

# The Graduate Programs in Sustainable International Development

The Heller School for Social Policy and Management  
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***SIMPLE AND COST EFFECTIVE WAY OF BUILDING  
SAVINGS GROUPS FOR SCALE:  
BASED ON A CASE STUDY IN THE DOMINICAN REPUBLIC***

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## **ABSTRACT**

Savings Groups are increasingly attracting attention for their impact on building the assets and capacities of the population living in deep poverty. Although Savings Groups do not require external funding to the groups, managing the program requires funding and efforts are ongoing to reduce the cost of the training to reach a larger population. This study, therefore, is focused on how to develop a cost effective and easy to learn training system. The study found that one to two group trainings made 95% of the groups start to save and 89% continue to save. For this simple training to be successful, however, 1) collaboration with local partner organizations is a key in order to identify interested groups 2) since the social capital determines the group quality, it is important to provide more training for groups with less social capital. 3) while quick training can allow room for creativity, core principles like self-selection, transparency, and distribution of roles should be duly respected in-order-for the group to last. Overall, the savings group methodology has proven effective in building social capital and bringing positive change in people's behavior and mindset. With a growing interest on savings groups among the most vulnerable, it is expected that the government of the Dominican Republic will link the nationwide conditional cash transfer program with savings groups to increase the program's impact on poverty reduction.

## EXECUTIVE SUMMARY

Ever since it was introduced 20 years ago, slowly but surely savings group has had an impact on the lives of many people. Different from most assistance programs that “hand out fish”, savings group distinguishes itself in teaching people “how to fish” motivating them to use their own power. This is not a glamorous program whose impact is visible almost immediately, but it is a program that requires persistent efforts and through which leads people change their habits so that they can learn how to stand up by themselves. Despite its implication on the development, however, savings groups are not well known and are not receiving due attention and funding from donors compared to the credit-based microfinance.

This constraint on funding has made organizations promoting the methodology (CARE, Oxfam, CRS) either try to improve their volunteer replication system or introduce an innovative market based fee-for-service program to ensure sustainability at a low cost. Meanwhile, it should be noted that at a government level, the Colombian government has been promoting savings groups through NGOs like VITAL, IED and Plan. Also the governments of Kenya and Ethiopia have been attempting to link conditional cash transfers with savings groups with the expectation that these efforts will be scaled up.

The purpose of this paper is to add more to the above mentioned ongoing efforts: to develop and find a simple and cost-effective training method so that it can be scaled up to reach a larger population. The study was conducted in the Dominican Republic under the sponsorship of the UNDP. In order to identify a simple and effective methodology, groups were formed and the training methods were refined over time.

It should be noted that in the Dominican Republic, only 16% of rural population has accounts in banks, and the rest do not save in financial institutions. People invest in animals and plants, but liquidating these for the emergency is neither easy nor convenient. Informal financial services are available including cooperatives, saving in the church, with unions of neighbors, and women’s clubs but they are not disciplined enough and membership is low.

Between March 2012 and March 2013, 64 groups (1,467 members) were formed in 11 provinces of the country based on a simple training methodology. Most of the members reside in rural areas while the rest live in urban slums. 70% belong to local organizations including neighbors’ union, associations and women’s clubs, among others. Training used to require multiple visits, but now the training has been reduced to 2 hours, and with this, 95% of the groups started saving and 89% continued to save savings.

People valued restricted access to their savings so they could build up a useful amount, easy access to loans, and the fines that insured compliance with the rules and solidarity. Some notable findings include 1) Social capital determines the quality of a group, 2) People in the savings group see change their behavior and attitudes and start thinking and planning for their future. 3) The poorest of the poor are able to save. 4) Minimum follow-up can be a blessing for a group with high social capital that can quickly manage itself but it can be a curse for the groups with low social capital and they need more training and support. 5) Loans stimulate investment in business and production as they build the motivation of the group to keep saving.

The lessons learned are 1) to take advantage of local agencies with extensive knowledge of the region that can help identify the right groups, 2) apply varying degrees of intervention depending on the level of social capital 3) A few core principles of savings groups need to be adhered to 4) revolving funds

should be converted into savings groups, and 5) a pilot to link conditional cash transfers and savings groups needs to be conducted.

Savings groups contribute to generating a tangible change, but tend to be ignored due to its rather slow and indirect impact on economic indicators. More effort is needed to convert the intangible changes especially in social capital into tangible and measurable figures so that more resources for development aid can be eventually directed to savings groups that can produce true and lasting impact.

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## ABBREVIATIONS

ART	Articulating Territorial and Thematic Networks for Human Development
ASCA	Accumulating Savings and Credit Association
BARA	Bureau for Applied Research in Anthropology,
BRI	Indonesia's Bank Rakyat
CBOs	Community Based Organizations
CCTs	Conditional Cash Transfers
CDM	Corporación para el Desarrollo de Microempresas
CGAP	Consultative Group to Assist the Poor
CIREC	Centro Integral de Rehabilitación de Colombia
COSALO	Community Savings and Loan
CPM	Cost Per Member
CRS	Catholic Relief Services
DFID	Department for International Development (UK)
FA	Field Agent
FBO	Faith Based Organization
FINDEX	Global Financial Inclusion Database World Bank
FSD	Financial Sector Deepening
HSNP	Hunger Safety Net Program
IDB	Inter-American Development Bank
IED	Iniciativas Empresariales de Desarrollo Ltda.
IFAD	International Funds for Agricultural Development
IGA	Income Generating Activities
INGO	International NGO
IPOs	Implementing Partner Organizations
JICA	Japan International Cooperation Agency
KOICA	Korea International Cooperation Agency
LEOs	Laboratorio Experimental de Organización Socio Empresarial
MFIs	Microfinance Institutions
MIX	Microfinance Information Exchange
OEA	Organizaciones de los Estados Americanos
OB	Opportunity Bank (Banca de las Oportunidades)
PPRDCP	Programa de Promoción de Derecho y Redes de Constructores de Paz
PSNP	Productivity Safety Net Program
PSP	Private Service Provider
RAs	Replication Agents
ROSCA	Rotating Savings and Credit Association
SAVIX	Savings Groups Information Exchange
SENA	El Servicio Nacional de Aprendizaje
SfC	Savings for Change
SGP/GEF/UNDP	Small Grant Program/Global Environmental Facility/United Nations' Development Programme
SILC	Savings and Internal Lending Communities
UNDP	United Nations for Development Program
UNHCR	United Nations High Commissioner for Refugees
USAID	United States Agency for International Development
VA	Village Agent
VSLA	Village Savings and Lending Association

## I.INTRODUCTION

### 1.1 PROBLEM STATEMENT

**David Ellerman** (2006), author of *Helping people help themselves*, thinks aid failed because it did not teach people how to fish and how to help themselves. For him, underdevelopment is simply the consequence of “unhelpful help” prompted by social engineering and benevolent aid. As a prescription, Ellerman advises that aid should be indirect and moral hazard should be guarded against. Effective aid also starts from where the doers are and when the world is seen through the doers’ eyes. While other development economists pinpoint external and tangible causes to explain the ineffectiveness of aid, Ellerman distinguishes himself by focusing on the way aid is delivered. For him mere change of external behavior without internal agreement is short-lived, and true change will occur only when the internal and external interest go together.

Interestingly enough, these are the traits that savings groups have addressed and proven successful in all continents for the last two decades. A savings group, known also as savings-led microfinance, is a small informal group in which members save together, lend their savings with interest, and share the profits. While credit-led microfinance is run by the multitude of externally funded organizations that sees the poor as passive clients and customers, savings group create a condition where poor people can change their own circumstances (Ellerman, 2007, p.35). The simple act of regular saving in a group can foster change in attitude: people in saving groups not only build assets but learn business development skills, strategic thinking, ownership, leadership, and empowerment (Ashe, 2007). The BARA researchers of Univ. of Arizona see savings groups as a key leverage point to promote sustainable development in vulnerable villages (BARA, 2009 & Ashe, 2009). Ashe (2009) affirms that “Savings-led microfinance was an interesting idea a few years ago; now it is a proven methodology” (p.9). It should be noted that different from other poverty reduction programs, savings groups require no external input except training, diminishing the possibility of developing to nearly zero. Besides, due to its intrinsic value, “there are thousands of volunteers working in Savings for Change villages that are training groups without pay. Also savings groups not only survive, but they self-replicate” (J.Ashe, personal communication, April 9<sup>th</sup>, 2013).

That being said, savings-led microfinance is not as widely spread as credit-led microfinance; according to the latest Microcredit Summit Report (2012), as of December 31<sup>st</sup>, 2010, 3,652 microfinance institutions worldwide reported reaching 205,314,502 clients, a solid outcome for thirty years of hard work (Ashe, 2009, p.1.). Meanwhile, as of March 2013 the major international NGOs with savings-led programs reached 7 million villagers in over 63 countries (Allen, 2013), only 2.9 % of those served by credit based microfinance. The main cause of discrepancy in number of beneficiaries is that savings led-microfinance has to resort to subsidies to underwrite training while credit-based microfinance is known to be able to grow through its profits, while “in fact MFIs received and still received massive donations – reportedly 2 billion dollars last year in addition to 18 billion in loan pools, equity and guarantee funds” (J.Ashe, personal communication, April 9<sup>th</sup>, 2013).

Efforts have been made to make savings groups sustainable including CARE and Savings for Change’s E-Learning and Mobile-learning as well as CRS’ recent fee-for service savings-group model (PSP: Private Service Provider) against the more conventional project-paid savings-group model (FA: Field Agents). But interest for other simpler and cost effective ways for replication still remains high. **What might be the simplest and most cost effective way to form savings groups?** This paper presents a strategy that can minimize costs and maximize scale-up without affecting the quality of the groups.

## 1.2. SCOPE OF THE CASE STUDY

The Dominican Republic is one of the fastest growing countries in Latin America and Caribbean with a growth rate averaging 7.8% from 2004 to 2007 (BWHA, 2010) per year. Economic development of the country is based primarily on revenue from tourism, the country's free trade zones, and remittances sent home from the Dominicans living abroad which accounts for 10% of GDP (CIA, 2009). Despite the high growth in economy, however, the Dominican Republic faces extremely high level of poverty and inequality; According to the World Bank Data (2011), current rural poverty ratio is 48.4% and has little improved since 2004 (49.8%). People living in absolute poverty (less than US\$1.25 a day) are 2.2% of the population (about 220,000) while people living less than \$2 a day represent 9.9% (about 1 million) of the population. Also, the country suffers from marked income inequality; the poorest half of the population receives less than one-fifth of GNP, while the richest 10% enjoys nearly 40% of national income (CIA, 2009). According to the Human Development Report 2010 (UNDP,2010), Dominican Republic's Gini index is 48.4, one of the highest in the Latin America and Caribbean region and unemployment rate is 14.9% (CIA, 2009), 150th out of 200 countries in the world. The widening gap between the rich and the poor has caused a number of social problems such as increase in crime, teenage pregnancy, drugs, and kidnapping, among others.

The key factor of persistent poverty is a very low level of social and human capital (IFAD 2010), caused by low quality of education. The Dominican Republic does quite well in enrolling and keeping children in school until they are 16-17 years old but what the students learn is little with many repeating grades (Ripani et al., 2006). The World Bank (2006) also comments that despite its strategic location in the Caribbean Sea that offers great opportunity for the USA and European market, the Dominican Republic does not have broad-based human capital to really cater to those possibilities that the country offers. This situation has often been worsened by uncoordinated and sometimes paternalistic poverty reduction and development interventions, which have created a dependency syndrome and have contributed to the politicization of community and farmer organization (IFAD, 2010).

The Dominican Republic (DR) has favorable conditions for scaling up experiment of savings group model; **First**, savings groups had little visibility at the beginning of the study in January 2012 although there were about 250 savings groups (5000 people) active in the country run by Plan, Plant with Purpose (locally Floresta), and CRS. While Plan has been operating program since 2005, both Plant with Purpose and CRS had only 1-2 years of operations. **Secondly**, country boasts of low financial inclusion rate similar to other developing countries, which makes the savings groups attractive to the target population. Latin Americans lag behind the rest of the world in use of financial services. According to the financial inclusion data by the World Bank, currently 250 million Latin Americans (61%) are excluded from the formal financial system (Hansen, 2010). In the DR, only 22 % of the bottom 40% reported having an account at a formal financial institution mostly to receive wages, government payment or remittances, while only 16 % reported having saved in a financial institution over the last 1 year. **Third**, there was a growing interest of governments towards financial inclusion that may favor adoption of the result of the study later in governmental programs like conditional cash transfers (CCTs).

The target population of this study are about 1,500 urban and rural poor of the bottom 40% in 50 communities in 11 provinces (Independencia, La Vega, Dajabón, Monte Plata, Bahoruco, Ocoa, Monte Cristi, Santo Domingo, Valverde, San Cristobal, El Seibo), most of who are members of community based organizations such as a farmers' associations, women's groups, or neighbors' unions. Additionally local and international NGOs, the UNDP, local governments, the private sector, and schools were interviewed for this study.

### 1.3. HOST ORGANIZATION

This paper was written during a 1 year 3 months practicum with UNDP's Small Grant Program (SGP/GEF/UNDP) in the Dominican Republic. Since 1994, SGP/GEF/UNDP has been supporting NGOs and community based organizations (CBOs) with activities that protect the environment while enhancing people's livelihoods. SGP is well aware that global environmental challenges can be best tackled by building local capacity and therefore has actively infused principles such as learning by doing, self-help, innovation and private sector development in its projects. The study on savings groups therefore fit well to the needs and interests of the institution.

I worked as a technical advisor of savings groups and community micro-enterprises under SGP's capacity building team. The organization was interested in testing savings groups, a new concept, to help strengthen its local communities undertaking environmental projects. Initially I started forming savings groups in the rural communities with whom SGP had worked, but gradually the scope of work expanded as I established partnerships with UNDP-ART, other UNDP programs. In sum, by the end of the March, 2013, I trained 64 savings groups with 1,467 members in collaboration with 15 organizations including NGOs, CBOs, local governments, and the private sector in 11 provinces of the Dominican Republic. (Annex 1)

My main responsibilities included 1) formation of savings groups and follow-up, 2) development of simple training manual and promoting materials (brochure, map and blog), 3) conducting 3 facilitator trainings and follow up, 4) building a network of agencies working on savings groups in the DR and Haiti by organizing two meetings as well as 5) development of a business training manual targeting members of savings groups and implementation of pilot program.

