



Savings and Internal Lending Communities (SILC)

A Basis for Integral Human Development (IHD)

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List of Acronyms

ASCA	Accumulating Savings and Credit Association
BDS	Business Development Services
CIAT	International Center for Tropical Agriculture
CPD	Centre for Policy Dialogue
CST	Catholic Social Teachings
DFID	Department for International Development
FFS	Farmer Field School
IHD	Integral Human Development
ISL	Internal Savings and Lendings
LC	Learning Conversations
MFI	Microfinance Institution
MMD	Mata Masu Dubara (“ingenious women” in Houassa language)
MP	Member of Parliament
PMG	Producer Marketing Group
ROSCA	Rotating Savings and Credit Association
SEEP	Small Enterprise & Education Promotion Network
SHG	Self Help Group
SILC	Savings and Internal Lending Communities
UNICEF	United Nations Children’s and Education Fund
VSL	Village Savings and Lendings

Introduction

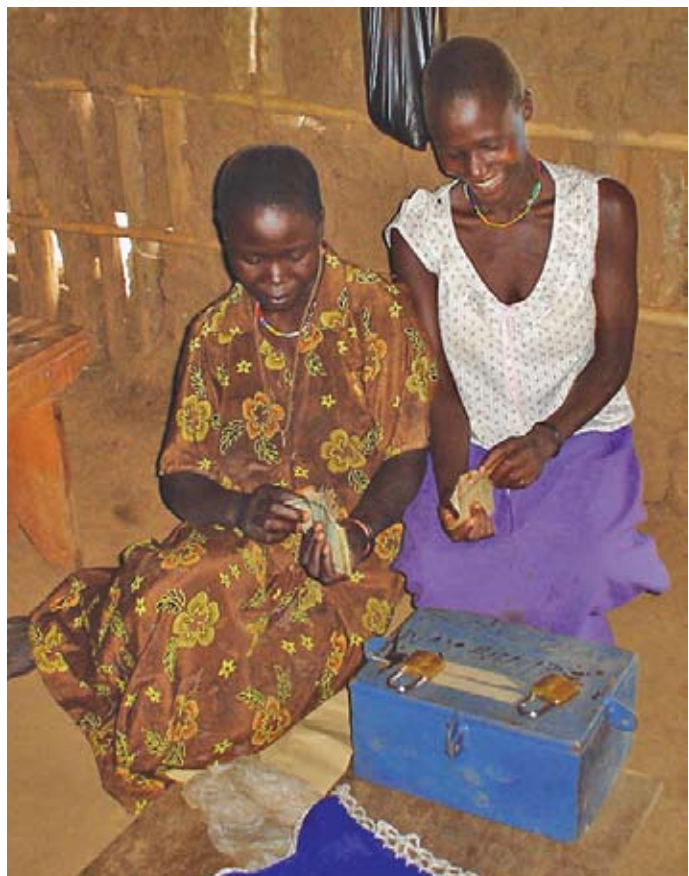
Catholic Relief Services (CRS) was founded in 1943 by the US Conference of Catholic Bishops to assist the poor and disadvantaged overseas. CRS' mission statement calls the agency to alleviate human suffering, advance full human development, and foster charity and justice in the world. While CRS seeks to capitalize on its strategic advantages as a faith based organization, all of its programs assist people on the basis of need, regardless of creed, ethnicity or nationality.

CRS is one of the world's largest private voluntary organizations, supporting international relief and development work in 99 countries and territories around the world, with offices in 68 countries. **Partnership is central to CRS' philosophy, and the agency has a long history of—and strong commitment to—strengthening local partner organizations.** The agency directly supports thousands of local partners, helping develop their capacities to acquire and manage donor resources and to achieve their operational goals, while providing both technical and managerial oversight to ensure sound program implementation and accountability to donors.

CRS is committed to long-term development, and the Agency uses the concept of **Integral Human Development (IHD)** as a framework for its holistic development programming. It is a vision of what we aim to achieve as we further the process of human development for the world's poor and marginalized populations. The process of IHD enables people to protect and expand the choices they have to improve their lives, meet their basic human needs, free themselves of oppression and realize their full human potential. For society, the pursuit of IHD morally obliges us, including government

and economic institutions, to seek justice, ensure equal opportunities for all, and put the dignity of the human person first.

Poverty particularly affects women and is primarily caused by low remuneration of income-generating activities, limited income-generating opportunities for rural populations, and poor access to financial resources. The poor have few opportunities to diversify their income-generating activities and have limited access to financial services due to lending practices that fail to target the poorest of the poor. Women, who usually require the smallest loans, are especially excluded from entering the credit market. Women face considerable cultural barriers that restrict their access to land and economic decision-making (Adotevi-Dia M. 2001).



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Savings and Internal Lending Communities (SILC) is a holistic programming approach in support of IHD that provides a strategy to increase low household income by providing people, primarily women, with income-generating opportunities through access to self-managed savings-led financial services. Lack of knowledge and limited income-generating opportunities are tackled by SILC based on positive deviance. SILC members reflect on their own experiences to identify best practices which work. Thus, local knowledge is identified and promoted through peer learning as opposed to lecturing by an outsider. This works well in situations where there is a reasonable expectation that some answers lie within the local body of knowledge, e.g. child-rearing practices, agricultural practices, income-generating activities, hygiene, safe drinking water, malaria prevention and control, selling more, saving more, etc.

SILC programs provide financial services that keep money in the community. The SILC model promotes financial services to the poorest of the poor who are in need of savings services and of very small initial loans of \$5 to \$50. These loans are at an appropriate small level tailored to women's own capacity and experience, limiting the risk of over-borrowing. Above all, SILC programs obviate the need to establish complex or specialized Microfinance Institutions (MFIs) as community members

use their own savings to build up a self-managed savings, credit and social fund. These groups belong to their members, so their operating principles (decisions about group size, loan terms, and interest rates) respond to the needs of the members and empower them in their development. Because money remains in the group, all of the benefits accrued are in the end returned to the group members. Members borrow from their own money, therefore the moral pressure to comply with repayment is high and the hazard of not repaying is drastically reduced to the point where there is virtually 100 percent repayment of loans made to members from group savings.

SILC leads to social and financial sustainability: understanding and building trust, village sensitization, group formation and inter-lending. Many savings-led women groups worldwide adopt issues relevant to their homes and community. They motivate the community and local government to engage in development issues that go beyond monetary returns, such as: conflict resolution, reduction of domestic abuse, reduction or prohibition of the production and sale of alcohol, improved school attendance (especially by girls), increased community vigilance, watershed management, health and sanitation, natural disaster mitigation, education, and politics.



Author Tanzania

SILC: Background

"Although their incomes may be tiny and irregular, the poor need more money than they often have at their disposal. The need for "useful lumpsums" arises from life-cycle events such as birth, education, marriage and death, from emergencies, including ill health, and from opportunities to invest in assets or commercial activities. The most reliable and sustainable way the poor can obtain "useful lump sum" resources is to build them, somehow or other, from their own savings; savings-led financial services for the poor exist to help them do just that." (Rutherford S. 2001).

Associations (ROSCAs) and Accumulating Savings and Credit Associations (ASCAs)². In a typical ROSCA, members join together to save a fixed amount of money on a regular basis. During a meeting, one member will receive the contributions of the group that day. The order in which members have access to these contributions is determined by prior agreement of the group members, reached during a group meeting, or through a lottery or bidding process. The group continues to meet until each member has received a full share-out. ROSCAs can be found at different levels of society all over



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The SILC (Savings and Internal Lending Communities)¹ program has its roots in traditional Rotating Savings and Credit

the African continent (Kenyan *Merry-go-rounds*, West African *Osusus*, Mozambican *Xitiques* and Ethiopian *Iqqubs*) and have

¹ SILC is CRS' model for savings groups, based on the original CARE Niger MMD model and Hugh Allen's work with savings groups in Africa as an independent consultant. (MMD – Mata Masu Dubara, "Ingenious women", in Haoussa language).

² Savings clubs are groups of people who come together to set up and run their own basic personal financial intermediation services. There are two kinds of clubs – the ROSCA kind (where everyone puts in and takes out the same amount) and the "accumulating" kind (where some borrow and others do not). (Definition Stuart Rutherford)

existed for hundreds of years. ROSCAs provide a useful sum of money at a specified date. Group members receive their money at either a predetermined time or at an unscheduled time. Although they are efficient, transparent and an economical form of financial intermediation, ROSCAs fail to provide the flexibility people need for emergencies, consumption or business opportunities.

SILC has its roots in the traditional ROSCA model but improves upon the methodology, taking communities one step further in creating accessible, transparent and flexible Accumulating Savings and Credit Associations, or ASCAs that are user-owned and self-managed in the communities where members reside.

