



Savings and Internal Lending Communities - SILC

Voices from Africa





Savings and Internal Lending Communities (SILC) Voices from Africa

The benefits of integrating SILC into development programming

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East Africa Regional Office

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Acknowledgments

“Savings and Internal Lending Communities (SILC) – Voices from Africa” draws on the insights, wisdom and field experience of many Catholic Relief Services (CRS) microfinance practitioners, combined with a literature review on best practices in savings-led microfinance and development in general.

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Contents

SILC Locations	iv
What Is SILC?	1
How Does SILC Work?	2
What Does SILC Provide To its Members?	4
Strengths and Limitations of the SILC Methodology	11
SILC – Supporting the Financial Needs of Households in a Variety of Development Programs	13
SILC and HIV	13
SILC and Orphans & Vulnerable Children (OVC)	15
SILC and Health	16
SILC and Water & Sanitation (WATSAN)	18
SILC and Peacebuilding	20
SILC and Child Trafficking	22
SILC and Environmental Protection	23
SILC and Agriculture	24
SILC and Food Security	26
SILC and Education	27
Conclusion	29
References	31
List of Acronyms	32

SILC Locations

East Africa: Ethiopia, Eritrea, Kenya, Sudan, Tanzania, Uganda

West Africa: Benin, Burkina Faso, Ghana, Liberia, Mali, Niger, Senegal, Sierra Leone

Central Africa: Burundi, Cameroon, Central African Republic, Chad, Democratic Republic of the Congo (DRC), Nigeria, Rwanda

Southern Africa: Angola, Madagascar, Malawi, Lesotho, Zambia, Zimbabwe

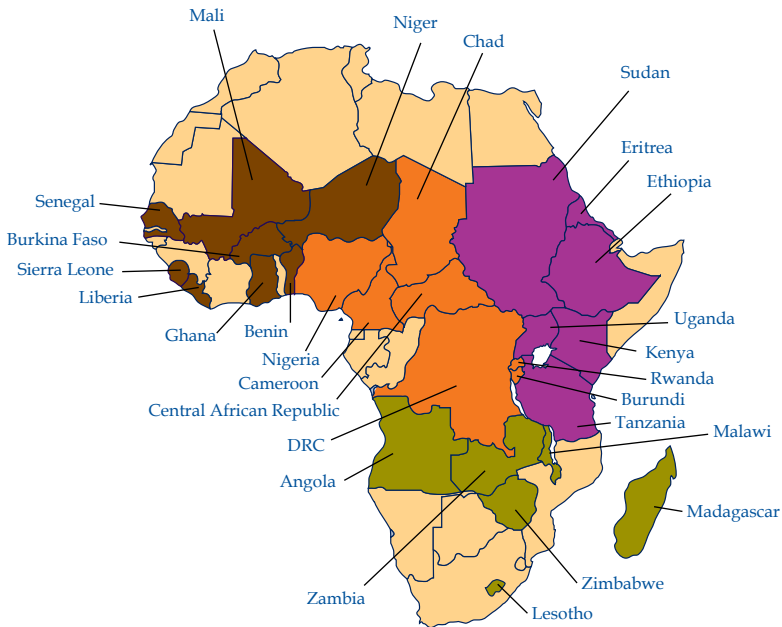


Figure 1: Map of Africa indicating the countries where SILC programs are currently taking place

What Is SILC?

Access to financial institutions is usually limited or nonexistent for the poorest of the poor. For rural populations, the distance to the closest commercial bank, credit union or microfinance institution (MFI) is often too far and transport costs are too expensive for making use of banking services. Moreover, the minimum savings required to open a bank account are usually high while the bank charges to open an account or apply for a loan are often prohibitive for poor households. In contrast, Savings and Internal Lending Communities – SILC – are filling that gap as the amounts handled are affordable, easier to manage and within reach of the poor.

Catholic Relief Services designed the Savings and Internal Lending Communities (SILC). It is a holistic programming approach that offers households a strategy to protect assets, smooth cash flow, and increase income. In comparison to traditional microfinance institutions that face limitations in servicing the financial needs of vulnerable groups such as women, poor farmers, orphans and youth, SILC is able to provide flexible financial solutions to these marginalized groups in a sustainable manner.

SILC is a savings model promoted by Catholic Relief Services (CRS) with its roots in traditional Rotating Savings and Credit Associations (ROSCAs), and Accumulating Savings and Credit Associations (ASCAs). SILC improves upon the ROSCA/ASCA methodology and on the traditional systems by creating accessible, transparent and flexible accumulating savings and credit groups, which are user-owned and self-managed in the communities where members reside. Instead of disbursing all the saving contributions to one member at a time, SILC is able to leverage the contributions of its members into a fund from which group members may internally borrow at a predetermined interest rate and term.

Members normally live in the same community and are encouraged to self-select into groups with other members that they know and trust and in many cases come from a similar background. Loans are paid back with interest, which, together with fines and fees, allows the internal fund to grow. Most groups also opt to contribute to a social fund that can be used for small grants during emergencies. At the end of a predetermined period, all or part of the total internal fund (savings, interest earnings, investment profits, and fines) returns to all the group members. Members receive a significant sum of money at this time, providing a considerable return on their savings. Unlike financial institutions where the interest remains within the institution, SILC members are able to keep and benefit from the interest generated during their savings cycle¹. Profits from internal fund mobilization are normally shared based on the total amount saved by each individual group member.

¹ Annualized return on savings can be as high as 40% for individual groups with an average of 20 to 30% for a portfolio of several hundred groups.

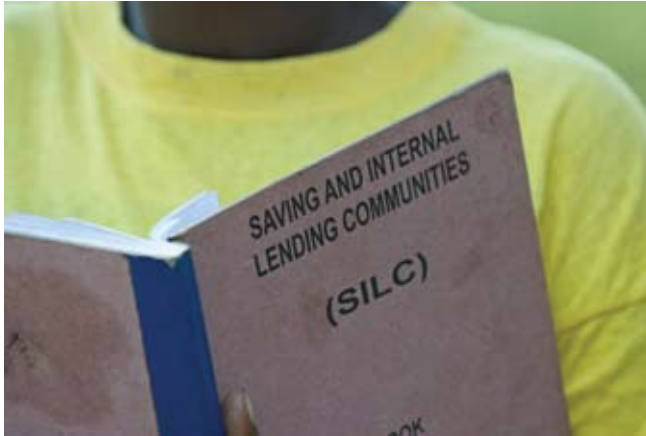


Photo Credit: David Snyder for CRS.

How Does SILC Work?

The SILC methodology is simple and easily accepted by local communities².

The essential components of a SILC are:

1. **Group Formation** – SILC groups consist of self-selected individuals. Members select each other based on characteristics of trustworthiness, honesty, reliability, and punctuality. It is also important within the membership that participants are seen as hard working, of good standing within the community, and that they demonstrate the ability to save. Therefore members tend to select participants that have a similar social status. SILC groups are made up of as few as 10 and as many as 30 individuals.
2. **Fund Development** – Member contributions and savings become a source of loan capital for other members of the group. When the amount of group savings is sufficient, any group member can borrow from the internal fund but must commit to repaying the loan with interest and in a timely manner. The dynamics of the group create an appropriate setting for the fund to grow.
3. **Ownership** – SILC groups are owned and managed by their members. This is their most important characteristic. Self-reliance is fundamental to their operations and long-term sustainability. The goal of a SILC is group and financial independence.
4. **Governance** – SILC groups are managed by a five-member elected Governing Committee consisting of a Chairperson, Secretary, Treasurer and a Money Counter. Committee members are subject to annual re-election at the start of a new cycle. However a member may be removed if extraordinary circumstances warrant an emergency meeting.
5. **Self-regulation** – SILC group members agree on a set of rules, bylaws or a constitution, to guide their activities.

² SILC, *Field Agent Guide*, Hugh Allen, March 2006 and *SILC, A Basis for Integral Human Development*, Nairobi, Kenya, CRS, October 2006.

