



How do SAVINGS GROUPS WORK?



Experiences from
Latin America and
the Caribbean.

Note 2 from the Savings Groups in
Latin America and the Caribbean series.



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www.pro-savings.org
pro-savings@iadb.org

AUTHOR XAVIER MARTIN
PROGRAM COORDINATOR ANDREA REYES
DIRECTOR FERMIN VIVANCO
EDITOR AVRIL PEREZ

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Notes from the Savings Groups in Latin America and the Caribbean series:

Note 1 What are savings groups?
The evolution of group mechanisms for savings and credit.

Note 2 How do savings groups work?
Experiences from Latin America and the Caribbean.

Note 3 Where are savings groups headed? Aspirations and challenges.

This document was written by consultant Xavier Martín for the ProSavings Program under the supervision of Andrea Reyes and Avril Perez, and the direction of Fermin Vivanco.

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Southwest of Bogota, upon entering the rural area of Usme, you can find the neighborhood of El Olearte and the residence of the Ayala family. In El Olearte it is common for families to have a small garden and to keep animals, both for economic purposes and for sustenance. The Ayala home has a spacious patio where chickens roam freely. It is in this same patio that every 15 days members of the credit and savings group "Las Brisas del Ahorro" meet. El Olearte has a high level of unemployment and poverty and although the neighborhood is located quite close to Usme, where one can find branches of various financial entities, only a few people use formal financial services.

The group members of "Las Brisas del Ahorro" held their first meeting during mid-2012 after a promoter from IED-Vital¹ explained to them that through the creation of a savings and credit group, they could save and easily access small loans. The methodology is quite simple; participants meet every two weeks and save a small amount in a fund from which any group member can request a loan. The group decides the conditions that apply, such as interest rates and the maximum loan that can be requested based on both the amount deposited by the individual and the total amount of the funds available. The available funds are deposited into a wooden box with various locks and kept by a group member between meetings. All transactions are registered by hand, recorded down in each member's savings book. In case of small emergencies, the group establishes a social fund that serves to help members who find themselves in a difficult situation. At the end of the established savings cycle, members receive their accumulated savings along with the income generated through the loans granted out and other activities undertaken.

Savings groups offer basic financial services and also provide a space in which members can develop skills and financial capacity. In Latin America and the Caribbean there are a range of experiences based on group credit and savings mechanisms.



¹ IED-Vital works through two companies: Business Initiatives Development – IED – and VITAL Corporation. Their focus is to enhance the quality of life of the rural, poor and vulnerable population through self-organization, access to sustainable products and services with high social impact.



CONTENT

In this note we offer some notable examples, emphasizing differences in methodology and reach.

FIRST SECTION

The groups' essence: self-management and savings

Pages 5 - 6.

SECOND SECTION

Outstanding experiences

Pages 7 - 17.

THIRD SECTION

Conclusion.

Pages 18 - 22.

The groups' essence

SELF-MANAGEMENT AND SAVINGS

Savings groups with a high level of self-management are structured around meetings in which participants save periodically to build a fund that they can then access if they need credit. However, the ultimate objective of promoting savings groups goes beyond offering financial services. The majority of entities that promote the creation of such groups seek to improve the living conditions of participants and in most cases; place a strong emphasis on the development of financial capacity, build-up of social capital and empowerment of group members.

There are nearly as many savings groups' methodologies as there are entities and projects that promote them. Often, the creation of savings groups is but a component of a broader project that aims to reach specific development goals within a target population. In the same project or entity it is common to find groups with different dynamics and operations. It is also common to find a great diversity among the types of organizations that promote savings groups - these include international and local NGOs, cooperatives, foundations, government programs, and microfinance institutions. The context and communities in which these savings group interventions are implemented are also quite diverse.

In Latin America and the Caribbean there are many types of savings groups' experiences. There are experiences in which savings groups are promoted among children and youth in order to foster savings habits. There are groups that exclusively target women, initiatives designed to strengthen groups of producers or associations, and interventions in both rural and urban areas. There are also groups in which the majority of members make use of formal financial services and there are groups made up of unbanked populations. There are groups in Haiti just as there are groups in Colombia. There are also projects whose main objective is to bolster income-generating activities and projects aimed towards enabling financial inclusion, by linking savings groups to formal financial entities. There are groups made up of nine members and groups of 90 members. There are those that periodically share the profits generated, and those that opt to capitalize these profits. There are groups that only focus on saving and groups that lend even to non-members. Moreover,

we find groups that exclusively finance themselves with internal funds and groups that obtain external funding (in the form of a loan or a donation). There are groups that grow and seek a higher degree of institutionalization and groups that lose membership and eventually dissolve. There are groups that keep their money in metal boxes secured with three locks, and groups that deposit their money at a financial institution.

