HiFi NEWS

The newsletter of the Working Group on Housing Finance and Resource Mobilisation for the Habitat International Coalition

April 2003 No.11

This eleventh issue of *HiFi News* outlines the breadth and diversity of microfinance for housing and related activities.

From South Africa comes the Kuyasa Fund, a microfinance scheme aimed at increasing and improving the existing government capital subsidy for housing. The housing subsidy helps households to gain a first step on the housing improvement ladder but, in many cases, subsidy houses are very small (for example, providing only two rooms) and in need of improvement. For low-income households, particularly those working in the informal sector, there are no possibilities for commercial credit, and informal financial services are not that well developed in South Africa and, as elsewhere, are expensive. The Fund offers a source of loan capital for households that wish to improve their houses.

From Sri Lanka comes news of the Women's Development Bank that has recently extended its lending in housing improvements and basic services. The Bank discovered that many of its borrowers lacked toilets, water services and kitchens. A special fund has assisted the Bank to offer loans in these areas and a number of interesting secondary benefits have emerged including greater collaboration between groups and improved relationships with local authority staff.

From India come two "updates" of organisations whose work has featured previously in *HiFi News*. In Ahmedabad, SEWA continues to expand its housing activities in order to provide continuing and new opportunities for members seeking to upgrade housing and, in some cases, secure tenure for the first time. As significantly, they have extended their loan activities in an extended partnership with the city council. A new programme is seeking to ensure improved infrastructure and services for thousands of low-income residents living in designated "slum" areas.

The National Slum Dwellers Federation, Mahila Milan and SPARC discuss the significance of community finance in supporting community-managed housing improvements through bridging finance for state subsidies. Such finance enables communities to put forward their own designs and management strategies for appropriate and affordable housing. Subsidies are only forthcoming to community-managed projects if bridging finance is available.

Finally, *HiFi News* 11 contains news of two networking activities and one forthcoming publication. Internationally, the Habitat International Coalition has been developing ideas for a global housing fund to assist local groups in financing their housing activities. In Southern Africa, a new network, the Community Microfinance Network, has been launched to assist with information and perspectives within and about the sector. And a forthcoming issue of the *Small Enterprise Development Journal* will focus on finance for low-income households to improve access to land, services and housing.

SOUTH AFRICA

Kuyasa Fund

Whilst the housing subsidy scheme in South Africa appears generous, many low-income residents are interested in topping up their subsidies and building larger homes. However, there are few organisations that are willing to lend to low-income urban residents, many of whom are working in the informal sector. This report gives details of one innovative scheme that started two years ago and, by February 2002, just over 600 families were borrowing from the Fund.

The Kuyasa Fund targets low-income households who are ineligible for commercial housing finance as their monthly incomes are less than R2,000 and/or they are informally employed. These are clients whose incomes are just below the poverty datum line for the average urban South African household (currently around R2,000 for a family of six). In addition, the Fund requires that applicants are saving regularly, preferably on a group basis, and that they are about to receive a housing subsidy

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through the People's Housing Process (self-help) route (which, in turn, implies secure tenure).

The Fund grew out of projects supported by the Development Action Group (DAG) in Khayelitsha in the late 1990s. DAG was eager to meet the finance needs of people involved in its People's Housing Process projects, and decided to set up a trial loan fund in 1999. Funding for this purpose was obtained from the Urban Sector Network Opportunity Fund. However, it soon became clear that there was a demand beyond that from the individuals participating in DAG's own projects, and Kuyasa management decided to gear itself towards serving households more generally (i.e. non-DAG developments). A number of other groups are also supporting subsidy-linked developments. One of the most important is Marnol, a building materials supplier that has set up a People's Housing Process facilitation system as a marketing strategy. Marnol has helped start numerous Housing Support Centres that sell building materials and provide technical support, and which serve as the main source of new clients for Kuyasa Fund, as well as an institutional mechanism for managing certain aspects of the loan cycle.

The Fund is a Section 21 company. It operates under the exemption to the Usury Act that allows loans of under R10,000 for up to 36 months to be made at higher rates of interest. Although the Kuyasa Fund is legally independent of DAG, relations remain close. DAG appoints some Kuyasa Board members and the two organisations share premises in Cape Town.

