

HOUSING FINANCE INTERNATIONAL

The Quarterly Journal of the International Union for Housing Finance



- **Community finance and savings systems: innovative and inclusive tools for addressing the housing needs of the urban poor**
- **Resolving housing finance access for the poor and informal: SMF experiences in Indonesia**
- **Sustainable living with BALAI BERDE: a new era in housing finance**
- **Households' savings behaviors in various European Countries**
- **Infrastructural solutions to eliminate externalities in modern urbanization**

International Union for Housing Finance

Housing Finance International

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If...

The accession of Donald Trump to the White House in January of this year has led to the unleashing of an unparalleled stream of measures affecting countries and markets across the globe.

These actions and proposals have been the subject of copious analysis by commentators concerned about geo-political stability and the global and national economies. What has been subjected to less analysis so far is the likely impact of fundamental changes of housing and mortgage markets around the World.

The sheer scope of Trumps proposals is breathtaking and powerfully reminds this writer of Rudyard Kipling's poem "If". A relic of Britain's imperial past and consistently voted the most popular poem in the UK, "If" contains many lines which resonate with the current situation but take the poem's final (rather sexist to today's ears) words:

"If you can fill the unforgiving minute

With sixty seconds' worth of distance run,

Yours is the Earth and everything that's in it,

And – which is more – you'll be a Man,
my son!"

One can take these lines straight or with doses of irony depending on one's perspective on the new order, but the ambition of Trump and his allies is inescapable.

So, what are some of the possible impacts on housing and mortgage markets round the globe that *Housing Finance International* and others with a responsibility to analyse current events will have to take account of? The list is already long; what follows are a few examples:

In terms of Europe the EU countries are almost unanimously committed to a major increase in European defence expenditure as is the UK. In addition, the EU is threatened with 25% tariffs on exports to the US. The major increase in defence spending may, of itself promote economic growth but, depending on how it is funded nationally may involve significant cuts to the social wage and/or tax rises. Will the pressure on incomes across Europe cause an

increase in mortgage default? Will cuts in real incomes and social security affect affordability of homes at current prices and impact on the ability to access mortgage finance? If tariffs cause unemployment in some sectors will this again increase the risks of default and slow down markets? These are major questions whose answers are contested.

North America is currently facing a tariff war between Mexico, Canada and the US. Will general economic slowdown be the result? If so, what will be the impact on house prices and mortgage markets? Will Freddie Mac and Fannie Mae be affected – see Alex Pollocks article in this issue.

China has just published an economic growth target of 5%. This may seem ambitious to those in the West, but it is far lower than the aspirations of a few years ago. What impact will reduced growth (if it occurs) have on China's efforts to stabilise it's housing market, beset as it is already by problems of overheating and over-supply?

And then there is Latin America and Africa. Aside from possible macro-economic impacts the cuts in USAID are having an immediate impact on a range of projects to tackle housing shortages and the displacement of persons across both continents – although the largest aid recipient from this source was in fact Ukraine.

Again, one is reminded of another stanza from Kipling:

"If you can bear to hear the truth you've spoken

Twisted by knaves to make a trap for fools,

Or watch the things you gave your life to,
broken,

And stoop and build 'em up with worn-out tools"

For lenders and housing finance professionals the ramifications of the US promoted New World Order are very significant and go way beyond the examples discussed above. In the coming months and years *Housing Finance*

International will aim to reflect the impacts of profound change in our subject matter and analysis. Stay with us.

Affordability is very much the theme of our main articles in this issue. Our first main article is *Community finance and savings systems: innovative and inclusive tools for addressing the housing needs of the urban poor*, by Bénédicte Hinschberger and Bea Varnai. The authors draw attention to the progressive urbanisation of populations round the world and the need for "just and sustainable housing systems", to tackle issues such as informality and low incomes, before going on to set out their own proposals.

Our second article is *Resolving housing finance access for the poor and informal: SMF experiences in Indonesia* by Martin Siyaranamual and Heliantopo. This fascinating article analyses the activities of the organisation Sarana Multigriva Financial (SMF) which has concentrated on microfinance and rent-to-own schemes.

Our next article is titled *Sustainable living with BALAI BERDE: a new era in housing finance* and is written by Maria Luisa M. Favila. The article, focussed on the Philippines, focuses on the growing need to tackle climate change and promote the building of a generation of green homes. Balai Berde is an innovative programme that does just that. This is an important article and well worth reading.

Understanding households' propensity to save under different circumstances is crucial to assessing affordability and accessibility of housing. In his article *Households' savings behaviors in various European Countries*, Grégoire Naacke focusses on six countries within the EU: Germany, France, Italy, Netherlands, Sweden and Spain, to better understand the motivations, opportunities and constraints on savings activity. This is an excellent and valuable analysis.