In light of this diversity of scenarios and realities, this article seeks to describe the way in which savings groups operate, not as an abstract or theoretical exercise, but based on actual experiences that have been tested and implemented in the region. The following sections will identify outstanding experiences featuring savings groups' methodologies that despite being different, share two characteristics:

- *A high level of self-management*
- *Group savings as the principal source of funding for lending.*



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Outstanding EXPERIENCES

The idea of promoting groups with a high level of self-management as a mechanism of financial intermediation and social capital creation is not a new concept. In Latin America and the Caribbean there are entities that have been working towards this objective for over three decades. Some countries have developed specific laws in order to create a favorable environment to promote and consolidate these initiatives. Such is the case of Honduras, which in 1993 passed the law on savings banks and rural credit, and of Ecuador which in 2011 passed a law on the financial and popular sector.

Currently, the majority of countries in Latin America and the Caribbean have experiences with self-managed savings and credit groups. Several factors have influenced the proliferation of these experiences, including:

- *The strong presence of the cooperative movement.*
- *The emergence and expansion of village banking starting in the mid-1980s.*
- *Donor support for projects with loan funds managed by the community, especially in the 1990s.*
- *The recent interest of several international NGOs in promoting the creation of self-managed savings and credit groups based on experiences from projects in Africa.*


Table 1 shows a list of 20 notable examples of self-managed groups focused on savings promotion in 12 countries in the region. These examples have been grouped into four categories:

1. *International NGO projects with programs focused on promoting savings groups.*
2. *Local entities that promote savings groups with a corporate structure, with well-defined property rights.*
3. *Savings banks and other small local structures that emerged from projects led by the government and local organizations.*
4. *Credit unions centered on the organization and empowerment of groups in rural communities.*

TABLE 1

Outstanding experiences
promoting self-managed
savings and credit groups*

(*) This table was developed based on data reported by the institutions themselves. Information is current to the most recent data available (between June 2013 and June 2014, depending on the entity).

#	Country	Organization	Methodology	Start	Groups	Members	Share Out	Women	Group size	External funding	Savings / Group (US\$)	Savings / member (US\$)
1	 Bolivia	PCFH	GROW	2011	188	3,186 ^(*)	No	n/a	15-25	No	271	16
2	 Brazil	World Vision	GOLD+	2008	2,580	85,201	Si	83%	10-20	Si	88	6
3	 Colombia	IED-Vital Plan	GAAC WORTH	2008 2009	4,563 834	66,833 12,819	Si Si	67% n/a	10-19 10-19	No No	386 963	26 62
4	 Costa Rica	Finca Costa Rica	ECC	1984	150	8,500	No	46%	30-70	Si	6,720	118
5	 Ecuador	Cuerpo de Paz CEPESU PEPP UCADE	Bancos comunitarios SPI EPLs Bancos comunitarios	1999 1998 1980 2004	1390 668 254 1,631	50,000 12,231 166,449 33,115	Si No No No	80% 55% 47% 74%	25-35 15-25 20- 10-30	No Si Si Si	n/a 4,804 n/a 3,487	n/a 262 n/a 180
6	 El Salvador	CRS Oxfam	SILC SFC	2008 2007	682 495	10,138 8,085	Si Si	87% 99%	10-20 9-20	Si Si	115 n/a	10 n/a
7	 Guatemala	CRS Oxfam	SILC SFC	2010 2013	250 526	4,141 8,584	Si Si	94% n/a	10-20 9-20	No Si	31 n/a	2 n/a
8	 Haiti	KOFIP CARE	MUSOS VSLA	1996 2010	1,548 385	41,694 10,878	Si Si	60% 70%	15-40 20-30	No No	2,102 n/a	78 n/a
9	 Honduras	CRS Funder	SILC Cajas Rurales	2009 1997	235 430	3,120 11,963	Si No	98% 60%	7-15 7-15	No Si	20 1,680	3 89
10	 México	Cosechando Juntos	Grupos de Ahorro	1983	430	36,000	No	70%	20-40	No	11,338	135
11	 Dominican Republic	Plan	WORTH	2005	189	2,483	Si	80%	10-15	Si	n/a	n/a
12	 Venezuela	Fundefir	Bancomunales	1996	180	25,465	Si	86%	20- 130	No	3,292	57



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■ *International NGO projects*

Among the NGOs that most actively promote savings groups in Latin America and the Caribbean are CARE, CRS, Oxfam, Plan and World Vision. Peace Corps also has several years of experience promoting savings groups, mainly in Ecuador. Other NGOs, like Freedom from Hunger, Nantik Lum, Plant with Purpose and Proyecto Capital, also execute small projects of this kind in the region.