Kuyasa Fund is seeking to develop a credit model that provides access to credit to that segment of the market regarded as high risk by conventional finance institutions. However, the intention of Kuyasa is not to provide credit based on subsidised interest or on "soft" credit criteria, and therefore it charges an annual interest rate of 32 per cent. The Fund seeks to build a high quality, operationally self-financing loan book with a low default rate secured by personalised relational lending.

Although the Fund seeks to provide non-subsidised credit, it has shown little interest in working with wholesale finance markets. This is a serious indictment of the suitability of the present South African wholesale housing finance context to encourage innovation – particularly the National Housing Finance Corporation. Instead, the Fund relies on donor funding for its wholesale equity and expansion costs.

The length of time between a client's first contact with Kuyasa Fund and the disbursement of the client's loan is approximately one week. The typical Kuyasa loan is for an average of R3,500, repayable over 6 to 30 months and with an average repayment period of 18 months. Clients must pay an up-front administration fee of R35 and offer a security deposit of 10 per cent of the loan value. They must also take out credit life assurance at R20 per R1,000 *pro rata* per year.

The Kuyasa loan cycle involves:

Marketing: Potential Kuyasa clients must meet the conditions outlined above. Clients hear about Kuyasa from other households or Housing Support Centres in their area, from other institutions like Marnol, or from the provincial or municipal authorities. Kuyasa loan officers make presentations to groups of potential clients on request.

Origination: Once potential borrowers have decided to take a loan, they first pay an administration fee of R35 to the loan officers. They then go to Kuyasa's head office to complete an application form. At this time, they are told the amount they must deposit as security deposit and credit life assurance, and are given a reference number for depositing directly into Kuyasa's account.

Evaluation and approval: Loan officers run checks and collect the necessary documentation, and then make a recommendation. The Kuyasa manager then takes a decision based on the information gathered by the loan officers. However, most rejections occur at loan officer level, with the Kuyasa manager rarely changing their recommendation.

Disbursement: Clients collect a cheque from head office, which they must either deposit into a bank account or cash. The client then uses the loan to build a house, adding equity in the form of accumulated savings. Loan officers check periodically to see that the loan is being used as per the application.

Repayment: The client is given a card with a client number that is to be entered on deposit slips to allow the head office to identify deposits. The loan officer visits the client and obtains a commitment to repay directly into Kuyasa's bank account on a specified date. The loan officer completes a client contact sheet recording the visit, as well as a "promise to pay". The "promise to pay" is filed and recorded in a diary at the Kuyasa office. Deposits are monitored daily and clients who do not uphold their commitment receive a follow-up visit, letter or telephone call. Groups of clients associated with specific Housing Support Centres are expected to monitor each other's repayments. Loan officers only play a role in repayment if clients are in arrears, to which the head office will alert them. If there are arrears, head office staff first contact the client and then activate the loan officer, who will personally visit the client, raise the issue with other clients and notify the Housing Support Centre.

Kuyasa Fund strongly promotes a culture of savings amongst its clients. This is for two basic reasons: credit evaluation and adding client equity to housing. Through research conducted by DAG in preparation for the formation of Kuyasa, it was found that households prefer to save in groups. Kuyasa borrowers save through community-based savings groups, using the methodologies developed through years of participation in ROSCAs (rotating savings and credit associations). In considering a credit application, Kuyasa expect that the applicant has saved with the group for a period of at least six months. The maximum loan granted is limited to three times the savings or a maximum of R10,000. Furthermore, the monthly loan repayments should not exceed more than 30 per cent of the average monthly income.

Most of Kuyasa's borrowers earn less than R1,500 per month, whilst over 90 per cent earn less than R3,500. Kuyasa reports that clients earning less than R1,000 per month allocate, on average, 29 per cent of their salaries towards loan repayments. Whilst this is permissible in terms of Kuyasa's credit policy, the Fund is considering increasing repayment periods in order to reduce the repayment burden. At present, there is little variance in repayment periods amongst the income categories, with all categories averaging 17 months.