The journal has not covered Mongolia in a main article for a very long time and we are therefore particularly pleased to present an article by Gantulga Badamkhatan and Garid Bolor: *Infrastructural solutions to eliminate externalities in modern urbanization*. The

article looks at the traditional Mongolian yurt which is still used by a large proportion of households. The yurt is ecologically benign in its traditional rural setting, but Mongolia is urbanising rapidly and yurts in urban areas cause severe environmental issues

with resulting health issues for adults and especially children. The article focusses on efforts to alleviate these problems.

We live in “interesting times”. We hope you as readers will join with us in understanding

those interesting times better and planning for the future.

Andrew Heywood

March 2025

Contributors' biographies

Contributors' biographies

Gantulga Badamkhatan is the CEO of the Mongolian Mortgage Corporation HFC LLC and MIK Holding JSC.

Garid Bolor is international relations officer at the Mongolian Mortgage Corporation HFC LLC since 2021.

Thandiwe Dhlamini is the AUHF Coordinator within the Centre for Affordable Housing Finance in Africa. She holds a BA in History and Development Studies and completed the Housing Finance Course for Sub-Saharan Africa in 2018. She has experience in project management which she has gained through working with local and International Non-Governmental Organisations. She is passionate about community development and curbing injustices and inequalities affecting the underprivileged.

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Claudia Magalhães Eloy holds a PhD (USP), an MBA on Construction Economics and Real Estate Financing (OEB) and a Master's Degree in City Planning (UPenn). After having worked as housing program manager at Bahia's Housing Company and as planning manager for the Development Agency of Bahia, she has been working as an independent consultant, specialized in housing finance, funding, policy and subsidies. Clients have included the IADB, the World Bank, GIZ and CAF, as well local research foundations and homebuilders' associations in Brazil. She was the finance lead specialist in the elaboration of Brazil's National Housing Plan (Planhab, 2008/2009) and for Planhab's ExPost Analysis (2023). Claudia has published several articles as well as chapters of books on housing finance and is a member of the Board of Directors of a non-profit organization – Santa Fé – which assists homeless children and adolescents in São Paulo.

Maria Luisa M. Favila, is a Certified Public Accountant & currently the Vice-President of the Securitization Group of the National Home

Mortgage Finance Corporation – Philippines. She handles the operation of the securitization activities as well as the Marketing & Housing Finance Program of NHMFC to enable home financing institutions to optimize the leverage of funds earmarked for housing development.

Heliantopo, a graduate with a Master's in Accounting, has been Business Director of PT SMF, a state-owned secondary mortgage company in Indonesia, since 2016. He oversees business activities related to refinancing activities, treasury and credit management.

Andrew Heywood is an independent consultant specialising in research and analysis of housing and mortgage markets, regulation and policy with both a UK and international focus. He is a visiting fellow of the Cambridge Centre for Housing and Planning Research [CCHPR] and a research fellow with the Smith Institute. He is also Editor of the journal Housing Finance International. Andrew writes for a number of publications on housing and lending issues and publishes reports commissioned by a wide range of clients.

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Bénédicte Hinschberger holds degrees in political science and urban planning. Focusing on housing, the living environment and urban management, she is interested in ways of stimulating citizen participation among the most disadvantaged populations, who are sometimes overlooked by public policies. She has worked in a variety of contexts: post-conflict humanitarian action in Bosnia and Cambodia, improvement of informal settlements in Benin, urban planning in countries undergoing post-communist transition (Vietnam, Cuba, Eastern Europe), urban policy in France.

At UrbaMonde-France, she has been responsible for projects in West Africa for the past 3 years, working closely with a network of field partners. She supports urbaSEN and FSH in their projects

to improve informal settlements and produce affordable, sustainable housing.

Alex J. Pollock is a senior fellow at the Mises Institute, a past-president of the IUHF, the author of *Finance and Philosophy – Why We're Always Surprised*, and co-author of *Surprised Again! The Covid Crisis and the New Market Bubble*.

Zaigham M. Rizvi is currently serving as Secretary General of the Asia-Pacific Union of Housing Finance and is an expert consultant on housing and housing finance to international agencies including the World Bank/IFC. He is a career development finance banker with extensive experience in the field of housing and housing finance spread over more than 25 countries in Africa, the Middle East, South-Asia, East-Asia and the Pacific. He has a passion for low-cost affordable housing for economically weaker sections.

Martin Siyaranamual is the Chief Economist at PT SMF, a state-owned secondary mortgage company in Indonesia. He specializes in empirical economics and has extensive academic and consultative experience shaping inclusive policies in Indonesia.

