

Community as **SUBJECT**, not **OBJECT**

Using a community development fund as a flexible tool to support community initiatives and to help people build their own social well-being: Experiences from CODI in Thailand

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1. Community as subject, not object

Almost everyone agrees that in terms of technology and the more materialistic kind of development, many parts of the world have reached the highest levels of advancement in human history. But at the same time, people have never before been regarded less as human beings and more as faceless consumers of products in the emerging global paradigm. These economic and technological developments may have created enormous wealth and caused the graphs of national economic indicators to zoom upwards, but they have also created serious social problems, deepened disparities between the haves and have-nots and caused such enormous environmental destruction that the future of the planet is now in question.

In cities, especially, our lives become ever more standardized as they are increasingly controlled by national administrative systems and global market mechanisms. As more and more decisions about how our cities, our countries, our societies and even our personal lives develop are being taken over by large, corporate interests, we find less and less space for people's creativity and energy, and for local ideas and local variations on how urban problems can be solved.

This is happening partly because the development models prevailing today place absolute economic growth above all other kinds of progress. In these new economic formulas, people are neither key actors nor key initiators of anything - they have become passive "*beneficiaries*" of various development schemes or blocks of consumers necessary for making successful various economic programs and global marketing strategies. In these ways, people have become the "*object*" and not the "*subject*" of development, expected to obediently take their cue from the authorities which frame and implement those development models.

It is crucial that we find ways of bringing balancing forces to bear on these purely economic development trends which are dominant now. We are at the beginning of a new millennium. In Asia, the dark era of military dictatorships is behind us now, there are many opportunities before us and change is possible. It is possible for the progress of social development to be more open than the conventional top-down system would have us believe. The question is how to plan and manage development in ways which reflect our changing social context and use the strengths which already exist in our societies to bring about structural change and to create a more equitable distribution of well-being in our societies.

In urban development, the community continues to be a vital social unit which can link the needs of individual people and families (especially the poor) with the larger society they are a part of. The community can provide support and protection for its individual members and can also give them a platform for interacting with the more politically complex forces in the larger city. The community can also help link development activities initiated either by people or by the state and can thus be an important bridge-builder in creating new working relationships between people, government agencies, professionals and other development actors in the city.

It is largely through their communities that poor people in the city can move from being passive recipients of someone else's development plans, with no clear rights and no knowledge of what's going on around them, to being the active initiators of development. And by becoming the *subject* and not the *object* of development, people can reclaim their ownership of the city they are part of, can play a central role in the development process around them and can better understand their relationship

with their surroundings and the city. In these ways, a livelier, more integrated, more participatory and more equitable form of urban development can come about.

In the Thai language, the word *baan* is most often used to mean "house". But in the past - and in rural areas still today - the word *baan* is used to mean not one individual house but a whole "community" and carries with it the historic connotation of a very close social grouping which gives protection, meets the basic needs of its members and provides a framework for passing on wisdom, traditions and social lessons. *Baan* is like an extension of the family unit, and as in most Asian societies, the community has long been the basic welfare system.

The big question is how can people - and the communities they are a part of - be the *subject* of new development process which not only meets their immediate needs but gradually leads to structural change in how their cities are governed? And how can the approach which makes people the passive *object* of development be changed, so that people become the ones who decide, initiate, drive and implement a development process that changes their lives, builds their basic welfare, increases their confidence and strengthens their role as vital development partners? All this calls for change in how development is focused and how development resources are used.

It is therefore important to rethink the way development resources and financial support mechanisms are used, and to redirect their benefits to more directly support development which is initiated and carried out by people and by communities. There is a great need for a range of flexible and somewhat independent new financial tools to support what people are doing and to finance the development activities they initiate within their communities. Locally-based community development funds have become one way to do this.

2. The community development fund as a new, flexible tool

The community development fund (CDF) is becoming an important new tool for supporting development activities initiated by communities. By maintaining a greater degree of flexibility in their operation than the more conventional project-based development finance, these funds can allow communities much greater room to develop diverse activities and to carry out those activities as and when they need. The CDF is a powerful new development tool which can provide an alternative financial system to support community-driven development at a large scale. The CDF is also an important tool for boosting people's own community-based finance systems, and by linking those systems to various development programs can channel the benefits of development to all possible groups, no matter how poor they are. The CDF is one way to break the monopoly of top-down, feudalistic development institutions and to support a more community-driven development process.