Most NGO-led projects in Latin America and the Caribbean began developing since the year 2007. Those organizations that most actively promote savings groups have made efforts to standardize their methodology and to replicate it in different countries. (See Table 2) However, efforts to standardize savings groups' management and organization processes must take into account each project's objectives and features. This accounts for why the internal operation of these groups does not always coincide with the standardized model that is implemented.

In certain cases, benefits related to participation in a certain project, such as access to inputs or technical assistance, mix with the component of access to savings and credit offered by the group. Likewise, sometimes savings group promotion occurs within the framework of groups created under a certain project, which can also have an effect in the dynamic and operation of the groups.

The majority of savings groups' projects promoted by international NGOs in the region are primarily aimed at women. The average size of these groups varies between 10 and 25 members and in most groups; profits and savings are shared out at the end of the cycle. Typically, the groups' average savings do not exceed US\$300 (US\$20 per member). International NGOs design the projects, obtain funding and supervise the execution. Yet, local NGOs also tend to play an important role in project implementation by contributing their experience and capacity, which becomes essential to the success of these interventions. Among the main local counterparts involved in the implementation of these projects, we find Caritas and local organizations such as Fundesa, Redes, Fider, Cepradil, Cedecam and Centéotl. The promotion of savings groups is one of many activities that this type of organization carries out. It is difficult to find local counterparts that are completely specialized in the promotion and creation of savings groups; which at times limits the continuity of these interventions.

Savings groups are created with the help of promoters that visit periodically with the groups to transfer the methodology and facilitate the meetings. Under most models, support from the promoter should disappear after one year of operations, when the group is considered to be fully capable of continuing its activity without any external help. In practice, however, it is common for promoters to stay connected to the group for the

TABLE 2

Names of the group methodologies use by key international NGOs

CARE: Village Savings and Loan Associations (VSLA). Their main project in the region is found in Haiti and is financed by USAID through the HIFIVE Project. Currently there are more than 10,000 members involved in more than 350 groups.

CRS: Savings and Internal Lending Communities (SILC). Their main projects in the region are found in Guatemala, El Salvador and Haiti. In September 2013, CRS had 33,805 people organized into savings groups in these three countries (80% of the total organized by CRS in the region overall). CRS has developed small savings groups' projects in Colombia, Dominican Republic, Honduras, Mexico and Nicaragua as well. The reach of these projects is still small.

OXFAM: Save for Change (SfC). Their two main savings groups' projects in the region are in El Salvador and Guatemala. Both projects have been supported by IDB/MIF.

PCI: (GROW-Grass Roots building Our Wealth). Present in Bolivia and Guatemala. Under their methodology there is no mandatory distribution of savings and profits at the end of each cycle but there is a strong focus on the promotion of income-generating activities.

PLAN: Grupos de Ahorro y Crédito Local (GACL). Has projects in Colombia and Dominican Republic. These are mostly focused on the creation of savings groups targeting young people.

WORLD VISION: Grupos Locales de Oportunidades y Desarrollo (Gol-D+). These groups are aimed primarily at women, with a strong emphasis on the promotion of income-generating activities. This entity adapted the self-help group model developed in India by Hands in Hand. Their main project is in Brazil and in June 2013 had 35,201 beneficiaries organized into 2,000 groups. The experience is being replicated in other Central American countries.



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entire duration of a project. It is difficult to find projects in which support by promoters disappears after a year without having an effect on the continuity of the group's activities.

There are not yet many relevant examples of experiences linking savings groups promoted by international NGOs with other formal financial institutions in Latin America and the Caribbean. Perhaps the most notable experience in this area is that of World Vision in Brazil. In 2008, this organization, together with ANDE (a microfinance institution independently founded by World Vision) and the MIF's support, launched a project in Brazil to implement the self-help methodology developed in India by Hand in Hand. The model consists of creating groups that receive trainings and are linked to financial institutions and businesses. In this case, promoting the creation of groups is a strategy to increase income-generation opportunities among the target population. By June 2013, the project had formed 2,500 groups, consisting of 35,201 beneficiaries.² (See Table 3)

At a more local level, an interesting initiative in savings groups' promotion is being carried out by IED-Vital, with the support of Banca de las Oportunidades, IDB/MIF, the Government of Australia, and Citi Foundation. This initiative has facilitated saving group projects in Bogota and other parts of Colombia. The model used by IED-Vital is based on the community savings and lending methodology developed by CARE. Since 2008, IED-Vital has promoted more than 4,500 groups, reaching over 66,000 people.³ In addition, it has trained other local NGOs in the methodology, though only a few entities have been able to implement projects that have extended beyond the creation of a few hundred groups.