## II. BACKGROUND AND DEVELOPMENT CONTEXT

### 2.1 WHY SAVINGS GROUPS?

Working in the international development for the last 15 years, I have seen a number of development programs, but have not seen any that brought **changes in attitude and mindset** until I saw savings groups in Colombia during 2009 and 10. Between 2005 and 2010, the Colombian government (PPRDGP) conducted a large-scale multi-agency revolving funds project with funding from IDB, OAE, among others. First, SENA, a government agency specialized in vocational training, provided business training courses called LEOS to 5000 people from 90 municipalities of 7 departments. These courses that took from 2 weeks to 6 months were designed for the poorest of the poor to help them run their income generating activities. At the end of the training, participants were supposed to submit business plans and only the proposals that were selected received loans that ranged from US\$100-\$200. My role as an IDB consultant was evaluating the efficiency and effectiveness of the business course. I realized that almost 80% of revolving fund was not revolving; it was either not being used or the loans were not repaid. Although I heard some heart-warming success cases (one person published a book on drug addiction with a loan), I did not see any significant impact of the loan in terms of improvement of people's lives.

Here are three main reasons why the revolving funds did not work:

1. **Business training not customized:** The course material was too complicated and difficult for the largely uneducated people to digest. A lot of themes covered lacked practical implication. Course participants varied greatly in age, background, and level of education making the training difficult to carry out. In Mompox, located in Bolivar department, 600-800 participants

took the course for 2 weeks (8 hours a day) in one place. Since only those who took the course had access to a loan, many attended without interest in the training.

- 2. Loans given to those without experience:** It turned out that priority was given to the most vulnerable like single moms and displaced people with many children who often do not have experience in business. One single mother, who failed to repay the loan, said that as soon as she received the loan, she lost her job and had to use the loan to buy food. The other single mother, also in debt, opened a barbecue stand in front of her house, but growing competition forced her to quit. There were 3 more stands selling the same food in that square when she gave up. One very poor woman with 5 children in a remote village understood that the loan was given to help her take care of her children, not to start a business. It should be noted that people who managed to repay the loan were all people with business experience previously.
- 3. Government money:** Many said that people did not repay the loan because it was money from the government. Another reason is that people are not motivated to pay the loan when is that their neighbors were not paying, either.

Their great initial enthusiasm left a deep scar in their minds when they could not keep their promise to pay back their loans. Many people interviewed were reluctant to come to see me thinking I had come to pressure them to pay their loan; in one community all the debtors refused to turn up. Defaulting on a loan obviously causes a negative psychological impact, but what is even more damaging is its impact on future endeavors. People who failed in their first attempt to start a business said that they would not dare to get a loan nor open any business. In fact, I only saw one person who overcame the failure of not being able to repay a loan and later started a business. What I learned therefore is that good intention without a deliberate plan may not only lower self-confidence of the people, but also affect their hope and positive action for the future.

Fortunately these poor results made the Colombian government try out a new method, a savings group project with VSLA (CARE's Village Savings and Lending Association developed in Niger in 1991 and since spread worldwide). With funding from Banca de las Oportunidades (Opportunity Bank), 4 agencies (CDM, CIREC, Plan and PPRDCP) with 44 facilitators trained savings groups in 7 departments. In one year and a half, 403 groups (5,150 members) were trained far exceeding their original goal of establishing 320 groups. Previously I had heard about savings groups but it was when I was attending a presentation delivered by Jaime Villarraga and Olga Ruiz, the head of the project, that I grasped the value of the program. I visited savings groups in the field.

I have always dreamed of a program that can help people change their attitudes. When I saw how savings groups work, it was obvious that this was the answer. Different from users of microcredit people who avoided talking to me, the members of the savings groups I visited were eager to share their experiences with confidence and pride. What I was most amazed was that people who had joined groups only 1 or 2 months earlier already knew the methodology very well and were capable of explaining to me how it worked. Also they were grateful to the possibility of accessing loans with minimum interest. I have not met any savings group members who were still using moneylenders. One woman plainly told me that with a savings group she is no longer poor. The savings groups, however, were not only about solving money problem, it was more than that. Some notable skills that savings groups teach are as follows:

- 1. Future oriented thinking:** With one year of savings, people improved their housing conditions, started chicken farms, bought furniture or were thinking of buying a computer for their children.

Previously they avoided thinking of the future but with savings they were actively planning for the future, because they knew that it is no longer a dream, but a reality that they can achieve.

2. **Delaying gratification:** People reported that both adults and children stopped wasting money for trivial things like soft drinks, sweets or gambling. Many housewives who were members of groups saved by reducing the frequency of cooking meat or the amount of the rice. In addition to refraining from consumption, once they were in their savings groups, both children and adults become more creative and active in finding a source of earning money to save. This progressive spirit often changed the community environment. In Maria La Baja, also from the Bolivar department, where there are about 11 savings groups, people agreed that the community is no longer the same and the change was palpable.
3. **Children performing better at school:** Children either saved by sparing pocket money or by actively looking for work. One boy had his passbook showing that he saved about US\$2.5 every week. He proudly said that he earned them by picking up fruits like Guava and selling or washing cars or motorbikes. A girl said that she used to borrow pencils or markers from her friends, but she does not have to go through that shame anymore and she studies much better than before.

Compared to credit based microfinance, the level of negative impact that savings groups can cause was minimal as long as the rules and regulations are respected; if there is any fraud, it is a groups' responsibility to resolve the problem. Likewise, if a box where the savings are kept is robbed, it is also a group's responsibility. Sometimes a challenge in the savings groups turned into an opportunity; I met a group that had their box robbed but the group did not give up, rather it continued to save. I had the opportunity to interview a person who had experienced both savings and credit groups. She was firm in her assertion that credit brought disgrace while savings brought confidence. Four savings groups' facilitators that accompanied my trips were initially trained as loan officers. They confirmed how difficult it was to track defaulted loans and how rewarding it was working with savings groups. These facilitators were greeted and treated warmly by their savings groups.

Watching it all, I became increasingly convinced that savings groups should reach more poor people in the world and decided to add my efforts to it. My study at Brandeis, my obsession with scale-up and my attempt to connect savings groups with other activities are all a part of that plan.

## **2.2. WHAT IS A SAVINGS GROUP AND WHAT ARE THE OBSTACLES FOR SCALE-UP?**

**A savings group** is one of the rare development programs that involve a change in behavior. Modified from traditional ROSCA (Rotating Savings and Credit Association, "Kye" in Korea), Savings groups were first developed by a Norwegian volunteer of CARE in Niger, Africa in 1991 and ever since have been adopted by major international NGOs under different names such as "Saving for Change" (Oxfam), "Village Saving and Lending Association (VSLA)" (CARE), and "SILC"(CRS). Currently savings groups reach about 7 million members in over 63 countries, out of whom 6 million (90%) are found in Africa, most of them in Kenya, Tanzania, Uganda and Mali (Allen, 2013).

A Savings group is made up of self-selected 15-25 people (mostly women, but there are groups mixed with women, men, and children) who save together and take small loans from those savings. Group meets regularly (weekly or biweekly), save usually US\$ 0.50 to US\$2 and keep their savings in a lock box with typically 3 padlocks. Every financial transaction occurs in front of a group meeting to ensure transparency. Rules and regulations are elaborated by members' agreement and committee members are elected to provide structure and democratic procedure during the meeting. Usually a loan is given

for business opportunities or consumption smoothing with specific interest in return. Since a loan is made from members' savings, the repayment rate is high and annual return of asset is about 36% (SAVIX, 2013). The savings mobilized by the members are usually distributed every year, but virtually all the groups continue to save. Through savings groups, people learn a number of practical skills, including saving habits, taking and repaying loans, and investing as well as group cohesion, leadership, self-discipline, strategic thinking, and business skills. Studies (Pact, 2011; Garnier-Crussard, 2011) revealed that many members who were not comfortable with trying out small businesses with loan, often end up opening their own or collective businesses. While the asset built by savings is significant enough, the **transformation in attitude and mindset** throughout one year of consistent and committed saving is in fact, one of the most outstanding and valued aspects of savings groups that set it apart from the other development programs.

Savings groups have been proven successful in all continents: but despite its rapid expansion, it is not as well known as credit based microfinance. **What are the obstacles?**

**1. Overshadowed by the microcredit:** It is widely believed that savings led-microfinance has to resort to donations while credit-based microfinance is known spreads through the profits generated by loans. Credit-based microfinance is famous because it promises not only poverty reduction but also financial sustainability. The reality is that microfinance institutions (MFIs) are mainly financed by subsidies received from donors (Nawaz 2010). Studies (Kinde, 2012; Nawaz, 2010; Sharma, 2008) confirm that not all MFIs are financially sustainable, especially MFIs in their infant stage, with fewer borrowers and smaller average loan size. Among 2,821 MFIs reporting to the Microfinance Information Exchange (MIX) for 2013, about 2,335 (82.8%) showed a positive return on assets. Therefore "it is the hope of sustainability, not the reality that has enticed donors" ( J.Ashe, personal communication, February, 11, 2013).

**2. Low donor recognition:** Another challenge is that donors have their own special criteria that do not always go along with the saving approach. According to Mayoux (2008), **first** there is the 'bandwagon' effect: when the development community had positive experiences with the credit-led approach, it began to support or to replicate the idea. **Second**, the microcredit boom led to the formation of formal and informal networks that made it easier for credit-led technology to grow: once a body of literature and data on microcredit became available, it was relatively easy for others to do more research in the same area. **Third**, donors have developed ties to credit-led NGOs and MFIs that make it easier for them to disburse funding. To begin funding the savings-led approach at scale would require donors to develop new sets of networks and knowledge. **Fourth**, donors favor programs that can move large amounts of funding rapidly even if that funding cannot always be well invested. According to Donnelley (2010), the fact that the savings-led approach requires significantly less money per person actually makes it less attractive to many donors: it is harder for supporters to give smaller amounts to many savings-led programs than it is for them to give larger amounts to a smaller number of credit-led efforts. **Fifth**, savings-led microfinance depends heavily on local institutions at the grassroots level, which donors may find difficult to reach. Often donors may find it difficult to embrace programming with so many players, and prefer to fund efforts through the single delivery entity of the MFI. **Sixth**, the vast majority of donors know very little about the savings-led approach. While the credit-based microfinance has been around over 35 years, saving led microfinance has only about 20 years running since it started to be promoted by CARE in 1991 and until recently the scale has been very small. Different from credit-based approach, the savings groups have advantage in terms that it is easier and faster to scale-up as long as funding is available. Implementing organizations, therefore, should try to promote their works and attract more donors while working hard to increase the number of quality groups.

**3. Little connection with government:** So far the implementation of savings groups has been driven by local or international NGOs while few have been promoted by government. In Colombia, Banca de las Oportunidades, a governmental agency working on financial inclusion, funds savings groups but leaves the implementation to local NGOs and consulting firms like VITAL, Plan and IED. While promotion of savings groups by reliable and competent NGOs ensures transparency and efficiency, if the savings groups are adopted and promoted at a government level, scale-up will be immediate and more funding will be flowing in.

One good example that shows the potential role of government with regards to scale-up is a conditional cash transfer program (CCTs). In 15 years of its implementation, CCTs now reach 30 countries, over 140 million people (Jackelen, et.al. 2011, p.6), almost two thirds of the population served by credit-based microfinance. Its controversial “measurable impact” may be one of the reasons it became popular in a short while, but the most important reasons may be because it has been driven and implemented by governments. Even if governments of developing countries may not be necessarily effective in managing projects, the reality is that they are often far more effective to entice donors than any NGOs. Ever since CCTs had been proven effective in Mexico, World Bank, Inter-American Development Bank (IDB) and UNDP, among others, have been providing many governments with technical help and loans to spread these programs around the globe. During 2009, World Bank spent \$2.4 billion for scale-up and operations start-up of CCTs (Troilo, 2012).

Not only multilateral donor agencies, but many bilateral agencies prefer working with governments; for example, Korea International Cooperation Agency (KOICA), Korea’s official development aid agency, only provides funding to the projects run by governments, although it strongly encourages that these local governments to collaborate with NGOs for the implementation. Japan International Cooperation Agency (JICA) is not as strict as KOICA, but most of its money is invested to government projects.

In terms of credit-based microfinance, already government intervention is a reality although it is almost always not sustainable due to “the political influence, high default, continuing drain on national treasures, and sometimes lending based more on the borrowers’ influence than their actual qualifications” (CGAP, 2013). Some notable government-run MFIs include the Dominican Republic’s Banco Solidario, Bolivia’s Banco de Desarrollo Productivo, Colombia’s Banca de las oportunidades and Indonesia’s Bank Rakyat (BRI), among which only BRI is known successful. Different from a state run microcredit program, savings groups are better suited for the government system, since a government’s role will be limited to financing facilitators and monitoring and evaluating the performance of the groups with technical assistance from NGOs or consulting firms.

### **III. METHODS**

The study took place from January 2012 through March 2013. Under the department of capacity building of SGP/GEF/UNDP with the guidance of a team leader, I had direct responsibility of the design, planning, implementation, monitoring and evaluation of a project on savings groups. The study is divided into two parts: field work and literature review. About 60% of time was spent in the field. Methods implemented in the field include training savings groups, training facilitators, monitoring and follow up visits, and focus group interviews. Additionally interviews with other institutions promoting savings groups in the country were conducted and their savings groups were visited. When it comes to literature review, I frequented SEEP library.

#### **Training and following-up savings groups and facilitators**

In order to look for a cost effective way for scaling-up savings group’s model, various methods were

tried out. Training was divided into direct group training and a facilitator training. A total of 60 trainings were conducted in rural communities scattered in 11 provinces including Santo Domingo's slum area. Up till March, 2013, 64 groups were formed (1467 persons, 55% men, 45% women). The target population varies, including women's groups, farmers' groups, neighbors' groups, and children's groups. Group meetings were arranged by leaders of local communities or local NGOs (Plan Cordillera, Good Neighbors, Ce-Mujer among others) with previous or current project history with SGP/GEF/UNDP. In August 2012, another UNDP program called ART (Articulating Territorial and Thematic Networks for Human Development) expressed interest in promoting savings groups for their projects offering logistical support, so ever since then, participating groups became more diverse reaching schools, local governments, savings and credit-based cooperatives, and groups working on value-chain approach, among others. At first, it took more than two visits to form a savings group, where the first visit was used for general introduction and the second visit for specific training. With time, it took less time: currently a group is formed in one meeting of approximately two hours.

