million (US\$ 428,500). He was rewarded with a royal award from the King.

After establishing a cooperative, the community took a loan of THB18 million from the Community Organisations Development Institute (at 2% interest), which covered the cost of the land and all the fees and taxes involved in the purchase. Members agreed to repay their portion of the land loans at a rate of 5% over 15 years, on the basis of a monthly reducing balance, thus generating buffer funds at the level of the cooperative itself.

Once the first step of buying the land was accomplished, the community started planning for improved housing. To bring down the per-family land costs, they made room in their redevelopment plans for an additional 48 vulnerable families squatting on land nearby, so the community grew to include a total of 89 families. As part of the construction process, they formed different technical teams – for surveying, demolition and so on. They worked with professional architects from the Community Organisations Development Institute, held 22 meetings and developed 18 different layout plans over 6 months before the final plan were chosen.

the government to plan. Involving the people can reduce the costs because they link it directly to their needs and waste very few resources. This idea has also expanded successfully to other countries like Laos and Cambodia.

Focus on practical action

Communities learn by doing. It is important to make concrete changes and take concrete action. That is how the system gets changed. Projects can become learning centres so that other people can come and learn from local group experience and they can help others in similar communities. This builds the basis for a new kind of decision making and politics.

Negotiate as you go along

You have to start negotiating right away, even before everything is sorted out. Houses in CODI projects do not always meet the government's official standards, which many people believe are unaffordable standards. The communities have taken the approach of negotiating as they go along. As one community explains: "One of the leaders got jailed for contravening building

Besides providing the housing and land loans and infrastructure subsidy, there were three forms of help that the Community Organisations Development Institute provided – architects who helped with technical drawings and calculations; accountants who helped people to calculate costs and work out what was affordable, and social facilitators who helped with community organisation.

It can be a challenge agreeing on who will live where in a new development. The community developed an interesting approach. They put up a map of the site and each family went into the room alone and put a sticker on the map indicating where they were interested in living. The Committee members were the last to put up their stickers. If two stickers were placed on the same plot then those families came together to negotiate a solution

Once the land was secured people began to improve their housing. Another loan was arranged and each family is paying back a loan of THB 50,000 for the housing at 4% a year. As long as things go well with the cooperative, members get paid a dividend. One share in the cooperative costs THB10 and a member can have up to 10 shares for which they have to pay THB 100/month. Last years net profit was THB 700,000. The savings group currently holds THB 5 million in savings and now only owes the Community Organisations Development Institute THB 6 million. People outside the community also belong to the savings group and there is a waiting list to buy any houses that become available, although so far, none have become available. This means the community is staying together.

Bang Bua

3,400 households live in the 13 informal settlements which line the 13 kilometres of Bangkok's Bang Bua canal. With help from the Community Organisations Development Institute and the nearby Sripatum University, the communities have formed a network, started savings groups, formed a cooperative society and prepared re-development plans for upgrading their settlements and revitalising their canal. The plans are now well into implementation with a 30 year leasehold agreement providing the tenure security they need on land that is owned by the Treasury Department. The land has

standards but then everyone else came forward and said jail me too. The houses are so much better than the ones we had before.”

Make provision for rental housing

Not everyone needs, or can afford to, own their own houses. There is a real demand for rental units. Increasingly, cooperatives are including a percentage of rental units into the projects they are developing to ensure that this need is met.

Look at how existing land could be used better through re-blocking and building upwards

Re-blocking is a way to make better use of the land. It means making adjustments in the layout of houses, roads, walkways, drains and sewers in a way that makes the community work better. When this option is chosen some families usually have to move and their houses have to be either partially or completely rebuilt. Some lanes may also need to be realigned to enable drainage, water supply and sewage. Re-blocking is often undertaken

been re-blocked so that the space can be used more efficiently and replacement housing is being constructed in phases.

Each family pays between US\$2 and US\$3 equivalent per month for land rent, depending on the size of their house. The Cooperative is responsible for collecting the household land rent payments and passing these on to the Treasury Department. Families have been able to access 15 year affordable housing loans from the Community Organisations Development Institute and the Cooperative takes the responsibility of managing these loans and repaying CODI collectively on behalf of the households.