The average house size amongst Kuyasa borrowers is 54 square metres. The minimum house size now constructed by Kuyasa clients is 36 square metres, as opposed to a previous norm of 27 square metres. Significantly, this is not only because of Kuyasa loans but also because of client savings. To build a 36 square metre house requires an input of about R1,500 from the households, which most Kuyasa clients finance from their savings. Loans are used to finance houses measuring from 44 square metres upwards.

Kuyasa Fund's publications express its basic mission:

- Kuyasa is engaged in the fight against poverty and sees appropriate savings and credit provision as a tool to fight poverty.
- The poorest of the poor are creditworthy and deserve access to finance. Through savings mobilisation, the poor are able to build financial and social capital. Kuyasa seeks to provide credit services to the poorest end of the market at which lending is still possible.
- Credit for the improvement of tenure and the provision of basic shelter are priority areas for credit provision.
- Kuyasa is in its learning phase, seeking to pioneer and experiment with end-user models and methodologies as a means of finding a sustainable solution to addressing poverty.
- Kuyasa recognises that women make up the critical mass of the poor, and its policies and interventions take this into account. Kuyasa will actively seek and network with others to support the growth of a financial sector for the poor.

Table 1: Profile of clients

Category	Criteria	Percentage of clients
Gender	Women Men	71.8 28.2
Age	Under 40 years old Between 40 and 60 years old Over 60 years old	26.9 57.6 15.5
Income	Between 0 and R1,000 Between R1,001 and R1,500 Between R1,501 and R2,500 Between R2,501 and R3,500 Over R3,500	26.9 29.0 28.6 8.1 7.4
Employment status	Formal Formal and self-employed Informal Informal and pensioner Other Pensioner Self-employed	32.5 0.2 47.4 0.4 0.2 13.8 5.5
Credit bureau status	Normal Listed None	74.0 13.0 13.0
Average family size		5 people
Average house size		54 m^2

The Fund's main source of funding has been a soft loan from the Urban Sector Network Opportunity Fund (funded by the Swedish International Development Agency). Various other donors have funded operational costs, including USAID, the European Union and smaller donors. The Kuyasa Fund also makes use of loan guarantees from the National Urban Reconstruction and Housing Agency (NURCHA). NURCHA guarantees 45 per cent of value of Kuyasa loans in return for a payment of 2 per cent of 45 per cent of Kuyasa's annual loan book. This amounted to about R34,000 last year.

Kuyasa Fund maintains a highly flexible and accommodating delinquency policy, reflecting its desire to reach the poorest of the poor. Overall, management estimates that the average 18-month loan actually takes 24 months to recover fully. Kuyasa management has defined technical delinquency as loans with repayments that are nine weeks overdue. Second-stage delinquency, involving legal recovery steps, is defined as 12 weeks (or three instalments) overdue with no contact from the client. Kuyasa management also practices a policy that disregards historical arrears as long as current repayments are up to date. This is not considered refinancing, however, and penalty interest is not charged.

Contact: Development Action Group

Sri Lanka – Housing Development Fund

In Sri Lanka, the state made a significant effort to provide housing to the poor, first under the Million Houses Programme and then under the 1.5 Million Houses Programme. However, these activities have now slowed down. As is the case in many countries, the provision of housing finance is through the State Mortgage and Investment Bank and the Housing Development and Finance Corporation. Both of these institutions use eligibility criteria based on the level and stability of income. Hence, they exclude the poor. In the absence of alternatives, the poor now have to address their own shelter needs.

One network of grassroots organisations, the Women's Development Bank, recently reviewed the housing needs of its members. It found that 70 per cent of families had no toilets, 50 per cent used unprotected huts as kitchens and very few had separate water supplies. Families could only afford to develop their housing incrementally, adding to the structures as their savings permitted. Improvements in service were often low on their list of priorities. Without access to services, they did the best that they could. For toilets, they used the beach or forest, or shared facilities with their neighbours. Water was secured through communal wells, rivers and communal taps.