Training was mostly done by me, but with significant support of a Korean, Spanish, Italian and Dominican volunteers interested in learning about savings groups. All volunteers participated in the training mastering how to train a group by the end of their terms. Some of them took part in the elaboration of training manuals both on savings groups and entrepreneurship targeting savings groups, and some were involved in the promotion of savings groups by participating in fair, and creating promotional materials. The Dominican volunteer ended up being hired by Good Neighbors International, a Korean INGO to expand savings groups in Santo Domingo's slum area. So far 2 trainings for 24 facilitators were conducted during 2012. One took 4 half-day trainings during the course of 2 months in Yamasa, a community 1 hour away from Santo Domingo and the other took 3 half-day trainings for 3 weeks in a slum in Santo Domingo in collaboration with Good Neighbors. The age of participants ranged between 20 and 60. The groups were visited 1-4 times for monitoring purposes and many groups were reached by telephone. Individual and focus group interviews were conducted frequently during these direct and indirect contacts.

### **Development of training material**

To conduct an effective training, a simple training manual had to be developed. I reviewed various training materials from CARE, Oxfam and CRS and developed a manual fit for the use of savings groups in the Dominican Republic. The manual was tested throughout field trainings and refined over time. In addition to the training manual, a blog ([gruposdeahorro.wordpress.com](http://gruposdeahorro.wordpress.com)), brochure, and map were developed for promotional purpose with the help of a Spanish volunteer. Recently, training material on business targeting savings groups members were completed with a help of Spanish and Italian volunteers.

### **Networking with partner organizations**

When I started the research, there were 3 organizations involved in the savings groups (CRS, Plan, and Floresta) in the Dominican Republic along with Esperanza International which was going to introduce the model after their success in Haiti. I organized 2 meetings and 2 virtual meetings via Skype with these organizations to promote information exchange and to build a ground for a collective project and funding search. Several visits were made to the savings groups formed by these organizations, including visits to 2 groups of Plan, 12 groups of CRS, 1 group of Floresta as well as the participation in a final evaluation meeting by CRS.

### **Limitation:**

The initial challenge in conducting this study was the logistical constraint. Although my host organization was interested in trying out savings groups for their communities, there was not a specific

fund available for the operation. The original arrangement was to accompany the other staff of SGP/GEF/UNDP on their field trips to promote savings groups where the environmental projects were already in operation. This turned out not so effective as the priority was given to other staff directly involved with environmental issues and I could not have quality time with local communities. As the need for an independent visit became evident, my colleague who saw the potential in savings groups mobilized a donation in Korea and raised a private fund totaling US\$5,600. Additionally Good Neighbors, a partner NGO of SGP/GEF/UNDP, decided to finance my field trips to a community where they were based. In September, UNDP-ART, a UNDP program on regional economic development offered to provide logistical support for the creation of savings groups in their project sites, which turned out useful. Recently UNHCR which manages a small microcredit program demonstrated their interest in promoting savings groups and expressed willingness to collaborate. Although the savings group is a relatively new concept, demand is growing as it proves effective to help people help themselves without much of a financial burden to implementing agencies. The other disadvantage is that because the groups were not visited on a regular basis, the result may not be representative enough

#### IV. LITERATURE REVIEW

A shortage of funding is one of the biggest challenges that savings groups face when it comes to scale-up. Two strategies are being explored. One is to reduce costs by reducing the costs of training and the other is to attract more donors by linking savings groups with the graduation program for conditional cash transfers.

##### 4.1. SCALE-UP BY INTRODUCING MARKET-LED DELIVERY MODELS

The sustainability of savings groups has two implications: the methodology itself is sustainable, since 95% of the groups are reported to continue saving after completing the first cycle (Ashe, 2012, p.8). There are studies of Saving Groups in Niger (Grant & Henry, 2007), Zanzibar (Anyango, et.al, 2007) and Nepal (Mayoux, 2008) that show the remarkable adaptability and resilience of the methodology (Odell, 2011, p.9). One factor that explains the sustainability of the groups is that they generate revenue for their members through their internal lending that ranges between 13.6% and 48.15% (SAVIX, 2013). As far as the facilitating agencies are concerned, however, building savings groups is neither cheap nor sustainable, since it requires a constant influx of external capital for “the cost of program adaptation and refinement, of broader research and development, of implementation, of monitoring and evaluation activities” (Odell, 2011, p.17). For example, according to the data in SAVIX (Savings Groups Information Exchange: online self-reporting system with database on savings groups) on March 2013, the average cost per member assisted (CPM) of 5 main facilitating agencies averages US\$26.64. This cost differs by country and by region. The CPM in Colombia, for example, ranges between US\$50 and US\$100 (G.Mendoza, personal communication, March 5, 2013) while in Africa it averages US\$21.94. Hugh Allen (personal communication, March 5, 2013), founder of VSLA, says that taking into consideration of international overhead, CPM cannot reduce its costs below US\$15-16. The US\$5 per member reported by one project is, therefore, almost unattainable. SAVIX recently added another version of CPM that includes all monitored members-current, graduated, and member-replicated to reflect the varying cost per member with time. This however does not mean the cost of building savings groups will diminish. Although working with local partners and integrating SG development with other programming can reduce costs, it is widely agreed that the program requires external donor input and often the initial input tends to be high.

Agency	Aga Khan	CARE	CRS	Oxfam	Plan International
Annualized Return on Asset	13.6%	48.15%	45.45%	31.77%	30.4%

Table 1: Annualized return on asset (SAVIX, 2013)

Agency	Aga Khan	CARE	CRS	Oxfam	Plan International
Cost per member assisted	US\$19.9	\$19.22	\$21.77	\$25.47	\$22.5

Table 2: Costs per member assisted (SAVIX, 2013)

Naturally, the cost effective way of building quality savings groups that ensure continuous group replication has been key interest of facilitating agencies. Currently agencies are experimenting different ways for group replication, which will be presented below.

**CARE's fee-for-service Village Agents (VAs) (CARE, 2010):** CARE is the leading agency in Savings Groups with the largest outreach of 3.4 million (47% of the total 7.15 million) in 37 countries across Africa, Asia and Latin America, according to the updated global outreach of savings groups published in March 2013 (Allen, 2013). Since it has been operating for a long period (22 years) and in many countries, the replication model has been evolved over time and it varies slightly by country.

CARE's replication (CARE, 2010) is mostly done through **implementing partner organizations (IPOs)**. Previously, CARE used to hire trainers directly but currently the group formation is being conducted exclusively by IPOs such as Franchisees and Faith Based Organizations. These partner organizations with sub-grants from CARE hire VSLA paid trainers. These paid trainers called mobilizers, field officers and community based trainers, start building groups in a region. Within 2-12 months depending on the countries, trainers identify potential replicating agents called Village Agents (VAs) from their savings group members. When selected, VAs go through intensive 3-5 consecutive day trainings on the core methodology of group development. The training composed of game, interactive group discussions, lectures and quizzes, is usually given by Training Officers who supervise mobilizers, with vast knowledge of VSLAs. Upon completion of training, VAs are provided with bicycles from IPOs to help reach their communities. Once the VAs have achieved a reasonable skill and a solid foundation of associations, the field officers who trained, mentored and supervised the VAs can be relocated to start more VSLAs in a new area.

VA's task consists of community mobilization, group formation, 8 weeks of intensive training and supervising the groups. One VA provides to a group 7 training sessions plus 8 monitoring visits during a year. Increasingly CARE is encouraging VAs to charge fixed fees when they support groups, usually US\$1 or US\$2 per training. For that to happen, before the VAs start working, field officers discuss the issue with the community in the cluster meeting and the groups and the VA should sign an agreement regarding the VA's fee. The fee for service does not work evenly in all regions, and some groups are reluctant to pay especially when the community was not informed about it at the very beginning and where the training had formerly been free (CARE, 2010). To solve the problem, CARE advises the field officers to keep visiting communities until they agree to pay the fee. Also CARE expects the implementing partner organizations to help sensitize this issue on behalf of VAs.

In order to ensure the sustainability of the VAs model, CARE expects IPOs to continue promoting VSLAs after the project. Additionally, CARE is building a structure that can generate on-going feedback about the VA model; for example, CARE Malawi helps establish clusters, or networks of VAs managed by cluster committees where the issues concerning VA and community will be discussed. CARE Tanzania is considering an Apex organizational model to ensure sustainability of the program. This Apex organization of several VSLAs will be a registered NGO and is expected to support existing member VSLAs, form new VSLAs and supervise the work of VAs, but without providing financial services. In 2008 CARE launched Save Up, aiming to test a low cost institutional model to scale-up VSLAs across Malawi, Tanzania and Uganda for 3 years. Save Up is an initiative to meet the goals of

CARE's Access Africa program-to reach 30 million of Africa's poorest people with financial services by 2018. VAs are expected to form 2-11 groups during the course of 3 years. In FSD Kenya's Community Savings and Loan (COSALO) project in partnership with CARE, the project promotes collaboration among Savings Groups implementing organizations to share best practice and to jointly develop a national-level scale-up strategy for Kenya (FSD) (FSD Kenya, 2012).

**Oxfam America's Replicating Agents (RAs):** Oxfam's Savings Groups model "Saving for Change" has reached 13 countries and 669, 883 people since 2007 (Allen, 2013). It has a unique feature of oral-record keeping system in Mali and Senegal (Odell, 2011, p.14). Different from CARE, SfC has been applying a uniformed replicating strategy across the world. Oxfam partners with local NGOs for the delivery of its SfC model. Group formation is conducted by animators (paid staff who belong to local NGOs) and replicating agents (RAs), local volunteers. It works as follows.

The team of 10 animators and 1 coordinator from a local NGO is recruited and trained. Each animator is assigned a cluster of 30 villages where she/he will work over 3 years. During the first year, the animator trains 1 group in each of 10 villages and recruits 1-3 replicating agents. The replicating agents are asked to train new groups. The 2<sup>nd</sup> and 3<sup>rd</sup> year each animator starts groups in 10 more villages. By the end of 3<sup>rd</sup> year, each team of animators is responsible for 800 groups, of which 200 will have trained by animators and 600 by unpaid volunteer replicating agents. (Ashe, 2009, p.6)

RAs are selected by animators from the first group trained in a community for the group replication. Also RAs are picked up among those women who formed spontaneous groups. For this, animators are trained to select the best potential RAs according to a list of criteria that include the demonstrated ability to understand SfC, availability, willingness to volunteer, competence and ease of expression. Once selected, RAs receive 3-day training as a group and are provided with manual of pictographic manual. After the training, RAs start working with their first group and typically animators attend the session to give feedback. The group training takes between 8-14 weeks followed by regular monitoring visits (Bermudez & Matuszeski, 2010, p.39).

Most RAs support existing groups rather than starting new groups (often 1-2 groups per RA). This is because 1) the community is saturated by animators or other agents and 2) traveling to nearby community is time consuming and costly. Most RAs get in-kind payment through field labor or goods and only about 10% get paid by cash from the groups (J.Ashe, personal communication, April 9<sup>th</sup>, 2013). RAs usually enjoy insider status in the community and get pleasure from getting recognition and helping other women (Bermudez & Matuszeski, 2010, p.7.). "Oxfam acknowledges that it is appropriate for RAs, individually, to negotiate with a group to pay her for her services if she wants to do so" (Odell, 2011, p.18).

According to a study conducted to the old groups of Oxfam (Bermudez & Matuszeski, 2010), both animators and RAs are in need of additional training (p.7). The lack of practical experience makes RAs difficult gain people's confidence. Both community and RAs feel the groups trained by animators (paid agents) are better functioning because animators have accumulated experience and specialized knowledge. Meanwhile, this is also the case for the animators. While animators find beneficial the arranged opportunity by their local supervisors to visit other communities supervised by other animators, they also expressed the desire for additional training opportunities.

**CRS' fee-for-service Private Service Providers (PSPs):** CRS' Savings and Internal Lending Communities (SILC) recently completed a pilot project that aims to establish local entrepreneurial capacity for the sustainable spread of the savings group model. The project funded by Bill & Melinda

Gates Foundation, was implemented with 14 implementing organizations in Kenya, Tanzania and Uganda from 2008-2012 with a purpose of comparing the performance between fee-for-service Private Service Providers (PSPs) and project paid Field Agents (FAs) (Martin, 2013). SILC is also implemented in partnership with local organizations, mostly Faith Based Organizations (FBOs). To test out the model, initially the Field Agents (FAs) were recruited and paid by the project for up to one year. After 9-12 months of the job trainings, the FAs underwent an examination to be certified as Private Service Providers (PSP) to become independent trainers of Savings Groups. PSPs operate on a fixed fee-for-service basis, with fees paid by groups (M. Bavois, personal communication, March 5<sup>th</sup>, 2013)

According to the result published in 2011, mature PSPs have created on average over 10 groups since being certified, with 86% of PSPs earning from groups on average US\$55 per month. The project's overall cost per member stands at US\$18 and is expected to continue to decrease. Following are some key findings (CRS, 2011);

- In terms of poverty outreach there was no difference between PSPs and FAs groups (Ferguson, 2012a, p.1).
- In Kenya and Tanzania, PSPs achieved 70~90% and in Uganda 1/3 of FAs productivity in group formation. Productivity was more scattered in PSPs and more even in FAs (Ferguson, 2012 b, p.1).
- PSP supported groups are outperforming FA groups in savings levels, group assets, and loan sizes (Ferguson, 2012c, p.1).
- In terms of monthly income, Kenya PSPs averaged US\$103, the majority of them outpacing the project stipends earned during their first year, while Uganda PSPs earned US\$36 and Tanzania PSPs US\$17 (Ferguson, 2012c, p.1).
- There are substantial numbers of non-earning PSPs, 15% Tanzania, 27% in Kenya, and 38% in Uganda (Ferguson, 2012d, p.1).
- As for the household impact, PSPs households were more active as entrepreneurs, with more investment in enterprise (Ferguson, 2012d, p.1).

According to M. Bavois who managed this project (personal communication, March 5<sup>th</sup>, 2013), To introduce market-led approach can be challenging for PSPs, because many African villages are used to receiving free aid and free service and the PSPs often have to work where the services was once offered for free. To assist PSPs with this problem, CRS stresses the importance of 1) rigorous selection to recruit a charismatic salesman and 2) publicizing the message from the beginning so that the communities know that they are expected to pay. Further, CRS noticed that the PSPs form a network to improve their work, to make roles uniform, and to become more efficient. CRS believes this support system can play a positive role in improving overall performance of PSPs.