6. **Transparency and accountability** – All transactions at meetings are carried out in the presence of the group to ensure transparency and accountability. Loan requests are presented in a public manner among the SILC membership and the approval is contingent on the review and consensus of the General Assembly. Once the loan is approved, it may then be disbursed immediately. Loans are given for consumption, investment, or household expenses that are agreed to by the group and noted in their bylaws.
7. **Duration** – The cycle of savings and lending is time-bound. Members agree to save and to borrow from the savings of the group for a limited time period. At the end of the period, the accumulated savings, interest earnings and revenue from other economic activities undertaken by the group, are shared out to members. The amount that is shared out to each member is relative to the amount that has been invested by each member throughout the cycle.
8. **SILC group members meet at agreed-upon times** – The frequency of the meetings is usually limited to weekly or every two weeks but varies between SILC groups. During times of hardship, or harvest, members can decide to postpone meetings. However, all members are required to approve this adjustment.
9. **Ensuring the continuity and sustainability of SILC expansion—Private Service Providers** – The implementation of SILC has resulted in tremendous demand for further growth and expansion of the methodology into other communities. In many cases, the request for SILC training often exceeds the ability of CRS and its partners to sustainably meet this demand with limited resources. CRS and its partners are responding to this challenge through an innovative market-based field agent approach, referred to as Private Service Providers (PSPs). Qualified field agents that are certified as PSPs are able to offer their services to savings groups based on an agreed-upon fee structure, thus providing the potential to becoming a viable approach to sustainable savings-led programming. The advantages of the approach are two-fold: PSPs are able to earn an income as they create and support groups, and the groups are supported by a quality assured service provider. (see p 11 for details)



Photo Credit: Anthony Mang'eni/CRS

What Does SILC Provide to Its Members?

Flexible Financial Products

One of the many advantages of SILC is the flexibility it offers its members in their ability to access financial services. This flexibility ranges from a farmer’s ability to meet his/her seasonal needs for loans to a family’s need to pay for school fees and educational expenses at different times of the year. Unlike traditional microfinance institutions and commercial banks that limit loan usage to productive investments, SILC members are able to utilize their loans for a number of pressing needs, including improving food security, home repairs, and the purchase of household assets as well as productive assets.

Flexible Savings - SILC group members determine the minimum amounts they are willing to save on a weekly basis. This minimum amount is designed to ensure that the poorest member in the group can save reliably and regularly. In the same token, there are members of the group that have the capacity to save more than the minimum requirement. In such cases, the group can decide on greater increments up to a certain or maximum level of savings permitted. This maximum amount or ceiling on saving contributions is designed to minimize inequalities in the group. Decisions on both the minimum and maximum saving amount are usually fixed for the entire cycle.

However, there have been instances where group members have had to temporarily suspend saving to accommodate lean periods throughout the year. In doing so, members need not feel burdened in their ability to continue the regular pattern of savings. Regardless of this decision, however, outstanding loans must be repaid and meetings must continue to allow for the repayment and disbursement of loans as well as ongoing social fund contributions.

Margaret Atayo Gabriel is a returned refugee. She is a member of Asutako SILC Association in South Sudan. “Asutako” literally means “not able” or “poor” in her Madi language.

“In May last year I heard from my women friends that CRS had invited everyone for a meeting, and I decided to go and hear what it was about. We were told many things. Part of what I heard was that we would get training on saving and how to make our money grow. My friend and I formed a group. It was a difficult decision because CRS was not giving us any money and many people thought we were too poor to save any money. We agreed to start saving 0.8 USD per week. We started saving towards the end of July last year and completed last month (August). I received 125 USD as my share of the money we had been accumulating and that made me very happy. We have decided to increase our weekly savings to 1.1 USD per week in a new cycle starting this month. Today even if CRS left, I would continue with SILC because I know how to save, how to make my money grow, and how to do good business.”



Photo Credit: Wendy-Ann Rowe/CRS

To a woman who has gone through years of suffering as a refugee in a foreign country (Uganda), being able to work on saving for a better future brings great hope.

Flexible Credit – Members’ savings and group earnings are used as a loan fund. The SILC group is responsible for setting the terms of any and all loans given to its members. Loan appraisal by the group is based on the knowledge of cash flow of each of the individual members. Given the self-selection process, everyone in the group knows the credit history, business potential, and goodwill of each individual member, which often allows for a well-informed and quick loan appraisal process.

Ciza Pili, a doughnut seller from Bujumbura, Burundi, had joined a savings cooperative before, but the manager had run away with all the money. As is common use in the district, she contacted a tradesman who offered her, on credit, the raw materials necessary for making the doughnuts (flour, sugar and oil). However, over time, the cost of the goods had increased considerably, making it very difficult to earn a profit because the goods lent by the retailer tradesmen (usurers in reality) became prohibitively expensive.

“In order not to lose my tiny capital acquired on credit, I was obliged to cheat on the standard weight of the doughnuts, which often caused me to quarrel with my customers. Several times, I had also to reduce the amount of sugar to preserve my margin of benefit. This was a double loss for me, because I had to pay back a lot to the lender on the one hand, and at the same time lose my clients’ trust and social consideration.”

Having lost her earlier savings in the savings cooperative through mismanagement, she was initially suspicious when in June 2006 the BIRATURABA Association in collaboration with CRS initiated a Savings and Internal Lending Communities (SILC) pilot project in Buterere. What eventually convinced her to join was that the group was made up of fellow small shopkeepers like herself who had also lost their money in the savings cooperative.

“As soon as we began training, I felt I had protection against the possibility of future embezzlement because the system of management of the SILC group requires three locks for the safe and the keys are kept by three different people.”



Photo Credit: Emmanuel Nshimirimana/CRS

“Upon my first loan, I partnered with a neighbor to buy a 50 kg bag of flour and to resume my activity of making and selling doughnuts. This enabled me to have 12.5 kg of flour at a price of 8.5 USD instead of 10 USD that I would have paid to the usurer tradesman for the same quantity. Since then, the SILC group has enabled me to save 0.14 USD per kg of flour purchased at the wholesaler’s. Once I finished reimbursing my first loan, I requested a second credit, which allowed me to partner with another neighbor to buy a 50 kg bag of sugar. I was able to buy 25 kg of sugar for 14 USD instead of paying 24 USD for the same quantity from the usurer’s shop. I saved 0.40 USD per kg purchased!”

“Currently I feel really happy. I have no more fear of working at a loss. This enables me to improve the quality of my doughnuts. Customers trust me more, I benefit twice over: financially and socially.”

During the first cycle, it is normal for loan terms to be as short as one month and limited to three months, but this is likely to change in subsequent cycles. The amount of interest charged also can vary among SILC groups because each group decides on the interest rate. To ensure simplicity in the calculations, however, interest is calculated at a flat rate and normally ranges between 5% and 20% a month. The terms for loan repayment may vary based on what the SILC decides, but the full amount of principal lent to the group member must be reimbursed by the end of the term unless the group decides otherwise.

As stated earlier, the beauty of SILC is its flexibility in supporting a range of financial needs. The chart below illustrates how members of a SILC group in Sierra Leone chose to allocate their loans³.

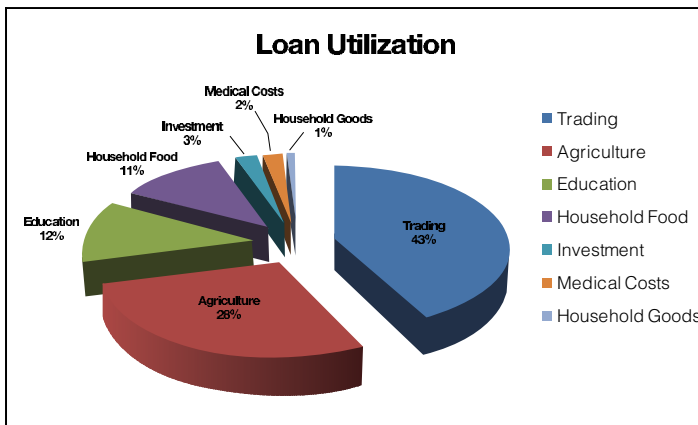


Figure 2: Loan utilization in Sierra Leone

One of the interesting trends noted from these data is the portion of loans used for productive purposes. In many instances, we assume that households are too poor to save and that the little income they earn is quickly consumed. However, the data provided show interesting trends in loan demand and usage over a specific period of time.