The kitchen grease filtration system being demonstrated.
Photo © Ruth McLeod

There is an emphasis on hiring local labour to ensure that the benefits of the construction process stay in the community and the building technology has been kept simple, with three basic designs for people to choose from. Apart from improving the housing, the Cooperative has also taken the lead in developing a new canal-side walk-way which provides space for children to play, for vendors to sell their wares and for recreational visits. If people do have to move from the area, they sell their unit to the cooperative and it is then reallocated to another family.

when communities have negotiated to buy or lease the land that they already occupy on a long-term basis. Two storey housing also helps people to make better use of the available land and if the technical designs are kept simple the community can take a big part in the construction.

The importance of in situ upgrading

77% of the developments supported by CODI take place in situ. Historically, it was always believed that people should be moved out but in most cases good solutions can be found without anyone having to move.

Create collective asset ownership

In all the projects supported by CODI, land must be collectively owned or leased. The ownership is collective for at least fifteen years. As CODI staff explain, “You freeze the market force at the point when people are very weak: when they have just started housing in the first three or four years, when they are putting everything into construction.

Until recently, all the households living beside the canal discharged their sewerage and garbage waste directly into the canal, causing major environmental problems. A local community member devised a simple and inexpensive kitchen grease filtration system, which all the households are now using. The filters are made in the community from PVC pipes, plastic buckets, gravel and charcoal and cost around US\$8 to make. The collected grease is used to make candles. Each new house in the redeveloped area now also has a septic tank and all the gray water from kitchens, bathrooms and septic tanks is collected into central drains prior to filtration and treatment in a central plant.



Members of the SUF team visiting new housing in Bang Nua.
Photo © Ruth McLeod

The Cooperative is also negotiating with upstream polluters to reduce toxic effluents in the canal. As a result the quality of life in the settlement has improved enormously and there are many families who had previously moved out of the area who now want to move back in. This rich development experience is being shared with other communities that live along canal banks so the learning that has taken place travels across the Community Organisations Development Institute networks.

At that weak stage the market will come and try to make them sell. Keeping collective ownership helps people to resist that pressure.”

Professionals and communities can work together

CODI provides communities with professional help including architects, social organisers and financial advisors. Architects help to give people a vision of what the community could be like. Social organisers help the community work together and agree on things. The financial advisors help people work out what is affordable and how savings and loans can best be managed. Once communities go through the experience of changing their own situation, they are then able to help others to do the same thing.



Community centre in Bang Bua. Photo © Ruth McLeod



The shop that moved, in its new location. © Ruth McLeod

Document successful technical solutions so that other people can learn from them

CODI has produced a handbook of technical designs drawn from projects across Thailand. If people need additional information they can contact and/or visit the communities that have used the techniques directly.

The Slum Upgrading Facility team reflected on the work of CODI and the lessons that might be taken from that experience and used within the newly formed local finance facilities that have been established in Ghana, Sri Lanka and Indonesia. The table below summarises some of the similarities and differences between CODI and the Local Finance Facilities.

The community started with an environmental programme because they were the people being accused of polluting the canal. They carried out a survey of where all the drains were and found that much of the polluted water came from outside. People began to realise that they could clean the water using the filtration systems and with the help of a huge dredging programme implemented by the authorities. This helped to build community confidence.

The area is large, with a significant population. This presented a real challenge in terms of organisation. The answer proved to be the creation of an organisational base of small groups, each made up of five households, within the bigger community. The planning process was based on these small groups which worked with the architects provided by the Community Organisations Development Institute. The structure meant that everyone had a chance to be included. Workshops were organised so the architects from the Community Organisations Development Institute could work with people to plan their housing. They made models of the house and compared them. This planning was very quick. It was usually done in a week.

Some households did not want to demolish and rebuild their houses, because they had made big investments or strategically located shops. Where this happened the shops were boycotted by the community. This happened to the owner of the shop in the photo but eventually he agreed to relocate and now his business is doing better than before. Another thing that helped was that the leaders set the pace by destroying their own houses first and starting construction.

Community Organisations Development Institute beginning to work with the Government Housing Bank

The Community Organisations Development Institute receives a budget from central government which is then passed directly to the communities according to the consent of the city development partners – especially the local authority and community network in each city. Recently however, the success of the Community Organisations Development Institute approach has led to new challenges with respect to the scale of capital funding that is accessible by communities. More capital is needed in order to be able to respond to the growing community demand.