Bea Varnai completed international development and urban studies at Sciences Po Paris, the University of Sao Paulo in Brazil and the Graduate Institute of International and Development Studies. Passionate about participatory and cooperative organizational models, she has specialized in urban development, citizen participation, social and financial engineering of urban projects and multi-stakeholder consultation.

Mark Weinrich holds graduate degrees in political science and economics from the University of Freiburg, Germany. He is the General Secretary of the International Union for Housing Finance and the manager for international public affairs at the Association of Private German Bausparkassen.

Community finance and savings systems: innovative and inclusive tools for addressing the housing needs of the urban poor

↳ By Bénédicte Hinschberger, Bea Varnai

1. The challenges of urban development and climate change are having a major impact on low-income populations

Anyone working on, or interested in urban or housing issues will be aware of the staggering challenges that characterize the urban reality, particularly in the Global South. Globally, 55% of the world's population were living in urban areas in 2018, and this rate is expected to reach 68% by 2050 (rapidly growing from 30% of the world's population in 1950)¹. An estimated 1.6 billion people lacked access to adequate housing and live in underserved areas in 2022. This figure could almost double by 2030, representing up to 40% of the world population (3 billion people)². The global need for affordable housing reaches an estimated 96,000 extra units per day³. These figures stand for the “global crisis of housing affordability”⁴ that is widely acknowledged by policymakers, international organizations, academia and think tanks as one of the most pressing social inequality challenges faced by many national and local governments across the Global North and Global South alike.

It is evident from these figures that the formal private and public housing production can hardly keep up with this enormous demand, not only with regards to affordable housing provision but also the growing need for basic services and public amenities. For Africa alone, in 2015, the World Bank estimated that the informal sector represented about 75% of the housing stock⁵. With the fastest urban growth in the world⁶, the housing backlog accounting for at least 51 million units and 17 African countries having housing deficits of more than 1 million units⁷, one can conclude that the formal housing production will have difficulties addressing the housing and services' needs of the current and future urban population of Africa.

Against this backdrop, it is crucial that policy makers and stakeholders involved in the housing value chain commit to contributing to just and sustainable housing systems. These housing systems need to provide adequate⁸ housing for all, to make up for the quantitative shortfall and for what has been labeled as the “global housing crisis”. They also require the adaption of housing solutions to the challenges and threats fueled by climate change, disproportionately affecting the urban poor⁹, particularly in developing countries¹⁰. Urban poor communities have limited

adaptive capacity because of severe housing, infrastructural and basic service deficits, and low incomes¹¹.

The twin challenges of the global housing and the climate crisis require not only meeting the ever-increasing demand for affordable and decent housing, and urban services, but also limiting urban sprawl, protecting natural resources and biodiversity, limiting climate-related risks, increasing the adaptive capacity, and reducing green-house gas emissions in the construction and housing sector. In fact, while the climate crisis is severely threatening the enjoyment of the right to adequate housing around the world, housing also is a large contributor to climate change¹². The built environment sector accounts for an estimated 37%¹³ to 39% of global greenhouse gas emissions, of which 28% account for operational emissions and 11% for materials and construction¹⁴.

2. Informal housing, a spontaneous response to the needs of urban poor

A number of countries are making considerable efforts to meet these challenges by

¹ United Nations Department of economic and social affairs (2018), *World Urbanization Prospects 2018*

² UN Habitat, *Priorities 2022–2023: Adequate Housing, Cities and Climate Change, and Localising the Sustainable Development*

³ UN Habitat website, on housing challenge.

⁴ United Nations Special Rapporteur on the Right to Adequate Housing (2023) retrieved at <https://documents.un.org/doc/undoc/gen/n23/240/69/pdf/n2324069.pdf>

⁵ The World Bank, *Stocktaking of the Housing Sector in Sub-Saharan Africa - Challenges and Opportunities*, 2015

⁶ Africa has the fastest urban growth in the world, with an increase in the urbanization rate from 35% in 2000 to 43.5% in 2020, and expectations of 50% by 2035. United Nations Economic Commission for Africa <https://www.uneca.org/urbanization-and-development-section>

⁷ Bah, Eh.M., Faye, I., Geh, Z.F. (2018). *The Housing Sector in Africa: Setting the Scene*. In: *Housing Market Dynamics in Africa*. Palgrave Macmillan, London. https://doi.org/10.1057/978-1-137-59792-2_1

⁸ Adequate housing, as defined by the United Nations, includes seven inseparable components: security of tenure; availability of services, materials and infrastructure; affordability; location; habitability; accessibility; and cultural adequacy.