The Women's Development Bank is a Sri Lankan non-profit company registered as the Women's Development Service Ltd. It currently supports 1,090 savings and credit groups with 8,000 members in 450 urban and rural communities in 9 of the 25 districts in Sri Lanka. The Bank works with self-reliant membership organisations based in low-income communities engaged in putting the resources, ideas and support of its members towards addressing their own problems, on the cooperative principle of self-help and mutual aid. It is promoted by Janarukula, a non-governmental organisation that has been engaged in the alleviation of poverty in Sri Lanka since 1994.

The savings and credit groups work with between 5 and 10 members, who meet weekly to decide on forthcoming activities and to review the action taken during the previous week to improve their economic and social situation. Members' savings are used to provide small loans to fellow members, enabling them to meet their emergency needs, and all members of the groups are women. Branches are formed from five savings and credit groups, and five branches come together to form a cooperative society that is formally registered. The Women's Development Bank provides these cooperative societies with external support and managerial skills.

Members must first take a loan from their immediate group. They are then eligible for further loans for consumption, income generation and housing. Security for the loans is provided by savings, group guarantees, group knowledge of the borrower, continued need for loans, and assessed repayment capacity. The repayment rate for loans is over 99 per cent.

Lending activities have now taken place for more than eight years. During this period, total lending has been about Rs.56 million (US$ 580,000), with Rs.19 million (US$ 200,000) for housing. Housing loans have been available for some years, although the Bank was struggling to adequately capitalise this lending. However, such loans have rarely been used for improvements to services, and generally, have been small, averaging Rs.25,000 (US$ 260). Loans have normally been repaid within five years, and the average income for members is between Rs.3,000–5,000 (US$ 30–52).

Nine months ago (in May 2002), the Bank received a grant to develop their housing-related lending, with a particular emphasis on services. Five districts were selected for a pilot programme.

The National Council of the Bank agreed that the priorities for the allocation of funds should be the construction of household toilets, the construction of kitchens attached to existing houses, and the construction of wells or provision of household piped water supplies. The following terms and conditions were agreed:

Purpose	Amount	Repayment period	Monthly repayments	Interest	Borrowers contribution
Toilets	Rs.5,000 –15,000 (US$ 50 –150)	3–7 years	Rs.100) (US$ 1	18%	10%
Kitchens	Rs.10,000 –15,000	3–5 years	Rs.500	18%	10%
Wells	Rs.10,000 –15,000	3–5 years	Rs.250	18%	10%

The funding has enabled the rapid expansion of the programme. The external grant has been augmented by dedicated savings for housing, enabling the Bank to establish a Housing Development Fund with a total capital of US$ 37,000. Since the availability of additional funding, 161 additional loans for toilets have been distributed. (Previously, the Bank had only given out seven toilet loans.) A further 21 loans for kitchen improvements and five loans for wells have also been given out. Ninety per cent of the available monies are now out on loan.

In total, 239 families in 163 savings and credit groups have benefited from the Housing Development Fund.

Benefits
The benefits derived from investing in toilets have encouraged another 500 women to join the Women's Development Bank.

Members have had to overcome numerous technical problems (such as digging through rocks to prepare the ground for lavatory pits). As a result, they have developed substantial management capacities. In addition, the construction process has helped members to become closer to local government officials who have provided technical assistance.

Collective activities have been strengthened as groups have worked together, buying building materials in bulk to secure discounts and helping each other in the construction activities.

Individual savings and loan groups have been drawn into larger solidarity groups through the Bank's strategy of releasing loans simultaneously within a geographical area. Borrowers in one district have now mobilised themselves into a larger collective to solve their electricity, water and land tenure problems.

The loans are issued to the women members. It appears that the investments have improved cooperation within the family, and husbands are also assisting in loan repayments.

There is evidence of changing attitudes among borrowers, with an increasing recognition of the importance of investing in services. Prior to the special fund, families placed most emphasis on the front portion of their house. Now they are now beginning to comprehensively address their shelter needs.

Contact: Women's Development Bank Federation

INDIA

SEWA Bank and Parivartan

SEWA began lending for housing in 1985, when it lent money to 182 women. By 2000, that figure had increased eight-fold to 1,430 women and over 15,000 loans. By 2001, more than one-third of its total lending portfolio was for housing.