The challenge in business models for Savings Groups' replication is to develop a cost effective, self sufficient model ensuring that the core principles of the Savings Groups (participation, transparency, accountability, and flexibility) remain intact. The comparative study of three major INGOs in their delivery model provides insight for the changing trend; 1) it is increasingly clear that the business based fee-for-service delivery model is becoming the norm, especially in CRS. 2) The facilitating agencies (INGOs) are shifting their focus from direct training to research and innovation. 3) Knowledge is confidence. The field staff (both field officer and village agents) desire to be exposed to new ideas and methods. Thus efforts need to be made to facilitate interactions among field staff through either exchange visits or an online forum. 4) If the member created replication is the norm, efforts should be made to create a simpler methodology that requires lesser time to establish a group, but at the same time, various strategies should be implemented to make sure the groups' performance in good level and to keep the groups' motivation high.

## 4.2. SCALE-UP BY LINKING WITH GOVERNMENT

Another way of achieving scale is to collaborate with local governments and use their capacity. Linking savings groups with governments is already being piloted in some countries and has proven effective. One of the most active governments promoting savings groups can be found in Colombia. Different from the African models where mostly NGOs took the initiatives to spread savings groups, it was the government of Colombia that introduced the methodology to the country under its financial inclusion agenda. In Africa, savings group is getting attention as one of the critical components of graduation strategy of CCTs. The governments of Kenya and Ethiopia are those that promote savings groups among recipients of their CCTs. This study will highlight some cases already published.

### **Opportunity Bank of Colombia (OB, 2013)**

The Opportunity Bank (Banca de las Oportunidades in Spanish: OB) is a government agency promoting the access of financial services for the unbanked families of low income, and micro, small, and medium enterprises and entrepreneurs. By achieving financial inclusion, OB aims to reduce poverty, promote social equality, and stimulate the economic development of Colombia. To implement each project, OB hires suitable agencies through official announcements on its website. So far, agencies such as banks, private firms, cooperatives, and NGOs have delivered financial services to the OB's target population. This investment program gets financial assistance from the Colombian Exterior Commerce Bank (Bancóldex).

The savings group's methodology was first introduced in Colombia by the initiative of OB in partnership with the IED (Corporation for the Development of Microenterprises) and the technical support of the VSL Associates as the first structural intervention in Latin America. The pilot with 30 months of duration was implemented in 7 departments with a total of 33 facilitators associated with 3 implementing agencies that include Red Juntos in association with Plan International, the Presidential Program called PRDRCP, and CIREC. At the end of the 2-year pilot, 434 groups were formed with 6,873 beneficiaries. With the pilot program, the methodology was adapted to the local context and it was proven to be an adequate mechanism to promote a culture of savings and facilitate access to credit through the groups for the population living in extreme poverty.

In 2011, OB funded another project aiming at forming VSLA savings groups with emphasis on the populations of RED UNIDOS, volunteers working for government social programs. As a result, 706 VSLAs were formed in 8 departments with 9,900 participants. With the objective of promoting the expansion of the methodology to a larger number of beneficiaries, in March 2012 an operator IED was hired to form 954 VSLAs in Bgotá. Up through February 2013, 243 groups (3400 participants) formed VSLAs. In addition, in April 2012 the previous efforts were completed with the additional program of technical assistance to transfer the methodology to 12 operators, through which, OB aimed to strengthen institutions that can form potentially at least 1500 VSLAs nationwide. Currently OB is looking for an implementing agency that can transfer VSLAs methodology with a goal to reach 20 municipalities with 2,500 groups (11-19 persons/group) in total 40,000 beneficiaries.

In sum, since mid 2008, OB has helped form 1,443 savings groups of 20,173 members in Colombia. According to Villarraga & Caseres (2013), VITAL, a leading operating agency hired by OB to establish savings groups uses VSLAs as a platform for business development by promoting exchange meetings among savings groups and potential investors. VITAL is also piloting a franchise model by the project facilitators. In terms of obstacles, the agency mentions the high training cost per head (US\$50-\$100/person) and negative perception on savings by some locals. VITAL is looking for the innovation in logistics, data analysis, and financial system. It should be noted that in 2012, VITAL set up its first overseas office in Argentina with a purpose of taking VSLAs to all of Latin America.

### **Savings groups linked with government run CCTs**

Savings groups are increasingly adopted as one of the core graduation strategies for the government-run conditional cash transfers program (CCTs). CCTs are known as world's most important government anti-poverty program. This program provides cash to poor households in rural areas conditional on school attendance and visits to health facilities for children in Latin America and labor or public works in Africa. CCTs are known to solve short-term and long-term poverty; short-term by providing cash and long-term by ensuring the education and health of children. CCTs are relatively simple to be put into practice. What governments need to do is to figure out the list of beneficiaries, transfer cash directly to their bank accounts, and monitor their performance. Since the poverty rate is measured by the level of income, with CCTs, governments can expect an almost immediate reduction in poverty rate. Ever since it started in Mexico in 1997 under the name of PROGRESA, CCTs have expanded enormously throughout Latin America, and now in Asia, Africa and Europe. According to The Consultative Group to Assist the Poor (CGAP), over 140 million people from 30 countries are receiving cash transfers (Jackelen, et.al., 2011, p.6) and in Latin America and Caribbean, approximately 25 million families (100 million people, 17% of regional population) are recipients of CCTs (IDB, 2011). CCTs such as Bolsa Familia in Brazil and OPORTUNIDADES (former PROGRESA) in Mexico cover approximately 12 million (46 million people) and 5 million (22 million people) families respectively (UNDP 2010), which encompasses 25% and 20% of the total population. In the Dominican Republic, CCTs "Progresando con Solidaridad" reached 900,618 families (10% of population) benefiting 3.6 million (36% of population) indirectly by the end of 2012 (Ruiz, 2013, p.16)

Despite its popularity, CCTs have one major shortcoming: the program does not increase human, physical and financial assets or encourage investment by the parents; often they remain dependent and unable to invest for the future (NAF, 2011, p.5). If this is such an effective anti-poverty program, the coverage should diminish because people will be self-sufficient, but the reality is that the program is only getting bigger. Brazil and Mexico spend 0.5% of its budget to CCTs (Fajth & Vinay, 2010, p.1) and the cost has been fast growing. For example, Mexico increased the budget for CCTs from 1.1 billion in 2000 to 2.7 billion dollars in 2004 (Holmes & Slater, 2007, p.6). World Bank reported that during 2009, it spent US\$2.4 billion for scale-up and operations start-up of CCTs. Poverty is being fought with a program that perpetuates it (Troilo, 2012).

This is not exception in Kenya's cash transfer program Hunger Safety Net Programme (HSNP). Philpott (2011) addresses that "decades of food relief in Northern Kenya has not created a long-term reduction in poverty" (p.1). Recently the government of Kenya through FSD (Financial Sector Deepening: An agency to effect the government and funders' long term vision in developing Kenya's financial markets to stimulate wealth creation and reduce poverty) published a study that examines the potential for market-based approaches to deliver financial graduation in northern Kenya (Elliott & Fowler 2012). It offers recommendations for leveraging cash transfers and savings group models to develop market-led solutions for graduating low income households out of poverty. It is expected that in 2013, the government of Kenya in collaboration with CARE and donors of FSD, is going to implement savings groups for the beneficiaries of the Kenya CCTs, Hunger Safety Net Programme (HSNP).

Meanwhile, the Productive Safety Net Program (PSNP) Plus in Ethiopia was designed to build on the Government of Ethiopia's cash and food transfer programme (PSNP) that provides food insecure households with cash and food handouts in exchange for labor and public works. The target population received a series of interventions including savings group formation, training in value chains and links to micro-finance institutions (MFIs) (Fowler and Endalamaw, 2011, p.2). Implemented by CARE with funding from USAID, the project ran from 2009 to 2011. A case study found that the savings groups played a critical role in supporting chronically food insecure PSNP recipients to progress towards

graduation. Savings Groups supported this in six ways: 1) providing the most vulnerable group to engage in program, 2) building financial assets to improve resilience, 3) reducing the cost of borrowing small amounts, 4) reinforcing the social safety net through the social fund, 5) providing a platform for the delivery of financial services by MFIs, and 6) enhancing social capital and self confidence. The PSNP Plus staff introduced savings groups as an entry point to many project interventions, but it should be noted that the principle of self-selection in Savings Groups was respected and many non-PSNP participants often joined.

In PSNP Plus (Fowler and Endalamaw, 2011, p.3), savings groups were proven critical in financial inclusion and market inclusion. As to the financial inclusion, savings groups enabled a dramatic behavior shift in savings; the members started to monitor their expenditures and plan their expenses more carefully. The total savings increased from 10 to 75% within 3 years of the project launch. Savings Groups were the major contributing factor to the increase in assets of SG members over the project. Furthermore disciplined savings behavior helped members access larger amounts of credit from formal MFIs easily; MFIs have been willing to lend to them. When it comes to market inclusion, the project found that “SG members were more than twice as likely to have established a new income generating activities as non-participants.” The social fund increased member risk tolerance and made members more willing to invest, especially on livestock, resulting in a considerable impact on asset accumulation resulting in “savings groups members are 23% more likely to increase their assets relative to non-savings groups participants”. Overall, Savings Groups have played a critical role in leading participants into graduation.

That being said, the study (Fowler and Endalamaw, 2011) recommends that 1) savings culture, social capital and resilience through savings groups should be built first with at least 8 months of interval before technical training on business skills, financial literacy to access external capital and linking with value chains. Also 2) for the savings groups not to compromise with the core self-selection principle, it is important to target a larger number of the population, so that significant number of CCTs beneficiaries can join. The study makes it clear that 3) the graduation cannot happen only with Savings Groups but rather multiple interventions should be provided such as linking households to multiple value chains or access to larger credit (p.5). It should be noted that the government of Ethiopia has been also involved in the graduation program funded by CGAP and the Ford Foundation, whose goal is to understand how safety nets, livelihoods, and microfinance can create pathways for the ultra poor to graduate out of extreme poverty. Currently 10 pilots in 8 countries (Haiti, India, Pakistan, Yemen, Ethiopia, Peru, Honduras, and Ghana) are being implemented with the duration of 24-36 months. Ethiopia is one of the few countries under this project where the savings groups’ model (VSLA) is being implemented to the recipients of PSNP. (Kaur, 2010)

As the government involvement in implementing or facilitating savings groups is occurring, more funding on savings groups is expected to be available. In Colombia, the government investment on savings groups not only introduced the savings groups in the country but also has attracted donors to join the initiatives. For example, VITAL (2013), the agency that operates savings groups, received US\$2.5 million of funding from IDB for scale-up in 2011, 1 year after the successful completion of the pilot. With this project, VITAL is expected to reach 60,000 members of savings groups by 2014. Furthermore, in March 2013, VITAL signed the contract with Ford Foundation for another project on mobile technology innovation to push forward the community development targeting the population of savings groups. Also, VITAL has started providing monitoring and evaluation service for the participants of Mujeres Ahorradores (female savers), a program run by the Department of Social Prosperity, the agency in charge of administering CCTs. Through this engagement, VITAL is expecting to take savings group methodology to more than 2.7 million households of beneficiaries of CCTs.

With promising results in Kenya and Ethiopia, savings groups seem to have a good chance of being linked with beneficiaries of CCTs in over 30 countries. In Kenya, as savings groups (VSLAs) are announced to be incorporated as one of key strategies for the graduation program of the government run cash transfer program HSNP, the impact is expected to be significant, taking into consideration that there are already 140 million people from 30 countries who are the recipients of CCTs (Jackelen, et.al., 2011) and there are few studies or exit strategies for this population that have been tested. Besides, the implementing agency of this project, FSD Kenya, is a long-term program funded not only by the government of Kenya but by donors with major influence in international development that include DFID, World Bank, SIDA, the French Development Agency, and the Gates Foundation. Meanwhile, the positive result of savings groups incorporated into the graduation program PSNP Plus by the government of Ethiopia, funded by USAID and implemented by VSLAs, as well as the promising results of VSLAs in CGAP-Ford graduation project also leave good room for replication and scale-up targeting the recipients of CCTs in other countries.

While the case of the government of Colombia may potentially stimulate other Latin American middle income countries (Chile, Dominican Republic, Brazil, Bolivia, Peru, among others) to allocate budget funds to savings groups either for financial inclusion or for exit strategy for the beneficiaries of CCTs, for the African countries, the success of Kenya and Ethiopia may help other governments get interested and subsequently guide donors in their countries to gather efforts to fund on savings groups. That being said, it is important to note that it is practically impossible to form savings groups made up of only recipients of CCTs, since self-selection is one of the core principles of savings groups that should be duly respected. Therefore non-recipients of CCTs should not be excluded in the process.

## **V. SUBSTANTIVE DISCUSSION**

### **5.1. FINANCIAL SERVICES IN RURAL DOMINICAN REPUBLIC**

According to FINDEX (2013), 80% of the rural Dominican does not have bank accounts. It is true that most rural population saves through savings at home, buying animals (cows, goats, pigs, chickens, and donkeys), furniture, agricultural inputs and land while they seek loans from family, neighbors or money lenders for emergencies. The study found out, however, that they are not totally excluded from any financial services. In fact, there are relatively diverse informal financial services available for the rural population that includes savings and credit cooperatives, ROSCAs (Rotating Savings and Credit Association: each of 10-15 members contribute the same amount and each member has a turn to receive a total collected), ASCAs (Accumulating Savings and Credit Association: members bring equal contribution but money is not disbursed immediately but used to provide loans to members) (Odell, 2011, p.9), and revolving funds (external capital donated by donors to be used to provide loans to members-there is no savings).

The most popular reasons to join in the informal savings are to have a lump-sum of money in a foreseeable future. Even if the savings may not be readily available, and even if they have to pay a fee for their savings, it was noted that people like to have their money inaccessible until it grows to a good sum. In Angostura in Jarabacoa, a woman with a saving account in Banco Reserva was pleased with it, since the bank is so far that is not easy to reach, which helps her resist temptation to withdraw. Another woman in La Finca, said that she used to have an account in a cooperative, but no longer does because she was able to withdraw money any time she needed.

When people need loan, the majority seeks help from families, neighbors or money lenders. Often families and neighbors provide a loan without interest, but in some communities people pay an interest of 7-10% per week in addition to the capital. If the borrower has some animals, it is known to be much

easier to get a loan. Another way of coping with the emergency is to sell animals, but this is not considered a good option, because often the buyers take advantage of the owner's urgency to sell and pay less than the normal price. For larger loans, they depend on cooperatives or rarely on banks such as Banco ADOPEM, Banco ADEMI and other commercial Banks like Banco Agricola, Banco Popular, Banco Progreso and Banco Reserva. While ADOPEM and ADEMI are known more accessible to rural population, the rest seemed unpopular, in particular, the Banco Agricola is known to be unfriendly among farmers because it does not provide loans to farmers without a land title while most farmers in rural areas do not have one. Microfinance institutions such as the Dominican Development Foundation and Esperanza are active in the country but since they focus on populations in peri-urban areas, nobody reported having used their services during the study. That being said, it was noted that revolving funds provided by NGOs and aid agencies for specific purposes are not uncommon in the rural Dominican Republic although there is no specific data available on the availability of loan funds in the country.

