

Learning From Rajshahi

Community Savings and Credit

UPPR

Urban Partnerships for Poverty Reduction
2008-2015



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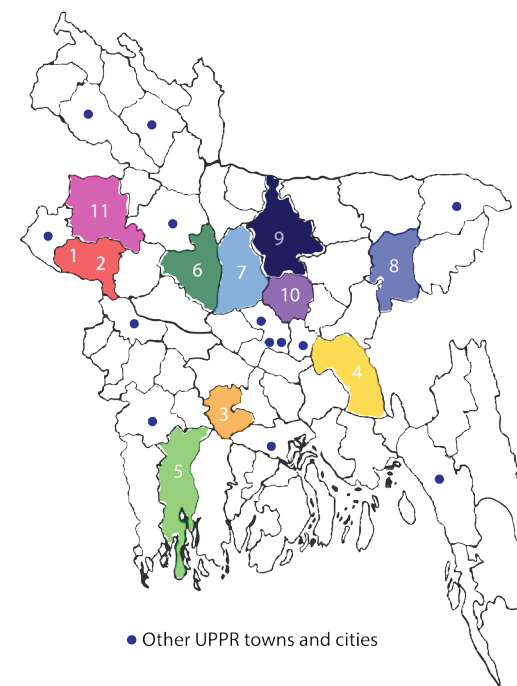


About these booklets

This series of booklets are case studies of good practice from the Urban Partnerships for Poverty Reduction (UPPR) Project in Bangladesh and form as part of the documentation of the UPPR Learning and Good Practices study conducted by Spora Synergies. The booklets follow a simple, clear structure reflecting on the practices that are seen as exemplar and selected through a series of community based participatory workshops, focus group discussions and key interviews. Each case explains [1] The extent to which the practices or the processes developed through UPPR are innovative; [2] The extent to which they were and are sustainable [environmentally, socially and financially]; [3] The extent to which they are transferable and/or have been transferred locally or nationally and; [4] The key reasons explaining their sustainability and their transferability.

1 Community savings and credits, Rajshahi

- 2 Women empowerment, Rajshahi
- 3 Community Housing Development Fund (CHDF), Gopalganj
- 4 Water and sanitation access, Comilla
- 5 Water and sanitation, Khulna
- 6 Creation of a new fund for disaster management, Sirajganj
- 7 Health and apprenticeship, Tangail
- 8 Health awareness and services, Hobiganj
- 9 Improve child security and enabling employment of mothers, Mymensingh
- 10 School attendance improvement, Gazipur
- 11 Apprenticeship and skill building, Naogaon



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About the Urban Partnerships for Poverty Reduction (UPPR) Project, Bangladesh

By developing the capacity of three million urban poor to plan and manage their own development, the Urban Partnerships for Poverty Reduction (UPPR) project enabled the poorest within the nation's urban slums to break out of the cycle of poverty.

Urban poverty in Bangladesh is commonly understood as a chronic, complex and problematic phenomenon related firstly to a lack of skills and capacity for adaptation among a recently urbanized population and secondly, to the capacity and willingness of towns and cities to provide space for housing as well as public services appropriate to ever expanding number of urban citizens. From a local perspective, poverty is commonly understood as the acute absence of a 'social network' or 'social capital'. The lack of access to 'social network' as well as public goods and services, justifies the idea that communities within the urban slums in Bangladesh should be considered as 'excluded' from the essential components of urban wellbeing: land rights, opportunity for decent work, public goods and services, and formal representation in the government.

UPPR recognized that a single project alone cannot achieve all the institutional and infrastructural reforms that are needed in the cities of Bangladesh. Thus, UPPR supported poor urban communities to establish partnerships with other development actors, government institutions and the private sector. Capitalizing on this collective reach, slum dwellers were better able to access basic services as well as the job market.

UPPR began its work in 2008 in coordination with its institutional partner (and host) the Local Government Engineering Department (LGED) of the Government of Bangladesh. In the towns and cities in which UPPR worked, it did so jointly with the Municipality or City Corporation. The United Nations Development Programme (UNDP) managed the implementation of the project, and UN-Habitat supported the components that work on improving living conditions. Beyond the contributions of these actors, the majority of funding was provided by the UK Government.