² FOMIN/IADB, "Reporte de Estado de Proyecto BR-M1063, Enero 2013-Junio 2013". Proyecto: Reducción de Pobreza mediante la Integración Regional de Capacidades Locales. www.iadb.org/es/proyectos/project-information-page,1303.html?id=BR-M1063

³ Among the groups formed by the IED-VITAL we find the "Winds of Savings" group featured in the story that opens this note and that the author was able to visit in December 2013 in the framework of the I Latin American Savings Groups Forum. www.bancadelasoportunidades.gov.co/contenido/contenido.aspx?conID=1121

TABLE 3

International NGO group savings projects supported by the IDB

In recent years, the IDB/MIF has supported several projects to promote savings groups that are executed by international NGOs. Among these projects is "Poverty reduction through regional integration of local capacities in Northeast Brazil," executed by VISAO Mundial since 2008, to which IADB/FOMIN has contributed 2.5 million USD. IADB/FOMIN has also funded (2 million USD) Oxfam's two principal savings group promotion projects in the region, one in El Salvador and one in Guatemala. In Ecuador, between 1998 and 2003, CRS carried out an IDB/MIF project for revolving credit unions. Annex 1 provides more details of projects to promote savings groups supported by the IDB/MIF in recent years.

A barrier to fully grasping the reach and impact of this type of intervention is the lack of information that results from the very nature of the projects themselves. Information is usually limited to evaluation and monitoring reports required donors, and to the information disseminated by the NGO about its own projects. Donor reports contain particularly valuable information, especially when they are prepared by an independent actor. However, this information is not always widely distributed and thus, makes it difficult to learn about lessons and results from this type of interventions. To address this concern, the Bill and Melinda Gates Foundation funded the launch of SAVIX, an online platform to share financial and operational data from savings group projects promoted by these organizations. The data collected by SAVIX⁴ is reported voluntarily by the NGOs that implement savings groups' projects. Unfortunately, the information available is not complete and the platform contains very little data from projects implemented in Latin America and the Caribbean. The lack of validation and the emphasis on quantitative data significantly limits the lessons that can be extracted.

The work of international NGOs in the field of savings groups in Latin America and the Caribbean is still quite new. Many of the more sizeable projects are still under implementation, so it is difficult to draw conclusions about their impact and effectiveness.



⁴ <http://savingsgroups.com>





■ *Local organizations that promote groups with a corporate structure*

In Latin America and the Caribbean, there are also more locally-based experiences that have been around for years and seek to create groups with a corporate structure and a clear definition of property rights based on the purchase of shares. In this context, we highlight the examples of Fundación Integral Campesina in Costa Rica with community credit businesses, Fundefir in Venezuela with *bankomunales* or self-managed finance groups, and CEPESIU in Ecuador with popular investment societies.

From its founding in 1984, Fundación Integral Campesina (Finca Costa Rica) has focused its rural development strategy on a model for providing credit and investment services that is centered on the self-sustainability of the groups. One of the particularities of the groups promoted by Finca Costa Rica is that they are legally formalized. These groups are constituted with the technical support of Finca Costa Rica as Community Credit Businesses (known by their Spanish acronym as ECC), the ownership of which entirely resides with its members, who invest their savings in order to capitalize the businesses created. Finca Costa Rica does not provide loans or grants to the groups; therefore, loans extended within the group must be financed with the contributions of its own members.

Finca Costa Rica's model has been evolving since its creation. One of its most notable innovations was the decision to implement a corporate structure, so that the groups' property rights and rules of operation are well-defined. ECCs develop their own credit policies and decide which members to finance. All of the capital that goes into an ECC is contributed by members of the community through the purchase of shares; however, although as these grow so can their need for financing. Finca Costa Rica actively supports the establishment of links and partnerships between ECCs and formal financial entities. In addition, once ECCs are consolidated they can access financial services offered by EDESA, a financial enterprise owned by Finca Costa Rica that specializes in offering financial services to ECCs.

ECCs develop in marginalized communities to offer credit and investment services to their members. Unlike groups promoted by international NGOs, ECCs promoted by Finca Costa Rica do not specifically target women. In fact, currently 54% of ECC members are men and only 46% are women. ECC meetings take place in the home of a member, in a classroom, or other similar location lent by the community. Some ECC groups grow to the point where they decide to rent or acquire their own office space. Often ECCs also raise funds by organizing activities such as raffles, food sales, celebrations, or sports events.

Members of the community invest in an ECC with two main objectives. The first is to obtain a return on the investment of their savings via stock dividends, and the second is to access loans in case of need, based on the amount they have contributed. The number of ECC members tends to grow over time as more members of the community become interested in joining the group. Initially, an ECC typically has 15 to 25 members and, as the group grows, it is common to find ECCs of 60 to 70 members, or even more in some cases. In Costa Rica there are currently 150 ECCs promoted by Finca Costa Rica, which collectively have around 8,500 members. Finca Costa Rica's methodology has also been tested in Guatemala by the Guatemalan Foundation for Development, in Honduras by the Banhcafe Foundation, in El Salvador by the Salvadoran Rural Pro-Health Association and in Mexico by Pro-Natura Chiapas.