The CDF can also provide a powerful incentive for the development of community-based funds made up of people's own savings by enabling communities with well-managed savings and credit groups to access additional capital from the CDF. This combination of individual community-based self-development funds and the city-based CDF which support them and expand their capabilities can provide an alternative financial system and can support community-driven development at a large scale. The range of community-driven development needs a CDF can support is limitless, and can cover house-building, infrastructure development, emergency loans, income generation, community enterprise and the development of community-based welfare systems.

2.1 The development of a community development fund in Thailand : Experiences of the Community Organizations Development Institute (CODI)

The Thai government's experiment with the community development fund approach began in 1992, when the *Urban Community Development Office (UCDO)* was set up to address urban poverty. It was widely recognized in government that Thailand's economic success during the 1980s and early 1990s had brought little benefit to the country's poorest groups. There was also a recognition of the need to develop more participatory models of support for low-income groups and of the possibilities of doing so through supporting community-based savings and credit groups. It was also recognized that for pro-poor development to take place, relations between low-income groups and the state had to change. Critical to that change was the establishment of representative and accountable local

community organizations. UCDO was set up with an initial capital base of about US\$ 31 million, from which it began making loans to organized communities for a range of activities including land purchase, housing construction, housing improvement and income generation.

After the UCDO was merged with the *Rural Development Fund* in 2000, it was renamed as the *Community Organizations Development Institute (CODI)*. For the past 12 years, first UCDO and now CODI have provided a wide range of loans and development grants to support a community-driven development process in Thailand, on a national scale.

Thailand's community development fund has given urban poor communities an incentive to organize themselves into saving groups and to develop their financial and managerial capacities by managing loans for a range of community development activities (to individual members or to the community as a whole) from the fund directly. CODI enables urban poor community organizations to get direct access to development resources and to use those resources to design their own development activities. The fund has also provided a common link which allows various communities to establish contact with each other and to form networks of learning and knowledge-sharing - within cities, within provinces and regions, and across the country. This networking has become an important development mechanism not only to share knowledge and spread good ideas but also to promote the idea of communities working on various community development activities in cooperation with other local development agencies and building better working partnerships between the poor and the cities they are a part of.

One CODI's key development strategies has been to support the building within each community a mini-CDF comprising community savings, to inspire the creation of an active and participatory communal management system in each community. The community-based fund is an important starting point for cooperative, self-determined development action by community people themselves. This fund represents not only a community's own financial resource base but a powerful tool for building confidence and independence in how to lead their own lives - and how to use their collective resources to support that.

For the poor especially, a savings and credit group is a simple, direct and uncomplicated way of taking care of their immediate day-to-day needs. Savings activities become a tool which links poor people within a community to find ways of working together, from handling simple basic credit needs to managing more complex development activities which link them with the formal system. Savings and credit groups become a significant entry point for a community's own development process, to come together as a stronger combined unit, and to be able to link with external resources and system.

Community-based savings and credit activities are important because they build community capacity to determine priorities, transparently manage finance, negotiate with other powerful local groups and plan and formulate their own strategies for solving their problems and meeting their needs. Collectively-organized savings strengthen the links between community residents and helps ensure leaders are accountable to local members. Collectively-managed loan repayments help the community to assess the financial investments that they wish to make and help to ensure that finances are not managed by a group living outside the community. Loan management helps networks of communities understand when accumulating debt is a necessary burden for a community and when it is best avoided. Together, savings and loan activities help communities to prioritize, manage and implement development.