SEWA is a trade union for low-income self-employed women that registered in the city of Ahmedabad (India) in 1972. SEWA Bank is one of the support services that have emerged from the trade union. Self-employed women own the Bank through individual shareholdings, and its policies are formulated and ratified by their own elected Board of women workers. Qualified managers, held accountable to the Board, run the Bank professionally. The Bank currently has more than 25,000 shareholders.

SEWA Bank started lending for housing because they recognised the significance of housing. For most self-employed women, their home is also their workplace, workshop, storehouse and warehouse. Housing loans are given for home improvement and to enable members to buy/construct a new house.

More recently, SEWA Bank has become aware of the need of women for infrastructure finance. The Parivartan Programme has been established to upgrade slums in and around Ahmedabad through the joint participation of government entities, non-governmental organisations, the private sector and low-income residents themselves. The Programme was initiated by the Slum Networking Cell within the Ahmedabad city government. The name means "transformation" in Gujarati and Hindi. The Programme seeks to offer improved infrastructure and open communication with the authorities, resulting in clean and healthy communities.

The Programme provides a water supply to every house, an underground sewerage connection, toilets in the home and an efficient storm water drainage system. The significance of storm water drainage is often underestimated. Residents have to stay off work to protect their homes and prevent them from being destroyed in annual floods, and the resultant surface water is a breeding ground for disease-carrying insects. Further benefits are street-lighting, paved roads and pathways and basic landscaping, together with solid waste management. Costs are divided between the residents and the municipality. SEWA helps the lower-income residents with loans.

Contact: SEWA Bank

From a Seed to a Forest

Since their first work on the pavements of Mumbai in the late 1980s, SPARC has been involved in multiple initiatives using savings and loan finance to assist the poor with access to land and basic services. Within their alliance with the National Slum Dwellers Federation and Mahila Milan (a network of women's cooperatives), they have used savings and community revolving loan funds to strengthen grassroots activities.

Transport improvements in Mumbai have resulted in SPARC, NSDF and Mahila Milan becoming involved in a major resettlement programme that addresses the accommodation needs of those living alongside the railway tracks. At the same time, they are supporting community-constructed and managed toilets to hundreds of thousands of "slum" dwellers in the city.

With respect to housing, by 2001 the National Slum Dwellers Federation and Mahila Milan had constructed 8,500 houses with a further 8,000 having been constructed by the state for Federation residents. The majority of housing projects are in Maharashtra and Karnataka, states in which the Federation groups have long been active.

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INDIA

Loan finance is needed both for bridging finance and for top-up loans to augment existing state subsidies. The bridging finance funds are necessary because state subsidies can only be accessed after the construction has been completed. Top-up funds are required in most cases because the state subsidy is insufficient to meet the costs of standard Federation construction – terraced housing with a ground area of 120 square feet, a height of 14 feet and a mezzanine providing another 80–100 square feet of living space. Tenure is secure and basic communal services are provided. In some cases, the amount needed to top up the subsidy remains unaffordable for the poorest households. There is now an experiment in Bangalore with a cross-subsidized urban development scheme (see below). The intention is that the private sale of additional shops and houses that the National Slum Dwellers Federation will build will provide additional finance to cross-subsidise the poor.

The National Slum Dwellers Federation assists local Federation groups to dialogue and negotiate with the city and state government for land tenure. This is part of the large over-arching strategy to secure people's-led development. Most of the communities participate in exchanges and in national Federation events such as house model exhibitions and construction training. They establish daily savings systems and lending practices within their communities. The groups that want to start building must save at least 10 per cent of the money required for construction to demonstrate their preparedness to take out loans.