SILC has its roots in the traditional ROSCA model but improves upon the methodology, taking communities one step further in creating accessible, transparent and flexible Accumulating Savings and Credit Associations, or ASCAs that are user-owned and self-managed in the communities where members reside. Instead of disbursing the contributions to one member, ASCAs create a fund from which group members may borrow at a pre-determined interest rate and term (internal lending). Members normally live in the same community, come from a similar background and know each other well. Loans are paid back with interest which, together with fines and

fees, makes the internal fund grow. At the end of a predetermined period, all or part of the total internal fund (savings plus interest earnings and fines) is returned to group members. Members receive a significant sum of money at this time, providing a considerable return on savings, all of which remains in the community. Profits from internal fund mobilization are normally shared based on the total amount saved by each individual group member. Groups usually plan the payout around seasonal activities (planting season or lean season, Christmas or the end of Ramadan) or climatic events (recurrent drought) that require substantial amounts of cash. ASCAs are attractive because they are profitable from the start and provide group members with financial services that are transparent, located in the communities where they live and at low transaction cost. ASCAs improve social cohesion and resilience within the community as a whole. The internal lending mechanism allows group members to meet their short-term financial needs without having to borrow from a money lender, take an expensive supplier advance, or rely on relatives. SILC is an ASCA model promoted by Catholic Relief Services (CRS).

The internal lending mechanism of SILC allows group members to meet their short-term financial needs without having to borrow from a money lender, take an expensive supplier advance, or rely on relatives.

SILC: How it Works!³



Author Sudan South

Group Formation - SILCs consist of self-selected groups of individuals. Members select each other on characteristics of trust, honesty, reliability, punctuality, good standing in the community, hard working, savings potential and similar social status. **SILCs are made up of as few as 10 and as many as 25 individuals.** Groups self-select their members, usually from among the adult population within the community. Membership is open to women and to men but, in the case of mixed groups, at least three of the five Committee members elected to manage the group should be female. Group members who hold public office (Chiefs, MPs or other administrative officials) are ineligible for Committee

positions, but their advice may be sought, as needed. If groups are larger than 25 members, they are encouraged to divide into smaller sub-groups.

The purpose of SILC is to provide savings-led financial services to communities that have no access to formal financial services or where access to formal financial services is limited due to high transaction costs and other entry barriers.

³ Adapted from Savings and Internal Lending Communities, Field Agent Guide Version 2.0, CRS Publication, March 14, 2006.

Fund Development - Members save money that becomes a source of loan capital for members of the group. The purpose of SILC is to provide savings-led financial services to communities that have no access to formal financial services or where access to formal financial services is limited due to high transaction costs and other entry barriers⁴. When the amount of group savings is sufficient, any group member can borrow from the internal fund, committing to repay the loan with interest. This allows the fund to grow.

Ownership - SILCs are owned and managed by their members. This is their most important characteristic, and self-reliance is fundamental to their operations and long-term sustainability. The goal is group and financial independence.

Governance - SILC group members elect a five-member governing Committee consisting of a Chairperson, Secretary, Treasurer and two Money Counters. Committee members are subject to annual re-election at the start of a new cycle. They may be removed at extraordinary meetings.

Self-regulation - SILC group members agree on a set of rules, by-laws or a constitution, to guide their activities. These rules are written into the SILC Constitution that provides authority to the Committee members and a framework for regulation and dispute resolution. The Constitution specifies the terms and conditions of savings and lending and how the Social Fund will operate. Each member of the General Assembly may be assigned one or more rules to remember. This has the effect of reinforcing the rules so that after



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Linking SILCs to the formal sector is an option; however, it is important, first and foremost, to create a sufficient number of autonomous SILCs that, eventually, become a market for formal financial institutions. Creating linkages to the formal financial sector is an arduous task that results in a considerable increase in cost per participant. This is only practical where there is political will and material commitment at the highest levels of government and the private sector to create a financial infrastructure and a governance system that support and encourage capital investment. India has had success in linking self-help groups to the formal banking sector thanks to government support and official recognition of informal self-help groups, an extensive rural bank network and the mandate of the Government subsidized bank NABARD (National Bank for Agricultural Research and Development) to provide soft loans to rural banks for on-lending to self-help groups. Linking SILCs to the formal financial sector may compromise the independence and self-confidence that comes from achieving their own goals and accumulating their own resources. Therefore linkages with the formal financial sector must clearly show the potential to result in a substantial benefit to the group before they are considered.

⁴ Staff of CRS Sudan have set up their own SILC in Nairobi as the local banking system does not allow people to take out flexible short-term loans for immediate needs or consumption.

some months every member is aware of the regulations. After the first operating cycle this memorization procedure can be reduced in frequency or eliminated, because by that time every member is aware of the rules and it is no longer necessary. Each group member has one vote.

Transparency and accountability - All transactions at meetings are carried out in front of the group to ensure transparency and accountability. This ensures that all members of the group are able to witness who has saved and who has not, who has borrowed and who has not, and what this means with respect to the return on savings. To ensure that transactions only take place during group meetings, a lockable cash box or heavy-duty lockable canvas pouch is used to safeguard excess cash and record books to prevent unauthorized cash transactions and tampering with group members' records.

Anyone needing a loan puts forward his or her request publicly to the SILC group members. Approval of the loan rests with the General Assembly; the loan may then be disbursed immediately. Loans are provided for consumption, investment, or household expenses that are agreed to by the group and noted in their by-laws.



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It is important to understand that the purpose of the cash box/pouch is not to reduce the risk of theft by outsiders. It is to ensure that cash transactions and the process of record keeping can only be carried out in group meetings and to reduce the risk of misuse of funds by the Treasurer. To limit the risk of theft by outsiders in insecure areas a heavy duty canvas pouch that is easily concealed can be used instead of a large metal cash box.



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Duration - The cycle of savings and lending is time-bound. Members agree to save and to borrow as they wish from the accumulated savings of the group for a limited period of time. At the end of this period the accumulated savings, interest earnings and earnings from other economic activities undertaken by the group, are shared out amongst the membership in proportion to the amount that each member has saved throughout the cycle.

SILC group members agree on an operating cycle. The group members agree before starting whether to save or to lend, how long the group will operate before ending saving and lending activities and sharing

out all or part of the accumulated funds. This is termed “the cycle”. Although the length of the cycle is decided by the group, a minimum of a 6 to 8 month cycle is recommended.

of SILC, and members can alter the meeting frequency after graduation from the program (normally after 10 to 12 months). **When the operating cycle comes to an end, the SILC shares out the total value of**

The first cycle should be sufficiently long to allow for group capacity building. Groups with cycles of less than eight months should be encouraged to meet weekly. Groups should liquidate their fund at the end of the cycle to avoid the risk of a large unused surplus of funds accumulating that may be at risk of theft and may require complex record keeping.

SILC group members meet at agreed-upon times. This may be weekly or fortnightly, especially at the start of the program. Weekly meetings require a significant time commitment on the part of participants; however, the time spent in meetings enables them to accumulate easily small amounts of savings and to practice rules and procedures. Frequent meetings allow the supporting organization or trainer to work intensively with the group until they graduate, ensuring long-term survival and sustainability of the group. Regular meetings are crucial during the first cycle

its financial assets among the members. As the end of the cycle approaches, no new loans are issued and old loans are repaid. When all of the group’s cash has been recovered, the money is shared out among the members on the basis of a formula linked to the value of each person’s savings. At this time, the group may reorganize or decide to take some time off to cope with seasonality⁵. Those group members who do not wish to continue may leave, and new individuals may be invited to join the group.



Author Sudan South

⁵ Some groups will take a “holiday” during the dry season when economic activity is low and income is limited, and will start up again once economic activities resume.

Experience in Africa indicates that a group that is larger than 25 or 30 members tends to be less cohesive than groups with fewer members. When groups are large, meetings tend to take a long time and the work of the Management Committee is onerous. It is also the case that very small groups are expensive to train and expensive to visit as the cost per participant is higher. Larger groups are usually found in settled communities where people live in villages. Smaller groups are often found in areas of low population density or where the level of trust due to incipient relationships among individuals (as in refugee camps) may be low. It is recommended to form groups of not less than 10 and not more than 25 members.



Author Sudan South

Flexibility of the SILC Methodology

Insurance - SILCs are encouraged to create a **Social Fund**. If a Social Fund is created, group members must agree on a regular contribution to this fund. The Social Fund can help group members address a number of shocks or needs: emergency assistance, educational costs for orphans, and funeral expenses, among others. The Social Fund is set up to manage unpredictable expenses. The purpose of the Social Fund is not to grow, rather to be replenished as group members access these support funds.