As can be expected, loan demand and use can and will change over time due to seasonality and specific events within the community. A detailed loan analysis similar to this one can help country programs decide when and where to start SILC programming. It can be particularly useful for helping sectors such as agriculture and education understand the potential that SILC has in supporting the financial needs associated with these sectors.

The analysis also provides insight into the seasonal needs for loans, which can help to inform the design of SILC activities to minimize disruption while maximizing access to SILC payouts when needed most. Finally, it can serve as an early warning indicator for practitioners. For example, if

3 SILC Trend Analysis Report, CRS Sierra Leone, March 2010

health or food emergencies begin to consume the majority of available group funds, this may be a signal that the productive capacity of the community is being compromised and perhaps support is needed to reinforce food security.

The trend analysis below shows behavioral pattern of borrowers in response to seasonality and problems facing them in their respective communities. The data were collected in Sierra Leone in 2009. The most interesting pattern observed during the study was seen during the lean or hungry season from June to September.

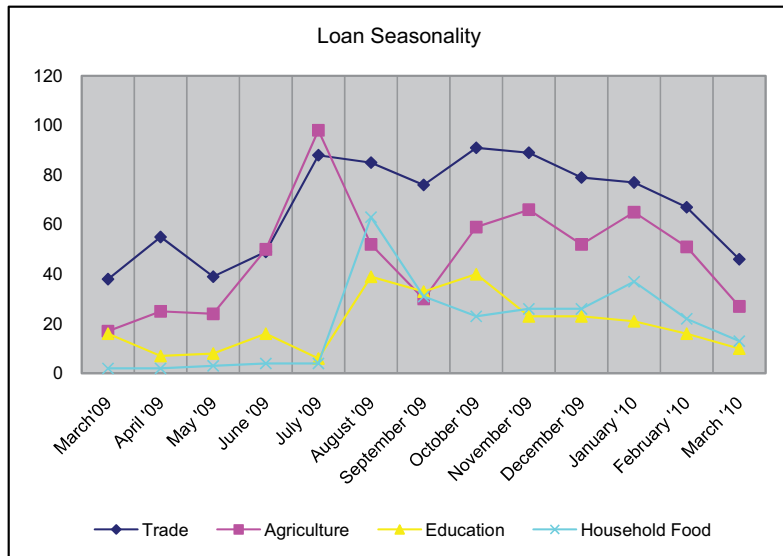


Figure 2: Loan seasonality in Sierra Leone - March 2009/2010 (number of loans according to type for each month)

The hungry season coincides with three main seasonal occurrences: 1. The peak of the planting season for swamp-produced rice leads to an increase in agriculture lending as farmers need to hire labor, buy seeds and fertilizer to prepare the land; 2. Food reserves are low and stocks become depleted at the end of the dry season. Since food prices start to rise during this period, some borrowers take the advantage to buy and sell food so as to maximize profit and increase household income while others need loans to buy food for consumption; 3. Preparations for the reopening of schools and colleges also occur at this time. Parents and caretakers start to prepare for the new school year and need loans to buy books, uniforms, shoes and pay school fees to be ready for the start of the academic year in September.

Insurance – SILC groups are all encouraged to create a social fund to which members pay regular and mutually agreed upon contributions. The fund can help group members save for unpredictable expenses such as emergencies, educational costs, funeral expenses, or community

activities (celebrations, festivals and graduation ceremonies). The fund is not meant to grow, but is rather replenished as group members access it.

The table below shows how a social fund is being used in Uganda. (Source: SILC in Uganda, Program Review, MicroSave, December 2007).

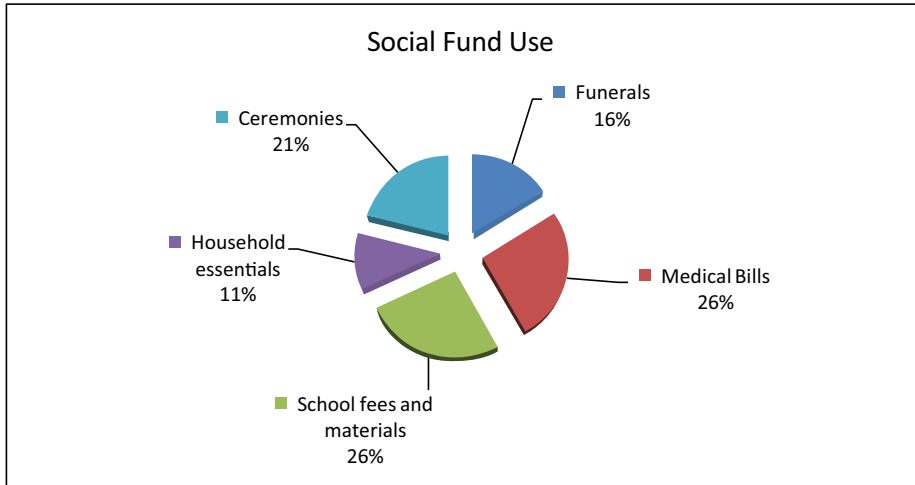


Figure 4: Social fund use in Uganda - 2007

A SILC Group Contributes To the Wellbeing of Its Community

Aissata Dicko Amadou was desperate. Her child was sick with malaria and she did not have the 3 USD to cover the cost of medicine the doctor prescribed. Her husband paid the doctor's bill – 50 cents – but that wiped out his money. He handed over one of the family's goats for Aissata to sell.



Photo Credit: Wendy-Ann Rowe /CRS

For three days, Aissata tried to sell the family goat to raise the necessary cash, but it was the rainy season and no one would have money to spare until November when harvest started. However, the local SILC group in her village in Mali had decided to make savings from their social fund available to needy members of their community. When they heard of Aissata's difficulties, they were able to help her. She received a small grant and was able to pay for medication without having to sell her goat. She is now a participating member herself. "SILC saves the poor," says Aissata.

Nonfinancial Benefits of SILC—Building Solidarity and Mutual Support

A SILC group provides a venue for people to meet on a regular basis and discuss issues that affect their lives and the life of their community. Self-selection and the opportunity to share a common goal to improve their daily lives create strong social cohesion and a sense of belonging, which often empowers members to take charge of their lives and become actors of change in their community. They help each other in times of emergency and distress through mutual support and encouragement and are often willing to lend a helping hand to members in need and to the community at large.

Some SILC groups take social cohesion one step further.

Bahumwile Bwaheta Bwanamaya, a SILC member in Tanzania, and other members of his SILC group have collectively set up a fishing project by buying a boat and fishing nets. Their goal is to provide mud brick houses for the entire group and to ensure that all the families will be able to cover their children's school fees.



Photo Credit: Wendy-Ann Rowe /CRS



Photo Credit: Wendy-Ann Rowe /CRS



Photo Credit: Lisa Parrot/CRS

Françoise Uwimana and Yvonne Umubyeyi, both members of Nokara Silc group in Rwanda, had lived in the same village for years, but only got to know each other better after attending SILC meetings. *"We were just neighbors,"* says Yvonne, *"we had no deep harmony between us."*

With six kids at home – two boys and four girls ranging in age from 20 months to 7 years old – along with two nephews and a niece who lost their parents, Françoise has a hard time making ends meet. The SILC group has been of great assistance: a 30 USD loan allowed her to set up a small shop. But it's not really the loans that Françoise likes about the savings group. It's Yvonne.

When Yvonne's brother fell seriously ill and died, she was frantic. *"I was running around the hospital not knowing what happened,"* Yvonne says. *"It was amazing – Françoise was the first person to come and comfort us."*

Their friendship deepened, and now Yvonne is a frequent visitor to Françoise's house, helping her take care of the six children. *"School fees are a real trial for me,"* Françoise says. *"Each time students are about to go back to school, Yvonne has always been there to comfort and encourage me."*

She has also helped pay school fees when Françoise cannot raise the money on time. Françoise says she never had a friend before Yvonne. With the support their friendship provides, both women feel that their lives are better now.

Savings groups strengthen communities through friendships and mutual solidarity. Women chat with one another about their kids, their jobs and their husbands. They also help one another.