⁹ Divya Chaudhry (2023), “Climate change and health of the urban poor: The role of environmental justice”, *The Journal of Climate Change and Health*

¹⁰ United Nations Special Rapporteur on the Right to Adequate Housing (2023). Report of the Special Rapporteur on adequate housing as a component of the right to an adequate standard of living, and on the right to non-discrimination in this context, Balakrishnan Rajagopa

¹¹ Dodman D, Archer D, Satterthwaite D (2019), “Editorial: Responding to climate change in contexts of urban poverty and informality”, *Environment and Urbanization* Vol 31, No 1, pages 3–12, Crossref.

¹² United Nations Special Rapporteur on the Right to Adequate Housing (2023). Report of the Special Rapporteur on adequate housing as a component of the right to an adequate standard of living, and on the right to non-discrimination in this context, Balakrishnan Rajagopa

¹³ United Nations Environment Programme (2023), *Building Materials and the Climate: Constructing a New Future*. Nairobi

¹⁴ World Green Building Council (2019). *Bringing Embodied Carbon Upfront*.

encouraging, among other measures, large-scale housing provision through dedicated programs. However, these programs most often fail to address the needs of those who are at the bottom of the pyramid – low-income households and vulnerable populations (women, minority groups, displaced people and persons with disabilities, among others), and tend to fall short in terms of achieving climate goals. Affordable and social housing programs, and other state-led initiatives to stimulate the housing and construction sectors, are often skewed towards middle or upper-income households, with the needs of the urban poor remaining largely unattended.

This reality fuels the spread of informal and substandard housing and settlements, which can be seen as a result of these dual dynamics: unbridled urban growth on the one hand, and growing inadequacy of the means to respond to it on the other. All this translates into precarious living conditions for the inhabitants of under-served settlements, who face land insecurity, housing inadequacy and who are particularly vulnerable to the effects of climate change (such as flooding, landslides, heat island effects, water-borne diseases) and other risks (including fires, earthquakes). Housing, as well as other building blocks of the urban fabric (commercial spaces, public space, services) are at least partially self-built and rarely incorporate technical means or adequate design to ensure resilience.

Nevertheless, it seems evident that one part of the solution for housing the growing urban population relies on the informal sector and on the households' initiatives to answer their own needs. Self-building practices certainly produce poor living conditions and informality (although this is not always the case), but also stand for the sense of initiative and the capabilities of households of the informal sector to mobilize resources, sometimes over several years, and local know-how to meet their housing needs. Among those resources, training, construction and engineering skills, and the working force are crucial, but access to adequate and affordable finance also remains essential – and largely unaddressed by the private and public sectors alike.

Against this background, community-based initiatives and tools that mobilize and organize resources, particularly finance and capital that can be channeled into home improvement, and housing and services provision, should be encouraged, scaled and promoted as part of the solution to the global housing crisis. To illustrate this, we are going to present the example of the revolving fund created in the suburbs of Dakar by the Senegalese Federation of Inhabitants, and Asian experiences.

3. Community savings systems, an answer to the financial exclusion of urban poor

In emerging and developing economies, a very high proportion of workers and businesses operate in the informal economic sector. According to a study for the World Bank conducted in 2021¹⁵, the informal sector accounts for over 70% of total employment in emerging and developing economies and contributes almost a third of GDP. The dominance of the informal economy limits the countries' ability to lever fiscal resources necessary to boost economic activity and implement effective macroeconomic policies, including affordable housing programs and effective service provision.

From the households' side, working in the informal sector cannot be regarded as a synonym of being poor and deprived of savings capacities and financial strategy in the short and long term. What is more, being considered poor does not exclude the capacity

of individuals or households to save money for short- and longer-term projects. But answering one's housing needs presupposes gathering consequent amounts of money, often in a short period of time, to finance the purchase of land or the construction of at least a small building. Construction most often takes place incrementally, and follows pragmatic financial decisions, trading off the households' immediate and longer-term needs.

Borrowing money from a bank is one solution to reach the necessary sum. But given the current financial systems, accessing loans from banks and other financial institutions proves difficult, and almost impossible for households in the low and even middle-income sectors in emerging and developing countries. This is particularly the case for households who earn their living in the informal sector¹⁶, given the difficulties to assess their financial capacities properly and the risk aversion and low expected return on investment of financial institutions. More recently, microfinance institutions have developed housing finance products but at a limited scale and with the intrinsic difficulties that come with the need for long-term finance needs, and the – generally – high interest rates associated with housing microfinance products. The limited finance available to the poor through government programs and microcredit schemes often follows the same top-down, individualized approach as traditional banking, offering little opportunity to develop more holistic solutions.

As a result, the banking rate in many countries in the Global South remains quite low – although it is increasing fast¹⁷ –, with many households relying on informal financial circuits or traditional solidarity networks.