The Social Fund is *not* included in the end-of-cycle share-out, should not be mixed in with the Loan Funds and must be physically separated from other cash in the cash box/pouch. Money from the Social Fund should be granted to members as indicated in the Constitution. Interest free loans from the Social Fund should be discouraged because they compete with the internal lending mechanism and potentially undermine the social cohesion of the group.

Client Story 1

SILC PROVIDES A SAFETY NET: When the Social Funds Save a Life

Diane Tiandi, a 32-year old wife and mother, was desperate. Her son was gravely ill and she had no money left to take him to the local hospital to treat his illness. Her husband was traveling and she didn't know what to do.

Just then a friend reminded her that their SILC group had a social fund to cover for emergencies. In March 2006, Diane was one of nineteen women who formed a SILC group in the village of Perma, 7 ½ miles from Natitingou, the largest town in the northwestern Atacora district of Benin. They called their group Tibobena or "Let us provide the best for ourselves" in the local language. The group meets twice monthly and each member deposits 500 FCFA in savings, or the equivalent of \$1.

Diane explains: "As God is great, a neighbor who knew of my situation and who is also a Tibobena member pleaded my case to the group..." The other members immediately voted to advance her 5,000 FCFA or the equivalent of \$10 to cover her son's medical expenses. Diane used this sum to pay for urgent medical treatment at the local hospital, effectively saving her son's life.

The fund improved Diane's life also in another way: she was able to take a loan of 27,000 FCFA or about \$54 from the Tibobena group to invest in her catering business. Diane explains: "It was lucky for us poor women from Perma village that Caritas and CRS had thought of us when they decided to start these new solidarity groups."



CRS Benin

Savings - SILC group members determine savings amounts. The minimum and maximum amount of money saved is fixed for the entire cycle and is equal for all members. The amount is set by the members so that the poorest in the group can save reliably and regularly. **At the start of a new cycle and with the unanimous consent of the members, the value of individual group member savings contributions can be increased or decreased⁶.** The maximum amount permitted should not exceed three to five times the value of the minimum contribution⁷. **Group members may decide to suspend contributions to accommodate lean periods of the year.** It is often the case that under challenging economic circumstances groups suspend their savings

contributions by mutual agreement. This means that the entire group stops saving. This can be attributed to seasonal demands that make it difficult to make the weekly contribution, or because their agricultural activities leave no time to attend weekly or bi-weekly meetings. While it is important to ensure financial discipline and regular savings, it is a reality that rural incomes are unstable and variable. Thus, SILC groups benefit from the seasonal flexibility built into the methodology. Regardless of the suspension, however, *any outstanding loans must be repaid*. Thus, meetings will continue to allow for the repayment and disbursement of loans as well as social fund contributions, but there will be no savings contributions.



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⁶ A typical weekly contribution in Africa will be about \$0.20 to \$0.60. In the first cycle, groups are often cautious about setting a high level of contributions. They want to see if the system will work, and they want to be sure that they can easily save the specified amount without difficulty. After the first cycle, groups normally increase the level of savings in order to increase their returns because they are familiar now with the working of SILC and have realized their first profits at the graduation and share out celebrations from the previous cycle.

⁷ Restricting the range of savings values to a ratio of 1:3 or 1:5 ensures that no member exerts undue influence over the group, or that the socioeconomic levels of members within the group become too disparate. This restriction prevents more designing members flooding the savings account by the end of the cycle to capture a maximum amount of profits when their savings have not contributed or assumed risk during the cycle itself.



Author Sudan South

Credit - Members' savings and group earnings are used as a fund for internal lending. SILC members set loan terms. During the first cycle, it is normally the case that loan terms are as little as one month and do not exceed three months, but this may change in subsequent cycles. One-month loan terms limit the types of activities in which members can invest. In places where economic activities involve agriculture, longer loan terms may be needed (up to six months). In subsequent cycles, groups may allow longer-term loans, but it is inadvisable for these to exceed six months because longer loan terms tie up capital that other members may need. **Interest is charged on loans and falls due every four weeks/month.** Interest must be paid every month, regardless of the length of loan term. The amount of interest charged varies from SILC to SILC because each group decides on the interest rate; however, interest is set at a flat rate (to keep calculations simple) and

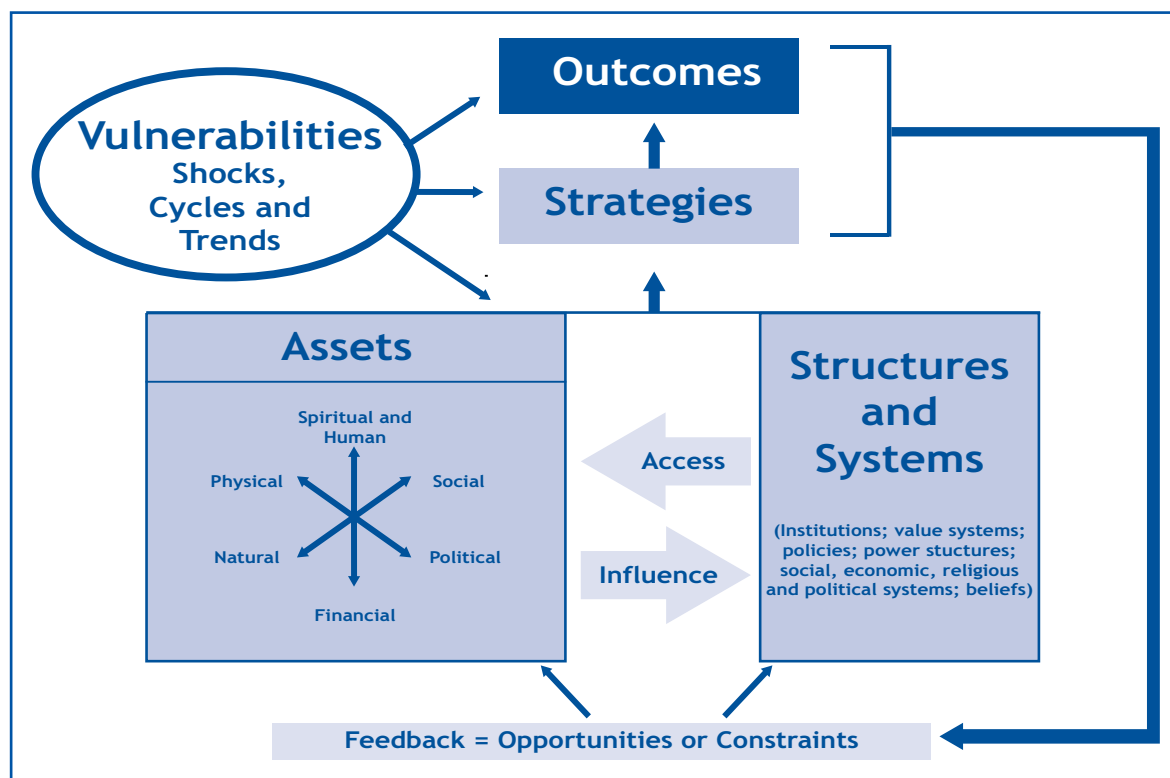
normally ranges between 5% to 20%. **Loan principal repayments are made when due.** The term of loan repayment may vary based on what the SILC decides, but the full amount of principal lent to the group member must be reimbursed at the end of the term. If it is not, a group member may be fined and must pay accrued interest. The principal is normally rolled over to the next reimbursement meeting. **The size of loans available to group members is linked to the total value of their savings.** The Association may decide that the amount a member can borrow may be no more than double or triple the amount of savings. This reduces the risk that a given group member may borrow far more than they have saved and then abscond with the funds. At the same time, it is important that the *maximum* amount that group members can borrow is in excess of their savings, so as to maximize the percentage of funds in use⁸.

⁸ The most profitable SILCs are those that have up to 90% of their funds issued as loans. This also reduces the risk of loss in the event the cash box were to be lost or stolen.