Adapted from a story by Lane Harthill



Photo Credit: Lane Harthill for CRS

Strengths and Limitations of the SILC Methodology

SILC is effective because it's flexible, accessible, transparent, cost-effective, simple and self-owned. It empowers women, builds social support networks and safety nets, and encourages investment of capital for income-generating activities.

Since the methodology is specifically aimed at supporting the poor, there are a few limitations in the first few months of the group's life cycle. During this period, loan sizes are smaller, loan periods are shorter, the amount of money available is less than with mature groups, and members must wait until the savings build up. There are also limitations in timing the amounts requested for seasonal needs.

The strengths and limitations have been discussed at length in the previous publication, *SILC: A Basis for Integral Human Development*, CRS, October 2006.

Supporting Sustainable Scaling up of SILC: A Market-led Approach through Private Service Providers

At the end of each cycle of 6 to 12 months, SILC groups share the profits and return accumulated savings to their members. As this usually gets the attention of the community it leads to a growing request for SILC services. In order to meet this demand, CRS has developed an innovative approach to improve the delivery of SILC services to communities in a more sustainable way. Historically, CRS and its partners have paid the field agents that have supported the formation and development of SILC groups. In many cases where donor support is no longer available to ensure the supervision of existing groups or formation of new groups, CRS partners have faced a dilemma in meeting unmet demands for SILC.

From this need, the innovation of the Private Service Provider (PSP) model has arisen⁴. PSPs are field agents that have been trained and certified over a specific period of time to offer low-cost, high-quality financial services to the very poor and marginalized communities. CRS experiences that communities value the SILC methodology highly; so much it is observed that some SILC groups were willing to pay a field agent for technical support on their activities. CRS has taken the idea of "fee-for-service" a step further by ensuring a high quality of the services provided to the group. Through a process of intensive training and certification, PSPs are better prepared to support communities in sustainably managing and replicating SILC activities.

Once certified, PSPs offer a range of services which include functions such as promotion, organization, group formation, training, bookkeeping, financial management, networking, liquidity management, and performance monitoring enabling groups to better access and leverage sources of capital from within the community.

⁴ In: *Financial Promise for the Poor: How Groups Build Microsavings*, 2010, Kim Wilson, Malcolm Harper and Matthew Griffith, Chapter 12 p 119, Market-led Expansion through Fee-for-Service Agents by Julie Zollman and Guy Vanmeenen

The premise of the PSP approach is that of ensuring the sustainability of SILC activities in the targeted communities. CRS defines sustainability at three levels:

Level 1 – Group sustainability: While mainstream microfinance defines “sustainability” as covering operational and financial costs, the savings-led SILC model defines “financial sustainability” as group members having continued access to financial services through self-managed groups. Once groups are properly trained, they can operate their savings and loan activities independently for as long as they wish.

Level 2 – Market-driven delivery channel: As stated earlier, CRS has developed an approach whereby locally recruited field agents who have worked for at least six months to one year under close supervision by local partners become eligible to begin the PSP certification process.

Certification is based on

- 1) a formal training course (1-2 weeks)
- 2) three refresher trainings
- 3) on-the-job training and extensive mentoring by the trainers/supervisors (6 - 12 months)
- 4) performance results of their SILC groups
- 5) their ability to respond to questions from a certification panel

Once certified, PSPs are able to serve SILC groups in the local market and negotiate a payment structure with new and mature SILC groups for service delivery, allowing for the model to spread. CRS anticipates that this approach will result in the sustainable delivery of SILC services to underserved communities.

Level 3 – Market-driven certification: While the training and certification of PSPs is an important step, an additional step is needed to ensure that the skills of current PSPs remain relevant to the needs of their SILC groups. CRS is looking at the development of PSP networks that can help to validate the PSP training, supervision and certification process. By building local capacity to manage the local certification process, this can help to create a sustainable method for replication of the SILC model in rural communities, based on private entrepreneurship and quality control. Through ongoing research, CRS and its partners are determining the point at which the certification process can become a financially viable approach in ensuring the sustainability of the SILC groups, the PSPs and the PSP networks. CRS is working to ensure that the focus on the poorest of the poor is not lost.

SILC—Supporting the Financial Needs of Households in a Variety of Development Programs

SILC tackles the realities and demand of CRS, its partners and targeted communities for simple, affordable and flexible financial services to the most vulnerable and disenfranchised people, thus advancing CRS' mandate to serve the poorest of the poor⁵.

SILC results in greater financial inclusion of several target groups that have been excluded from accessing traditional financial services. This includes households that are food insecure, poor farmers, people affected by HIV, and vulnerable youth—all of whom have usually been deemed too risky by other financial service providers to qualify for loans. SILC presents a greater opportunity for CRS to extend financial services to the more marginalized and poor segments of society.

The following are a few practical examples of how SILC has been able to successfully integrate with other development programs.

SILC and HIV

The consequences of the HIV pandemic are unprecedented and far-reaching. The economic impact of HIV on individuals and families is well documented, including decreased work capacity, asset depletion, and food insecurity. The increasing availability of antiretroviral therapy (ART) in many low resource settings has changed the natural history of HIV dramatically, creating a chronic condition from what was once a fatal disease. As PLHIV (People Living with HIV/AIDS) live longer and regain their health, their productive capacity also improves. While not all PLHIV are able to return to their pre-illness livelihoods, programs such as SILC can help to reinforce livelihoods of this population and their vulnerable families. Interventions such as SILC can help PLHIV and HIV-affected households protect assets as well as enhance food security and may have additional benefits such as increased social engagement and decreased stigma. SILC helps families affected by HIV to cover vital expenses, ensure the well-being of the children in their care, increase their income, build their savings and give the poor access to capital.

Benefits of Linking SILC to HIV

Some practical benefits of linking SILC with HIV include:

- 1. Improved food security**—SILC makes funds available that can be used by PLHIV to purchase food and ensure regular access to food which may contribute to greater adherence to antiretroviral therapy.

⁵ Programs can combine the SILC approach with CRS' Learning Conversations (LCs). LCs are designed to promote positive deviance in a very simple way in that they facilitate a process through which the villagers themselves reflect on their experiences to identify best practices which work. Thus, local knowledge is identified and promoted through peer learning as opposed to lecturing by an outsider. SILC members can learn to identify business and market opportunities, solve their problems, and attract financial and social resources. The Learning Conversations model is being used as a pilot project to help SILC group members, who often need support to identify business solutions, gain self-confidence.

2. **Access to social fund supports critical needs**—The social fund allows the use of funds to cover emergency financial costs associated with HIV treatment e.g., for transportation to local clinics, for treatment or testing. In other cases, SILC groups have elected to utilize their social funds to support families severely affected by HIV.
3. **A platform for HIV education and awareness**—In many programs, SILC has been used as a platform for education and awareness on HIV. CRS country programs such as Tanzania have integrated “Stepping Stones”⁶—a training on HIV, communication and gender—into nearly every SILC group. The curriculum uses participatory learning groups to discuss issues related to HIV and behavioral change. It has also provided opportunities to encourage SILC members to undergo voluntary testing and counseling. In cases where a member may be HIV-positive, SILC can continue to create an atmosphere for psychosocial support from other members. Additionally members have reported a reduction in stigma in SILC groups that have been exposed to HIV education. In focus groups conducted in Kisorya, a community in Tanzania, SILC participants reported the importance of increased knowledge about HIV in helping them make better-informed life decisions. In this area, it is now more accepted for the cause of an HIV-related death to be openly discussed.
4. **Increased social capital within communities**—Groups exposed to both SILC and Stepping Stones training have reported greater solidarity and engagement with other community members who are living with HIV. In a study conducted in Kibara, Tanzania in 2007, several of the members in interviews indicated that in the event that they were to fall ill, they were confident that their fellow SILC members would take care of them, particularly through visits and social support.

Ferdinand Mwala, a member of the Nguvu Juu SILC group in Kibara, Tanzania, was introduced to SILC when he discovered he was HIV-positive. His local mission hospital, Kibara hospital, has been administering a project since 2002, in partnership with CRS, to improve quality of life of people living with HIV. The project initially focused on voluntary counseling and testing, home-based care (HBC), HIV awareness, and behavior change. In addition, SILC was introduced in districts with high prevalence rates when it became apparent that income generation was a fundamental issue for the families affected by HIV. (Often a high proportion of women in the project had been forced to turn to prostitution to provide for their families, adding to the list of woes befalling the community.)