Based on Finca Costa Rica's experience, Fundefir in Venezuela has also developed its own methodology. The Fundefir model is very focused on the aspect of self-financing of these groups. One hundred percent of the loans extended are financed by members' deposits and the groups are not linked to external formal financial institutions. The *bankomunales* or self-managed finance groups promoted by Fundefir have been operating since 1996 under the same principle as do ECCs - members invest in shares to build-up the organization's capital. Like Finca Costa Rica, Fundefir refers to the deposits of group members as "micro-investments" rather than savings, given that the profitability of these contributions is linked to the diligence applied in lending out these funds.

Unlike ECCs, self-managed finance groups promoted by Fundefir only allow members to purchase shares and receive credits (they do not make loans outside of the group). Thus, group members act as both investors and clients, making it easier for the interest rate to naturally adjust depending on the availability of funds and the demand for credit. Each member can purchase shares whenever and in whatever quantity they wish. Unlike other savings groups' models, in the case of the *bankomunales* periodic savings are not mandatory. Members may withdraw their investment, or part of their investment, at any time as long as the funds are available and have not been lent out. As happens in the case of the ECCs, the amount of credit that each member can access is proportional to the amount he or she has contributed, and the income generated from the interest on loans is distributed proportionately based on the amount contributed by each member. During the first year, in order to capitalize the group, the income generated is not shared out. Nonetheless, after this first year, income is distributed monthly. All of the group's transactions are public and take place over periodic meetings in which every group member participates. Fundefir has promoted the creation of about 180 self-managed finance groups, with a total membership of over 25,000 people.⁵ The Fundefir model has been replicated in Bolivia, Colombia and Dominican Republic, and has been tested in migrant communities in Spain and Italy. (See Table 4)



⁵ Raydán Rivas, Salomón; Jean-Claude Rodríguez-Ferrera Masson and Maribel Torcat Rivas (2011). "La Otra Microfinanza", Ediciones Fundefir.

TABLE 4
Self-Financed Communities
(CAF - Comunidades
Autofinanciadas)

Self-financed communities (CAF) began in Barcelona, Spain in 2004 based on the experience of Fundefir in Venezuela. The creation of small communities of 10-30 people that contribute small amounts of money to establish a loan fund in order to cover small expenses was initially used as a strategy to unite immigrant communities in different towns of Catalonia. The experiment was subsequently replicated in some cities in Italy, Portugal, Netherlands, Belgium, Hungary and Senegal. In the first four years of operation more than 20 CAFs were established, in which more than 400 people regularly participate (www.comunidadescaf.org).



CEPESIU in Ecuador uses a similar approach to that of Finca Costa Rica. This model is based on the promotion of Popular Investment Societies (Sociedades Populares de Inversión - SPI), independent organizations of a local nature that promote investment, credit and savings services for group members, as well as for members of the greater community. Like the ECC methodology, CEPESIU applies a corporate structure to the Popular Investment Societies and each group defines the conditions for members joining and leaving, lending policies and the requirements for contributing capital. The Societies may receive external funding to add to the resources contributed by members, although more than half of the Popular Investment Societies promoted by CEPESIU function entirely autonomous from external funds.⁶ Also like Finca Costa Rica and Fundefir, CEPESIU promotes the creation of Societies among low-income populations. Since 1998, CEPESIU has promoted groups in rural as well as urban areas, creating 668 Popular Investment Societies in which 12,232 people participate as members.⁷

■ *Savings banks and other small local structures*

As a result of government projects and the work of local NGOs, we find thousands of savings banks and other small local structures that have emerged in various countries in Latin America and the Caribbean. In Honduras, since the end of the 1980s and the beginning of the 1990s, rural credit and savings banks have become quite common and have led to the creation of a specific law to protect their operations. In Ecuador, popular finance and solidarity organizations or local credit and savings structures, have been common since the 1960s and 1970s. In Haiti since the mid-1990s, mutuelles de solidarité, small self-managed savings and credit banks, have continued to grow and expand. All of these examples share several characteristics of savings groups; particularly, their small size, high level of informality, self-management, and their emphasis on the mobilization of local savings.