Strengths of the methodology	Limitations of the methodology
<ul style="list-style-type: none">• The SILC program provides flexible and accessible financial services in the community. Interest earned on loans devolves to the group and not to an external service provider; wealth is created within the community and redistributed within the community.• The SILC methodology is based on savings and group members working with their own resources, not with debt owed to an external party.• Group members have ownership and control over their SILC. They manage and govern their own funds and meetings with great care and discipline.• SILC empowers women, cultivates self-reliance and problem solving based on local solutions.• SILC builds up social support networks and strengthens the community safety net.• SILCs are sustainable. SILC groups normally graduate from the service provider after one year and continue operating on their own.• Financial transactions are simple, and there is complete transparency in the accounting.• The distribution system at the end of the cycle allows participants to acquire useful lump sums of capital that can be invested in long-term activities.• The model is easily replicable and cost-effective. Cost per client is low, diminishing as the program grows.• Membership in a SILC does not prevent group members from participating in other savings and loan activities run by other projects or organizations. Group solidarity encourages members to reimburse on time.	<ul style="list-style-type: none">• The amount available for loans is small, especially at the beginning (some consider this an advantage because it prevents over-borrowing, especially in the early stages of a group's life).• The short loan period limits investment in long-term activities.• Loan funds are not always available at appropriate times.• The groups that choose to distribute all of their savings at the "share-out" are obliged to start over again, and have little capital available for loans.

SILC as a Basis for Integral Human Development (IHD)

CRS' Integral Human Development Conceptual Framework



(Adapted from DFID - Department for International Development - Sustainable livelihoods framework)

CRS is committed to long-term development, and the Agency uses Integral Human Development (IHD) as a framework for its holistic development programming.

The poor live in a complex world; their ability to meet their basic needs and to realize their human dignity is affected by many factors at the village, national and even global levels. Understanding the links between these factors, constraints and opportunities is crucial as we assess the diverse and risk-prone lives of the people we serve.

The IHD framework is a comprehensive, holistic framework, which allows one to assess and analyze the complex reality of poverty, vulnerability and resilience. *IHD begins with the end in mind - that is, people are able to lead full and productive*

lives, meeting all of their basic needs in a sustainable manner, while living with dignity in a just and equitable social environment. The IHD framework provides a way to consider the various elements needed for such a vision to become reality.

The IHD has five main components. These include:

- **Outcomes:**

Outcomes are the goals, aspirations and objectives that guide people in the decisions they make regarding their families, livelihoods and communities. Depending on how the IHD framework is being used, IHD outcomes may be defined by the people themselves, or they may be defined externally by a government or international organization. They may be related to general goals, or be specific

to a certain aspect of their lives, such as education.

The following are a few of the outcomes that CRS uses to describe its vision of IHD and where SILC can play an important role:

- Community members are able to meet their basic needs for food, water, health services, shelter, income and education;
- Community members engage in addressing the HIV/AIDS pandemic as it affects their lives;
- Community members live in peace, free from physical and psychological violence.

• **Strategies:**

People employ a variety of strategies to realize their desired outcomes. The IHD conceptual framework uses seven categories of strategies:

- Coping and Survival: systems that people use to get through difficult periods;
- Risk Reduction: reducing people's vulnerability to shocks, cycles and trends;

- Empowerment: increasing the influence of people and communities in decision-making;
- Asset Recovery: rebuilding all categories of assets people lost during a disaster;
- Asset Diversification: establishing a range of asset types to increase resilience in case of loss of any one set of assets;
- Asset Maximization: increasing people's capabilities and incomes;
- Asset Protection: secure and protect existing assets.

People are sometimes not successful in these strategies and sometimes these strategies may be successful in the short term but harmful over time.

• **The Vulnerability Context:**

These are external threats and hazards that may impinge on people's lives at any time, and reduce their capacity to successfully implement their livelihood strategies or otherwise live in human dignity. Vulnerabilities are commonly described in three main categories:



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- **Shocks** - sudden cataclysmic events such as a Tsunami, earthquake, epidemics, conflicts or the outbreak of war but also the loss of jobs or death of income earners;
- **Cycles** - events that occur regularly but often in an unpredictable fashion, such as droughts and floods, weather-related diseases;
- **Trends** - usually, downward spirals that make it more and more difficult for people to sustain productive lives and livelihoods. Examples of trends include collapsing economies, increasing crime and violence, or global warming. However, trends may sometimes be positive, and they may present opportunities.

Within any household or community, some people will be more and others less vulnerable to any given threat. For instance, the wealthy members of the community may be less affected by a drought than poor farmers, and the elderly and very young may be the most susceptible to malaria. So, when considering the issue of vulnerability, it is important to consider *which* are the most important threats, *who* is most vulnerable, and *what* can be done to make those individuals (or households or communities) more resilient in the face of those particular threats.



CRS Ethiopia

• **Structures and Systems:**

This refers to the external environment in which people live their lives, but over which they generally have little control (although they may have the potential to influence). It includes religious and cultural norms and beliefs, government and non-government support systems, and the regulatory environment. In general, “*Structures*” are tangible items like government health clinics, licensing offices or the local extension agent. “*Systems*” are intangible concepts such as laws, beliefs, regulations or social taboos. Legal, market, political and sociocultural systems organize and regulate behavior. Structures and Systems clearly affect how people are able to use their assets, in both positive and negative ways. They determine who can access services and assets, who gets important information and who does not, and who participates in decision-making and who does not.

• **Assets:**

These are the tangible and intangible resources that people use to lead full and productive lives. They include six main categories: Human and Spiritual, Social, Financial, Physical, Natural and Political assets. People utilize their assets to generate livelihood strategies and depending on the context, assets can switch categories.

- **Human and Spiritual Assets** are defined as people’s knowledge, wisdom, skills (education), and physical (health) and mental abilities together with their faith.
- **Social Assets** refer to social support networks, circles of support and ties to family, tribe, and friends.
- **Political Assets** refer to power in the household and community, ability to claim rights, and capacity to advocate for resources and change.
- **Financial assets** are defined as livestock, crops, and precious metals (gold, silver), together with cash and income.



Author Tanzania

- Physical Assets refer to ownership or easy access to homes, land, wells, silos, roads, equipment, and tools.
- Natural Assets are defined as common and shared assets by the community including water, wind, forests, soil, pasture land, minerals.

How SILC serves as a Basis for Integral Human Development

What is CRS' SILC vision?

CRS' vision in microfinance stems from its Catholic Social Mission: to serve the poorest clients, to honor the dignity of their work, to advance their work in relationship to their communities, and to strengthen partners who work with them.

Reflecting the Agency's commitment to social justice, CRS' particular goal with

SILC is to enable the economically active poor, especially women, to develop their own reliable financial services within the community and to support community self-reliance and resilience.

What are desired outcomes for SILC programming using the IHD conceptual framework?

The outcomes for SILC are being defined as:

- people having sustainable access to a social fund for emergency purposes, a secure savings system with positive returns and an internal loan fund
- financial and social empowerment of individuals, households and communities
- improve community resilience in times of hardship
- provide a platform for villagers to solve domestic and local development problems

What strategies are people using to reach the outcomes?

People employ a variety of strategies to realize their desired outcomes. SILC supports people with *Coping and Survival; Risk Reduction; Empowerment; Asset Recovery; Asset Diversification; Asset Maximization; and Asset Protection Strategies*.

How does SILC help people to achieve these strategies?

• By strengthening and building of assets

SILC is instrumental in strengthening and building group member assets over time, as described in the following table:

Asset Strengthening through SILC	
<p>Human and Spiritual Assets</p> <p>SILC:</p> <ul style="list-style-type: none"> helps group members to learn new skills in bookkeeping, accountability, transparency of transactions, savings and lending policies and procedures, setting up by-laws; benefit from an insurance fund/social fund that can be used for health care, education, emergencies; obtain extra income for better nutrition and education. 	<p>Social Assets</p> <p>SILC:</p> <ul style="list-style-type: none"> builds and supports new bonds and understanding between individuals; strengthens joint decision-making and action within the group through the social fund; helps members become more self-reliant and involved in development activities for the community; addresses underlying injustices in social systems by empowering women; builds strong social cohesion within groups.
<p>Financial Assets</p> <p>SILC:</p> <ul style="list-style-type: none"> provides communities with a savings and lending scheme that generates profit for its members; helps group members build up small savings amounts into useful lump sums; offers an insurance/social fund scheme for members and their families; provides secure cash savings as an alternative for or in addition to savings in livestock, gold or silver; strengthens the local community's financial asset base; diversifies livelihood income strategies and financial assets. 	<p>Political Assets</p> <p>SILC:</p> <ul style="list-style-type: none"> engages local people, mainly women, in decision-making and governance (empowerment at individual, household and community level); strengthens leadership skills of the SILC Executive Committees; raises awareness and expectations of accountability and transparency; has the potential to change traditional political structures into more inclusive political structures as SILC groups can claim rights and advocate for resources with the local government.
<p>Physical Assets</p> <p>SILC:</p> <ul style="list-style-type: none"> increases individual wealth and allows members to invest money in their households or income-generating assets and communal assets; provides an influx of locally generated resources to build new, less vulnerable assets to meet basic and productive needs. 	<p>Natural Assets</p> <p>SILC:</p> <ul style="list-style-type: none"> groups have the potential to provide the organizational structure in support of natural environmental protection systems in cooperation with local governments and NGOs.