Once a community develops a clear claim on a piece of land, it begins to work with professionals provided by SPARC to develop settlement and household design details and to begin construction, based on the availability of the bridging funds. SPARC has set up a non-profit company Samudaya Nirman Sahayak (Nirman) ("collective construction assistance"), which holds and manages revolving funds raised from donor agencies. Capital is lent and then returned to the Fund, to be revolved once the state loans and subsidies are secured. The interest rate paid by communities is 12 per cent a year – the same rate as the loan finance that can be secured from the public/private finance institutions (all special state money for scheduled castes). SPARC would like to reduce the annual interest rate to 7 per cent but that requires a much larger volume of finance in order to absorb the administration costs and still maintain the value of the Fund. The bridging funds are repaid by the families that benefit from the revolving funds. To date over US$ 1 million has been received for a range of projects.

There is a wide variation between cities with respect to the subsidies. In Sholapur (Maharashtra), the terraced houses cost Rs. 62,000. There is a subsidy of Rs. 40,000 and households borrow Rs. 20,000, and it has taken four and a half years to obtain the subsidies. Whilst the Federation has built 350 houses, ten times this number have been built by local trade unions and financed by the state. The Federation views this also as a triumph. Until the Federation started building houses, the cost of a basic unit was Rs. 100,000 – with a subsidy of Rs. 40,000, this left a large amount for the families to find. After seeing what the Federation could do, the costs in the other projects fell to Rs. 75,000.

Whilst Rs. 20,000 may seem a lot for Federation members to raise, they start saving as soon as they join. As noted above, it takes some years to bring each project to fruition. Families save more once their housing projects start to be planned in detail. Often, they can afford to repay their loans as soon as the housing units are complete, or shortly afterwards. It is obviously difficult to generalise the value of the asset that they now hold but most houses are worth at least Rs. 200,000.

Having to provide bridging funds slows down the work considerably. In India, loan finance from the state is available. However, at present, not even 1 per cent of the total potential amount is accessed by communities due to the deep feeling that people will take out housing loans and not repay them. When bridging funds are used to begin construction, this can form the basis of a dialogue between the urban poor and the state to secure loans. In part, the state is reluctant to allocate the subsidies to independent groups because it prefers to take responsibility for the construction work itself. However, as shown in the example of Sholapur, this is expensive and households have to pay unnecessary costs that many cannot afford.

In Bangalore, in Karnataka, the state invited SPARC to complete a housing project for just fewer than 1,000 households. Local Federation groups had invited a member of the Slum Clearance Board to a house-modelling exercise in Hyderabad and he had been impressed with what he had seen. The houses in question were located on private land and the households were facing eviction. The Slum Clearance Board could not provide subsidies but wanted to assist in the maintenance and reconstruction of the community. They suggested that one-third of the land could be sold to cross-subsidise adequate housing for the families, who would relocate elsewhere on the site. The area is very centrally located. The community decided to build ground-plus-one (two-storey buildings); people have just one room and a toilet, with 180 square feet of space. But shortly after building started, the landowners took the case to court and the community lost about one-third of the land that they had planned to sell. The communities are now negotiating with the authorities to secure either additional land or an alternative subsidy.

The experience demonstrates that communities need to be constantly aware of the problems that they face and how these might be overcome. In the experience of SPARC and the Federation groups, three types of technical assistance are required. First, architectural and engineering assistance, which is necessary for settlement design, for developing standards, and for constructing and managing infrastructure installation. Second, support for applying for and securing loans and subsidies. Third, especially in the first ten projects in a city, support for community-led construction management.

Contact: SPARC

An HIC Workshop at the World Social Forum in Porto Alegre agreed to create an International Solidarity Fund for Social Housing

Purpose of the Fund

This proposal emerges from the demand for a more political and, effectively, solidarity response to different housing and finance initiatives. Members from around the world emphasised the importance of supporting housing improvements through loans and other means. Already, members have much experience of lending for housing through local funds provided by the state and microfinance institutions

The Fund is conceptualised as a support to people's organisations in their struggle for improved housing, and to further their rights. That is, it is not seen as supporting private investment in housing developments.

The discussion in Porto Alegre did not agree on the nature of the Fund. The following different types were identified as possibilities:

- a fund to finance programmes;
- a leverage fund;
- a guarantee fund;
- a flexible fund to support diverse social initiatives in the habitat field; and
- a fund oriented towards strengthening, guaranteeing and capitalising local funds.