In Honduras, rural savings and credit banks have been in operation for many years as self-managed financial entities. Rural banks are community organizations made up of 12 to 50 families (consisting mostly of small farmers) that offer financial services and promote local savings. A rural bank can be established with as little as five members, each contributing a minimum amount of capital of US\$25. The banks' capital comes from member contributions, from the capitalization of interest income, and external support which may come from national or international entities. Additionally, rural banks are managed by the same members that establish the internal operations and credit policies. Part of the interest generated by the banks' activity is distributed among members, another part is capitalized, and a third is dedicated to social projects.⁸



⁶ CEPESIU (2009). "Sistemas de Soporte para el Desarrollo Económico Local: Las Sociedades Populares de Inversión". Document from a series of four volumes containing the conceptual and systematic methodology used by the CEPESIU in their projects to support local economic development. Available at: www.cepesiu.org.

⁷ CEPESIU (2011). "SPI, "Sociedades Populares de Inversión". Informative brochure. Available at: www.cepesiu.org.

⁸ Food and Agriculture Organization of the United Nations. (2012). "Estudio de caso. Las Cajas rurales, mecanismos sociales de contingencia y apoyo económico". Available at: www.fao.org/hn/l/publicaciones.html.

In many cases, rural banks emerge from pre-existing organizations within the community, such as groups of producers or religious entities. There are various institutions that promote rural banks and that provide technical assistance for their consolidation. This is the case of Funder, one of the most active organizations involved in the creation and consolidation of rural banks, which has promoted the creation of over 600 banks incorporating nearly 20,000 members.⁹ It is also worth noting that many banks have the capacity to replicate themselves and even evolve into larger organizations by combining various savings banks from the same municipality or region. In 2010, Honduras was home to 4,113 rural banks with a total of 85,697 members¹⁰ and an accumulated capital of approximately US\$17.2 million.¹¹

Many rural banks also organize convenience stores so that members can access basic goods at more manageable prices, or buy and/or sell products, fertilizers and seeds. Rural banks build financial capital and define their operations based on mutual trust between its members. These members normally make monthly deposits in the form of savings and the purchase of shares. In many banks only members can receive credits and access group activities, although it is also common for groups to extend loans to non-members. Typically banks extend small loans for a period of less than three months. As happens in the majority of savings and credit group initiatives, the purpose of the loans is not tied to income-generating activities and it is common for funds to be used for small personal expenses, emergencies or home improvements. The majority of rural banks also have an emergency fund to cover (in the form of a donation) the immediate needs of its members.

In Ecuador, popular finance and solidarity organizations and local credit and savings financial structures, share many of the general characteristics of savings and credit groups. The structure of these entities varies - sometimes it consists of small rural banks, community banks, associations, or other type of structures. Many of these entities group themselves in networks that seek to create a platform to coordinate and strengthen these structures and to make them more visible. In 2007 the National Network for Popular Finance and Solidarity (Red Nacional de Finanzas Populares y Solidarias) of Ecuador was created to represent the different networks and popular finance unions in the country, which include savings and credit banks, community banks and other types of associations.¹² Grupo Social FEPP is one of the entities that has most actively supported the consolidation of these organizations. Since the 1970s, FEPP has supported 260 local



⁹ Funder (2012). "Una dimensión económico local de seguridad alimentaria. La experiencia de las cajas rurales en Honduras". Presentation at the 7th World Summit of Universities Against Hunger held in Catacamas, Honduras, in March 2012.

¹⁰ Food and Agriculture Organization of the United Nations. (2012). "Estudio de caso. Las Cajas rurales, mecanismos sociales de contingencia y apoyo económico". Available at: www.fao.org/hn/l/publicaciones.html.

¹¹ Ibid.

¹² www.renafipse.ec





IDB / MIF

financial structures.¹³ In addition to supporting the consolidation of these entities, FEPP has also established partnerships between small local entities and the cooperative Codesarrollo (recently transformed into a bank in which FEPP is the principal shareholder), which offers financial products specifically tailored to these groups. The Ecuadorian Center for Agricultural Services (Central Ecuatoriana de Servicios Agrícolas) and various other government programs have also fostered the development of EFLs.¹⁴ Moreover, the Catholic Union for Community Development (UCADE) has been very active since 2004 in the creation of community banks through the diocese of the Catholic Church. In June 2013, UCADE reported more than 33,000 members organized in 1,300 community banks that operated with a high level of self-management and an emphasis on savings.¹⁵