CRS Sudan South

The strength of assets is an important factor in how successful people's IHD strategies will be. SILC identifies and builds upon what assets people are already using and sustain, and also strengthens and increases the assets of individuals, households and communities over time.

Women's economic empowerment is linked to less corruption and armed conflict and, over the long run, less violence against females. It even is somewhat linked to better environmental stewardship and, possibly, reduced HIV prevalence.

• **Influencing Structures and Systems**

SILC participants and groups start to influence the *Structures and Systems*, forces that shape behavior and influence what people can do and how people can do it, in their immediate external environment. Religious and cultural norms and beliefs can change over time through SILC group dynamics and increased awareness of the community. Political assets can be used to advocate or lobby for more inclusive structures, to claim rights and to advocate for local resources or to change the regulatory environment.

Many savings-led women groups adopt issues relevant to their homes and community and motivate the community and local government to engage in development issues that go beyond monetary returns, including conflict resolution, reducing domestic abuse, prohibiting production and sale of alcohol, improving education (especially of

girls) and healthcare, increasing community vigilance, securing continued access to safe and clean drinking water, health and sanitation, natural disaster mitigation,



CRS Sudan North

education, and electing leaders to political office. *"Women's economic empowerment is linked to less corruption and armed conflict and, over the long run, less violence against females. It even is somewhat linked to better environmental stewardship and, possibly, reduced HIV prevalence."* (CPD Occasional Paper Series)

SILC groups can become key actors of change. This is one of the most important functions of SILC in support of the IHD conceptual framework.

- **Vulnerability to shocks, cycles and trends.**

SILC helps people reduce *their vulnerability to shocks, cycles and trends* through strong social cohesion, self-help and self-reliance in times of hardship. Large-scale natural or man-made disasters will need emergency assistance programs in the short run but

economic activity will restart soon after and the capacity of villagers to organize in well-structured savings groups, protecting their human and social capital, will help them to build up their livelihoods at an accelerated rate. Cycles are more of a predictable nature (droughts, floods) and SILC groups cope with these by scheduling the share-out of net worth around these events or decide to take a "holiday" during which they reduce contributions or stop savings all together. Trends such as economic recessions, HIV, environmental degradation or political instability are better coped with when people have a mechanism to fend off local effects through increased resilience and self-reliance as they accumulate more social, economic and financial capital.

- **Strategies**

People's *coping and survival* strategies are greatly enhanced as SILC builds up social support networks and a community safety net while strengthening financial and physical assets, thus *reducing risk*. During times of hardship, SILC members have a



Author Sudan South

SILC helps people reduce their vulnerability to shocks, cycles and trends through strong social cohesion, self-help and self-reliance in times of hardship.



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social, economic and financial system to fall back on. The coping mechanism is available and accessible right in their communities and individual survival is alleviated through peer support and access to an emergency or social fund. People in the community are not dependent on handouts from external organizations or institutions and become self-reliant. They have access to accumulated savings, internal loan mechanisms and grants from the group. It helps them to *recover, protect, diversify and maximize assets*.

SILC greatly *empowers* women and has been designed to maximize women participation in decision-making. Savings benefit group members quickly. Women, especially, see the impact of a community-generated loan on a new enterprise or the impact of savings on household livelihood. Women increasingly head up poor households and

are often the sole source of support. Studies have proven that women are far more likely than men to channel increased income from their business activities into essential benefits for their families (CPD Occasional Paper Series). *"With greater economic power, women gain more say in household decisions and tend to promote - and spend their own money disproportionately on - the nutrition, health and education of daughters as well as sons. They also have more say in fertility, which they generally use to curb it."* (Blumberg RL. 2005).

- **Outcomes**

SILC is a basis for Integral Human Development and supports people to lead full and productive lives, meeting all of their basic needs in a sustainable manner, while living with dignity in a just and equitable social environment.

Some Programming Options

Community Mobilization

The SILC approach mobilizes the community into social and financial sustainable groups. It brings villagers together in social cohesive groups, builds trust and understanding within the village, leads to village sensitization on development issues and self-reliance⁹. A CIAT-CRS study tour (CIAT-CRS. 2006) in Asia, Africa and Latin America on group formation in agricultural programs concluded that three important factors contribute to successful group formation: internal social capital formation due to good management of group dynamics, well-defined roles and responsibilities for local people in conjunction with sustained facilitation by specialized service providers and support for a sustained learning process. All of which are integral part of the SILC group mobilization approach.

Prior to launching a new SILC program, CRS plans how the program can become integrated into other development activities in the same community. SILC builds the capacity of existing and new groups, creates wealth for the individual members, the group and community and forms a basis for integral human development. For existing groups, SILC will work best if they have been formed on the basis of self-selection and where the development activity has created a social cohesiveness. Integrating SILC with other programs is more cost-effective and will result in higher impact.

SILC and HIV

The consequences of the HIV pandemic are unprecedented and far-reaching. But

for many families, concerns about sliding into poverty supersede the other effects of HIV. Income and savings become crucial as households struggle to build and protect their economic resources to mitigate the impact of HIV. In communities heavily affected by HIV, the context within which people earn their livelihoods and define their financial needs has been altered (CARE International Case Study Series).

Access to savings and credit services and participation in income-generating activities may not be beneficial for persons whose immediate survival is at stake, but they may play a valuable role in helping households get ahead of the worst consequences of HIV. This advantage is especially crucial for households that are already poor or at risk of falling more deeply into poverty (Donahue J. 2000).

SILC helps families affected by HIV cover basic expenses, ensure the well-being of the children in their care, increase their income, build their savings and give the poor access to capital. SILC should not exclusively target individuals living with HIV rather communities with a high prevalence of HIV because it will strengthen the resilience of these communities and households affected by HIV.

SILC and Orphans and Vulnerable Children (OVC)

One of the long-term legacies of HIV is the growing number of children who become orphaned, are under care of sick parents or depend on caregivers. This loss of parents

⁹ 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 own experiences to identify best practices which work. Thus, local knowledge is identified and promoted through peer learning as opposed to lecturing by an outsider.

Client Story 2

Upendo SILC group is one of the newly established groups under the CRS - Archdiocese of Mombasa OVC project in Kilifi on the Kenyan coast. The group has 29 guardians of orphans and abandoned children, mainly women (26). Following the start of the OVC project in 2004, caregivers came together and formed a large group of over 129 members devoted to taking care of orphans and vulnerable children left behind by their parents. Although the group has been faithful to the activities of the project, it was challenged by lack of income to fully support the children in their care. They therefore started a rotating savings and credit association (merry-go-round in November 2004) through which they have been able to collect money on a rotational basis and give it to one person or purchase a goat and sometimes food for the neediest households.



Members of Upendo group undergoing training

Following introduction of the SILC methodology in June 2006, the large merry-go-round caretaker group has benefited from SILC training and through self-selection four SILC groups were created, including the Upendo group.

They meet every Thursday and contribute minimum Ksh 50 (\$0.71) for savings, Ksh 10 (\$0.14) for the social fund and a fine of Ksh 20 (\$0.28) and Ksh 5 (\$0.07) for those who fail to attend meetings and latecomers respectively.

"In the past we collected money and consumed it all every month. Today, I see a lot of hope in SILC since by the end of the year; I will get something in return. It seems this method is what we have been waiting for." said Amina Rama Upendo's treasurer after she counted Ksh 1,740 (\$25), the savings contribution of the group that day.

Amina Rama (counting money) and Damaris Joseph (writing), Upendo's treasurer and secretary respectively, confirm the days collection during the group's first Savings meeting.



CRS Kenya

or the imminent possibility of losing a parent has dire consequences that include negative psychological impacts, poor nutrition, deficient health care, withdrawal from school, child labor and trafficking, homelessness, vagrancy and crime¹⁰. The needs of orphans and vulnerable children go far beyond support from traditional partners and networks. These children

require protection and support for basic needs: access to food, education, job and skills training, and opportunities¹¹.

Again, SILC should not directly engage young children but target the households and communities that show a high prevalence of HIV/AIDS. SILC can be introduced among groups of caregivers or child-

¹⁰ HIV/AIDS The Economic Impact on South Africa and Its Implications for Governance: The response of non governmental organisations, community-based organisations and communities, http://www.jointcenter.org/international/hiv-aids/1_response2.htm

¹¹ Engendering Bold Leadership: First Annual Report to Congress on the President's Emergency Plan for AIDS Relief, <http://www.state.gov/s/gac/rl/c14961.htm>

headed households who are assisted by development programs and provide an exit strategy for OVC programs. These projects normally provide caretakers and orphans with improved shelter, mosquito nets, supplemental feeding, school fees, health care and clothes for a determined period of time, making it possible for the caretakers and their families to securely save money. Starting a SILC program together with the OVC project supports participants in building up their assets before the project ends to maintain an improved quality of life for the entire household and help them continue taking care of orphans.