As a result, the Community Organisations Development Institute has begun to work with the National Housing Bank (NHB) with NHB providing capital for an initial project in Khon Kan for BHT29 million. To date there have been no non paying loans (and two more community projects are being developed in Nonthaburi and Patumthani for BHT79million. Both the National Housing Bank and the Community Organisations Development Institute believe that the link with the Government Housing Bank makes bargaining power much stronger and exposes the Community Organisations Development Institute model to many more players. The initial project required a significant level of credit enhancement on the part of the Community Organisations Development Institute. It is anticipated that terms and conditions will be modified in future projects as experience is gained and as the communities involved establish a track record of successful repayment.

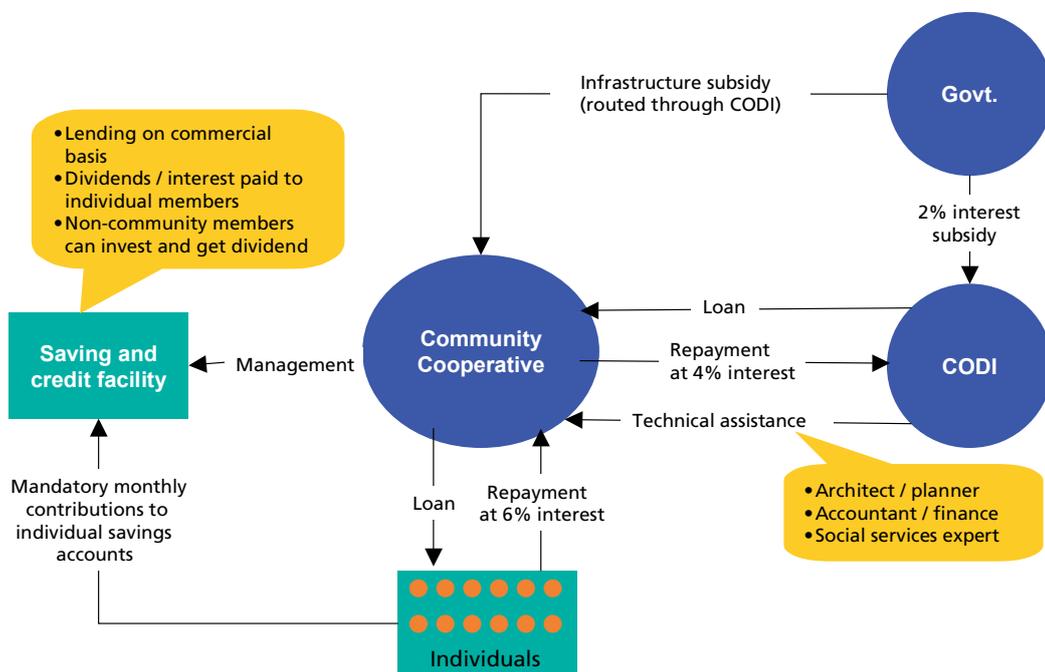
Figure 1 provides a schematic view of the original Community Organisations Development Institute lending model, which blends state subsidies with direct loans to communities. Figure 2 provides an overview of the new relationship with the National Housing Bank

Discussion of the arrangement with the National Housing Bank led to the identification of a number of key success factors in the arrangement:

- National macro-economic stability
- Relatively low inflation and interest rates
- Land owned by the community cooperative
- Requirement for compulsory participation in savings and credit scheme managed by community cooperative
- Processes in place to build social and managerial capability as well as the building and construction capacity needed for physical slum upgrading