Finally in Haiti, since the mid-1990s, *mutuelles de solidarité* have grown increasingly common. *Mutuelles de solidarité* are groups of between 15 and 50 people who decide to organize themselves in order to save and access credit. The groups meet periodically and organize their activities around three boxes. One box is used to keep the collected savings and to give credits (green box), one box constitutes an emergency fund (red box), and the third box is used to keep funds received by the group from external entities (blue box). One of the most active entities in supporting *mutuelles de solidarité* is the *Collectif du financement populaire* (KOFIP), an NGO that supports the formation and consolidation of *mutuelles de solidarité*. The green and red boxes are only used in the beginning, yet once the group is consolidated; it can gain access to external funding through the blue box. *Mutuelles de solidarité* function autonomously and in a decentralized manner. Each group decides the frequency of its meetings, its members' savings quota, and its lending policies. KOFIP has developed a methodology to conduct simple accounting such that all members can monitor the group's resources. In June 2013, KOFIP reported 1,548 *mutuelles de solidarité* in existence, consisting of 41,694 participants.¹⁶ These *mutuelles* had savings (green box) amounting to US\$2.3 million and had created emergency funds (red box) of nearly one million dollars.¹⁷



¹³ Orellana Sarmiento, Enrique Eduardo (2009). "Las finanzas sociales y solidarias en Ecuador. Verdades y desafíos". Publication commissioned under the COOPFIN-CREATE project, funded by the Swiss Agency for Development and Cooperation and implemented by the Swiss Cooperation Foundation for Technical Development. Available at: www.asocam.org/portal/taxonomy/term/32?page=6.

¹⁴ Ibid.

¹⁵ Information reported by UCADE on its website (www.ucade.org/Microcredito.htm). Page consulted July 2014.

¹⁶ Information reported by KOFIP on its website (www.kofip.org). Page consulted July 2014.

¹⁷ Ibid.

■ Credit Unions

In several countries of Latin America and the Caribbean there is a large and dynamic cooperative movement in which cooperatives or credit unions play an important role. Many credit unions offer services to employed people from particular professions (teachers, police officers, government workers, etc.) and target the middle-income population working in the formal economy. However, there are also thousands of small credit unions, many of which are located in rural areas. These operate like small local financial entities, channeling resources back into the same community they stem from. Some of these credit unions have no more than 30 or 40 members and in many ways their operations resemble other savings and credit group initiatives.

Similarly, some cooperatives of a larger size have developed mechanisms for operating in a highly decentralized manner and demonstrate a high degree of self-management among members. In Mexico, the credit union Cosechando Juntos lo Sembrado has been operating since 1981, through the creation of groups of 40 to 80 participants in rural communities with high levels of poverty. Each group nominates a member that is responsible for collecting members' weekly savings and as a whole; the group also approves all loan requests submitted. The credit union puts a strong emphasis on promoting savings. This is evident in its high level of deposits, which is much greater than its level of loans.

In Ecuador, Jardín Azuayo stands among one of the most important credit unions and among the ones with the greatest. It has also developed mechanisms so that communities in which they operate can participate actively in decision-making processes. Through a highly decentralized organizational structure, the cooperative has established governance systems in which members have spaces for participation at the local level; determining policies and making decisions for the cooperative at each of its offices.

On the other hand, some cooperatives have emerged as an effort to institutionalize and formalize savings and credit groups. This is the case of Caja Depac Poblana, a cooperative based in Mexico, that stemmed from activities developed by the NGO Central de Servicios para el Desarrollo de Puebla A.C.¹⁸ After years of working to develop savings and credit groups, this NGO founded a cooperative in order to grow and offer a greater variety of better quality services.



¹⁸ Ortiz, Jesús (2004). "Todos somos dueños, en la Caja Depac Poblana". Presentation given at the international symposium "Experiences and challenges in microfinance and rural development," held in Quito in October 2004.



THIRD SECTION

Reflexions ABOUT SAVINGS GROUPS

This article introduced notable examples of community finance that is self-managed and based on savings. It also demonstrated that experiences creating savings and credit groups in Latin America and the Caribbean are numerous and diverse; ranging from experiences promoted by international NGOs, to initiatives facilitated by local organizations. Despite the diversity of these existing methodologies, all of the examples discussed feature a component of self-management and the use of internal savings as the basis for engaging in loan financing. Savings and credit group approaches have proven to be successful when there has been a high degree of member participation and when internal group savings have been prioritized as a source of funding for extending loans. In the next note of this series, “Where are savings groups headed? Aspirations and challenges,” we address in more detail the lessons learned, questions, and current challenges of promoting savings and credit groups as a means for increasing access to financial services, facilitating the build-up of social capital, and developing financial capabilities.