As well, CRS Tanzania and Kibara hospital staff introduced the Stepping Stones curriculum at SILC group meetings, providing training at the same time.

For Ferdinand, this means that he gets both financial and social support through the linked SILC and Kibara project. He has taken two loans to expand his carpentry business and now provides the only income for his family.

As another HIV-positive SILC member says: *“The good thing about this group is that we who are suffering, those of us who know our HIV status, we can encourage each other. When we are together and when we part, we leave with the hope that we can survive.”*

Extract from “The SEEP Network HIV & AIDS and MED (HAMED) Working Group” Study by Lisa Parrot, Tanzania, August 2007

6 See also: [http://steppingstonesfeedback.org/index.php/About/What issues does it address/gbg](http://steppingstonesfeedback.org/index.php/About/What%20issues%20does%20it%20address/gbg).

SILC and Orphans & Vulnerable Children (OVC)

It is estimated that 15.2 million children globally under the age of 18 have lost at least one parent to AIDS. Countries such as Botswana and Zambia face an alarming crisis, with 20% of their children already orphans and many of them taking care of siblings as head of the household. Vulnerable youth often drop out of school early out of necessity and find that the options for development without schooling are few. Many are vulnerable to adopting risky coping strategies such as child labor, sex trafficking, or even taking part in illegal trade. For OVC and youth in general,



Photo Credit: Lameck Mahohoma/CRS

programs that give support for livelihood development are critical to their survival. SILC has been one such complementary intervention offered to OVC and their caregivers.

Initially SILC was introduced to caregivers of OVC with the assumption that if they did well, the benefits would support the children in their care. However, communities began to integrate children into adult SILC groups in many places where OVC are the head of their household and are caring for other family members. By engaging children and youth (ages 13-24) as active participants in SILC, they have been able to better support themselves by protecting their assets, improving their financial management and literacy skills, as well as growing their assets from their savings and access to loans.

Francine Vuguzipa's Story (Rwanda)

Francine is 19 years old and has been involved in the OVC project for over five years. She is an orphan and lives alone. She was a student at a local primary school but struggled to balance going to school and earning a living, and consequently she made the decision to drop out. Francine had little hope until she learned about the vocational training program offered through CRS' OVC partners. She made the choice to join the program to learn sewing, and it was there that she also learned about SILC.

She decided to join a local SILC group with the support of her brother, and is now able to buy cloth and eat food from her garden as well as sell the surplus at the market. Francine hopes to one day help herself out of poverty and show other OVC that they have the ability to do the same.



Photo Credit: Wendy-Arn Rowe/CRS

Benefits of Linking SILC to OVC Programming

The introduction of SILC into OVC programming for caregivers but especially adolescents and youth has been particularly innovative in the field of microfinance. CRS supplies a holistic package of services to OVC to assist in improving their overall well-being. While many of these OVC programs have been subsidized there has been increasing evidence among various country programs that SILC has been able to support OVC households in making incremental contributions toward addressing their needs. The six core services offered by the CRS' OVC intervention and the impacts and benefits of SILC are below:

1. **Food and Nutritional Support**—Ensuring adequate access to nutritious food is an important component of OVC support. While kitchen gardens were initially seen as a survival mechanism to help OVC households mitigate the impacts of food insecurity, it has been shown that, when coupled with SILC, they help such families to diversify their produce and sell surplus crops in the market. It is this ability to sell, save and reinvest in the kitchen gardens that has resulted in an increase in household income. Additionally the pattern of saving within SILC has helped families plan more effectively for coping during the hungry season.
2. **Shelter and Care**—One of the common benefits noted among OVC participants as they engage in SILC has been their increased ability to invest in repairing and improving their living conditions. Taking loans out or receiving interest earned through the share-out has allowed for quick access to money for repairs.
3. **Protection**—OVC are often vulnerable to sex trafficking, loss of inherited land, and child labor. This exploitation due to a lack of economic opportunities is being alleviated through participation in SILC.
4. **Health Care**—Participation in SILC has allowed OVC caregivers and youth to pay for medical care. An example of this is evident among OVC participants in Rwanda that are required to pay the local health insurance. Additionally the structure of the SILC social fund supports access to funds for health emergencies.
5. **Psychosocial Support**—Youth participants of adult SILC groups have reported the value of being mentored by adults in life skills, business knowledge, and financial management. This is particularly important to OVC as there are few adult mentors in their lives. Youth-exclusive SILC groups also offer support through peer to peer exchanges and encouragement for OVC that are experiencing similar challenges.
6. **Education and Vocational Training** – Money earned through SILC is often used by caregivers and OVC child-headed households to pay fees and school supplies for children within their care.

SILC and Health

Health services in many countries in Africa are, overall, inadequate for covering the health needs of the populations. Even in countries where health care is reliable and accessible, the fragile economic status of households is often an inhibiting factor. The financial burden of health care services further decreases households' economic power, compromising people's health and families' well-being.



Photo Credit: Ibrahim Tarawally/CRS

Babie Samu, Hawa Alpha and Jenba Fobbay, all three members of a SILC group in Joi community in Kailahun district, Sierra Leone, are proud mothers of newborn babies. There is a special significance to why they are here today: all three were assisted by the SILC social fund to deliver safely in the nearest health center in Lalehun 5 km away.

“One in every eight women in Sierra Leone is at risk of dying by pregnancy and childbirth complications exacerbated by a combination of poverty, discrimination, inequality and government mismanagement.” Amnesty International reported in September 2009. According to data from WHO, Sierra Leone holds the record for the highest maternal mortality rate globally, making it the worst place on the planet for a woman to be pregnant. This is especially true in the rural areas where CRS operates SILC activities. One of the reasons is that most rural women cannot afford the delivery costs charged by midwives or health centers.

Along with SILC, CRS is implementing health projects that target pregnant women in Kailahun. In various health talks delivered to pregnant women, CRS health field agents are constantly emphasizing safe child delivery practices that include regular visits to the nearest health centers and delivery by trained traditional birth attendants (TBA)/midwives or in the nearest Provincial Health Unit (PHU).

All three of the new mothers had complications during previous pregnancies and deliveries. They are quick to point out that SILC not only helped them financially, but may also have saved their lives and those of their babies.

According to a 2005 behavioral study performed in the Atacora region of Benin, the most common medical issues that motivate families to use medical facilities are sickness (65%), childbirth (12%), and vaccinations (28%)⁷. However, the perceived high cost of medical care, the price of poorer quality substitute services, and the lack of information available to the public on available services are primary factors that influence demand for professional services. In the end, poor households find it difficult to access health care because the fees are usually too high to afford.

SILC and its Benefit on Health

1. **Increased ability to pay for access to health facilities**—While SILC is unable to address issues of physical access to health facilities, there have been several promising case studies showing SILC members’ increased ability to pay for transportation to medical facilities as well as paying for needed treatment through their social fund. The social fund in many groups plays a critical function of helping to meet emergency needs and reducing the vulnerability of households that are often prone to borrowing from money lenders or extortionists when a family member falls ill.
2. **A platform for health messages**—One of the many benefits of the SILC group is that it creates an ideal atmosphere for conveying important life skills and health messages for its participants through awareness building campaigns and education on maternal health issues, infant mortality, nutrition, and HIV.
3. **Improved ability to pay health insurance premiums**—In some countries, such as Rwanda, SILC participants are being empowered to go even a step further to save and pay for the national insurance premium. In Rwanda, payment of the *mutuelles* (the national health insurance) for household members is required by the government. For many families, the payment of these monthly premiums poses a challenge, particularly as they seek to balance some of their other financial obligations. In interviews with SILC participants however, they have highlighted the role of SILC in improving their ability to pay for the health insurance premiums.

In Benin and Kenya, CRS is networking with local health insurance providers to look at affordable and accessible health coverage for SILC members. Different payment methods are being considered (one-time payment, daily mobile phone credit deductions, saving-up through the social fund) to cover the insurance premiums for comprehensive health care, personal accidents and funeral expenses.