Main purpose and outputs of the UPPR Project

Purpose

Livelihoods and living conditions of three million poor and extremely poor, especially women and children, living in urban areas, sustainably improved

Outputs

1. Mobilisation: Urban poor communities mobilized to form representative and inclusive groups and prepare community action plans
2. Settlement Improvement Fund: Poor urban communities have healthy and secure living environments
3. Socio Economic Fund: Urban poor and extremely poor people acquire the resources, knowledge and skills to increase their income and asset
4. Policy Advocacy: Pro-poor urban policies and partnerships supported at the national and local levels
5. Management: Effective project management systems established and operational

Acronyms

BBS	Bangladesh Bureau of Statistics
BLAST	Bangladesh Legal Services and Trust
CAP	Community Action Plan
CBO	Community-Based Organization
CDC	Community Development Committee
CHDF	Communtiy Housing Development Fund
CRC	Community Resource Centre
CFs	Community Facilitators
Crone	1 crore = 10,000,000 BDT
DFID	Department For International Development, UK
GoB	Government of Bangladesh
JAP	Joint Action Plan
Lakh	1 lakh = 100,000 BDT
LGED	Local Government Engineering Department, Bangladesh
LGI	Local Government Institutions
LGRD	Local Government & Rural Development
LPUPAP	Local Partnerships for Urban Poverty Alleviation Project
MoU	Memorandum of Understanding
NGO	Non Governmental Organisation
PIP	Participatory Identification of the Poor
RECAP	Updating and continuity of CAP
SEF	Socio-Economic Fund
SIF	Settlement Improvement Fund
SLM	Settlement Land Mapping
UNDP	United Nations Development Program
UPPR	Urban Partnership for Poverty Reduction