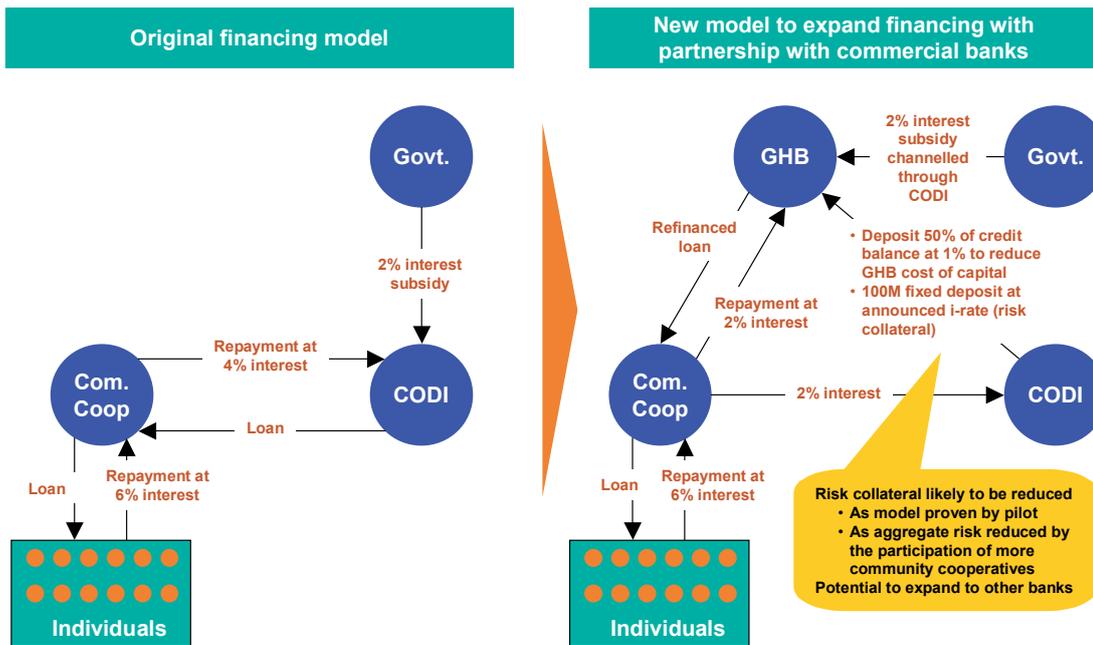
- Initial technical and financial support from government / quasi-government / other bodies
- Support for projects from community cooperatives in broader networks

Figure 1 CODI financing model for slum upgrading. Community cooperative and savings & credit facility critical to success.



CODI: Community Organizations Development Institute

Figure 2 GHB-CODI expanded financing model
 Innovation to expand availability of finance through partnership with commercial banks



CODI: Community Organizations Development Institute; GHB: Government Housing Bank

Overview of similarities and differences between CODI and the Slum Upgrading Facility Local Finance Facilities

CODI	Local finance facilities
Established in 1992	Established in 2008
Designed to respond to demand-driven development	Designed to respond to demand-driven development
Focuses on city strategies developed over time. Local networks linked to other networks have created a national learning and support structure	Brings together the key players within a city or national level strategic focus.
Just beginning to use finance from commercial banks.	Catalyses the integration of commercial finance to expand the scale of financial resources available
Blends different sources of funding and charges different interest rates for different areas of lending. Housing loans at 3% to encourage borrowing in this area.	Provides a mechanism for blending resources as purely commercial financing not affordable for people living in poverty.
Criteria have developed over time but largely determined by local priorities.	Criteria were established for providing support – similar across all the facilities and in line with UN HABITAT development priorities.
Loans and assistance provided through groups and intermediaries, not individuals.	Loans and assistance provided through groups and intermediaries, not individuals.
Government urban development agency established within the National Housing Authority, later becoming a national body.	Not-for profit organisations set up to provide guarantees, bridge financing and technical assistance in project design and assistance in management and implementation – “Finance Plus”.
Source of funds – primarily central government budget allocation but also some donor funds for specific purposes and more recently capital loans from the National Housing Bank.	Source of Funds – core of financing from donors through UN-HABITAT but also from local and national government.

CODI

Wide range of community improvement and upgrading schemes including livelihood lending programmes but all organised around savings and loan groups.

No specific focus on the provision of guarantees.

Highly decentralised process helping people access local technical assistance for NGOs, universities and private sector groups as well as from CODI itself. Headquarters in Bangkok with representative Board appointed through the established regional network structure.

Bank base rate 7%

Cement price \$4.50

Local finance facilities

Broadly two types of initiatives – home improvement loan programmes brokered through existing micro-finance institutions or savings and loan systems and area upgrading programmes that are much more complex.

Offers guarantees with the long-term aim of obtaining leveraged lending from the commercial banks.