This is the breeding ground on which community savings systems and community funds managed by residents, often backed by technical support organizations, have developed in various parts of the world. These initiatives are relayed by networks of actors representing grassroots movements and residents, who advocate, promote and share best practices¹⁸. Growing from pioneering initiatives, community savings schemes have turned into a widespread movement. The interest sparked in community-based finance stands for the fact that they fill a void, providing poor communities with essential financial services to address individual and collective needs.



Savings group in Dakar suburbs
Credit : urbaMonde

¹⁵ *The Long Shadow of Informality: Challenges and Policies*, Edited by Franziska Ohnsorge and Shu Yu for the World Bank Group

¹⁶ Center for Affordable Housing Finance in Africa, Kecia Rust, "What do we mean when we talk about financial inclusion and housing" (2015)

¹⁷ World Bank, *The Global Findex Database 2021: Financial Inclusion, Digital Payments, and Resilience in the Age of COVID-19*

¹⁸ That is what urbaMonde has been doing for ten years of facilitating the CoHabitat network. Other networks like Slum Dwellers International, Asian Coalition for Housing Rights and many others are also very active in this field.

4. Finance and community tools: what are we talking about?

Resident and grassroots groups across various countries have created different models of community savings and funds, each fitted to their unique contexts and often based on traditional practice and local customs. However, several common principles have emerged, been adapted through practical experience, and shared within community movements, and national and transnational federations.

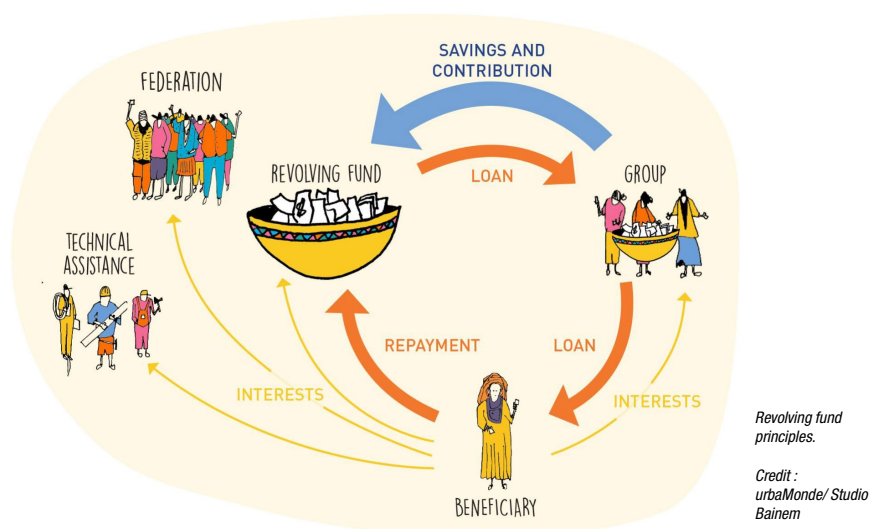
The first layer of community finance consists of small loan funds managed within community savings groups. These small funds are rooted

in traditional solidarity practices, known in francophone West-Africa as “tontines”¹⁹.

Essentially, the funds are endowed with contributions by a group of people, usually from the same neighborhood. Thanks to the collective savings accumulated, the members of the group can in turn benefit from a loan to address their needs or develop their projects. The loans are returned to the fund according to repayment terms defined by the members, and can be loaned to the next member. Through this simple process, group members can cater to immediate needs (such as funerals, celebrations), or more long-term ones such as the schooling of children or the development

of income-generating activities. From the borrower's side, the process fosters individual confidence and management skills, while also building collective power among groups.

Scattered savings groups often connect into larger networks and federations, at the neighborhood, city or even national level, sharing experiences and providing mutual support. In some cases, these networks have evolved into city-level and national-level development funds or cooperatives, such as the Urban Poor Funds²⁰, which can offer additional resources that enhance the community's capacity to innovate, develop projects, negotiate, and scale up their problem-solving efforts.



The principles of collective action and ownership, bottom-up development, and flexibility to meet real needs are at the heart of community finance, and make it differ notably from traditional banking. Unlike conventional finance, where access is generally defined by individual criteria, community finance involves pooling resources, allowing people to gain wealth not just financially, but also in knowledge and social support. Interaction and collaboration are crucial, as these systems build social capital and enable partnerships with local governments, enhancing the community's influence and development potential.

But community-driven finance systems do not emerge and develop on their own: they need support to grow. These systems are nurtured through collaboration with local partner NGOs, regional organizations, and international donors. On a national level, partner NGOs assist in linking poor communities, forming groups, and building networks. As community-based organizations gain experience, they can gradually take over some of these responsibilities.