Reference Map of Rajshahi

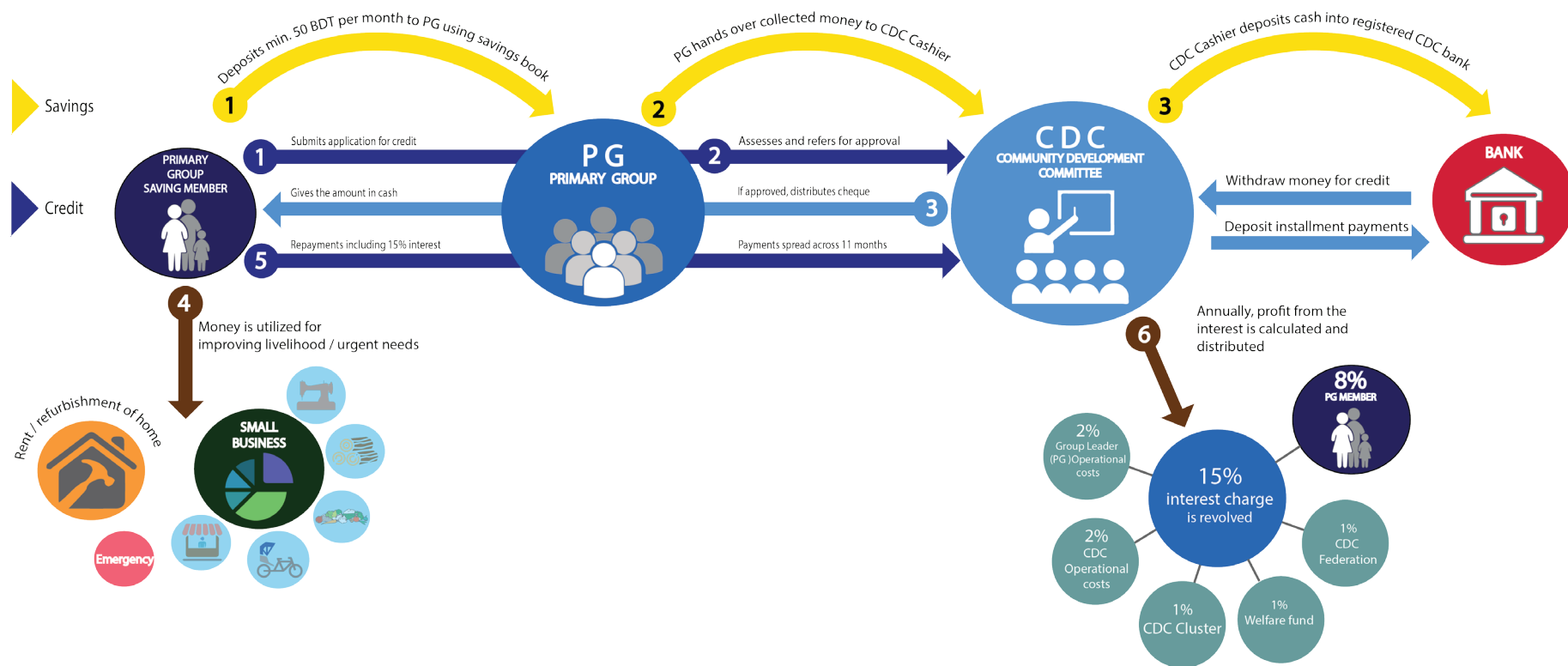


ABOUT RAJSHAHI

Rajshahi City Corporation (formed in 1991) was established in the 18th Century. Rajshahi is a metropolitan city in Bangladesh and a major urban and industrial centre of North Bengal. The city has a population of 448,087 [source: BBS census 2011], there are 1,596 poor settlements containing 43,769 Households across 30 Wards (source: SLM 2011).

As far as UPPR is concerned, it has organized 173 CDCs that represent 36,285 members that are involved in the savings and credit scheme. Main tangible physical achievements are the construction of 6,979 latrines, close to 28 kms of roads and ways with footpaths, 6 kms of drains, and 2188 water facilities. UPPR also dispersed 12,573 education grants, 11,266 block grants and 6067 apprenticeship grants.

How does the Community Savings and Credits system work?



Source: Spora Synergies 2016

Community savings and credits, Rajshahi

The community savings and credit program has facilitated a sense of community ownership and trust within the women of Rajshahi Community Development Committee (CDC). The revolving nature of credit has enabled women to individually benefit from funds whilst facilitating independence from project funds. The savings program improved women's socio-economic status and financial capacity, with women reporting empowerment and ability to navigate community.



Rajshahi CDC groups

Submitting organisation: Rajshahi CDC groups

Type of organisation: Community Development Committee

Key elements of the project:

- **Community led approach**
Savings and credit programs have been sustainable through support from CDC members, even following UPPR project cessation. Communities demonstrate a sense of ownership over these programs, where principals of community led savings, loans and profit sharing, which have been transferred and implemented into community owned practice.
- **Economic independency of the women**
Savings and taking loans improved the financial capabilities of women to invest in small business enterprises in addition to household improvements. The practice potentially thrived in mobilizing the poor and extremely poor women. Hence, improvement of socio economic condition and leadership practice has been justified as their true empowerment.

Community led savings and credit, Rajshahi

Background Information

Organisation that led the process

Rajshahi CDC

1. Type, size, and structure of the organisation

- The Rajshahi project operating within the 30 wards of the Rajshahi City Corporation is comprised of one Federation with 11 Cluster committees and 173 CDCs. The CDCs themselves are not registered organisations, but fall under the Cluster Committees (registered as a co-operative) and the CDC Federation.
- The Saving and Credits Scheme has been working since 2002, through the Local Partnership of Urban Poverty Alleviation Project (LPUPAP). After the inception of the Urban Partnerships for Poverty Reduction (UPPR) Project in 2009, this practice has been scaled up to the current 2,303 Primary Groups (PG), which are directly involved in savings and credits activities.
- The Federation committee of 9 members was formed in 2014. There are 4 members in every CDC and Cluster for monitoring and supervision of activities at the various project levels. There are 33 women Community Facilitators (CFs) to facilitate the savings and credits activities.