Any community can access the various types of loans available from CODI, provided they can show that they have the capacity to manage savings and loans. Loans from CODI are not made to individual families but only in bulk to community organizations, which must manage the collection and repayment process. The loans can be used to respond to whatever needs a particular community identifies. Through this system of linking loans to community-based savings and credit groups, CODI gradually developed links with a wide range of community organizations, savings groups, NGOs and government organizations across Thailand. The loans available from CODI were given at interest rates that were much lower than the other (mostly informal) sources of credit available to urban poor households. The idea behind these low interest rates was not simply to extend a benefit to poor borrowers but to allow individual community organization to add a margin onto this low interest to support their community development, management and welfare activities.

One of the most important aspects of how CODI is governed involves the institutionalization of partnership at the highest level between senior government staff, academics and community representatives. CODI's governing board, which includes representatives from all these groups, is closely advised by a national council of senior community leaders, which links with similar community councils at regional and provincial levels. In these ways, CODI has built community participation into its governing structure at every level.

From support to communities to support for community networks:

As the community savings groups that were successful became larger and stronger, CODI played an active part in linking these groups together and creating space for them to work together and to form networks or federations. Eventually, CODI loans could also be provided to these networks, which then on-lent to their member organizations for various purposes and managed the repayment. The emergence of large-scale community networks in Thailand has brought enormous change to community-led development process in general and to the process of CODI in particular. Community organizations in any given city or province now join together to form city-based and provincial networks, to work together and to negotiate as a large block with their city or provincial authorities, to influence development planning, or to work together on problems they have in common with regard to housing, livelihood or access to basic services. Networks based on shared occupations (such as taxi drivers or cooperative handicrafts producers), pooled savings and cooperative housing have also emerged.

Diversifying support to communities through other kinds of community development funds:

Over the years, CODI added other types of loans to the list of credit available to community organizations and networks. These included:

- ***A small grants program*** for community-managed environmental improvement projects with US\$ 1.3 million support from the Danish government, which supported 196 projects benefiting 41,000 families. These projects strengthened the capacity of community organizations to work together and to work with local government.
- ***Community Welfare Funds*** made available to communities for use as grants, loans or partial loans for education, income generation and other welfare activities (such as school fee support, welfare support for sick, elderly or HIV-positive community members) with support from the World Bank's Social Investment Fund.
- ***Elderly Fund*** : CODI received support of 80 million Baht from the Thai government to set up an elderly welfare fund of one million baht in each province. These funds linked elderly groups from communities in the province and allowed them to plan the activities for the fund together

As the savings groups around the country became stronger, emphasis was increasingly given to linking community groups with city authorities and to developing city-based networks capable of initiating and managing city-wide programs themselves. Besides linking communities in the same administrative area, these city-based networks also provided a lively platform for communities to share their experiences, learn from each other, work together and pool their resources. These networks also helped individual member communities to manage serious debt problems and allowed CODI to remain effective, even during the severe economic crisis that crippled Asian countries in 1997 and which reduced the incomes and increased the debt repayment burdens for large sections of the urban poor. Most of these city-based community networks also developed their own community welfare programs during this time.

By 2000, 950 community savings groups had been established and were being supported by CODI in 53 out of the country's 75 provinces. More than 100 community networks had been set up, more than 1 billion Baht had been given out in loans and more than half the loans had already been fully repaid. Informal estimates suggest that additional assets of over 2 billion Baht were generated by the community development and income generation projects these loans financed. Another special fund was set up during the economic crisis to help savings groups facing financial difficulties, and this fund helped many communities and community networks to manage their debts and continue their development activities.

From UCDO to CODI:

When UCDO became CODI in 2000, its organizational status also underwent a major change. Where UCDO had had the status of a special project, under the National Housing Authority, the new

organization, CODI, has the legal status as an independent *public organization*. This status provides CODI with greater possibilities (for instance, CODI can now apply directly for funds from the annual government budget), greater flexibility, wider linkages and new possibilities for supporting collaboration between urban and rural groups. The emphasis on supporting community-managed savings and loan groups and community networks remains, but CODI now also supports 30,000 rural community organizations, besides all the urban community organizations. Many community networks that CODI supports now include both rural and urban community organizations.