### **Savings and Credit Cooperatives**

A cooperative is one of the most common places to save and take credit among rural middle-income Dominicans. The cooperative movement in the Dominican Republic has been spreading fast during last 10 years. According to the 5th National Census on Cooperatives (Conacooprd, 2013), the number of Cooperatives increased by 82% and the number of members by 10 times over the last 20 years. Currently there are 685 Cooperatives with 1,305,632 members, about 13% of the population. Cooperatives make up 7% of National Financial System and are mostly located in the rural towns or peri-urban areas.

<b>Year</b>	<b>Cooperatives</b>	<b>Members</b>
1980	376	106,271
1991	325	141,664
1998	315	262,542
2012	685	1,305,632

**Table 3: The increase in cooperatives and its membership (1980-2012)**

A significant number of people, mostly the middle class in rural areas, have an account with a cooperative. To join the cooperatives, it is required to pay the inscription fee but there is no obligation to deposit money on a regular basis. Many open accounts but leave them idle. Most people use the cooperatives only to take loans. Therefore the benefit generated by cooperatives often goes to the handful of rich investors; according to the manager of a cooperative (Cooperativa Agropecuaria Mi Propio Esfuerzo) of Los Rios with a 1900 membership, the cooperative mobilizes US\$500,000 of cash and 3 houses with value of US\$850,000. To be a member, a person has to pay US\$ 6 (US\$1 for passbook and US\$5 for deposit). The cooperative has 10 employees and generates 15% of annual profit, mostly through disbursing loans to local farmers at 4% per month. Because they have only about 300 members with savings account, the profit is distributed only to these members, but most of it goes to a very few with large savings contribution.

The interest that cooperatives charge is often 4-5% per month, but to gain access to a loan, a person must go through time consuming and expensive procedure; for example, first, there must be a guarantor, a form must be filled out and several visits should be made to see whether the loan will be given or not. Since the majority of cooperatives are located in towns, it can be very costly for those living in remote villages. The Cooeprativa Central in Mata de Farfán is known to run a successful mobile unit. Their mobile office undertakes scheduled visits to remote villages to collect savings and provide loans although this kind of service is rare. In some communities, district representatives collect weekly savings and deliver them to the central office.

Although the study found some people with a negative experience of having lost money due to the corruption or mismanagement committed by the managing staff, in general, the cooperatives in the country have overall a positive image. Some people preferred cooperatives to savings groups; Paso Bajita in Jarabacoa is a community where their local representatives collect savings in a weekly meeting and deliver it to the nearby branch office. This group was happy with this years' practice and showed little interest in savings groups. The active members of Cooperativa Empresarial in San Cristobal, on the other hand, showed a high degree of interest in savings groups, and many of them seemed determined to form their own groups, but none of them contacted me for further training. One savings group in Hipolito Billini whose members have 2-3 accounts in the cooperatives, adapted their savings group to the structure of cooperatives; for example, they do not have limit in the amount of savings, and demanded that the design of the passbook be similar to that of a cooperative. "As usual cooperatives are more for the middle class. Savings Groups are a very simple form of credit union – save, take loans from savings," (J.Ashe, personal communication, April 22, 2013)

Many savings groups aspire to grow to be a cooperative in the future. A president of a cooperative said that savings groups remind him of the beginning of his cooperative that has grown to 10,000 members with capacity to mobilize US\$25 million of capital. In fact, several groups (often 10-11 groups) formed by Plan International since 2005, merged into several cooperatives with their own buildings. Even if it is said that people keep the core principles of savings groups even after being converted into cooperatives, it is not properly studied. According to Ashe (J.Ashe, personal communication, April 22, 2013), in general coopeatives are far more complex than Savings Groups and require much more assistance – this needs to be done with care

Since the cooperatives are common in the country, many simply refer to savings groups as cooperatives. But those who experienced savings groups with previous experience in cooperatives could distinguish one from the other. A president of a local NGO Plan Cordillera in Jarabacoa, who is a founder of the Cooperative Vega Real, was enthusiastic about introducing savings groups in his communities. According to him, savings groups are more beneficial than cooperatives, since they teach disciplined savings and when taking loans, no guarantor is needed and the fund is self-managed. A savings group facilitator in Yamasá said that people prefer savings groups, because taking loan is much easier.

Cooperatives	Savings groups
Voluntary savings with no pressure	Regular saving with group pressure
Easy to withdraw	Should wait until the end of cycle for withdrawal
Restrictions to take loans: charge 1% for the amount saved, but if you need more money than you saved, you need a guarantor and valuable objects	Friendly loan Up to 3 times more than one has saved
Usually large pool of members	Usually 20 persons in a group
Central governance, prone to elite capture and fraud	Autonomy and transparency as long as the core principles are respected
Administered by a hired staff	Administered by the group

**Table 4. Comparison: cooperatives vs. savings groups**

### **Membership based Informal Group Savings (ROSCA & ASCA)**

**San:** San is a common informal savings in the Dominican Republic and there are several variations. "San" is known as ROSCA (Rotating savings and credit association), but members of a San do not meet regularly and often do not know who is in the group except an organizer who forms a group and is in charge of collecting payments. The most common type of San is a **rotating saving with interest**. In

this San, the money collected on a regular basis by an organizer is given to a member each time and this continues until all members get paid. For each payment, the recipient should give the amount of one regular contribution to the organizer. When there is any problem, the organizer is responsible. Another type of San is an **accumulating saving with interest**. One person who knows all the members collects the money on a regular basis and keeps it with him or her until the end of the cycle. Under this arrangement, the money is not rotated but is accumulated by the person who organized San. At the end of the cycle, all members receive their savings but should pay a commission to the organizer. San is a kind of income generating activity adopted by women living in rural or peri-urban areas, but there are cases where family members form Sans to build assets. Since there is no meeting where people can meet regularly and build relationship, this system can be risky, therefore only reliable organizers tend to form Sans.

**Other informal group savings:** In **Parish Domingo Savio**, Santo Domingo, the priest has been running a faith group meeting since 2011. All people who attend this weekly meeting save in a common fund. The fund is pooled together to be lent and also to help members under crisis. 4-5 persons manage the common fund using a small cash box. The group has been saving RD\$25 per week and has saved over RD\$10,000 within a year, but they did not know what to do with the money. In Rancho Arriba, a man said that he is with **Mutual Help (Ayuda Mutua)** for which he saves RD\$200 (US\$ 5) every month. This allows him to have access to a loan up to RD\$20,000 (US\$500). The capital can be claimed only after death, but he was happy with this arrangement. The Association Milagrosa in Angostura, Jarabacoa, had an experience of informal savings groups introduced by HPI, an international NGO. The methodology called **Banquita** promoted savings in a box with two locks and it lasted for 3 years between 1997 and 2000. Members had to commit themselves to save a fixed amount for the entire cycle (each member can decide how much she/he saves) and the loans were given to the members. Although the group proved to be profitable (According to a former member, at the time of distribution, she had received DR\$9000 of savings plus DR\$2,000 of profit), Banquita discontinued due to an incident when a box carrier lost the money and the members were responsible for the loss. The Association, however, was regretting for not having continued the Banquita. One woman in Jumunuco in Jarabacoa saved USD\$15 and will receive the total sum (**Pension**) when she becomes 60 year old, for this case, the level of profit was not properly studied.

In Villa Jaragua, a group of 20-30 people formed a **Community Bank** and started saving RD\$50 every week since 1994 and they bought land where they built several houses. Apart from this, the group used to have access to a loan provided by World Vision. 89 loans were disbursed with 2% of monthly interest. At each interest payment, World Vision deposited 1% of interest in the group account, but one member who had access to the group account, withdrew all the money (RD\$48,000) and fled, which left the group shattered. The 35 members of the **Neighbors' union** in Capá, Yamasá saved RD\$20 (US\$ 0.5) every month and invested it to the business (buying sugar, oil, coffee, seasoning, salt in bulk and distributed it among members), eventually building a catholic church. In addition to the monthly dues, the group collects RD\$120 for funeral purposes. A **Neighbors' union** in Lomita, Jarabacoa, used to save together every 15 days and lend the money to the members, but it is no longer active. In Calabazo, Jarabacoa, **the Association of Mercedes** collects savings during their bi-monthly meetings and deposits it in their Association's bank accounts, but not everybody saves on a regular basis. **Women's groups** in the same community also save during their weekly meetings, but it is not mandatory and the amount can vary according to members. Over 30 members of the **Association (ASOPEJA)** in Villa Jaragua, save RD\$100 every month, out of which RD\$30 goes to the insurance destined for the purpose of health, mutual help and integral development. The monthly contribution will be distributed in 2 years. With this group saving, the Association secured members' access to a loan from FIME (a Microfinance institution run by World Vision) that ranges between RD\$15,000 and RD\$40,000 of 2% of

monthly interest for 20 months. Already over 60% of the members reported that they got the loans for the improvement of housing conditions, and investment for business and production.

When the concept of savings groups was introduced, most of the above mentioned groups showed interest or adopted it. Parish Domingo Savio now has 4 savings groups encompassing over 100 members. The farmers' association in Rancho Arriba was one of the very early savings groups formed that is going to celebrate its first year in May. The Milagrosa association that used to have Banquita, immediately started their own savings group. The registrar, also a former secretary with Banquita, said that she is happy with this savings group because the responsibility is more evenly distributed. The community bank in Villa Jaragua resumed their operation with the methodology of savings groups. Thanks to their previous experience and transparent management, the membership has increased by 100% in 4 months. The Association in Villa Jaragua decided to adopt the savings groups while maintaining their own savings system. Savings groups are better valued because it boasts of improved transparency, strengthened group control, more organization, and requires more discipline. Rural Dominican people are in dire need of financial services, especially safe savings.

### **Revolving Funds**

Government and donor projects that deliver microfinance involves microfinance institutions with professional staff, but an increasing number of microfinance projects rely on community managed revolving funds. In revolving funds, credit approval, disbursement, and collection of loans are all managed by the members themselves, with no professional management or supervision. According to CGAP (2006), "externally funded groups from donors or governments, appear to fail so consistently that this model of microfinance support is never a prudent gamble"(p.1). In Dominican Republic, the presence of revolving funds is widespread although its form varies by organization providing loans. While the majority of loan funds support local businesses, there are loan funds in the form of animals, plants, solar panels or bee keeping boxes. A total of 10 groups managing revolving funds were identified during the study. While most in-kind revolving funds seemed to tend to fail, credit based revolving funds showed mixed result (Annex 2).

Donors for the credit-based revolving funds identified during the study were a Canadian NGO and UNDP. In particular, UNDP through program of early recovery has assisted the population in Barahona, Bahoruco and Independencia with revolving funds between 2008 and 2010. According to the project coordinator, out of 20 beneficiaries, 3 failed and all the rest keep growing and each team in charge of control, and evaluate the application and repayment of loans is said to have been empowered with a capacity to recover 100%. From 2012, with a new project called Frontier, UNDP is aiming at assisting families affected by the rising level of Lake Enriquillo. This project will disburse a total of RD\$600,000 (RD\$5000-\$20,000 for each family with 1.5% of monthly interest) of revolving funds to the 80 families affected by the rising lake level, and selected on the basis of their previous experience in businesses. To this, the Advisory committee in each community was set up with 5 members of administrative committee, 3 of credit committee, and 5 of security.

The study found out that **1) revolving funds stimulate business initiatives.** In Fudeco, most members who took loans never had business experience beforehand but they opened the opportunities with loans. Most revolving funds studied were invested to small businesses (sales of food stuff, used clothes, grocery store, and cosmetics). **2) The success of community managed loan funds appears to have related with the capacity of each group.** The groups successful in raising funds turned out to have had a long history of working together. For example, a group in Bahoruco is a savings groups for 7 years previously formed by Plan. When the RD\$190,000 revolving fund was given, the group already well equipped with management skills, was able to raise additional

RD\$145,430 in 3 years, while a relatively new group in Paraiso was able to raise only RD\$48,000 out of RD\$372,000 of loans during the same period. That said, loan default is growing concern of many groups. Even the group formed by Plan no longer disburses loans because it took time and efforts for the committee members to visit members' houses to urge to pay back without any monetary remuneration. Another finding is that **3) the loan size per person in revolving funds does not seem particularly different from that of savings groups.** The average loan size was RD\$5000-\$15,000, but taking into account that their term is often ranges between 1 year or 1.5 years, savings groups in their second cycle can well serve the demand for these loans. In fact, many groups showed interest in savings groups and out of 10, 5 groups already started savings. The Milagrosa association has been running revolving funds but with introduction of savings group, members prefer borrowing from the savings group. An attempt was made to incorporate savings groups by modifying UNDP's Frontier project when the design was already well advanced, but it did not happen. The preference on revolving funds by both community and by donors suggests a persistent interest for quick money and quick result. **4) In-kind revolving funds seem to fail in most cases.** In Chacaro, only 7 out of 21 paid the loans, while in ACAMUJI, Jimaní, 1 out of 14 managed to pay the loan. In Milagrosa association the revolving funds with sheep did not work. In terms of selection of beneficiaries, credit based revolving funds tends to be slightly more rigorous than in-kind revolving funds but mostly, revolving funds consistently seem to fail where there is little social cohesion among members.

## 5.2. TRAINING AND RESULTS

The purpose of the study was to develop a simple and cost effective training method for scale-up, different from conventional savings group's trainings that require at least 10-15 visits per group during 1 year. For this to happen, the group identification method and training structure were designed and refined with time. Initially, the training used to take several days, but it was confirmed that 2 hour training can make a group start saving. At the beginning the group was going to be formed by the facilitators. Two facilitators' trainings were conducted both in Los Guandules, a slum area in Santo Domingo and in Yamasá, a rural community of a 2 hour from Santo Domingo. Both trainings were conducted for 2 months, 8 meetings with 2 hours per meeting in Los Guandules and 4 half-day meetings in Yamasá. Despite a significant time spent, no trainee in Los Guandules volunteered to form a group. Besides, the attendance reduced with time significantly from 8 to 3. A decision was made to form a group with the participants at the training, but that group got shattered in 2 months. In Yamasá, one facilitator out of 10 managed to form 2 groups. This result made the strategy to be changed from indirect to a direct training.