■ *Annex 1 – Savings and credit group promotion projects supported by IDB/MIF in recent years.*

(Continued on next page)

Country	Project Name	Executing organization	Period of execution	Total project	IADB/FOMIN support	Methodology
Brazil	Reduction in poverty through the integration of local capacities in the northeast of Brazil	World Vision	2008-2012	5,500,000	2,500,000	Self-help groups
Colombia	Generation of Income and Rural Finance through Community Groups	Iniciativas Empresariales de Desarrollo	2011-2014	2,576,000	1,000,000	Community savings and credit groups
Colombia	Expansion of Microcredit Funds Managed Locally for the Mitigation of Rural Poverty	Republic of Colombia	2006-2010	500,000	400,000	Self-managed Savings and Microcredit Funds
Costa Rica	Expanding Financing for Credit Business in Rural Zones	FINCA Costa Rica	2013-2016	2,410,000	1,228,000	Investment and Credit Businesses
Ecuador	Financing, Technical and Health Services for Women Entrepreneurs in Rural Communities	Women United Savings and Credit Cooperatives	2006-2009	740,000	500,000	Solidarity Banks
Ecuador	Reenforcement of an Innovative Mechanism for the Offer of Rural Credit in Underserved Communities	Codesarrollo	2004-2006	2,875,000	1,490,000	Local Financial Structures (EFL)
Ecuador	Enabling Rural Businesses in the Rice-Growing Catons of Guayas	CEPESIU	2007-2010	1,015,900	750,000	Popular Investment Societies
Ecuador	PILOT PROGRAM FOR SUSTAINABLE AGRICULTURE IN CALPI	Catholic Relief Services	1998-2003	500,000	658,600	Rotating savings and credit funds
El Salvador	Community Savings Groups and Economic Empowerment of Women in Rural Zones	Oxfam America	2013-2016	1,440,268	999,820	Community savings groups
Guatemala	Promotion of Community Savings Groups with Women in the Rural Zones of Guatemala	Oxfam America	2013-2016	1,652,410	994,000	Community savings groups
Haiti	Haiti Youth Reconstruction Academy	IDEJEN	2011-2015	9,347,296	3,998,614	Savings groups
Honduras	Integrating small producers into agro-business chains	FUNDER	2006-2009	850,000	460,000	Rural banks
Honduras	Community Development, Rural Businesses and Food Security in Copán	OCDIH	2010-2012	619,610	375,000	Savings banks and rural credit
Nicaragua	Agricultural Business Diversification in Indigenous Communities in the Autonomous Region of the North Atlantic	Cooperativa Aikuki Wal R.L.	2002-2005	534,000	270,000	Rotating funds for animals
Peru	Savings for All	Caja Nuestra Gente	2013-2016	635,190	189,800	Community savings groups
TOTALS				31,195,674	15,813,834	

(Continued from previous page)

Country	Group objective	Members objective	Average / group	Additional group services	Project focus
Brazil	2,800	50,000	18	Links with financial entities, education, business development services	Develop a model based on the Hand in Hand methodology, which has had success in India and other southeast asian countries
Colombia	975	17,000	17	Links with financial entities, microinsurance, savings plans, business training, identification of business opportunities	Develop the methodology that GACC introduced in Colombia in 2008, based on the experience of CARE in Mali and on VSLA
Colombia	90	8,000	n/a	Promotion of income-generating activities, promotion of rights and peace-building networks	Strengthen the National Network of Self-managed Funds and improve the methodology (rotating fund)
Costa Rica	45	1,400	31	Strengthen the link between EC and EDESA (second step)	Strengthening of the EDESA business model and the Ecs.
Ecuador	20	1,130	57	Links with financial entities, health services and training in microenterprise management	Strengthening of CACMU and their Solidarity Banks
Ecuador	185	29,900	n/a	N/A	Strengthen Codesarrollo and improve its line of credit to EFLs
Ecuador	70	2,700	39	Identification of chains of production and investment opportunities	Financing new businesses, empowerment of local actors and strengthening CEPESIU
Ecuador	20		0	Technical assistance for sustainable agriculture	
El Salvador	400	5,500	14	Microenterprise training, agricultural production training, business identification	Encourage community savings practices through the creation of GACs
Guatemala	570	9,500	17	Links to financial entities, microenterprise and agricultural production training, business identification	Encourage community savings practices through the creation of GACs
Haiti	300	9,000	30	Vocation training, financial education, rebuilding infrastructure	Improve economic opportunities for vulnerable Haitian youth in 12 communities in the country through the creation and training of groups
Honduras	470	9,000	19	Technical assistance and training for the improved management and sustainability of small businesses	Strengthen small producer businesses connected to rural banks in aspects of production, finance, sales and management
Honduras	17	340	20	Strengthen the production capacity of small farmers and facilitate access to markets	Promote a rural development model based on CACR that includes food security, business associations, citizen involvement and access to finance
Nicaragua	20	200	10	Knowledge of and basic technologies for management of sheep and commercialization	Strengthen CMAW in order to provide services to populations of RAAN in aspects of production, management and sales through an animal rotating fund
Peru	200	8,400	42	Financial education	Promote the development and use of savings planned savings products for receivers of government subsidies
TOTALS	6,182	152,070	25		



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www.pro-savings.org
pro-savings@iadb.org

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