CODI is also playing a key role in implementing the new Thai government's *Baan Mankong Program* to support housing and community upgrading in cities across the country, as part of the government's efforts to create 200 "*Cities without slums*" within the coming five years. A housing and community upgrading program at national scale like this is only possible because the "infrastructure" of strongly-developed and broadly-linked community processes or networks and savings groups are already in place. The implementation of this new program will create a great deal of space for the existing community networks to work on finding solutions to the housing, tenure and infrastructure problems for all slums in the city, working along with the municipal governments and local universities.

As part of the *Baan Mankong Program*, each of 200 Thai cities will develop a mechanism to prepare development plans which cover *all* slum communities in the city. The process of implementation will involve not only upgrading the physical conditions in these settlements, but creating a sustainable and collaborative process for ensuring that all poor communities in the city will remain secure in the long term - socially, politically and economically secure. This enormous housing program is being supported by a CDF which has been especially set up to support community-led housing development activities, and will create a lot of room for communities and other local development actors to work together and build new partnership through the intense work of implementing the upgrading program, with the people as key implementers.

2.2 Seven key factors for the development of viable community development fund

1. The fund should have certain independence and be flexible enough to meet diverse needs. It should have operational rules and a management system which have been agreed upon by community members, keeping in mind the idea of making the fund sustainable for all parties involved, as much as possible.
2. Conditions for using the fund or taking loans from the fund should be designed according to real conditions of the poor living in the communities which will use the fund.
3. The operation of the fund should be linked with each individual community's own development fund (comprising collective savings of community members) and should find ways to support development processes which compliment each other. The fund should help strengthen a community's capacity to take care of its own long-term needs in a sustainable way, as much as possible.
4. It is important for communities to link and work together as networks, and the fund should support these linkages. A community network functions as platform for learning, exchange, mutual support and gives communities the stronger negotiation power of big numbers.
5. The fund should be much more than simply a financial institution offering loans for development activities. The fund should have the clear objective to use finance as *tool* to support various community-driven development action and to mobilize a community development direction which brings about structural change - *by people themselves*.
6. Community welfare is an important aspect of development which the fund can support. Various types of community welfare activities can not only develop a community's own social safety-net, but can also build close links among community people, reactivating the community as powerful social unit.
7. It is important to develop highly participatory internal systems for managing the fund, and for implementing the development activities the fund supports. The fund's administrative system needs to be well-balanced, with community leaders and other key development actors actively involved in all levels of management and in all development activities.

3. Some experiences of community-led welfare activities

3.1 Community welfare from community savings groups

In Thailand, many kinds of community-managed welfare systems have been initiated :

- Community welfare programs developed in parallel with community savings and credit activities.
- Community welfare programs developed within communities as a spin-off of collective enterprise activities.
- Community welfare programs developed as a spin-off of communal natural resource management initiatives, such as community forest or coastal zone management.
- Community welfare programs launched as part of religious activities or based on religious principles of mutual support.
- Community welfare activities planned and implemented by urban poor communities.
- Elderly welfare programs initiated by elderly community networks and supported by a special elderly welfare fund.

Most savings groups which become strong, in both urban and rural areas, inevitably develop strong, self-managed community welfare programs for their members, as part of their development of activities which respond to vital community needs. Many communities establish a special welfare fund using a portion of the interest earned on loans made from their collective savings. Some groups have opted to set aside a certain percentage of their margin added to the interest charged on loans from a CDF for community welfare activities. In many cases, communities have used unspent money in their community welfare funds to make loans (at interest) to community members, as a means of increasing the capital in their welfare funds. Most community saving groups in Thailand now implement some kinds of welfare activities within their groups, but the stronger savings and credit groups have developed several kinds of welfare activities to cover all sorts of welfare needs, such as funds for funerals, funds for emergencies or small subsidies for hospital visits. The more advanced groups will even cover full hospital fees, sickness expenses, school fees, care for elderly people, etc.