**Group identification and training structure:** Training was provided through the contacts established by the host organization, SGP/GEF/UNDP. The host organization has a long term working relationship with a variety of NGOs (Good Neighbors, Plan Cordillera) and community based organizations (Neighbors' union, Associations, Women's groups). Additionally, UNDP-ART helped reach public organizations like local governments, schools as well as value chain groups. Training arrangements were directly made through the representatives or leaders of these organizations. Usually the meeting is conducted with 20-30 participants inside or outside a building. After a brief introduction and the presentation of the purpose of the meeting, the session starts with a series of questions; "What is the most exciting experience with savings?" How do you save? What do you do when you need a loan for an emergency? When the ice is broken, the concept of a savings group is explained including 2 clear purposes of savings (saving and investing) and a question is made at the end: Would you like to learn how to conduct a meeting by doing a simulation? Usually most agree with it. The committee is selected in secret and transparent way, and the amount of social fund, value of 1 share, and amount of a fine are determined through a democratic procedure. When these are set, the group is required to sit in order and the simulation begins. Instructor guides a group to 1) open the box, 2) ask the amount

collected by last week, 3) collect social fund, 4) buy the shares, 5) announce a total sum and 6) close the meeting. Fake money is used for simulation. When the simulation is over, feedbacks are shared. For the group that wants to start, a brief instruction is given on how to get the savings kit and a 3 page of manual including a blank form of rules and regulations is given. Most training ends within 2 hours.

**Training Result:** A total of 89 trainings were provided between March 2012 and March 2013. These include 18 collective trainings in Los Guandules, Miches, Dajabón, Bayaguana, San Cristobal, Caribe, Monte Plata, UNHCR, Cotui, Jarabacoa, and Pedro Sanchez for the representatives of various organizations and 71 focus group trainings with those interested on savings together. While collective trainings produced a 16.6% of possibility to contact for focus group training, the focus group training produced almost 90% of probability of a group formed. In fact, 99% of focus group trained moved to form a savings group, but due to the lack of follow-up and monitoring, about 10% of group ceases to exist in 1-2 meetings.

Training type	Number of trainings performed	Number of group produced & active
Collective trainings	18	3 (16.6%)
Focus group training	72 (16 done by volunteer facilitators)	64(15 replicated) (88.88%)

Table 5: Collective training vs. Focus group training

#### Follow-up:

About 54% of groups formed were not revisited by the instructor (researcher) after establishment, but most of them was visited by the voluntary local facilitators (there are 4 facilitators in different regions). There are 6 groups not visited either by the instructor nor by the local facilitator ever since it was formed. However, most groups were contacted by phone more than once.

Frequency of visit	0	1	2	3	4	Total
Community	35	15	11	3	1	64
% of visit	54.68%	23.43%	17.18%	4.68%	1.56%	100%

Table 6: Frequency of visit to the communities (March 2012-March 2013)

**Group profile:** In total 64 groups were formed across 11 provinces (there are 32 provinces in the country), out of which 14 groups are in Santo Domingo including famous Los Guandules slum area, while the rest is in the rural areas. Most members are the members of farmers' association, neighbors' unions, association of hydropower, members of revolving funds, church, students, children, women's groups, and employees of NGOs and private sector. It should be noted that 50% of members are farmers occupying 32 groups out of 64. There is one group located in Batey, a traditional Haitian sugar workers' town where Dominicans and Haitians live together. The majority of the groups (75%) meet on a weekly basis but there are 21% group meet every 2 weeks. Only 2 groups hold monthly meetings, but this is not recommended. The majority sticks to the one year cycle, but 8 groups (12.5%) distributed their fund on December to start over from January with 1 year cycle. The value of share in most groups is \$25 or \$50, but there are 3 groups with a value of share reaching RD\$100. The social fund ranges between RD\$5-\$25. While most groups save up to 5 shares, 5 groups (7.8%) do not have limit in savings. As to the loans, currently there are 44 groups (69%) disbursing loans but the percentage is expected to rise as the young groups accumulate funds. In a group in Yamasá, it is mandatory to take a loan once in a cycle to contribute to the growth of the group income. Already two groups completed their first cycle and started over again with more members thanks to the 10% increased rate of return; the membership increased by 287% (from 19 to 53) in adult group and by 25% (from 30 to 40) in children's group, respectively. It should be noted that among 64 groups, there is a group whose savings reached over RD\$300,000 (US\$7,500) in 10 months.

Total number of groups formed	64
Total number of members	1,467
Total number of female/male ratio	45/55
Total number of adults (+20)	1234 (84.1%)
Total number of children (-15)	66 (4.5%)
Total number of youth (15-20)	167 (11.4%)

**Table 7: Profile of the groups formed (March 2012-March 2013)**

**Cost per member trained:** The cost required to form 64 groups (1,467 persons) is split into salary of the researcher, transportation and the cost for 2 facilitators training. The savings kit (box, padlocks, and passbooks) were sold at a reasonable price (the box: US\$15, passbook: US\$.25) on request. The cost per member trained in this study turned out \$20.58. Since the labor cost and living expense in the Dominican Republic are high and there is only one salary included in the calculation, it is hardly likely that the initial cost will go down further.

As self-replication in savings group is a norm (FSD, 2012), it is possible to form a group in 1.5~2 hours and make them start saving. But it should be noted that the quality of the group varies depending on several factors: interest of the group on saving, social capital, leadership, and the level of education, among others. To ensure the quality of the group, therefore, different degree of attention and follow-up need to be applied. Volunteer facilitators usually learn by watching and by doing. They are provided with a simple 6 page manuals, but often their knowledge comes from several direct observation.

#### **What people value on savings groups?**

There are four things that people mentioned that they value most on their savings groups; **1) Difficult access to saving** is considered as the best aspects of savings group, since it helps build saving habits. Numerous people repeatedly said that savings in piggy banks did not work due to the temptation to break. One person living in Los Guandules, Santo Domingo said that saving in bank (Reserva bank) was not effective, since the access is so easy. Another woman in the same community said that she used to save in a piggy bank, but every time when she needs money, she used to destroy it. With savings groups, on the other hand, she could keep her money in a safe place and was able to raise RD\$1900 which she invested in her grocery shop. The other person living in Angostura, however, said that her account in a bank in the town helped her save, since to reach the town she has to pay the transportation fee and she does not go to town often. In the same sense, a woman said that she finds san (ROSCA) effective, because she has to wait till certain time to have access to her savings. Everybody knows that saving is important, but the mechanism that allows the access difficult, seems to make people easier to save. **2) Easy access to loans:** People appreciate friendly loans with low interest and no guarantor and the possibility it offers to boost business opportunities. **3) Fraternity** Also according to a Priest who began promoting saving in his weekly group meetings, savings groups teach fraternity without mentioning fraternity. He sees that savings group can foster positive cultural values like synergy, resilience and brotherhood and integrated savings groups in his 3 weekly meetings, which strengthened group solidarity. Many groups liked the fun and relaxing atmosphere they have during the meeting. **4) Disciplinary measure of savings groups:** although not all the groups were comfortable with the policy, the majority of people interviewed welcomed the disciplinary measure. It is common scene in the Dominican Republic to be late for the meetings, but many savings groups reported to have fixed that chronic problem thanks to fine. That said, people did not like the low attendance, late showing up and some offensive comments to the fellow members. Also some groups wanted bigger loans and showed concern about the security of a box. In fact a women's group in Corosito refused to carry the box and form a group, since days before the visit, their office was broken into and robbed.

### **Savings groups reaching the ultra poor:**

Study found out that interest in saving is very high, especially among people living far from financial institutions and those who are most vulnerable. Although many said that they do not have money to save, once the group starts moving, they find money to save. When asked why it is difficult to save, some said that they do not have jobs or do not have money. These opinions were quickly disproved once in Los Guandules by arguments that “it is not true that we do not save because we do not have money. If we do not have money, how can we have 4 lotteries going on a daily basis in our neighborhood, how can we see people drinking every day in colmado (local shop), and how can we see people gambling for all sorts of the things including cockfight? Every one of us has some spare money. We do not save because we are looking for easy money.” Even those living in remote villages where no commercial activities are observed, people could find money without going down to the town. That is because intermediaries frequently visits these rural villages to buy coffee, bananas, palatines, avocados and beans on the spot or farmers can sell their stuff in the sparsely located stores. But, not all save with spare money. Some people work in the agriculture or sell something to save in the meeting and even some children reported to save money earned from work (picking up cocoa, cutting grass in the yard, working in parent’s farms, and helping parents selling fruits). Housewives often spare money by cooking less meat or less rice. In sum, none of the group studied refused to form a group because they are extremely poor.

### **Social capital for the success of savings groups**

According to World Bank (2013) social capital is comprised of concepts such as trust, community and networks. Social capital is one of the crucial factors that determine the success of a savings group. The group with strong social capital does not require frequent interventions, but the one with weak social capital requires more frequent interventions. It should be noted that savings groups help strengthen social capital.

Savings groups with strong social capital flourish even with sporadic follow-up and minimum intervention. Arroyo Frio and Fondo Grande are good examples. These groups have managed several community projects previously and established a strong tie among members. Their savings groups were in good shape and members were confident to run a meeting. In the second visit that took place after 6 months, the group of Arroyo Frio was 100% punctual and 90% of members was saving 5 shares. When asked what they will do if the president cannot attend the meeting, the members were confident that they can run the meeting without any problem.

On the other hand, often city slum is a lot more challenging to bring savings groups than rural areas due to the lack of social capital. Los Guandules, a slum of Santo Domingo is one of such cases. This extremely populated area is composed of immigrants from all parts of the country. Although the community has been there for the over 50 years, the relationship among neighbors is loose because people move in and out frequently. Most have irregular jobs, but as soon as they have money, it is spent immediately because they do not tend to think of future. Naturally, Los Guandules is the sector where the number of lottery shop per capita is highest in the country. One of the interviewee said that he spends RD\$160 (US\$4) on a daily basis to play numbers. Money lending is a lucrative business; some charge 20% for 15 days or 20% for 24 days. People commented that they lose a lot of money for soft drinks, coca-cola, Ice-ream, sweet beans, and alcohol (beer and rum). It’s also common to see people drinking beers during Monday morning. For the residents in Los Guandúles, therefore, it looked easy to save at least RD\$50 per week. Attempt was made to establish a group of facilitators, but 2 months of weekly visits ended up creating one savings group. But it did not take long until it got shattered and disappeared. The obstacles to work in Los Guandules include 1) paternalism that often generate dispute in the community, 2) lack of perseverance, 3) wanting to achieve things without

making efforts, 4) lack of organization and structure, 5) low level of education. It was through a local NGO that the savings groups were delivered and now there are 11 groups formed partly by the NGO and partly by a Catholic priest. To form savings groups in a city slum is possible, but should be done in strict collaboration with local connections (NGOs, churches) rather than starting from the scratch.

What is interesting is that savings groups can help social tie of existing groups. The majority of Neighbor's Unions reported that integrating savings groups in their regular meeting contributed to improving group dynamics and group solidarity. Barrio San José did not have a social capital, but almost 1 year of persistent savings groups meeting is bringing change to the community. When they had a share out in December, 2012, a 22% of their total savings was from their group income generating activities. Another group Las Barreras did not have strong social tie, either, but according to a Peace Corps volunteer working in the community, the savings group members once had a meeting that lasted until long after lunch time. He never saw people engrossed on discussion without escaping from the meeting. The Neighbor's union in Arroyo Verraco listed the change the savings groups brought as **1) better participation**. The union used to have 12-3 member participation but after savings groups it increased to 27. **2) Better income**: The union used to collect dues for their community activities, but only 2-3 persons used to pay, with savings group all pay the dues with the name of social fund, **3) Punctuality**: members all attend the meeting punctually not to pay the fine. **4) Change in behavior**: People buy sweets less, visit grocery store less, and nobody buys lottery. **5) Youth integration**: a youth group joined the Union for the first time **6) Improved community participation**: There used to be fewer people participating in community work (filling the hole in the road), but now the number of participation increased. **7) Economic activities**: To generate income of the group, the group killed a pig and sold pork together generating RD\$1000 in their loan fund. In general, members of most groups report that there is more trust and solidarity accumulated through regularly weekly savings group meetings. Even the group in Fondo Grande of strong social capital, said that the community became closer, since previously there were 3 groups (women, men, youth) meeting separately but with the arrival of savings groups now all 3 groups are in 1 savings group, meet regularly and discuss important community matter together.

There are several factors that can influence on social capital of a group. A good leader and transparent and reliable administrative committee can play a significant role. Also it is important that the group is formed by people living in the same community and meets frequently (preferably once a week). Space and frequency of meeting fosters trust and solidarity. It was noticed when the group is formed among people from different communities as seen in the cases of Los Higos, ACAMUJI, ASOCAE, they hardly survived, since the level of trust and solidarity among people who meet only once a month may not be strong enough. The same is true for the Association of Banelino, an exporting company of 400 farmers exporting bananas to Europe. When the contact with Banelino was established, the idea was to introduce savings groups to the entire association, but only one group of administrative staff was managed to be formed, because all farmers live far from each other, do not have tradition of working together and they meet only once a year in their general assembly.

#### **Loans promote investment and add excitement to the group.**

Loans are vital to maintain group's interest on savings by solving members' urgent problems or facilitating investment in business and agriculture. The study found out that people use the loan for a variety of purposes; purchase of wood for house construction, cabinet, house building material, glasses, electric fan, blower and materials for hair salon, school materials, study in university, supply for grocery store or butcher shop, food stuff, buying clothes for sales, debt payment, surprise for the husband, investment to the cafeteria, and fixing motorbike, among others. In agricultural communities, the majority of loans were destined to agricultural activities. For example, in La Pita, Jarabacoa people

asked loans for planting tomato, planting beans, buying fertilizer for carrot, fertilizer for beans, fixing greenhouse, and for clearing the land before planting among others.

The low interest rate (1% per month) promotes business opportunities, since in the same community money lenders charge 15~20% of interest. Most members in Los Guandules took loans to invest in their already existing small businesses that include selling fruit juice (mavi), fritter (fritura), detergent, breakfast, grocery, and among others. One member proudly said that she was able to expand her fruit juice business thanks to the loan of RD\$1300 (US\$ 32). She already paid her loan partially (RD\$500) in a week with the money she made by selling the juice. In Batey Libertad, a member took a loan of RD\$700 and made sweet cream of beans (habichuela con dulce) generating RD\$300 of income during 3 weeks. This way, she was able to save with the money she earned. In Yamasá, the initial monthly interest rate was 10%, but the high interest rate only produced 5 loans during 5 months. When the group decided to reduce the interest to 5%, requests for loans soared. A number of approved loans contributed to producing 10% of return rate to the group at the end of the cycle. It should be noted that a volunteer facilitator of this group made it mandatory for a member to take a loan at least during a cycle.