SILC and Water & Sanitation (WATSAN)

Community-managed water projects often build infrastructures—for example boreholes, protected springs, storage tanks, and communal water taps—that are then managed by a water management committee or user association. Unfortunately, many of these initiatives fail to become sustainable because the water committee lacks the skills and/or organizational capacity to adequately manage the necessary financial components: reasonable pricing of water use fees,

⁷ Amces, Unidea. Study of the demand for healthcare services in Tanguieta, Materi and Coby. 2005.

transparency in the handling of the water fees (cash management), and ensuring that sufficient cash is on hand to cover the recurrent costs for maintenance and repair. All too often, the inability to pay for routine maintenance and repair of upgraded water sources eventually causes them to deteriorate or fail outright.

CRS believes that SILC can become an important complement for water and sanitation initiatives. The strengths of the SILC structure are potentially transferable to that of water management, particularly in leveraging the group management skills to better handle the financial demands of managing water points.

Benefits of SILC on Water Users

- 1 SILC helps pay water fees** – First and foremost, the beneficial effect of integrating SILC with water projects is the increased capacity and willingness of SILC members to pay water use fees. Without a market that is willing and able to pay essential water fees, water projects cannot be sustainable. SILC ensures that households have sufficient revenue to pay for potable water. SILC also bolsters demand for water in the community. Since most SILC group members are women (who are generally responsible for gathering water for the household) they are in the unique position of now having cash to pay for water so that they can use their available time more productively, rather than walk many kilometers to gather free water.
- 2 SILC helps cover recurrent costs** – Over time, all types of water infrastructure require maintenance and repair that the community must finance if it values the infrastructure. For example, purchasing fuel for pumps, cleaning storage tanks, or replacing taps requires that specific sums of cash be available within the community when needed. SILC is an ideal support to WATSAN activities because the groups are well-structured, socially cohesive, and

Mama Sellina Kazungu, 42, is a widow with eight children who lives in Makadara Majengo village in Kikambala at the Kenyan coast. When she joined the Upendo SILC group (Upendo means love in Swahili), she was able to secure a loan to renovate the dilapidated building in which she and her children lived. It allowed her to construct a pit latrine, which vastly improved the sanitary situation for her family. With her loan, she also started a fish-selling business, which generated income from which she has been able to pay back her loan.

Not far down the coast, in Mombasa, **Caroline Kache** is a member of the Jipe Moyo SILC group that is made up of low-income Kenyans living with HIV/AIDS. She used her loan to construct a borehole on her two-acre farm, allowing her to irrigate her crops in an area that often suffers unforeseen water shortages. The borehole now gives her not only security that she will not lose her crops, but also provides water for cooking, washing and cleaning.



Photo Credit:: James Maende Ochieng

have financial resources managed by a democratically elected committee with well-trained executives (secretary, treasurer, and chair). SILC groups have the potential of helping members save for water fees and support water management committees. In terms of mobilizing community resources to help cover recurrent water infrastructure costs, SILC could play a very direct and significant role.

SILC and Peacebuilding

In various regions in Africa, ethnic and tribal strife has divided communities and caused violence and suffering. The poor are always the worst affected because they do not have the means to start over. Ironically, they are also the ones who are most easily drawn into participating in violent conflicts since they have little to lose and may be manipulated by the desire for quick gains. Anger and resentment over damaged assets create the desire for revenge, thus starting a cycle of violence that is difficult to break.

Conflicts are often fueled by poverty, lack of employment, and lack of opportunities for development. To alleviate these problems, CRS' peacebuilding programs have been working to develop greater social cohesion within communities and integrate peacebuilding initiatives in the SILC activities.

SILC presents a natural way for communities to sit and openly discuss topics related to how the community at large can progress. SILC brings people of conflicting views together because they can help each other economically. When individuals are actively engaged in livelihood restoration, they tend to focus on productive ventures and preserve peace as a way of protecting their investments. This leads to unity through social solidarity.

Benefits of Linking SILC to Peacebuilding Initiatives

- 1. Engagement in SILC can help rebuild trust in communities**—Engaging in SILC can help to build cohesion among community members. The very nature of SILC requires trust, particularly as members collectively manage their savings and investments. This trust often spills over into other aspects of life as participating households work to find solutions to enhance their economic well-being and livelihood.
- 2. Engagement in SILC can help members to re-engage with their communities**—In Rwanda SILC has helped to integrate individuals back into society following the genocide. Where certain individuals were once shunned for the crimes they had committed, SILC has found a way for them to reconnect with their communities and work together toward common goals. The positive mutual support and ability to economically support each other has truly benefited people who may have continued a life of isolation – which can sometimes lead to future conflicts.

Marguerite Nyandwi is from a minority ethnic group called the Batwa who live in Burundi and the Great Lakes region. The Batwa are poor, landless and marginalized.

“For a long time, my work consisted of digging each day in the public waste dump looking for items that I could sell. This sometimes enabled me to find some small stuff that I could sell and have a minimum of food for my children and myself.”

One day, Marguerite heard about the BIRATURABA SILC group. She was curious about the methodology and quickly understood the opportunity it could offer. She decided to become a SILC member.

She then convinced fellow Batwa women to join her and they contacted the field staff of the association, who in turn trained them and gave them a supervisor. It was not easy for Marguerite to save money, as she already earned so little. With great effort, she put aside small amounts from the little she earned through selling empty bottles (approximately \$16 USD per month). Marguerite had to travel by foot to Buyenzi and Ngagara (a distance of 10 kilometers round trip each day) from Buterere to sell the bottles. This was too far for her, and after she joined the SILC group, she abandoned this activity.

*“After a few weeks of saving I received a credit from my SILC group. This was great pride for me because since I was born, it was the first time that people trusted me to the point of offering me credit. This credit enabled me to initiate some petty commerce and to stop visiting the public waste dump. **This is the most important thing that I have gained from SILC.** Moreover, today, I easily manage to nourish my children three times a day, and to buy clothes for them and for myself. Now I am like the other people and they no longer look down on me. As of now, I have accessed a second credit and been able to rent 0.25 ha of land for rice farming. I intend to make a profit of at least 35 USD after having paid back my debt. Later on, I will request another credit to rent 0.50 ha, and even 1 ha in the future.”* Marguerite says.

She now realizes that the marginalization she and the Batwa suffer is due to the poverty in which they live, and not to their ethnicity. *“I have understood that the humiliation I underwent was related to my condition of poverty; for me, true marginalization is made by the rich towards the poor.”*



Photo Credit: Celeste Gregory/CRS

SILC and Child Trafficking

Child trafficking is a complex social problem. Often families and communities are unaware of the dangers and consequences of engaging in certain actions that can result in child trafficking. Frequently, traffickers tell parents that a child has the potential of having a better life, with opportunities for education or training in a trade. In one study of recovered exploited children, over 40% of the parents said they had allowed their children to be taken away by traffickers because they were told their children would receive a better education (UNICEF Benin 1998). In addition, research of the Education First Project⁸ in Benin indicates that even if parents knew that their children had been trafficked into labor, they had not been aware of the severe deprivation and abuse that their children had been suffering. Once parents, and in particular mothers, became aware of the dangers of child trafficking, they became more engaged in preventing it within their families.

Two of the primary causes for sending children away include lack of economic opportunities and limited knowledge on the negative effects of this decision. CRS believes that access to savings and credit through SILC can enable families to withstand the financial pressures that foster trafficking.



Photo Credit Jerome Dadjo/CRS

Agnes Houdje, 35, is the mother of seven children and a member of the Edjlossè, “*If Destiny Wants*”, SILC group in Benin. Since December 21, 2007, she has been saving regularly along with the 40 other members. A loan from the group helped Agnes grow her business of making and selling soy-based cheese.

Before joining her SILC group, Agnes lacked capital and had to purchase equipment and raw materials on credit at high interest rates. Now participation in SILC is allowing her to expand her business.