Among organizations supporting those community finance tools, the Asian Coalition for Housing Rights (ACHR), an alliance of professionals, NGOs and communities across Asia, has played a significant role since its creation in 1988. Focusing from the beginning on supporting people-driven solutions to forced evictions, among which figure community savings and funds, ACHR has contributed to the promotion and strengthening of community finance systems across Asia through workshops, capacity building, and



Congress organized by the Asian Coalition for Housing Rights (ACHR) in June 2024 at the United Nations Conference Centre in Bangkok, in presence of representatives of the Thai government, June 2024.

Photo: ACHR

¹⁹ Institut Afrique Monde, Agathe Soitel, “Tontine, an economic vector of solidarity and entrepreneurship” (2019)

²⁰ International Institute for Environment and Development, Diana Mitlin, “Urban Poor Funds: development by the people for the people” (2008)

See different examples of those funds in the “Study on citizen financing mechanisms for affordable housing production in Africa”, produced within a partnership between urbaMonde and CAHF in 2021, to document 10 experiences of affordable housing financial models in Africa.

seed funding. Over time, it has been proved that community finance tools are essential as organizing mechanisms within poor communities and their networks and they can be linked effectively with public policy on urban renewal and urban redevelopment²¹.

Slum Dwellers International (SDI), a transnational network of urban poor federations from 18 countries, implement similar activities throughout Africa, Asia and Latin America with regional partners organizing training and sharing of experiences among national inhabitants federations. On the donors' side, various stakeholders have contributed to the growth of these systems internationally, through financial endowment or structural support (most notably through the Urban Poor Fund initiative). Sustained support is essential for these community-driven processes to grow, adapt, and become integral parts of local development systems.

5. An example of community finance for housing: the revolving fund for urban renewal in Senegal

The birthplace of the Senegalese revolving fund is Djiddah Thiaroye Kao (DTK), a densely populated municipality located within the region of Dakar, Senegal's capital city. The municipality counts 160,000 residents and is largely composed of informal settlements. It faces significant social, economic, and environmental challenges: The lack of water

and sanitation infrastructure have led to critical public health issues, compounded by frequent and intense flooding. These problems are exacerbated by a lack of urban planning and a high population density of 80,000 people per square kilometer. Housing in the area is predominantly self-constructed with poor-quality materials and little to no involvement of professional expertise.

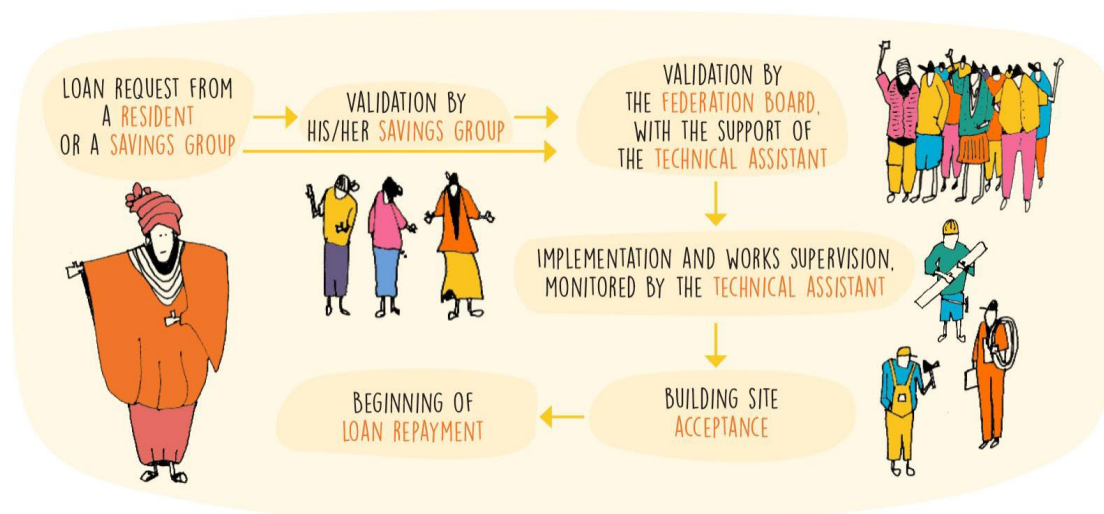
In response to devastating floods that affected the area as well as large parts of the suburbs of Dakar in the late 2000s, local residents organized to address housing and environmental issues, leading to the launch of an urban renewal project²². In 2014, this grassroots initiative gave rise to the Senegalese Federation of Inhabitants (FSH). This federation brought together community savings groups to advocate for housing rights and improved living conditions, first in DTK and other municipalities across Dakar, and later on in other regions such as Thiès, Louga, Ziguinchor, and Fatick.