2. Previous and current activity

- Regular savings of primary group members resulted in regular meetings, response in service takings, regular communication with CDC and other social activities. Finances were invested in the improvement of housing, education of children, festival purposes, starting small business and support in accidental issues; all from the opportunity of taking credits. Groups are still operating within Rajshahi City Corporation, where the practice is still running with adequate pledge.

Context

3. Brief description of prevailing neighbourhood conditions and the specific problems that the practice is designed to overcome,

- The urban poor and extreme poor had little experience with savings and credit schemes due to the itinerant nature of income generation and lack of trust in formal savings schemes. A lack of initial credit and high interest rates were previous formidable barriers to the urban poor in starting small business or to access finances to buffer in the event of a shock or disaster.

Practice or process description & lessons learned

4. What is the main purpose of the practice or the project?

The Savings and Credits scheme is designed to raise capital through community savings with community members distributing the profits amongst themselves. The scheme is used also to mobilise the community to develop saving and financial skills.

A savings scheme model has been developed to enable the poor and extreme poor communities to save and use the funds to invest in households or small business enterprises. Each CDC has a Savings bank account, primarily affiliated with Janata Bank. Within the CDCs, three designated individuals are signatories comprised of at least two of the following CDC pots: Cashier and Chairperson or Secretary.

The main purpose of the credit scheme is to administer loans to members that have saved over 2000 BDT. Members tend to use small loans to develop businesses (up to 1 lakh BDT). Credit is provided monthly through a group meeting consisting of the four CDC committee members and each PG leader and secretary.

Another purpose was to get people together. Every week people members meet to deposit their weekly savings. the meeting establishes relations trust and building solidarity within the members.

5. Who are the main groups benefiting from the project?

- The main beneficiaries have been the extremely poor community members, particularly women.

6. What are the main features?

The operational features included:

- CDC members must save a minimum of 50 BDT per month to participate in the scheme.
- Once 2000 BDT have been saved, they are able to take a loan, which can be up to five times this saving amount.
- There is currently a flexible system in place for distributing credit, whereas previously there were restrictions.
- Savings groups are comprised of 15-20 members. A group leader and secretary are elected who discuss and design the savings scheme to be followed.

The credit scheme has some main features:

- Primary Group leaders collect money from group members and the cashier deposits money in the bank.
- A CDC member can take from 2,000 – 1 lakh BDT loan, depending on their ability to repay.
- A CDC meeting is required to provide loans. These can be five times larger than the individual's savings, with an 11-installation period to refund, with a 15% interest rate.
- Loans are in a revolving nature. Profits are distributed among the beneficiaries as follows: 8% to general members, 2% to CDC operation costs, 2% Group Leader (PG) operation and 1% for CDC federation, 1% saved in cluster fund and 1% as community welfare fund.

7. What other groups or organisations, if any, have been involved in the practice /project?	<ul style="list-style-type: none"> Other than the city corporation there have been no notable involvements.
8. What were the costs and how were they met?	<ul style="list-style-type: none"> The project provided necessary materials for documentation and registration before it ceased in 2015. The expenses were mainly in communication and payment of the CFs, which was shared between the federation and the profit from community savings. Currently the entire general expenses are covered by the CDCs themselves including the monthly salaries of 33 CFs from the profit earned from the interest.
9. What is the involvement of the residents in the planning, design and management of the practice?	<ul style="list-style-type: none"> LPUPAP and then UPPR provided the infrastructure and design for the savings and credits scheme. Training was provided to develop CDC leadership skills in order to manage the savings and credit scheme.
10. When did it start? When was it completed? What is its current status?	<ul style="list-style-type: none"> The practice started in 2001, and has continued to operate within CDC communities following project cessation.
11. What were the concrete results achieved?	<ul style="list-style-type: none"> The establishment of Savings and Credit Schemes across the 23 UPPR towns and all are currently functioning. 76 Crore BDT credit has been disbursed in Rajshahi. 11 Crore BDT savings are held by the community (as of February 2016). Strengthening of the household capital. Provision of small loans business loans for income generation, with many success stories within the city. Development of CDC leaders skills to be able to effectively manage the finances of groups and advise members More than 14,000 households received direct benefits of the credit scheme.
12. What barriers and challenges were encountered and how have they been overcome?	<ul style="list-style-type: none"> Initially the practice struggled to build trust within communities. The situation rapidly improved once the residents understood the potential of savings, and the tangible benefits from loans. When members default on their loans, they are initially requested to pay a smaller amount. If, after some time, a defaulter is determined to not be able to pay at all, the money is taken from their savings account. CDC groups have internal challenges in determining who will be the beneficiaries of loans. There are limited funds and representatives from 20 primary groups, resulting in the inability to provide large loans to all members. This has been resolved by providing small loans across a wider group of members.