Volume of work has not merited a fully-grown bureaucracy. As the programme grows so will the staffing. Important to remember that these are facilities – helping other people to do things.

Bank base rates significantly higher – Ghana 27%, Sri Lanka 22% Indonesia 7.75%, Tanzania 20%

Cement price Ghana \$10, Sri Lanka \$10, Tanzania \$12, Indonesia \$5

Participants in Thailand visit, October 2008

Name		
Dr Alexander Tweneboa	Chair, TAMSUF,	Local Finance Facility in Ghana
Eugene Fredna Ofori Atta	Chair, STMA CSUF	Local Finance Facility in Ghana
Erika Mamley Osae	Slum Upgrading Facility Coordinator	Ghana
Chandula Abeywickrema	Chair LFSUS	Local Finance Facility in Sri Lanka
Dr Padma Patnayake	Board member LFSUS	Local Finance Facility in Sri Lanka
Ayanthi Gurusinghe	Slum Upgrading Facility Coordinator	Sri Lanka
Mwijage Bishota	Slum Upgrading Facility Coordinator	Tanzania
Marcelino Pandin	Slum Upgrading Facility Coordinator	Indonesia
Widdi Srihanto	Suryakarta, YLP3	Local Finance Facility in Indonesia
Mahditia Paramita		
Raja Shankar	Burro Happold	Slum Upgrading Facility Pilot Team
Bikram Ghosh	Emerging Markets Group	Slum Upgrading Facility Pilot Team
Ruth McLeod	Emerging Markets Group	Slum Upgrading Facility Pilot Team

FINANCING SLUM UPGRADING

✓ DO

✗ DON'T

Ensure that financing for slum upgrading is recognised as a priority within national development planning and as a key investment element contributing to economic growth. This emphasis should be reflected in a slum upgrading budget line within national and local authority budgets.

Don't rely on one off poverty-focused upgrading projects.

Encourage local and international banks and micro finance institutions to become active participants in financing upgrading as part of their core business.

Don't rely solely on housing or government finance institutions.

Ensure that guarantees are available to encourage banks to lend to slum upgrading projects.

Don't provide guarantees that support interventions based on political patronage.

Build investment in slum upgrading on a firm foundation of community based savings and loan systems and local authority commitments to provide in kind and monetary allocations on an annual basis.

Don't assume that community involvement is best restricted to cost recovery and loan repayment and that local government has no responsibility for planning investment in upgrading.

Recognise that financing for slum upgrading requires a mix of short, medium and long-term loans, integrating finance for building, infrastructure and livelihoods.

Don't assume that one financial product fits all.

Provide mechanisms to blend municipal finance, cross subsidies and beneficiary contributions to ensure financial viability of upgrading projects and home improvement programmes.

Don't rely on government subsidies or on full cost recovery from slum dwellers.

Develop a process for sharing risk analysis and planning for risk mitigation and management with all the key stakeholders.

Don't expect residents of slums to be the only risk takers in developing new approaches to upgrading.

Plan projects on a mixed-use basis with revenue generating elements such as saleable residential units and rentable commercial space in order to maximise financial viability.

Don't assume that lending for slum upgrading will necessarily be asset-based. Where banks do lend for this purpose lending is more than likely to be revenue based.

Ensure that subsidies are effectively targeted so that the benefits reach those for whom they are intended and build on the basis of long term engagement.

Don't assume that all the problems of a slum can be addressed quickly with the framework of a single project.

Recognise that not everyone who lives in a slum is poor. Where an area upgrading strategy is to be implemented provision needs to be made for a range of income groups with steps taken to ensure that the poorest are not excluded.

Don't insist that interventions should only benefit low-income families.

Recognise that home ownership is not the solution to everyone's problems. Provision for the development of affordable rental property is an important component of financing slum upgrading.

Don't restrict interventions to developments based on clear land title and private ownership of property.

Make the real cost of finance very clear so that people clearly understand the commitments they are making to loan repayment.

Don't hide the real cost behind misleading promotional messages.

Where appropriate establish local upgrading finance facilities so that funding is locally available.

Don't assume that existing finance institutions will have the capacity to deliver the full range of financial services required.

Explore options to use land allocation, readjustment and sharing methods to release finance for upgrading.

Don't place unnecessary restrictions on land use.



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