In 2024, the network of savings groups represents more than 16,000 people, mainly women (96%), organized in 672 savings groups. Their savings are pooled within a community fund – the revolving fund for urban renewal – managed by the Senegalese Federation of Inhabitants with the support of its technical partner urbaSEN, a Senegalese NGO. Between 2016 and 2024, the fund grew from a volume of 5 million to nearly 1 billion XOF, with approximately 150,000 beneficiaries. Since 2016, more than 1,000 housing units have been renovated or partially rebuilt by

members of the federation, thanks to loans taken from the fund.

The process of accessing money is simple: the members of the federation can request a loan within their group by presenting their renovation or construction project. The request has to be validated by the group and by the Federation board. When it is accepted, the money is handed over by the Federation board to the president of the group, who in turn hands it over to the applicant. At that point, the process of housing renovation can begin, under the monitoring of urbaSEN's technical team, who assists the households in the definition of the renovation works to be carried out, the choice of craftsmen, and the supervision of the works until their completion. The household begins the repayment of the loan one month after this last stage, on a 20-month schedule.

The maximum amount for the loan is set by the Federation at 1 million XOF (1,700 USD). 5% interest is applied to each loan, shared between the borrower's savings group (1%), the Federation (1%), urbaSEN (1%) and the revolving fund (2%). It is important to note that the entire group assumes responsibility for the loan: if the borrower defaults on repayment, the group will have to repay the loan collectively. This principle of solidarity guarantees a high repayment rate (around 84%), since obtaining new loans is contingent on being up to date with group-level monthly contributions (5,000 XOF/month/group) and loan repayment deadlines. Thus, the repayment rate considered on a longer term (over the 20 months term) exceeds



Loan process through the revolving fund

Credit : urbaMonde / Studio Bainem

²¹ For definitions and Asian examples of community funds, see *Community finance in five Asian countries*, published by the Asian Coalition for Housing Rights in June 2017. This reports a two-year study on community finance systems existing in five Asian countries, implemented by urban poor organizations of those countries (Cambodia, Nepal, Philippines, Sri Lanka and Thailand) and supported by the Rockefeller Foundation.

²² To know more about the origin of this movement, see the documentary film *"Mbolo moy dole – Unity makes strength"*, realised by: Alex Amiguet for urbaMonde, september 2019

90%, based on a negotiation process within groups and the federation.

The monitoring of loans and repayment is the responsibility of FSH, who mobilizes its members on the importance of savings and peer-to-peer solidarity. The FSH credit committees, organized in each locality (Dakar, Thiès, Louga) play an important role in raising awareness and monitoring savings groups. urbaSEN supports the FSH by organizing financial training for savings groups, strengthening the federation's structure, and monitoring housing renovation and public works. A specific digital database was also developed, on which all information regarding loans, building sites and savings groups is recorded.

In addition to housing renovation, the revolving fund also finances the construction of collective and semi-collective upgrading works, specifically aiming at improving the neighborhood's resilience to flooding. In that case, loans are not taken by individuals, but by savings groups, who will reimburse the loan collectively. Given the limited financial resources of local governments, which are unable to meet the infrastructure needs of all neighborhoods, the residents' capacity to cofinance urban services and local infrastructures, based on the revolving fund, is notable. The revolving fund is therefore a tool that legitimizes the place of residents in public life and local decision-making processes, and builds on the need for collaboration between residents and local authorities. Thus, it can be seen as an accelerator of multi-stakeholder and participatory approaches, able to address social, environmental, and financial issues into long-term replicable and sustainable processes.

The revolving fund has been used as a community mobilization and cofinancing tool in every project implemented by urbaSEN and the FSH since it was launched, notably in integrated flood risk management projects in Dakar's suburbs. Up to now, the fund has facilitated the co-construction of 287 semi-collective water management structures (e.g., shared soak pits, water connections) and larger public infrastructure projects (e.g., drainage systems, street paving, retention basins, green spaces), within more than 20 memorandums of

understandings signed by urbaSEN with local governments, ministries and public agencies.

The revolving fund's principles have also seduced international donors who see in it an alternative to the grants' logic – still the usual base of many development projects. For a donor, endowment to a revolving fund is indeed a solution to increase the impact of money sent on the ground, since its very principle of money rotation has a multiplier effect on the sums endowing the fund. It has been proven that for 1\$ of donor's endowment, 2.5\$ works have been realized within a recent project²³. Endowments can thus be seen as a way by which donors can support participatory urban development and locally-led climate change adaptation²⁴.