Easy access to a loan brings excitement. Applying for a loan in the Cooperative is a tedious job for the rural Dominican; they should have a guarantor, fill the form and visit the branch several times until the approval is given. Compared to this process, people find savings group's friendly loan precious. A group in Banelino, for example, has saved a total of RD\$302,800 (US\$7,500) for 10 months and has granted loans of RD\$316,900, generating RD\$31,687 of profit. This growth brought a good deal of excitement among members and more and more people are interested in joining the group. A member in a group in Yamasá built a house in one year with 5 loans she got from the group. Her house generated much interest on her savings group among people in the community. This group had increase in membership from 19 in the first year to 53 in the second year. On the other hand, it was noticed that in the groups that do not offer loans, savings hardly grow and the group had difficulty in keeping members motivated. The 8 groups out of 10 formed by the facilitators of CRS reported that they do not provide loans because they do not know how to calculate the interest rate and their groups were having difficulty in maintaining groups motivated. More training is needed. (J.Ashe, personal communication, April 22, 2013)

That being said, studies revealed that loans should be run with care because it can be a source of a group conflict; in Barrio San José, Jarabacoa, a member applied a loan to sell pirate CDs, which did not get group approval after careful evaluation. The member felt bad and left the group. The group, however, is confident that the person would not have paid the loan back with that plan. This incident made the group stricter in keeping their principle and eventually strengthened the group. Similar case happened in Las Barreras in Bahoruco. When the loan was disbursed, two members left the group in protest because they wanted the group only focusing on saving. Another problem in this group happened due to the size of the loan that the president took. He took a loan larger than 3 times of what he had saved. Although the majority of the group agreed to this arrangement, all started talking about it after meeting. This issue was directly dealt with during the instructor's visit and 2 suggestions came out of the group. First, the rules and regulations should be kept and group should agree with the change prior to any modification. Second, group members should speak any group related issues during the meeting, not out of meeting. This incident produced a heated discussion where the majority of the members actively participated. This is another example that more training is required for the less resourceful groups when it comes to education and social capital.

While loan provide opportunity for investment in business or production and excitement to the group, it

should be noted that for those who need a larger investment, the size of a loan has still much to be desired.

### **Savings group's impact on behavior and mindset**

Members of a savings group in Chacaro were clear that the reason why 67% (14 out of 21) of their fellow neighbors who participated in revolving funds program years ago ended up defaulting and still refuse to pay; according to the group, these people they did not know how to manage money and did not value what came easily. This group, therefore, particularly appreciated the fact that they have to make efforts and should be disciplined to join the savings groups. Indeed, small invisible changes with significant future implication are occurring in many savings groups.

Savings groups make people **conscious of their behavior, especially on consumption**. A woman in Fondo Grande said that savings motivates her to economize with sugar, rice and oil. A boy in Yamasa who used to spend all his pocket money for sweets, was saving with money he earned by working (pick up cocoa or cut grasses). Children in Los Guandules often receive money from their parents during the week and keep it aside to save on Saturdays in their group meetings. By this way, they are already learning how to resist temptation. A women's group in Los Guandules said that before they used to wait for the government to come or something marvelous to happen, but now their mind is changing and believe that they themselves can make things happen. A member in a group in La Pelada, Jarabacoa used to drink alcohol every day but now he skips one day to be able to save and joked that he does not suffer much because of one day of abstinence. Some said that people play lottery less frequently than before. It should be noted that the Pelada group meets every Saturday at 4 PM to avoid any unnecessary expenditure. A group in Arroyo Frio, one member said that being in the savings group motivates him to find work. When he does not have money to save in the savings day, he goes out to work beforehand. Some said that they drink less and play less. A woman in the same group said that she did not know where and for what she spends money but saving made her conscious about her expenditure, which made her eventually save more. Another man said that he used to consume 1 sack of rice in 20 days but now it lasts for 25 days. Savings habits seem well established in most groups. A girl from a group in Yamasa said that she used to insert some money into piggy bank, but the very next day she used to take it out. Now she tries to spend less to be able to save in the meeting. An employee of Banelino in Mao was once hospitalized in the day of meeting but she did not forget to send her share and social fund.

The majority agreed that saving makes them **think about the future**. They have a clear idea about what to do with their savings, mostly for improving their housing conditions, investing in their agricultural activities, animals, land or helping their children with education. A man in Fondo Grande said that he did not have tomorrow until he started saving. A family of 3 members in one savings group is planning to buy a calf for milk with their combined savings. A group in Fondo Grande saw the potential that the savings groups can bring and in 2 months already started figuring out possible future projects such as community microenterprises or community run grocery store. A woman in Yamasá put her plan in practice and built a house in one year thanks to her savings group. As a domestic worker in Santo Domingo, she gets paid RD\$8000 (US\$200) per month. For the last 20 years, however, she was never able to set any money aside because whenever she was paid, there were numerous reasons to spend money including requests of her grown-up children. Ever since she joined the group she started taking loans and bought materials for construction. When her children come to ask for money, she was able to say that she could not because she has debt to pay to the savings group. In one year, she has a house almost completed. She herself is very much surprised and is motivated to save more in the second cycle. In Los Guandules, children had clear ideas on what to do with their savings long before the share out. Their plans were soon materialized into clothes, shoes, T-shirt, pants for December, throwing a

surprise party to the mom, and a gift to the father.

Additionally, it should not be disregarded savings' groups' impact on **fostering leadership skills**. The president of a group in Barrio San José, one of the most active groups, said that he has never been a leader in his life, but he took his role seriously and even when he was hospitalized he made sure that group continue to save in his place. His house was used for the group meeting. In a few months, he was converted into a respected leader in his community. The presidents in La Pita and Fondo Grande are young men and they looked visibly uncomfortable when elected as presidents unanimously by their respective groups, but in the second visit in 2-3 months, their growth as leaders was palpable; they looked confident and comfortable with their roles.

Small change that savings groups bring to people's behavior and mindset may not look important, because it does not bring a sudden boost in income as seen in conditional cash transfers, but this small change they earn through efforts may give motivation to grow more, courage to try something new and eventually confidence to take initiatives to forge their future.

#### **Minimum intervention: blessing or curse?**

The study found out that facilitator's scarce visits may be a blessing for some groups by giving them an opportunity to be empowered and to add creative flavors to the methodology, but at the same time lack of attention may be a cause of a violation of core principles of the methodology that can lead groups in jeopardy. It looks like "to have the right balance is needed" (J.Ashe, personal communication, April 22, 2013).

With one time training, a group often starts saving. Obviously they face difficulties in management, but in general this helps the group strengthened; they learn how to collaborate, how to make decision, and how to solve conflict by themselves. The absence of external figure, therefore, can make the group be independent and creative, especially when it comes to establishing internal rules. In Barrio San Jose, members organized on their own collective income generating activities where they sell sweets (habichuela con dulce, maíz con dulce) during weekend. In Arroyo Verraco, also people started doing collective income generating activities (killing a pig and selling the meat together) with their own initiative. In La Pita, the administrative committee designed their own promissory note (pagaré) for the loan they grant. It should be noted that the leaders in these groups took their jobs serious and were much respected.

On the other hand, a lack of follow-up may deteriorate the group performance, in particular, if the leadership is weak and if the group's education level is low. In Las Barreras, the group started saving with an arrangement that the box keeper will also keep the 3 keys. The group's argument was that it is not safe to keep the box alone when she is out of house. The group trusted her by handing over 3 keys to her so that she can carry the money with her whenever she is not at home. Since it was a group's decision, this practice was allowed, and in half a year, the group started getting shattered.

In a few months, the president of the group took a loan far bigger than his saving allowed. Several members left the group in protest including a secretary whose job was handed over to the box keeper. This way the box keeper ended assuming 5 roles (secretary, box-keeper, 3 key holders). In 6 months, when the money in the box was counted during a monitoring visit, about RD\$8000 (US\$200) of difference was detected. The box carrier admitted that she used to pick up money for her grocery store to put it back later but she did not know she took that much.

In the group in La Finca (It's close to Las Barreras), one member kept the box and 3 keys for the same

reason. No abnormality was detected in terms of money management but the saving was not growing. There was hardly a change in the amount of saving between what they had 4 months ago and what they had at the time of visit. Besides, the group once very energetic and enthusiastic turned out not having regular meetings. In Villa Jaragua, a group's newly elected president kept a box and a key (this group had a box with only 1 padlocks). In 4 months, the group membership did not show any growth, neither the amount of savings compared to the other group in the same community. When the money was counted in front of the whole group despite the repeated protests of the president, it was revealed that there was RD\$400 (US\$10) missing. The president admitted that he had access to the box and would be responsible to fill the difference. A new committee was elected and it was agreed that the box will have 2 more padlocks. In Mata de Café, when the president resigned, the group started getting weak and it is not working now.

If these groups were provided by appropriate and timely intervention before the problem goes serious, the group would have grown well.

### **Savings groups of other agencies (ANNEX 3)**

At the beginning of the study, there were 4 organizations promoting savings groups in the country that include Plan International, Foresta (Plant with Purpose), CRS and Esperanza International. To be specific, there were only 3 organizations, since Esperanza's work on savings groups was concentrated in Haiti although its headquarter was in the Dominican Republic. After 1 year and 3 months, CRS and Esperanza are no longer involved in promotion of savings groups due to the funding cut. Meanwhile, Plan switched their focus from community savings to youth savings (15-25 years old). Currently organizations involved in savings groups include Nantik Lum (Spanish NGO), Good Neighbors, UNDP, Floresta, and Plan. It is estimated that the total number of savings groups in the Dominican Republic is 340 with approximately 7,000 members. Following is the observation made through visits to the savings groups established by these organizations.

#### **PLAN International**

Plan International started promoting savings groups since 2005 with purposes of fostering savings culture and solidarity. Currently there are about 109 groups (2483 members, 80% women) in 62 communities of 3 provinces (Azua, San Juan, Barahona) reaching 11,173 beneficiaries indirectly. About 70% of the group continues to save after its first cycle. The cost per training per head is RD\$1500 (US\$37.5). Two groups supported by Plan were visited.

The first group is in Bahoruco, Barahona. The group started saving since 2005 and has 43 members. They save \$50 and more without limit and the members can bring the money any time during Sunday to deposit. Currently they have \$72,400 saved and keep it in a bank. In December they will distribute it among all. There are 7 savings groups in the same community inspired by this group. While the group appreciates the opportunities to explore income generating activities and disciplined learned through savings, they regretted for having distributed their savings every year. The 3 out of 8 persons interviewed said that they wish they had kept the savings grow.

Through the UNDP's Early Recovery Program, the group received RD\$190,000 of revolving fund in 2008. The administrative committee is made up of president, secretary, credit committee, and risk committee. The loan term is 12 months with interest rate of 2.5% for members and 3.5% for non members. The loan should be paid every month with interest. There are 31 loans equivalent to \$297,830 revolving and \$37,600 in reserve, but this year they do not plan to lend the money due to the difficulty in recovering. In 3 years the group raised a total profit of RD\$145,430 out of disbursing loans, but wonders how to invest it. Since the savings and revolving funds are kept in a same bank account,

the group stopped distributing the profit in its yearly share out, but is comfortable with this arrangement, since they can enjoy a low interest and larger loans.

Thanks to the savings groups and revolving funds, the group was able to have access to loans but expressed a difficulty in doing collective businesses. In fact, the group was going to implement a project "Almacen de consume (grocery store)" at which everybody is committed to buying all food stuff making the CCTs solidarity card is accepted (Instead of cash, Dominican government provides solidarity card, with which beneficiaries of CCTs can buy food stuff in designated local grocery stores), but still in planning stage. Many collective projects had weaknesses. Another group formed by Plan lasted only 3 months because of the hurricane hit the community.

### **ESPERANZA International**

Esperanza has two programs (Microcredit & Savings). In the northern region, there is microcredit and in the central (Belladerie, Mirabade) and southern (Puerto Principe, Miraguan, Crasteboup), with savings groups. Ever since a pilot was made in 2010, there are 140 groups (20 persons per group) formed from January 2011 to May 2012. The savings groups can choose 3 models (ROSCA 15%, ASCA 35%, Simple saving 50%). A cycle lasts 6-9 months and 99.9% continues. A group meets usually 1-2 times a month. Because most groups are in urban areas, groups keep money in the bank accounts with 2-3 names.

The group formation is done with the curriculum of Chalmers Center ([www.chalmers.org](http://www.chalmers.org)). The main objective is to push the community development and the dissemination is done through church groups. The procedure is as follows.

- 1) Presentation in a church and one leader facilitator is asked to be chosen.
- 2) Training facilitators who will form 8-10 groups.
- 3) Facilitators provide follow up during 3 months.
- 4) Facilitators participate a one day of meeting every 3 months.
- 5) Facilitator train leaders (president, secretary, treasurer) of each group.
- 6) Monthly follow-up.

Some groups use the box with 3 locks, but the majority has group account in the name of 2-3 members in a commercial banks. The fine system helps the group better disciplined. Esperanza has 10 facilitators in Haiti and one can supervise up to 30-40 groups. The program was going to insert other programs such as environment, preventive health, education, alphabetization, law, family abuse, and vocational school. Currently due to the lack of funding, Esperanza is only conducting credit programs and the follow up for their savings groups is done by Hope International.

### **Catholic Relief Services**

CRS conducted its pilot program between May 2011 to May 2012 in regions including Loma de Cabrera, San Pedro, Puerto Plata, Monte Plata, Boca Chica, Dajabón, and Santiago. The pilot was done in collaboration with local partner NGOs (Caritas, Centro de Union de Madre, Acción Callejera, Pastoral Juvenil, CEZOPAS etc.) by providing 3-5 days of trainings to the facilitators identified by the partner NGOs. Each trained facilitator was supposed to create one group. A total of 221 facilitators were trained producing 102 groups (1446 members) in 1 year. Despite the successful replication strategy, the pilot did not reach to be scaled up due to the funding shortage. Throughout the study, interviews and visits were made with 14 groups formed by CRS.