After nine months as a SILC member, Agnes says, “*I’m in my seventh (loan) cycle with my SILC group and I repay regularly. I have used loans for equipment, and I am able to pay household expenses more easily. What delights me is that I am on my way to regaining my balance.*”

One of Agnes’ daughters is assisting Agnes with the cheese business. Agnes’ friends encouraged her to send her child to the city, insisting that it would be an investment for the family, but Agnes refused. Instead, using the profits from her business, Agnes plans to enroll her daughter in a local apprenticeship program. Her reasons came from personal experience: “*I was placed in the city with a compatriot when I was a child. The physical cruelty and humiliations that I underwent then were not so harsh in comparison with what happens these days. Whatever the difficulties, we must avoid the placement of children.*”

Thanks to generous donor support, CRS and SILC have helped Agnes end the cycle of trafficking in her family, thereby preventing her children from undergoing the same painful experience as she did.

⁸ Education First Project, an anti-child-trafficking project focused on providing access to education, is funded by the US Department of Labor and executed by a consortium of three international NGOs, with CRS/Benin as the lead organization.

Benefits of SILC in Mitigating Incidences of Trafficking

- 1. Improved financial management for vulnerable households**—SILC can help families better survive shocks and reduce incidences whereby they may be prone to engage their children in child labor or send them away for what appear to be better opportunities. In some countries, children are being placed with other households as domestic workers for compensation to the family amounting to as little as 25 USD. In cases such as these, SILC is helping households to access the money they need to meet urgent needs, thus enabling them to withstand trafficking.
- 2. Increased opportunities for education and awareness on the risk of overseas placement of children**—In countries such as Benin, SILC has been used as a platform for intensive awareness-raising campaigns on the dangers of child trafficking, particularly for families that are at risk.

SILC and Environmental Protection

SILC meetings can also be used for addressing pressing environmental problems, especially where they are already affecting the lives of the poor. It can be expected that women in developing countries will be the hardest hit by the effect of global warming⁹ as women are mainly involved in agriculture and petty trade in rural areas that are prone to drought and flooding. Therefore, delivering environmental education will have to become a priority issue in development assistance programs. SILC meetings can be used as a platform to introduce this issue.

The Asiye Na Wake Ana Mungu SILC — “A person without a companion has God” — is a SILC group in Kenya comprised of 24 active members, all of whom are HIV-positive and caregivers to children orphaned by HIV and AIDS. The groups are linked to CRS home-based care (HBC) programs and PLHIV support groups. One of the group’s main activities has been to encourage the planting of fruit trees, which helps provide nutrition to boost income levels and to alert members to environmental issues.

Peter Charo and his wife are members of the group. Charo received a loan of 12 USD last year and started a nursery for *casuarina* seedlings as wood from *casuarina* trees is used as building material for local hotels.

Peter is involved in renewable resources because he is growing these trees for providing timber rather than cutting down pre-existing trees.

In Ethiopia, the CRS Adidaero Integrated Water Management (IWM) Project, of which SILC is one component, addressed Natural Resource Management (NRM) with the local communities. The impacts of NRM activities that were observed and articulated by the community include:

- a boost in production
- an increase in spring water discharge
- a recovering ecosystem, as evidenced by the return of small wild animals
- improved vegetation cover

⁹ U.N. report: Global warming risk to women Nov. 18, 2009, http://www.upi.com/Top_News/US/2009/11/18/UN-report-Global-warming-risk-to-women/UPI-26921258556464/

- reduced soil erosion
- the creation of a high potential opportunity for honey production

In a project implemented by CRS partner Caritas Natitingou in Benin, SILC facilitators were trained in practical strategies for environmental protection and in seedling and nursery garden techniques. Thanks to the training, the facilitators included a discussion on the importance of reforestation in their sessions with SILC groups. Members of mature SILC groups were encouraged to plant native tree species whose fruits could be used by their communities.

In Kenya, CRS has integrated SILC into a forestation project allowing participants to start saving some of the proceeds from a carbon credit scheme to plant trees (Integrated program with “TIST - The International Small Group and Tree Planting Project).

SILC and Agriculture

The funding challenges faced by smallholder farmers within CRS programming have warranted the exploration of more innovative and affordable solutions. SILC is one such solution because the groups empower farmers to be able to lend to each other, repay the loans they receive and then access lump sums of cash at the end of each cycle to purchase inputs for agriculture. The internal lending component of these savings groups allows for the provision of short-term loans that can be used for production and collective marketing activities. Although the amount of savings generated by these groups is rarely sufficient to grant more than a few loans at a time, there is greater flexibility and simplicity in acquiring funding through a SILC compared to a loan from an MFI. In many cases a farmer can use a loan for both consumption purposes as well as productive activities. This helps prevent “fire sales” of green crops to meet financial obligations¹⁰, or worse, the sale of land, livestock or other physical assets on which their long-term livelihoods depend.

Applying the savings-led model to agricultural finance activities requires some strategic thinking before the current model can become a viable source of investment capital. Within the first cycle, many group members are apprehensive about saving and borrowing as they are unsure of the potential of their SILC. Once they experience their first share-out however and begin saving again, there is usually an increase in the amount they are willing to contribute to the savings pool and more lending begins to take place. While the potential for the SILC to fund significant production activities within the first cycle is unlikely, individual members may choose to invest in small production activities at this time or use some of the profits from their share-out for input purchases. Investment in production activities increases as savings grow over subsequent cycles. It is at this point that limited but more organized agricultural finance becomes possible. Farmers engaged in SILC also recognize the true potential of savings and look to invest more income from their harvest to pre-finance seeds and fertilizer (by pre-paying suppliers to lock in input quality and price) or, at the very least, to set aside additional savings for future input purchases.

¹⁰ People harvesting before the crop has come to full maturation.

The Benefits of Linking SILC to Agriculture and Agro-enterprise Activities

Within the agriculture sector, SILC has become a strong complement to farmer group activities, particularly in the development of Farmer Field Schools (FFS)¹¹ and Farmer or Producer Marketing Groups (PMG). Farmers engaged in SILC activities are able to:

- 1. Build core skills that are important for farmer group formation** – The agriculture sector within CRS promotes five key skills sets¹² to help poor farmers develop into stronger farmer groups. By linking SILC to trainings offered in FFS, farmers are able to benefit from two of the five skills sets, namely strong group engagement and better developed financial management skills.
- 2. Meet household consumption needs while maintaining their production activities** – Many farmers struggle to fully reap the benefits of a successful production cycle due to demands within their own households. Selling of immature crops is often a result of desperation during lean seasons. However, a flexible financial management tool like SILC can help households manage their finances better, saving during times of plenty and accessing loans during lean times or when larger lump sums are needed.
- 3. Collective savings for inputs and other production activities** – As SILC groups mature and are able to earn more interest on their savings and reinvest the profits from the production activities, there is a greater potential to use the collective power of SILC to secure higher quality inputs and finance production and marketing activities. In Tanzania, farmers under a project managed by the Mwanza Rural Housing Project and CRS formed themselves into saving groups and eventually into what are known as SILC Group Associations (SIGAs) for the purpose of collective marketing. SIGAs were formed primarily around collective marketing



Photo Credit: Ibrahim Tarawally/CRS

Hawa John is a poor farmer in Taninehun village, in Kailahun district, in Sierra Leone. To improve her farming techniques, she joined the CRS-supervised Farmer Field School in which she learned various farming skills and graduated at the end of the farming season.

After graduation, although she was willing to adopt her newly learned techniques in rice production, she did not have seed rice and could not afford to buy it. When the savings and loan project was introduced in the community, she joined, seeing it as an opportunity for adopting her newly learned FFS technologies. After three months of saving, Hawa decided to take out a loan and put her acquired farming knowledge to the test.

At the start of the planting season, she summoned the elders in the community and requested a piece of land that was granted with support of her savings and loan group members. She nursed and planted the seeds in the rains using the FFS techniques and was rewarded with a good harvest. When asked how she felt, her first response was an expression of gratitude for the introduction of the savings and loan methodology in the community.

“If the savings and loan group in Taninehun had not been established, it would have been impossible for me to apply what I learned” she said excitedly. *“Besides, I will have my planting stock for the rest of my life!”* she proudly announced, pointing at her farm.

11 Farmer Field Schools (FFS) are farmer groups of about 15 to 25 members who engage in trials and evaluation of new technologies, such as seeds and other inputs, and improved agronomic practices. Different FFS can group together into a Producer Marketing Group (PMG) of about 150 to 200 members to do production planning and benefit from economies of scale to buy inputs and market collectively.