6. Towards the recognition of community funds by formal finance systems and the elaboration of mixed solutions?

Despite the considerable lending capacity of established community funds, they are not capable of catering to financing needs that require long-term lending and important investment volumes (typically needed for financing housing and infrastructure projects). Partnering with public or private investors or financial institutions is a solution in these cases, so as to increase the lending capacities through endowments or within refinancing agreements.

The Thai example shows the benefit that community savings systems can draw from the support of state institutions. Since the 1960's, Thailand has been known for its experience of multiple community finance systems – self-managed credit unions, savings cooperatives, Buddhist savings groups – that enable low-income rural and urban communities to pool their savings and access loans for many purposes. In 1987, a government initiative led by the Community Development Department helped to broaden the urban community savings process. Through a public policy approach, this support helped the savings process to consolidate and expand, under the self-management of the communities. In 1992, the Thai government established the

Urban Community Development Office (later becoming the Community Organizations Development Institute – CODI), a public organization which supports the country's community movements. With a \$50 million loan fund, the government intended to boost a community-driven development dynamic, led by urban poor communities themselves, through savings groups and networks. From then on, CODI has provided a strong support system for the community movements across Thailand. It has helped strengthen self-managed funds and savings groups and enabled low-income families to finance their projects, using both their own resources and public funds. For urban communities, collective savings and funds reinforced by CODI have been used as a tool to fight against evictions and secure land tenure.

In 2007, CODI attempted to sell \$2.9 million in community housing loans to the Government Housing Bank (GHB) under a refinancing agreement, which was a pioneering effort for state-led institutions and the borrowing communities. Despite some setbacks, such as CODI having to deposit the full amount as a guarantee, the experiment proceeded, offering valuable lessons for all stakeholders. GHB learned about collective savings and the reliability of low-income borrowers, while communities better understood complex banking procedures and requirements. A second agreement in 2009 raised the refinancing ceiling to \$14 million and decreased the loan guarantee amount to 20%²⁵. Despite having terminated the collaboration later on, this example shows that it is possible for community organizations, public bodies and banking institutions to work together, for the benefit of disadvantaged groups.

7. Conclusion

Rooted in traditional savings practices, community finance tools such as the FSH revolving fund have constituted an important building block to mobilize residents, strengthen social links, empower individuals and groups, and to improve the built environment and living conditions for an important number of people around the world.

Disseminating and scaling up such community finance tools is an opportunity to address

²³ PING-GIRI Project, integrated approach to flood risks management, implemented by the FSH, urbaSEN, urbaMonde and Gret with funds from the French Agency for Development : <https://www.urbamonde.org/projets/article/appui-au-programme-de-gestion-integree-des-risques-d-inondations-a-dakar>
<https://gret.org/projet/gestion-integree-du-risque-inondation-a-dakar-pikine-irregulier-nord-guediawaye-ping-giri/>

²⁴ Swiss public donors FEDEVACO and FGC (Vaud Federation for Cooperation and Geneva Federation for Cooperation), the French Agency for Development, Paris city council, the Abbe Pierre Foundation have endowed the FSH revolving fund. Its current total value of 332.1 millions XOF is composed of 167.2 millions from endowments, 147.3 millions from FSH members' savings, 2.6 millions from loan interest, and 15 million private donations.

²⁵ Community finance in five Asian countries, Asian Coalition for Housing Rights, June 2017

pressing urban challenges, such as the lack of affordable housing and the adaptation challenges linked to climate change. In West-Africa, the Senegalese experience of the revolving fund for urban renewal – recognized by World Habitat golden award in 2023²⁶ – is currently being replicated by other residents' federations in Burkina Faso (2021) and Guinea-Bissau (2023), where it is being adapted to the local context. The national residents' federations are now working towards forming a sub-regional confederation with their Francophone peers to continue sharing knowledge, tools, and innovative methods.

To achieve the full potential of community savings systems, wide partnerships with technical support organizations, financial institutions, the public and the private sector are crucial. Recognizing the role of family and community finance tools in the provision of affordable housing particularly, embedding them in a comprehensive policy approach and bringing financial actors on board are necessary steps towards more inclusive housing systems for all. These kinds of “*public-private-people*” partnerships have the potential to attract further funds to help scale projects and subsidize non-financial services such as technical assistance, financial education

and community empowerment. Combining several funding sources means increasing the investment and securing it in the longer term.

The challenge of mass-producing affordable housing can only be met if there is a real dialogue between these different stakeholders, and public policies capable of combining and supporting the potential of each. Such an approach needs to take into account the great role of informality and community systems and develop appropriate funding instruments and modes of institutionalization protecting housing rights and the quality of life.

²⁶ World Habitat Award 2023 https://world-habitat.org/world-habitat-awards/winners-and-finalists/urban-en-and-the-senegalese-federation-of-inhabitants_trashed/



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