SILC and Child Trafficking

Child trafficking is a complex social problem. Often families and communities are unaware of the dangers and consequences of trafficking. Frequently, parents are told by traffickers that a child will be educated or receive 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.1998). In addition, current research of the Education First Project¹² in Benin indicates that even parents of recovered victims who knew that their children had been trafficked into labor, had not been aware of the severe deprivation and abuse that their children had suffered. Once parents, and in particular mothers, became aware of the dangers of child trafficking, they were found to be more engaged in preventing it within their families.

The primary cause of child trafficking is severe poverty and ignorance; therefore, a prevention strategy in communities at risk could look at providing vulnerable groups

and particularly women with increased access to financial services to address poverty through the creation of a SILC. The SILC groups can then become a platform for an intensive awareness raising campaign on the dangers of child trafficking that targets women as the mothers of at-risk children.

SILC and Water and Sanitation (WATSAN)

WATSAN refers to domestic water and sanitation activities that are intended to improve health. It includes providing clean water points or sanitizing water, building toilets, and promoting key hygienic behaviors. Communities involved in WATSAN programs are expected to manage their own water points. They need to collect and save money for further extension of water services, as well as basic repair and maintenance. WATSAN committees are elected and treasurers are trained in basic bookkeeping skills.

SILCs are an ideal conduit for WATSAN activities. The SILC group is well-structured, socially cohesive and has financial resources managed by a democratically elected committee with well-trained executives (secretary, treasurer, chair). Management of the water point becomes a group business activity whereby a subcommittee monitors the usage of the water point while one dedicated manager is responsible for the operation of it, including repair and maintenance, and fee collection. Fees revert back to the SILC group which in turn pays the water manager, for repair and maintenance, making it a sustainable and profitable business.

Toilet construction is usually left to individual households and ranges from an initial investment of \$5 for an Arborloo

¹² Education First Project, an anti-child trafficking project focused on providing access to education, funded by the US Department of Labor and executed by a consortium of three international NGOs, with CRS/Benin as the lead organization.

toilet (removable pit latrine, tree is planted on saturated pit), to more expensive permanent structures. SILC provides members with the necessary resources to build individual household or community toilet facilities.

SILC and Agro-Enterprise

Agro-enterprise development refers to increasing income of groups of small-scale rural producers by linking them to markets for their output.

Client Story 3

Extending a Helping Hand:

In the village of Lubuga, in Missingwi District Tanzania, a group of 32 people started a SILC, called "Africa Inland Church" as part of a CRS - Ryan Foundation sponsored Agro-enterprise project.



Profit of SILC - a member collecting her share of two corrugated iron sheets.

a new life under SILC. Corrugated iron sheets are a mark of wealth in Tanzania. Two sheets may not be enough to put a cover on one's roof, but as one members said "'You start with one, and pole pole (slowly, slowly), we will be there".

This group not only fulfilled members' needs but also those of community members. They



Daniel Edward (boy - left) and Limi Rajabu (girl - right), receiving their donations of cash and exercise books from the SILC group.

The project objectives are to increase the production and sale of improved "kabuli" and "desi" chickpeas, to strengthen farmer groups for effective and sustainable agro-enterprise, to support and strengthen the capacity of Mwanza Rural Housing Project (MRHP) - an implementing partner of CRS.

At the end of the SILC cycle, all members received their accumulated savings together with dividends. During the share-out celebration, each member of the group was also provided with two corrugated iron sheets (roofing materials) and one cloth (kitenge), as a sign of starting



Mwajuma Selemani, receiving her assistance from the SILC group.

believe it is their responsibility to "extend a helping hand to those that are far more in a worse situation than they are". As a group, they decided to assist orphans, People Living with AIDS (PLWAs) and widows with no support. Two students orphaned by HIV/AIDS were provided with school materials worth 22,800 TSh (\$19); two PLWAs with 9,700 TSh (\$8) and five widows were assisted with 18,000 TSh (\$15) in cash, sugar and bars of soap.

The group has a plan to restart its next cycle of SILC soon, help more needy community members and build an office.

CRS Tanzania

The methodology promotes a “market chain development” approach that strengthens business linkages between producer groups, service providers and higher order actors on the market chain. Partnerships are developed with groups of small-scale rural producers to evaluate markets and to identify market opportunities (Market Opportunity Analysis - MOA). Subsequently, business plans are developed with the farmer groups to establish and strengthen rural enterprises and business development services (BDS).

In rural areas with predominantly agricultural activities, SILC groups can be started with Farmer Field Schools (FFS)¹³ that in turn form Producer Marketing Groups

(PMG) to support and strengthen their agro-enterprises financially. In a cluster area, up to 12 SILC/FFS groups can form a PMG, and each group contributes money for the functioning of the PMG. Funds contributed by the different SILCs are used to buy collectively agricultural inputs (seeds, fertilizer, etc.) and market collectively individual and collective produce, to give loans to SILCs with a shortage of lending capital, towards insurance of the members in case of death or sickness. PMG is being administered by committees made up of SILC members. The committees prepare the general assembly meeting during which all SILC members participate and where transactions are conducted¹⁴.



Author Sudan South

SILC and Food Security

Food security is defined by USAID as “When all people at all times have both physical and economic access to sufficient food to meet their dietary needs for a productive and healthy life.”

Food security as such has three main components: *availability, access and utilization*. Availability being defined as having sufficient quantity of appropriate

Food security is defined by USAID as “When all people at all times have both physical and economic access to sufficient food to meet their dietary needs for a productive and healthy life.”

¹³ 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.

¹⁴ While the SILC model can be introduced to groups of farmers gathered in Farmer Field Schools and Producer Marketing Groups, the program should not expect that all farmers will participate in SILC, and farmers should be allowed to self-select across the limits of the FFS or PMG to include other community members as well. Self-selection is crucial for the working of SILC and will guarantee strong social cohesion and sustainability of the group over time.

foods within reasonable proximity to people, access as people having adequate income or other resources to purchase or barter for appropriate foods and utilization as the proper use of food (food processing, storage, nutrition, child care, health and sanitation practices).

SILC programming helps people with the access component of food security and is an essential element in CRS' food security programs. Many countries are vulnerable to increasing and persistent food insecurity. Low levels of income, combined with lack of knowledge, affect production potential at the household level. In addition, most of the production is sold just after harvest to provide the necessary income, thus exacerbating seasonal food shortages.

SILC and Education

Accessing basic education is a problem for more than 100 million primary school-aged children in the world today. Children from poor families can't afford to go to school; schools are located too far away for children in rural communities; education

for girls isn't valued; and children from ethnic or religious minorities are barred from attending. Those children, who do attend school, risk wasting their time in poor quality schools. These are schools where the conditions for teaching and learning are poor; where the teachers are poorly trained and supported; and where the lessons aren't relevant to children's lives (CRS 2006). Widespread illiteracy and low levels of basic education also hinder income-earning capacities at the household level.

Most CRS education programs work with Parents Teacher Associations (PTAs) and School Management Committees (SMCs) as well as Mother Associations that are subsets of PTAs. These associations and committees are an ideal delivery channel for SILC awareness training upon which individual members can form SILC groups which will have a savings component for educational purposes. The parents can build up their social, economic and financial assets while the group can use their sociopolitical influence, and group funds, to advocate for school feeding and health, infrastructure

Client Story 4

Working towards a Better Education:

Degaga Mes'o is a small-scale farmer in Ethiopia, who in previous years did not have enough cash to buy seed during the planting season. As a result, he was forced to either provide his land for sharecropping with those farmers who had seeds or to borrow seed from local traders and pay back twice the amount borrowed after harvest.



Degaga Mes'o cultivating his Teff field.

Seven months ago, Degaga joined "**Welda-Gudina**" (Development Group), one of the SILC groups organized by a CRS/Ethiopia implementing partner - Meki Catholic Church - operating in the Rift Valley region. The nine-member group are self-supporting students who combine farming and studying. Degaga received an internal loan of Birr 200 (\$25) from the SILC, which he used to purchase Teff seed for the current planting season. He is now cultivating one hectare of land and expects a good crop that will allow him to repay the loan and help him with his studies.

CRS Ethiopia

innovation, materials/equipment provision, teacher training, increasing girl's education opportunities, and curriculum reform.