13. What lessons have been learned from the practice / process?

- Developing the organisational infrastructure for ownership of the savings and credits scheme.
- Empowerment of women, following the use of finances to improve households as well as contribute to wider household and community needs, including weddings, children's education or community needs.
- There was an inability to provide large loans to meet the demand.
- Inspired on the Women's Bank Cooperative of Sri Lanka, women wish to explore the potential of developing a national bank to represent their CDCs. Alternatively linkages with other NGOs or other financial organisations, to provide larger loans to enable larger loans could be explored.

Assessment

Innovation and impact

14. What are the key innovative features of the practice?

- The amount of instalment was collectively fixed by discussion among the members, taking consideration of the beneficiary's capacity and economic condition. This enabled all members to take loans with reasonable and necessary flexibility in instalment rate. Savings started at as low as only 10 BDT, and loans can be taken up to four times the saved amount of the member. Currently members are saving a minimum of 50 BDT per month.
- The CDC members are able to earn a percentage of the profits from their savings and the credit that is provided.
- Loans are flexible and may be up to 100,000 BDT. Loans are provided through a step-by-step progress to ensure the financial and repayment capability of members.

15. What impact have the project and its approach had on the residents and/or the wider community?

- Flexibility in the program has encouraged participation from a wide range of community members, enabling the scheme to meet their specific needs. For example, beneficiaries were able to access their own savings in an emergency.

16. What worked really well?

Savings:

- The interest charged on the loan is distributed to the community as profit after the expenses incurred in running the scheme. The revolving nature of the Savings and Credits enabled the employment of 33 CFs to collect loan payments. Group members reported benefiting from the share of profits.

Credits:

- Members were able to use the money to both earn an income and develop a business venture.
 - Larger credit loans were given incrementally, ensuring returns of the loan payment.
 - Income generation: Setting up small businesses for income generation, particularly among the women, has been made possible by business loans.
 - A cluster-to-cluster monitoring system was in place during the LPUPAP but ceased during UPPR.
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17.What did not work? Why did it not work?	<ul style="list-style-type: none"> • The main struggle has been to formalise the system due to the independent CDC structures. CDCs are placed in a precarious position, forced to sustain themselves until the next project fund is installed. • There is limited ability to develop a united national bank structure, resulting in limited accountability of finances. • There was an intention to endeavour to develop a bank, similar to Women's Bank of Sri Lanka, but this has yet to be achieved due to lack of support from central government or city corporation. • Loans were limited to the development of small businesses. Medium size enterprises were not allowed, as these required a larger loan. This has been a source of discontent amongst committee members. • A lack of regular formal audits of the CDC bank accounts allows for potential corruption.
18.Have any local or national policy changes taken place as a result?	<p>The Savings and Credits scheme has its own formal regulated system:</p> <ol style="list-style-type: none"> 1. CDC group: There is a formal election process to open a bank account. A minimum of 1/3 of members of all Primary Groups is required to approve the Bank account. This requires 3 signatories and an accreditation letter from the Mayors Office of the respective town. 2. Local level MoU agreements are made during the life of the Project. Although there has been a push to register savings groups formally, this has not been possible due to the limitations of the available legal instruments.
19.Is any monitoring or evaluation process being carried out? When?	<ul style="list-style-type: none"> • The practice has employed 33 community facilitators whose primary role is to operate saving groups and engage in regular monitoring. • Twice annually, there are monitoring visits from the Federation, who have inspected accounts and registration papers. • There has been an outside audit of all the CDCs during the LPUPAP phase. Since then there has been formal audit.