However, it was evident that the Fund should not be conceived as another microcredit fund but, rather, seen as an instrument of social movements to pressure for the mobilisation of governmental resources and to strengthen such movements. It was also seen as being a resource to assist in negotiations for policies, programmes and spaces for housing co-management and to support autonomous and self-managed initiatives.

Moreover, its purpose and activities still need to be agreed. Should it be for housing production, urban land acquisition, emergencies, productive activities, institutional strengthening, research or innovation?

It was agreed that considerable planning would be required prior to the establishment of the Fund. Different members suggested that:

- The Fund could be conceived as an international instrument that works to support and strengthen existing funds in many countries, under the control of NGOs and social organisations and popular savings and loan systems that know how to work with the low-income sectors.

- Savings and loan systems exist, and alliances could be built with them to operate this initiative. It is more realistic to build starting with what already exists rather than to invent something new.

- The Fund could not compete with national and multilateral funds, given the enormous scale of the housing problem in the popular sectors. Thus, the Fund should focus its strategy on making those sources use their funds in favour of the people and social initiatives.

- The micro cannot be considered separately from the macro (use of development funds, international cooperation, the Tobin tax, and pension funds for social housing policies).

- The work should be undertaken as a network, and HIC has broad experience of this method.

- The focal points must support the activation of the different regions within the process, in coordination with the working group.

Finally, some critical questions were raised. First, it has to be recognised that it may be difficult to operate the Fund in a world which is increasingly vulnerable as a result of speculation and monetary policies. Second, it is not clear how loan payments would be made if the Fund were to be maintained in a hard currency. Third, it is not clear where the money for the Fund would come from. Fourth, given the essentially political nature of HIC as an international coalition, what are the conditions under which it might operate such an international fund? Fifth, how would HIC members guarantee that whoever manages the Fund would be under their control? And finally, in a world characterised by speculation and private property, can support from the Fund be oriented exclusively towards projects focused on collective property?

Contact: Habitat International Coalition

Copies of this newsletter are available on: http://www.iied.org

If you have any news about interesting programmes in financing housing, land and infrastructure, please send to Diana.Mitlin@iied.org.

If you would like your name to be added to the mailing list, please email to Diana.Mitlin@iied.org.

Community Microfinance Network

The Community Microfinance Network is a new initiative aimed at providing a semi-formal framework for interaction between community microfinance institutions in South and Southern Africa. It is hoped that this interaction will achieve three broad objectives:

- Sectoral strengthening: to provide institutional space and resources for focused interaction between community microfinance institutions, in order to strengthen their individual and collective development practice.
- Advocacy: to define, document and raise awareness of the activities of community microfinance institutions in Southern Africa, in order to influence relevant development discourses and policy processes.
- Representation: to assist community microfinance institutions develop common positions on practical, policy and regulatory issues affecting them, in order to participate in policy processes in a unified way.

Community microfinance institutions are defined as those sharing the following core values:

- not-for-profit orientation; practical commitment to working with the poorest of the poor, particularly women, as the overriding priority;
- practical development of social assets, including community-based financial management systems;
- explicit commitment to incorporating social opportunity costs as well as financial costs into programme design; and
- non-existent or inadequate representation through existing bodies.

The community microfinance sector includes organisations that provide microfinance services to augment the livelihood strategies of poor households, in order to reduce poverty and vulnerability, using social intermediation (for example, group credit, savings and credit cooperatives). "Pro-poor" institutions should aim to reach households not served by mainstream institutions, to build and build on community institutions and assets, and be willing to invest in learning and capacity building to achieve these goals.

The CMN website is now up and running. For more information on this initiative, please visit www.cmfnet.org.za.

Contact: Ted Baumann

Publications

The *Small Enterprise Development Journal* is published every three months and is aimed at practitioners in the field of microfinance and small enterprise development. A special March issue concentrates on microfinance for housing, land and infrastructure, and includes two overviews (one historical and one concerned with Latin America) and individual studies of the lending activities of SEWA and People's Dialogue on Land and Shelter together with the South African Homeless People's Federation. Also included in this special issue is an interview with Somsook Boonyabancha, director of the Community Organisation Development Institute in Thailand.

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