3.2 Coordination with the Social Investment Fund (SIF) to develop welfare funds by community networks in urban Thailand

Community networks have also become an important link in developing large-scale community-led welfare activities at city and district levels. Beginning in 1999, CODI coordinated with the World Bank's *Social Investment Fund (SIF)* to develop a national community welfare system, using the community networks as the principal organizers of the process and organizations responsible for linking the welfare development process among member communities in each city. The process began with network meetings in which each community identified their own particular welfare problems and described the needs of their own community's disadvantaged groups. Then each community conducted its own survey to assist in concrete planning of welfare activities, based on present realities and most urgent needs. After that, meetings were held to discuss the survey findings and to plan how to carry out various types of welfare activities. *How to do it? How to work? Who to work with? How to coordinate? How to organize the budget? Whether to divide the budget into several kinds of funds for specific welfare needs? What should be relationship between the network and community and target group?* As a result of this intense process of discussion and sharing, most urban poor community networks in Thailand have now organized their own welfare funds, within their communities, to support some of the following welfare activities :

- Scholarships for school fees and/or interest-free loans to pay school fees for those who are able to repay, with flexible terms of repayment
- Funds and some grants for elderly citizens in need
- Funds for medicines and hospital fees in cases of illness
- Funds and systems of assistance for community members affected by AIDS
- Grants to rehabilitate drug addicts
- Small revolving fund loans for income generation activities for those unemployed and very poor families

Later on, the list of community welfare activities has expanded significantly, and the activities have been more closely integrated with the community savings and loan activities. In most communities

now, a certain portion of the interest earned on community loans is now set aside for building a sustainable community welfare fund.

3.3 The elderly fund

A similar welfare fund concept was developed between 2000 and 2001, when CODI received a grant of 80 million Baht from the government to develop welfare activities especially for the elderly people in poor communities across Thailand. An elderly development fund of one million Baht was allocated to each province, and was used to link elderly groups from various communities around the province into networks, to decide together how to plan their own elderly development activities and how to meet their special welfare needs.

The process of implementing this nation-wide program was designed in such a way as to change the position of the elderly people, from being passive recipients of government welfare programs, into being the designers and implementers of their own elderly development activities. The idea was to use the welfare activities to do away with the false perception that people become "inactive" citizens after they retire, and that the elderly merely wait for welfare to be decided upon by others on their behalf. In this new model, the elderly people became the key actors in identifying and taking care of their own needs. Since the elderly welfare process was also closely linked with other community development processes, the elderly people's development activities became an integral part of the larger community's development as a whole. This program was very successful in providing the space for elderly people to become active senior citizens in their communities, with much wisdom and many ideas to bring into the community development process. Though the budget was very small for each province, compared to the number of elderly citizens in all these communities, the process yielded an astonishing array of creative programs around the country - all conceived and developed by elderly people themselves.

Thailand's Elderly Welfare Fund : *New Age - Thailand (from BBC), August 2002*

Populations are ageing everywhere in the world, but Asia's elderly population is growing at an exceptional rate. Many Asian countries, however, have barely begun to implement programs for the support of the elderly. In Thailand, almost 10 million people, from a population of around 60 million, are over the age of 60 and almost 1 million of these are poor.

To help the poor elderly, the Thai government's Social Welfare Department operates an Elderly Welfare Program which runs 20 old-people's homes, 18 elderly health care centers and a network of elderly support groups to provide medicine, health care and social support. Yet this welfare system provides care and assistance to less than half of the poor elderly population, leaving many exposed to the double threat of old age and poverty.

In attempting to reduce poverty in Thailand, the *Community Organizations Development Institute (CODI)*, which is both a development fund and a government public institution, has been channeling money directly to Thailand's poorest communities. Having managed over the past ten years to capture some of the public resources that do not normally reach the poor, they have had the task of setting up a national community-driven welfare system for the elderly. Using 80 million Baht (nearly US\$ 2 million) granted from the Miyazawa economic assistance fund, set about forming the Elderly Welfare Fund throughout the country.

How it works :

To coordinate the process of setting up the *Elderly Welfare Fund*, a committee was set up comprising of five national community leaders from five regions (and mainly aged people), and representatives from the *Urban Community Foundation*, the Welfare Department, the National Housing Authority (NHA), the Bangkok Metropolitan Administration (BMA) and well-known academicians on the subject. They decided that each of Thailand's 76 provinces would each receive 1 million Baht (US\$ 24,000) to distribute, through their own means, as welfare funds to elderly groups in each province.