SILC through Local Partners

CRS directly supports thousands of local partners, helping develop their capacities to acquire and manage donor resources and to achieve their operational goals, while providing both technical and managerial oversight to ensure sound program implementation and accountability to donors. Partnership is at the heart of the Agency's work. CRS practices subsidiarity in its relationship with partners through capacity building and fostering of a shared vision and mission in which decision-making responsibility is assigned as closely as possible to those affected. CRS' partner of preference is the local Catholic Church, and CRS Country Programs consistently reinforce local Church partnerships by involving Church partners in strategic and other planning decisions.

SILC is highly compatible with the capacity of most Church institutions and working with the Church has the following advantages:

- **Vision and partner compatibility:**

Both CRS and the local Church have the same holistic approach to IHD. They share a vision of social, political and economic development and adhere to Catholic Social Teaching (CST) and partnership principles.

- **Opportunity costs and comparative advantages:**

The Church has a long tradition of working with the poor in the informal sector at the margins of society. It is cost-effective because its activities reach large numbers of the poor. The Church is a permanent institution that has nationwide coverage and breadth and depth of outreach in rural areas. It is present in the poorest parts of the country and has an extensive rural network to accomplish its mission.

- **Stewardship of CRS/Donor resources:**

Focusing SILC activities in certain geographical areas allows for *efficient technical assistance (time and costs savings)* by making it possible to schedule frequent visits that minimize high travel costs. Clustering facilitates *lateral learning* among Dioceses. Partners are relatively near



Author Tanzania



CRS Sudan South

one another, so they can attend regional trainings and contribute their expertise. This lateral learning not only gives them recognition, but it allows for practical training sessions. Beyond formal trainings, field agents, community mobilizers, project managers and clergy foster lateral learning through exposure visits to other Dioceses. Clustering allows for *healthy rivalry* as Diocesan branches compare each other's performance. This healthy rivalry will set the performance bar higher, even beyond the standards mandated by CRS.

Clustering allows for *reduced cost in client marketing*. Once a certain mass of satisfied clients has been reached, client outreach accelerates as farmers and villagers visit trading centers and spread the news. This allows neighboring Dioceses to increase outreach without boosting their investment due to the marketing *multiplier effect*. Many Dioceses are involved in development work with community-based organizations to implement their projects in agriculture, health, peace and reconciliation. As

such, they have an in-depth knowledge of grassroots organizations, knowledge and skills to mobilize and assist these groups through an extensive Church network.

An increase in *client impact* is expected. As more clients in the clustered areas have access to resources, the whole of the economy is likely to benefit, increasing income opportunities for all clients.

- **Ownership by the Church:**

SILC can fold easily into existing Diocesan development structures because it is project-based and requires no highly specialized personnel.

- **Sociocultural role:**

The Church is respected and influential in most communities and has long cultural ties with the host country.

This strategic approach can also be implemented with any faith- or non-faith-based partner but will not necessarily have all of the above listed advantages.

Conclusion

Savings-led Microfinance leads to Community Development and Integral Human Development.

Access to appropriate financial services is one of many challenges for the poor, and savings-led microfinance programs are meeting the challenge very effectively¹⁵. CRS has demonstrated, first in India and more recently in Africa¹⁶, 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-led microfinance 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 provides very poor households with effective, low cost means of improving livelihood security.*



CRS Tanzania

The financial, social and human capital that women develop through regular savings-led microfinance group meetings is transferred to an amazing array of actions that result in behavior change. *Thousands of savings groups, supported by CRS in India and Africa, learn how to democratically elect leaders for transparent governance and management of their groups, create and own a constitution, empower women, end discrimination and stem domestic violence, improve 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 women use their sociopolitical positions and group clout to lobby for change and to bring schools, teachers, roads, wells, and health centers to their villages.

CRS believes that there is now sufficient evidence of the effectiveness of savings-led microfinance groups to warrant a massive scale-up to reach millions of participants and to build on the organizational capacity and economic force of groups to expand the range of interventions for holistic community development and Integral Human Development.

¹⁵ Similar successful savings-led programs are being implemented by CARE (ISL), PACT (Worth), Oxfam (Savings for Change), Hugh Allen (VS&L) among others.

¹⁶ Two different expressions of the basic principles of CRS savings-led microfinance are the Self-Help Groups supported throughout South Asia, particularly in India, and the SILCs initiated and developed in sub-Saharan Africa. CRS/India works with 77 NGO partners reaching 800,000 women in 55,750 savings groups (SHGs) with cumulative savings over \$11 million. CRS has successfully field-tested the SILC model in 10 African countries beginning in early 2006 and will reach 10,000 clients by December 2006.

Annexes

Annex 1 - SILC and Catholic Social Teaching¹⁷

CRS asks all of its microfinance practitioners to achieve excellence in its work in relation to the broad themes of Justice and Catholic Social Teaching. Below are highlights of key principles - Option for the Poor, Human Dignity, Community, Rights and Responsibilities, The Common Good, Subsidiarity, Solidarity, and Stewardship - and the ways in which the CRS community of microfinance practitioners have agreed to honor them.

• Option for the Poor

This principle argues *"that those members of society with the greatest needs require the greatest response and attention."* Moreover, this principle *"applies to women as a whole, since they are the victims of a long history of being treated as second-class humans, and even yet suffer discrimination as women."* (The New Dictionary of Catholic Social Thought)

SILC responds to this principle by focusing services on women. Three reasons compel CRS to do so. First, women are the principal victims of poverty. Of the 1.3 billion people living on less than \$1 per day, 900 million are female. Second, women increasingly head up poor households and are often the sole source of support. Third, women are far more likely than men to channel increased income from their business activities into essential benefits for their spouses and children, including improved health care, housing, education and nutrition (CPD Occasional Paper Series).

• Human Dignity

"Each individual is a person worthy of dignity and respect. One's dignity is not related to one's race, ethnicity, gender, age, nationality, physical ability, religion, economic status or any other potentially discriminatory factor. Rather, it is an inalienable right that has been granted to us by the very fact of our human nature."

Through SILC, CRS responds by dignifying the poorest clients with the services they need to grow their businesses and acquire social capital. CRS treats the poorest as clients, worthy of professional services, able to put financial services to good use.

• Community

"Human beings can only thrive and achieve their full dignity in community with other people. People see their individual dignity and equality expressed and confirmed in social situations and relations - how they are treated by society, by their community, and by each other."

Through SILC, CRS responds by delivering financial services through group-based skills and resources. These group activities rely on and strengthen the network of economic and social connections that bind individuals to each other and to their communities. SILC helps people help themselves and members become actors of change in charge of their own development.

• Rights & Responsibilities

"Catholic Social Teaching (CST) understands human rights as moral claims that each person is able to make on a variety of goods and necessities because of his or her human dignity."

Among the six categories of inalienable human rights identified by CST, two stand out as particularly relevant to SILC: the "Right to Life," which includes the right to a worthy standard of living and "Economic Rights", where individuals have a right to meaningful employment.

Through SILC, CRS recognizes that it has "a responsibility not only to recognize the rights of individuals but also to promote their rights and assist them in the same pursuit of a full life." CRS responds by granting economic opportunity to program participants through a savings model and by supporting the very work that participants deem most meaningful.

¹⁷ Adapted from "Catholic Social Teachings and Microfinance for Justice Team", Kim Wilson, 2000, CRS publication.

- **The Common Good**

"The common good is understood as the total of all conditions necessary - economic, political, material, and cultural - which allow all people to realize their human dignity and reach their full human potential. The common good is best protected when the rights of the person are preserved and promoted, and it is the state which should be responsible for the protection of our basic human rights."

Through SILC, CRS responds by supporting local grass root organizations to develop their own democratic governance and ownership structures, including transparent accounting practices. CRS believes that these informal financial services for the poor may find a permanent home within the greater framework of the sociopolitical environment.

- **Subsidiarity**

"Just as it is gravely wrong to take from individuals what they can accomplish by their own initiative and industry and give it to the community, so also it is an injustice and at the same time a grave evil and disturbance of right order to assign a greater or higher association what lesser and subordinate organizations can do."

Through SILC, CRS responds by giving those who are most affected by important decisions the power to make those decisions. The SILC methodology relies on the community to decide the composition of the group itself and the nature of its services. CRS' preferred strategy for delivering financial services to a community is to work through local partners until such time as the partner no longer requires support. In this way, CRS can be assured that resources for its clients will be available on a lasting and sustainable basis.

- **Solidarity**

"Solidarity is a call to recognize each individual person as a part of one human family - regardless

of ethnic, national, racial, gender, economic, political, or ideological differences. We are called on not only to recognize the dignity of each individual in word only, but also to fully respect that person's or group's human dignity in our daily lives - by seeing and understanding others as our brothers and sisters for whom we have responsibility."