Economic sustainability

20.To what extent is this practice/project reliant on a funding stream that may cease in the future?	<ul style="list-style-type: none"> • Although the UPPR project officially ceased August 2015, the program has been running successfully, facilitated by the CDCs.
21.Does the program help people have long-lasting source of income or increase the wealth of their community?	<ul style="list-style-type: none"> • The beneficiaries have been taking loans to set up small businesses ensuring sustainable income generation. • Profit sharing among the beneficiaries has been a regular source of asset building.

Social sustainability

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| 22. Does [or did] the practice facilitate greater community cooperation and integration? | <ul style="list-style-type: none">• 1% of the interest has been dedicated for operational and communication expenses of the PG leaders. This has enabled greater community integration and almost all the primary group members have participated in the program. |
| 23. Have the skills and abilities of people [primarily women and young girls] increase as a result? | <ul style="list-style-type: none">• Beneficiaries increased their skills in savings and credit related issues. CDCs are now independent in operating and monitoring program.• Beneficiaries have successfully initiated individual income generating activities by accessing loans through the scheme |
| 24. Are people healthier and safer as a result? | <ul style="list-style-type: none">• Loans have facilitated the improvement of the health and wellbeing of poor households, by financing the development of physical infrastructure and promotion of women engaging in small business ventures. |
| 25. Has the practice resulted in social inequities being reduced? | <ul style="list-style-type: none">• An individual's ability to save, loan and refund loans facilitates participation regardless of socio economic conditions. Profit sharing among all members has been vital to address social inequalities within communities. |
| 26. Are individuals [and which ones?] empowered to take a more active role in society? | <ul style="list-style-type: none">• The community facilitators were empowered to regulate and monitor the program within their CDCs.• Beneficiaries improved household conditions and were able to generate income through small business ventures. This improved their social acceptance and standing, resulting in empowerment for these women. |

Environmental sustainability [Give evidence]

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| 27. Does the practice / project ensures a more appropriate use of energy and water resources? | <ul style="list-style-type: none">• Taking loans for household improvements notably improved access to water, electricity and cooking facilities. |
| 28. Are there any other environment impacts of the practice [for instance, climate change adaptation]? | <ul style="list-style-type: none">• Awareness raising programs have been implemented to address environmental pollution concerns. |

Transfer and scaling up

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| 29. To what extent has there been any scaling up of the practice? | <ul style="list-style-type: none">• The practice encouraged greater participation and exchange of information and knowledge amongst the primary groups. This was facilitated through several meetings within all CDCs. Since project inception, 2,303 Primary Groups in 173 CDCs have been developed. |
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30.To what extent has the practice / project been transferred?

Locally

- CDC leaders and primary groups have been sharing the knowledge and results of the project with each other.

Nationally

- UPPR team from Sylhet, Khulna, Kushtia, Gazipur, Chapainawabganj and Hobiganj have visited Rajshahi to learn about their activities. Rajshahi members have visited Khulna and Kushtia.
- The practice has been established in all 23 UPPR towns.
- The accumulated amount in the scheme is about USD 29 million (BDT 332 Crore) supporting livelihoods of 300,000 households.

Internationally

- This practice has not been transferred internationally.
- Rajshahi members have visited Sri Lanka.

31.What were the most important dissemination channels that explain the transfer and / or the scaling up?

- Regular community meetings among the primary groups.
 - Intercommunity and intercity visits and national workshops.
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2014: Oath ceremony of the registration of Rajshahi Federation with the City Corporation Mayor



Providing Savings and Credit management training to the PG, CDC and Cluster leaders



A member is taking a loan from her CDC group



2011: Women breaking barriers, riding her van using a 50,000 BDT loan from CDC.



A member has taken a 20,000 BDT loan to purchase a sewing machine and additional clothes to start her own tailoring business.