The large number of already active community-based associations of elderly people across the country, meant that there were plenty of groups to be contacted. By bringing them together within

their cities, districts and provinces, groups were able to meet each other, learn about the elderly welfare program and begin to develop their own ideas for managing the fund which will affect as many elderly people in the province as much as possible and in sustainable manner.

In most cases, the groups decided to divide the provincial grants into three parts and use the money in ways that would allow the funds to sustain themselves: a small amount was kept to support elderly people's activities (such as exercise groups, music and temple visits), some was kept aside for welfare grants (for medical expenses, food and health care for the sick and funeral expenses), and the majority of the money went towards a revolving fund for income-generation and health-care needs. Many of the elderly groups have already used the funds to leverage additional local resources for their activities, and have begun discussions with the Government's Social Welfare Department about linking some of the department's programs with the elderly welfare network.

Community Spirit

For many elderly people involved in the scheme, it was the first time they had experienced being part of a large group of elderly people and the first time they had made decisions regarding the running of their own welfare assistance program. The financial support given to each province became a collective asset and gave them the power to make their own decisions. What makes this scheme distinctive is that it created conditions to help a group of people often perceived as being helpless, weak and dependent, to become self-determining, independent and respected members of the community.

Some provincial examples of the Elderly Welfare Fund :

Trat Province

Trat is the country's eastern-most province along the Gulf of Thailand, bordering the province of Chantaburi and Cambodia, 400km from Bangkok. The elderly groups in Trat province decided to make sustainability the focus of their welfare programme, so that, as one 70-year old leader said, "*Not a single Baht gets lost!*" Their plan was to distribute funds accordingly:

- 100,000 Baht or 10% of the province's 1 million, would be used for welfare grants. This includes medicines, funeral expenses, doctor's fees and emergencies for example.
- The remaining 900,000 Baht would be used to set up a special revolving fund, which would provide loans to support their jobs, informal businesses or health care needs. In one year, 10% interest would be earned on these loans which would enable more welfare grants to be financed.

This has shown that by enabling the elderly in different communities to work together, the provincial fund can not only help the elderly to help themselves but also is growing through this working progress.

Elderly Welfare Fund Project Development in Trat Province

Satun Province

Satun is a small province located in the far South of Thailand that borders Malaysia, about 980 km south of Bangkok, on the west coast. The elderly groups in Satun province decided on a different approach to putting the funds to good use. The mainly Muslim elders of groups in Satun province meant that charging interest on loans from a revolving fund was not really an option, since usury is considered to be sinful in Islam. Instead, they decided to put the majority of funds towards a productive asset that would belong to the entire community - a mature rubber plantation. This was judged to be a more harmonious and more profitable way of generating income as a community.

Large numbers of elderly leaders have many years experience as laborers working in the region's rubber plantations and so know the business well. They calculated exactly how much profit the plantation was likely to produce and for how long, and worked out how the proceeds could support their other group activities. Not only do they believe this will increase their fund at a much better rate

than any bank could provide, but when the rubber trees stop producing, they can start planting new trees immediately because they own the assets of the wood and the land.

The elderly groups from various associations and localities came together and agreed on the management and working practice of the plantation. Selling the raw rubber milk means that they will all be very busy managing the plantation together with the daily financial responsibilities of the business.

Elderly Welfare Fund Management Structure in Satun Province

Plans to officially open the plantation are well under way and the group is inviting most elderly people and officials in the province, the Governor of the province, Ministers of Parliament, local authorities and welfare department officials, among many others. They hope that by the time of the official inauguration, the rubber trees will be looking beautiful and full of leaves, and are excited at the prospect of showing off their community asset. They are also in the process of registering the plantation as a legal elderly co-operative to manage the plantation as a group. The plantation's inauguration ceremony was used as negotiation technique to link this initiative by the elderly people's network with the existing administrative system, and by doing so to build recognition for community's own development process and to connect that initiative with the programs which already exist within the formal government system.