Through SILC, CRS responds by honoring the connection between the self-reliance attitude of clients and CRS' own perspective in capacity building of communities. Perhaps of all stakeholders, CRS stands most in solidarity with the poorest clients who must, in order to survive, be spare, resourceful, disciplined and diligent in reaching their economic objectives. CRS' responsibility then becomes meeting the entrepreneurial goals of its clients with a corresponding level of professional services.

- **Stewardship**

"At its foundation, stewardship is based on the principle of responsibility and is intrinsically linked to the common good." As individuals in the human community, "we are called to respect and justly share the resources of the earth in a way that provides for the needs of all. The resources of this world are reflected in the many goods found in society, and those goods are intended to be for the benefit of all persons."

Through SILC, CRS responds by caring for the resources entrusted to the Agency with the same regard evidenced by clients in caring for their own scarce resources. CRS seeks partners who share its commitment to good resource management, including a drive to keep costs to a minimum, dedication to transparency and accountability, a mandate to retain high-performing staff and a plan for ensuring the permanent availability of economic services to the economically active poor.

Annex 2 - SILC: Vision and Program Guidance

• Vision

CRS' vision in microfinance stems from its Catholic Social Mission: to serve the poorest clients, to honor the dignity of their work, to advance their work in relationship to their communities, and to strengthen partners who work with them.

Reflecting the Agency's commitment to social justice, CRS' particular goal with SILC is to enable the economically active poor, especially women, to develop their own reliable financial services within the community and to support community self-reliance and resilience.

• Program Guidance

These principles describe the common values underlying SILC programming and provide the foundation for future programming. The six principles are:

Serve the poorest clients. To forward CRS' goal of advancing social and economic justice, the Agency tailors its services to serve the poorest communities. Women make up the majority of CRS clients because they generally have the least means to support themselves and the least access to savings, credit and insurance services. The SILC model allows CRS to reach out to the poorest of the poor and is a complimentary approach to the traditional Microfinance Institution (MFI) model. Where MFIs serve micro- and small entrepreneurs with mainly credit services (loans ranging in between \$50 to \$500) SILC allows people to help themselves with mainly savings and internal loans (initial loans from \$5 to \$50) (See annex 3, Pyramid of Enterprises).

Save first. Savings and credit are different sides of the same coin. Credit can be seen as an advance on savings while regular savings

build up a useful lump sum without the risks associated to credit. SILC allows people to build up their financial assets over time and stresses the importance of building up resources for future needs. Savings are more attractive to the poorest as the poorest are more risk adverse having to cope with daily survival and a multitude of external risks, crises and shocks. While SILC is mainly a savings model, it does provide a mechanism for internal lending whereby the amount lent is linked to the amount saved.

Self-select. Members of a group self-select co-members based on similar social status, honesty, trust, hard work, friendship, reliability, and proximity to each other. Strong social cohesion guarantees long-term survival of the group, self-reliance, profitability and sustainability of the financial activities. SILC can be targeted at certain communities or common interest groups but without compromising the self-selection principle.

Practice participatory management. Democratic processes are key to empowering the poorest in a community, especially women¹⁸. Clients are directly involved in SILC initiation, management and administration of the services they receive, from creating by-laws, electing officials, to voting on loan applications and choosing repayment schedules. In this way, SILC includes those most affected by decisions in the decision-making process. Furthermore, SILC can become a driving force for development activities in the community and a force to change systems and structures of injustice.

Invest up front in scale and self-sufficiency. The investment a program makes in design, staffing and training of a SILC program is crucial to its success. Achieving scale advances CRS' mission to serve the poor. Self-sufficiency is achieved through efficient operations and by creating high standard SILCs that remain a sustainable resource for the poor after graduation of the group from the partner institution.

¹⁸ While women are the focus of CRS programming, some programs assist women by helping men. If men are not working to their fullest capacity to responsibly contribute to a household, then perhaps excluding them from productive activities such as attending SILC meetings only hurts their chances to learn and only places a greater burden on women to shoulder the work of the household. Cultural issues of gender are important in an area before determining how to focus on women.

Plan for integration. Prior to launching a new SILC program, CRS plans how the program can become integrated into other development activities in the same community. SILC builds the capacity of existing and new groups, creates wealth for the individual members, the group and community and forms a basis for integral human development. Integrating SILC with other programs is more cost effective and will result in higher impact¹⁹.

¹⁹ While SILC can be easily integrated into different development activities, the delivery of the model to the community should initially be done by full-time specialized SILC field agents or community mobilizers to achieve the required program quality, success of the program over time and market penetration and saturation.

Annex 3 - SILC: Pyramid of Enterprises

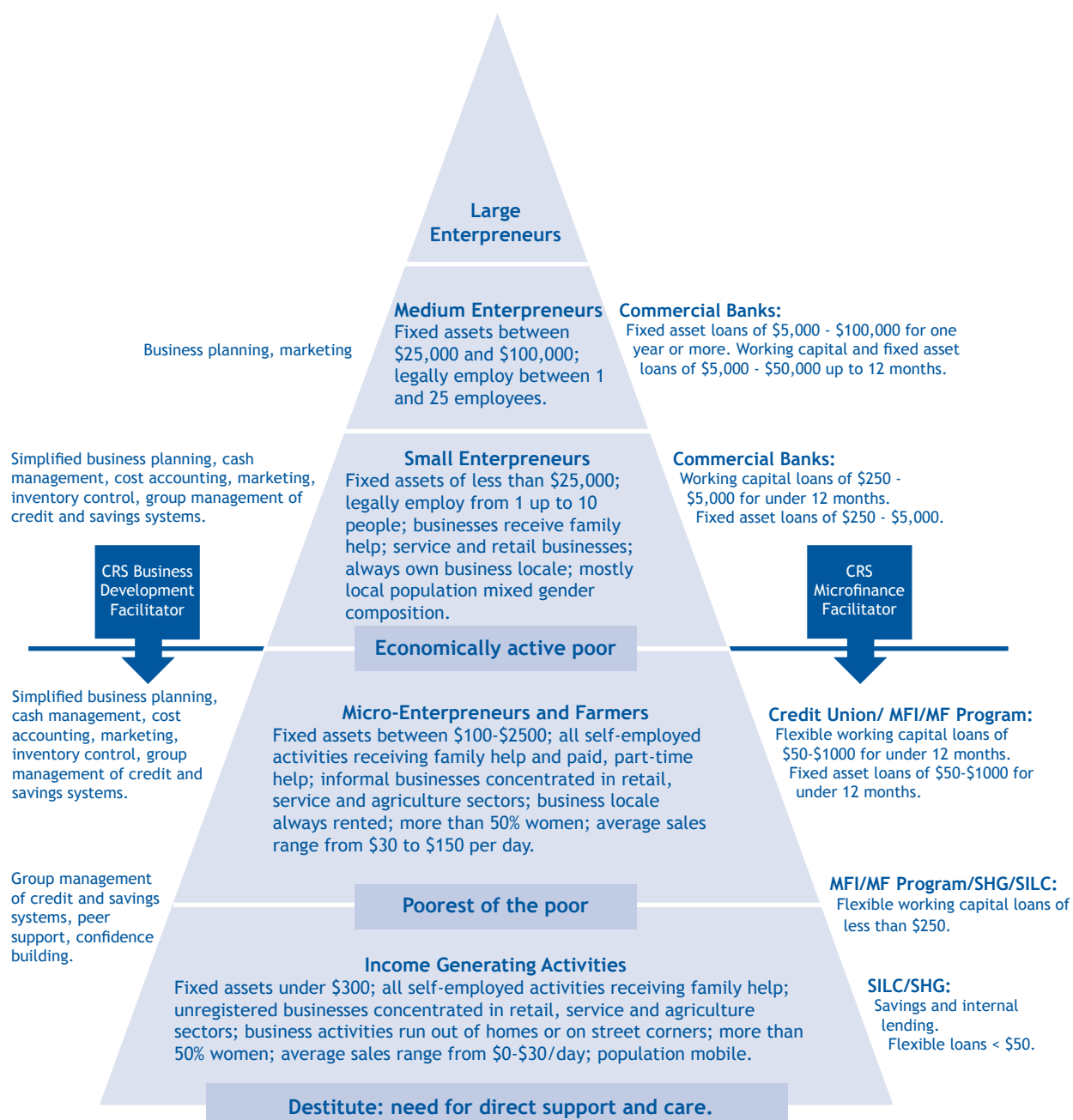
The People We Serve

Non-Financial Services

Business Development Services

Financial Services

Type of Market Providers



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