12 Group management; financial management; business and marketing; sustainable production and natural resource management; evaluating and testing innovations.

activities and are active only during the months leading up to the selling season, disbanding after the season ends. The SILC groups, however, remain intact throughout the year and are able to maintain group cohesion and continue the process of saving and internal lending.

SILC and Food Security

Many communities worldwide are vulnerable to increasing and persistent food insecurity. Low levels of income, combined with a lack of knowledge on how to manage expenses and increase income during food insecure periods can affect a household’s productive potential. Given the variability of household income in many of the communities where CRS and its partners operate, income smoothing is extremely important in helping to mitigate the negative effects of food insecurity. Even if a household is unable to increase its income levels, if there is a mechanism that allows for saving in times of relative plenty and access to those assets in times of scarcity, then households will have a better chance of coping.

SILC helps households do this. Food insecurity in many communities tends to occur at certain times throughout the year; a financial tool such as SILC can help households better plan for these lean periods. Access to lump sums through SILC when needed can help to prevent asset liquidation, which is a short-term solution that weakens the households’ economic security in the medium term. The ability to efficiently manage household resources allows better protection of assets needed to improve livelihood and productive investments.

Wutesia caregivers benefit from SILC and Agriculture

On Kenya’s coast CRS teamed up with the APHIA II program to assist populations affected by the AIDS pandemic. The Wutesia caregivers group of Wundanyi, Tsavo West, was one of the beneficiaries of this joint effort. The group supports PLHIV and engaged in SILC and agriculture.

A member of the group, **Peris Mwangake**, donated a piece of land where the group plants vegetables. CRS, through funds from APHIA II, helped set up a demonstration farm where group members would learn about kitchen gardening and also provided the group with seeds for the demonstration plot.

Each member of the group received a variety of vegetable seeds such as capsicum, spinach, eggplant, and Amaranth seeds. From this, all 34 group members have developed kitchen gardens. The kitchen gardens are an important source of food for OVC households as these households are able to get a regular supply of vegetables from them, thereby greatly improving the food security for this vulnerable population.

Benefits of SILC on Household Food Security

SILC helps ease household consumption and protects assets—SILC provides a mechanism that helps households better manage their finances, which allows them to not only protect their productive assets but grow their income. For example, in Kyenjojo, Uganda, SILC Farmer groups allowed members to acquire loans to pay for basic needs, which enabled them to sell their crops

over a longer time period. With stocks lasting longer, the group was able to sell their surplus at higher prices during the hungry season, dramatically improving their profits.

SILC and Education

Affording basic education is a problem for many families in the world today. At the same time, widespread illiteracy and low levels of elementary education can significantly hinder the income-earning potential of a household. While government subsidies may exist that would allow children to acquire primary school education, many families are often faced with the difficult choice of having to decide which of their children should benefit from this opportunity. The need to make this choice is usually dictated by the need for children to work and support the family's livelihood. In other situations where no such subsidies may exist, families often struggle with the fees needed to cover the cost of schooling as well as other costs associated with the child's education.



Photo Credit: David Snyder for CRS



Photo Credit: Debbie Devoe/CRS



Photo Credit: Debbie Devoe/CRS

In eastern Rwanda, in the small town of Zaza, situated approximately 20 kilometers from the major town center of Ngoma, the USAID-funded project “Support to Orphans and Vulnerable Children (OVC)” has been helping children and their families in the area since 2004 with support in five major areas: nutrition, education, health, psychosocial support, child protection and economic strengthening. The CRS SILC program is part of this effort.

The OVC project directly helps more than 200 children with school fees and supplies. However, due to program limitations, many more are not reached in this way. Fortunately, SILC groups have been able to help. For example, members of the “Talimbere” SILC group have devoted most of their efforts to the education of their children. One mother stated that she borrowed 8.5 USD from the SILC group to buy school supplies for her child. She said that this fund is helping her child remain in school. The SILC group has provided several such loans to participating members.

The OVC program has since initiated ten SILC groups throughout the country. With monthly contributions of 0.30 to 0.40 USD, members are finding innovative ways to increase their household revenue and cover the education of their children.

Benefits of SILC on Improving Education within Households

1. **Ability to influence change and reforms within the education sector**—Most CRS education programs work with Parents Teacher Associations (PTAs), School Management Committees (SMCs) and related committees providing an ideal channel for SILC awareness training. Additionally, households can be informed about the benefits of SILC and particularly the importance of having a savings component for educational purposes. The social dynamics of the SILC group can be used to assert influence with local government authorities for improved education and to advocate for school feeding and health, infrastructure innovation, provision of materials/equipment, teacher training, better educational opportunities for girls, and curriculum reform.
2. **Ability to pay for school fees and expenses**—One of the most significant contributions of SILC for education is the increased ability of households to incrementally save toward the payment of school fees and school supplies. Additionally, many SILC groups make provisions for loans at specific times during the year to allow for the payment of school fees. For example, a program in Mali designed to support school feeding and child nutrition, Food for Education (financed by the USDA), is being integrated with SILC activities. This project consists of the start-up of school canteens, feeding and nutritional rehabilitation centers, and nutritional health education in 120 villages in the Mopti region. The members of the SILC groups are all mothers of pupils of the schools or of pre-school children that were approached through the nutrition and rehabilitation centers.

This SILC activity targeted 1575 women over a period of three years, opening canteens in schools and working on nutritional rehabilitation through the HEARTH¹³ approach. The goal was to sustain the education of the children in the region with a particular emphasis on the education of girls. The SILC activities have helped to increase the income of households within the local communities so that they will ultimately be able to shoulder the cost of the education of their children.

¹³ HEARTH is a nutrition rehabilitation CRS project through peer education.

Conclusion

Savings-led Microfinance Leads to a Holistic Community Development.

Access to appropriate financial services is one of many challenges for the poor, and savings-led microfinance programs are meeting the challenge very effectively¹⁴. CRS has demonstrated that savings-led microfinance groups solve many financial access problems. *All groups have a secure savings system with positive returns, an internal loan fund and access to a social fund for emergency purposes.* More importantly, however, these groups also serve as the engine for many other forms of development. *Savings groups lead to financial and social empowerment of individuals, households and communities, creating a platform for Integral Human Development on which community-based problem solving flourishes. It makes effective, low cost means of improving livelihood security available to the very poor households.*

The financial, social and human capital that (mainly) women develop through regular savings-led microfinance group meetings is transferred to an amazing array of actions that result in behavior change. *Tens of thousands of savings groups, in Africa, supported by CRS, learn how to elect democratically leaders for transparent governance and management of their groups. They learn to create and own a constitution, empower women, improve the health and education of their children, take care of orphans and vulnerable children, support people living with HIV, collectively buy and sell farmer inputs and produce, and stimulate community-based problem solving to address local development issues.* These members use their sociopolitical positions and group influence to lobby for change and to bring schools, teachers, roads, wells, and health centers to their villages.

CRS believes there is now sufficient evidence proving the effectiveness of savings groups to warrant a massive scale-up. The goal is to reach millions of participants and to build on the organizational capacity and economic force of groups. This will allow an expansion in the range of interventions for holistic community development.

¹⁴ Similar successful savings-led programs are being implemented by CARE (ISL), PACT (Worth), Oxfam (Savings for Change), Hugh Allen (VSLA) among others.



Photo Credit: Guy Vanmeenen/CRS

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Acronyms

AIDS	acquired immunodeficiency syndrome
ASCA	accumulating savings and credit association
FFS	farmer field school
HBC	home-based care
HIV	human immunodeficiency virus
IWM	integrated water management
LC	learning conversations
MFI	microfinance institution
NRM	natural resource management
OVC	orphans and vulnerable children
PLHIV	people living with HIV
PMG	producer marketing group
PSP	private service providers
PTA	parents teachers associations
ROSCA	rotating savings and credit association
SEEP	Small Enterprise & Education Promotion Network
SIGA	SILC group association
SMC	school management committees
TBA	traditional birth attendants
TIST	The International Small Group and Tree Planting Project
SILC	savings and internal lending communities
UNICEF	United Nations Children’s and Education Fund
USDA	US Department of Agriculture
VSLA	village savings and lending associates
WATSAN	water and sanitation

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