Since the groups were formed by different facilitators, a significant variation was detected within the groups. 1) The majority except 2 groups only saves without disbursing loans, since not all feels

confident enough to manage loans. 2) Some groups allow their members to withdraw their savings. 3) Saving is not mandatory (out of 19, 14-15 members bring their savings in Villa Esperanza) 4) There is no limit in the amount of saving or everybody save the same amount. 5) There is no fine. In general the groups have had positive experience with savings that include the savings habits, discipline, getting necessary things, and income generating activities, among others. That said, the groups did not seem to take full advantage of the methodology by not following some core principles like keeping the loan unavailable. Things to be improved suggested by the participants are 1) Follow up: Due to the lack of motivation some groups quit after the first share out. 2) Training: Some has difficulty in calculating percentage for loans and distributing savings, simple accounting and marketing. 3) Although many members had taken trainings offered by INFOTEP, there are few businesses and little interest of investing the savings in businesses.

## Floresta

Floresta, a faith based NGO funded by Plant for the Future, has been delivering savings groups (VSLA) since 2011 to the farmers' organizations, their target population. Currently there are about 53 groups in the 3 different regions (Central Region, Hondo Valle, Descubierta) with growing demand for the methodology. Previously Floresta provided microcredit to the farmers but they no longer do it. This shift of focus from credit to savings initially caused some difficulty for the staff, but now their savings groups are considered by farmers as the best program that brought tangible results to their lives. Facilitators of Floresta attend all first-cycle-groups' weekly meeting to collect data for monitoring. This special attention to each group combined with the limited number of staff (5), however, makes the speed of replication relatively slow. Floresta saw the establishment of 9 groups between March 2012 and March 2013. Below is the performance of its several groups that graduated in November 2012. Floresta is expecting to continue to increase the number of groups while ensuring the quality of the group.

Name of Group	No.of members	Initial value of a share	Redefined value of share	% growth
Nuevo Amanecer-La Rosa	23	RD\$50 (US\$1.25)	59.963	19.93%
El Despertar-Loma Verde I	31	50	56.220	12.44%
El Porvenir-Loma Verde II	31	50	60.970	21.94%
San José en Marcha-Maízal	30	50	53.726	7.45%
La Buena Fe-Zumbador	25	25	29.411	17.64%
Unidos para el progreso-El Zamo	40	50	56.772	13.54%

Table 8: Group performance of Floresta (Floresta, 2012)

## VI. CONCLUSION AND IMPLICATIONS

The study was conducted with a purpose to find a simple and cost effective way of building savings groups so that any interested organization (NGOs, GOs, CBOs, Private sector) can pick it up and disseminate it with ease. The study proved that with 1-2 trainings, 95% of groups managed to save at least once and 89% survived and continue saving. It should be noted that despite a good deal of informal savings and loan services available (cooperatives, revolving funds, ROSCAs, ASCAs), the majority of groups were willing to quit their practices and adopted savings groups. This high degree of acceptance of savings groups implies that there is strong need for safe and disciplined savings services among rural population. People joining savings groups particularly valued the difficult access to savings, easy access to loans, solidarity and disciplinary measures

The simple training produced following findings.

**Savings groups increase social capital.** While the degree of social capital determines the quality of a savings group, it was noticed that savings groups can help existing groups more consolidated. **Savings groups bring change in behavior and mindset.** It was revealed that people involved in

savings, tended to be conscious of their consumption, reduced drinking or buying lottery. Both adult and children had a specific goal when they are saving. **Easy access to loans motivates investment and makes groups more engaged.** Low interest and easy to take loans offered by savings groups not only solve urgent needs but help people try out new businesses. Also loans provide opportunity to take a risk, which helped group to be more active. **Loans** can bring enthusiasm to the group, but if not well managed, can be a subject of conflict. The rules and regulation, therefore, should have a clear guideline about how to deal with the loans. **Poorest of the poor can save.** The experiment occurred in varying conditions, but mostly for the poorest of the poor. No group refused to save because they do not have money.

### **Recommendation for training**

That being said, not all surviving groups display the same degree of quality in running the group. For the successful group survival following factors should be taken into account:

#### **1. Partnership with local organizations that can help identify the “right” group**

For the simple training to bring result, the group should be already **motivated** to save before the meeting. In one occasion, a group already brought their shares on the day of training, because they had been sufficiently informed about the purpose of the meeting from the vice-mayor, who was acting as a local facilitator. Since the group’s social capital plays a significant part in determining the quality of the group, it is effective to take advantage of the **existing groups**; the members know each other and have already accumulated their social capital throughout trials and errors. These groups can be associations with a variety of purposes, neighbors’ unions, employees of same company, women’s groups, or members of a same church. It should be noted that out of 64 currently active groups, 45 groups (70%) belong to same organizations. It is crucial; therefore, to establish partnership with local representatives (NGOs, CBOs, government or church) that can help identify the “existing and motivated” group. To identify a local ally is particularly important in the slum in the city, since social capital tends to be significantly less developed in the urban setting. The presence of local partners also can be advantageous in terms of monitoring and follow-up in the future. Good Neighbors, for example, is currently providing follow-up to the 6 groups in Los Guandules, while Parish Dominigo Savio supports 4 groups formed inside church. The vice-mayor of the District of Mamá Tingó, who helped identify 10 groups, now provides ongoing support to those groups formed within the District.

**2. Varying degree of intervention:** To maintain a good quality control, the degree of attention should be varied by groups. Too much intervention to the group with already strong social capital may be disempowering, but good support to the group with weak social capital at the initial stage can be beneficial, since proper application of methodology can help improve group’s social capital over time. The degree of intervention for each group should be determined after careful assessment on its capacity, and the approach to each group should differ accordingly; if the group does not have capacity for group management, the methodology can be simpler, for example, allowing only saving.

**3. There are core principles that cannot be negotiated:** Savings groups allow enough flexibility by inviting the group to devise their own rules and regulations. In most cases groups keep the core principle, but for the groups under infrequent monitoring, it is easy to go too far: for example, there are groups wanting to save without limit, groups without adopting share system, groups that entrust a person with 3 keys and a box (a frequent case), groups that performs transaction out of meeting, and groups that allow members keep their own passbooks, among others. These breaches may not seem significant at the beginning because they were approved by the “majority” of the group. But, when the core principles are not properly observed, the groups often tend to lose its initial enthusiasm and go consistently deteriorated. Savings group distinguish itself from the rest of informal savings due to its

unique design that ensures security, transparency, and good administration. Without observing details, savings groups will not be much different from the existing informal savings. Attention to the details, therefore, cannot be overemphasized. Some core principles to take full advantage of the methodology include 1) keeping the roles of committee separate, 2) Money should be only kept inside the box with 3 padlocks 3) All transactions should occur during the meeting 4) The committee should be responsible people who are willing to sacrifice for the benefit of the group, and 5) the group should be self-selected.

## **Recommendation for scale-up**

### **1. Revolving funds should be converted into savings groups**

Study observed that revolving funds are frequently being disbursed by NGOs or donor agencies. Different from savings groups, revolving funds require sophisticated management skills that are not always available among Dominican living in rural areas. Besides, the amount of loans people take oscillates between RD\$5000 and \$10,000 (US\$125-250), the amount that a normal savings group can perfectly cope with. Also, since the group replication does not require much cost and self-replication is becoming a norm, the cost for group formation is expected to decrease with time. It takes some time to build the fund but savings groups have capacity to serve the needs of the population that requires revolving funds while considerably reducing the risk of default. Therefore, more NGOs or donor agencies should shift their interest from revolving funds to savings groups. Floresta has done it and is pleased with the transition.

### **2. CCTs should implement a pilot with savings groups**

There are about 1 million recipients of conditional cash transfers (locally “Progresando con Solidaridad”) in the Dominican Republic. CCTs reach the 9% of the population directly and 36% of population (3.6million) indirectly. Ever since its inception in 2004 the program has been successful in increasing the number of its beneficiaries and the size of resources disbursed, but so far no proper evaluation has been conducted to the program, and no graduation program has been properly set up. For the CCTs to have tangible impact on poverty reduction, the families graduating program should increase. Savings groups have been proven effective in providing tools to get out of poverty. It helps people find their potential and their inner strength, giving sufficient confidence to seek opportunities. Savings group is not a panacea, but it will provide recipients of CCTs with tools that can help them move upward. Savings groups combined with the CCTs can set a foundation for the road to economic development.

Savings group is one of rare development programs that bring change in behavior and mindset. While measurable figure and number dominate the world of development, more attention needs to be paid to the intangible aspect of savings groups, because that is what poor people actually value most.

## APPENDICES

### ANNEX 1: LIST SAVINGS GROUPS (2012-2013)

No.	Name of community	Group identity	Region	No. of members	Partner agencies
1	Angostura I	Association for Hydropower	Jarabacoa	26	SGP/GEF/UNDP
2	Angostura II		Jarabacoa	18	SGP/GEF/UNDP
3	Arroyo Frio	Association for hydropower	Jarabacoa	20	SGP/GEF/UNDP
4	Arroyo Verraco	Neighbors' union	Jarabacoa	27	Plan Cordillera
5	Barrio San Jose	Neighbors' union	Jarabacoa	33	Plan Cordillera
6	Jumunuco		Jarabacoa	10	Plan Cordillera
7	La Pelada		Jarabacoa	19	SGP/GEF/UNDP
8	La Peña	Neighbors' union	Jarabacoa	23	Plan Cordillera
9	La Pita	Neighbors' union	Jarabacoa	35	Plan Cordillera
10	Corosito	Neighbors' union	Jarabacoa	26	Plan Cordillera
11	Banelino	Employees	Valverde	28	SGP/GEF/UNDP
12	Banelino Escuela IDENE	Employees	Valverde	30	SGP/GEF/UNDP
13	Batey Libertad	Women's group	Valverde	17	Yspaniola
14	Fondo Grande	Association for microhidro power	Loma de Cabrera	20	SGP/GEF/UNDP
15	H.Billini	Association for an agroforestry project	Loma de Cabrera	23	SGP/GEF/UNDP
16	H.Billini	Women's group	Loma de Cabrera	30	SGP/GEF/UNDP
17	Yamasá		Monte Plata	53	SGP/GEF/UNDP
18	Yamasá children's		Monte Plata	38	SGP/GEF/UNDP
19	Los Nuñez		Monte Plata	30	ART-City Hall
20	Mirador		Monte Plata	35	ART-City Hall
21	El Chácaro		Monte Plata	20	ART-City Hall
22	Ranchito		Monte Plata	30	ART-City Hall
23	Sabanita Medio		Monte Plata	30	ART-City Hall
24	Novillo		Monte Plata	25	ART-City Hall
25	Sabana Grande		Monte Plata	25	ART-City Hall
26	La Majagua		Monte Plata	20	ART-City Hall
27	El Chacaro II		Monte Plata	18	ART-City Hall
28	Mirador II		Monte Plata	20	ART-City Hall
29	Sabana Novillo		Monte Plata	18	ART-City Hall
30	Jimani	Association of farmers	Independencia	23	SGP/GEF/UNDP
31	Villa Jaragua I	Community bank	Bahoruco	25	SGP/GEF/UNDP
32	Villa Jaragua II	Neighbors' union	Bahoruco	28	SGP/GEF/UNDP
33	Villa Jaragua III	Association	Bahoruco	34	SGP/GEF/UNDP
34	La Finca		Bahoruco	14	SGP/GEF/UNDP
35	Las Barreras	Association of farmers	Bahoruco	20	SGP/GEF/UNDP
36	Higo de la cruz		Bahoruco	11	SGP/GEF/UNDP
37	Pino Fresco		Bahoruco	30	SGP/GEF/UNDP
38	Los Higos		Bahoruco	10	SGP/GEF/UNDP
39	Rancho Arriba		San Jose de Ocoa	14	SGP/GEF/UNDP
40	Bombita	Assocaition for fish rearing	Barahona	12	UNDP-ART
41	Fudeco	Association Revolving fund	Barahona	20	UNDP-ART
42	Piñon	Association Revolving fund	Barahona	28	UNDP-ART
43	Exodo	Church group	Santo Domingo	27	Good Neighbors-Parroquia Domingo

					Savio
44	Genesis	Church group	Santo Domingo	24	Good Neighbors-Parroquia Domingo Savio
45	Leviticus	Church group	Santo Domingo	28	Good Neighbors-Parroquia Domingo Savio
46	Casa infantil		Santo Domingo	21	Good Neighbors-Parroquia Domingo Savio
47	Los Guandules Children I		Santo Domingo	12	Good Neighbors
48	Los Guandules Children II		Santo Domingo	11	Good Neighbors
49	Los Guandules Children III		Santo Domingo	10	Good Neighbors
50	Los Guandules Adult I	Tavita Foundation	Santo Domingo	13	Good Neighbors
51	Los Guandules Adult II		Santo Domingo	10	Good Neighbors
52	Los Guandules Youth		Santo Domingo	17	Good Neighbors
53	Los Guandules Staff of GN	Employees	Santo Domingo	21	Good Neighbors
54	PPS	Employees	Santo Domingo	8	SGP/GEF/UNDP
55	PPS Alberto	Family	Santo Domingo	13	SGP/GEF/UNDP
56	IDDI	Employees	Santo Domingo	30	SGP/GEF/UNDP
57	ASOCAE	Employees	San Cristobal	18	SGP/GEF/UNDP
58	El Guineo	Neighbors' unión	San Cristobal	20	SGP/GEF/UNDP
59	Pedro Sanchez	Neighbors' unión	El Seibo	18	UNDP-ART
60	Fe & Alegría	Students	El Seibo	30	UNDP-ART
61	Fe & Alegría	Students	El Seibo	30	UNDP-ART
62	Fe & Alegría	Students	El Seibo	30	UNDP-ART
63	Fe & Alegría	Students	El Seibo	30	UNDP-ART
64	Fe & Alegría	Students	El Seibo	30	UNDP-ART
				<b>1467</b>	

## ANNEX 2: GROUPS WITH REVOLVING FUNDS

Type of Revolving Funds	Type of Organization	Source of Funding	Operations of Revolving Funds
In-kind revolving funds	Association Milagrosa, Angostura	INGO	The association received a lot of goats as revolving fund, but most of them died. But the association recovered some fund and decided to rotate with it 3% of interest. With the RD\$ 80,000 of revolving fund, the association was able to destroy an old building that was an impediment for the Access to their new group managed eco-tourism site. Currently Milagrosa has RD\$50,000.
	Association Asaju, Jumunuco	Japanese NGO	This association received RD\$ 125,000 of revolving fund with purpose of installing solar panels in 35 houses. Thanks to the hard work of 19 members for the last 15 years, 176 homes were benefitted from and the association was able to raise a fund of RD\$400,000. Any members can apply a loan of 60,000 or 70,000.
	Centro Zonal de Pastoral Social (CEZOPAS)	Inter-American Foundation	Catholic church based organization used to provide in-kind revolving funds with animals (chicken, cow, goat, pig, and sheep) and plants (tangerine, avocado, and lime, cocoa, pineapple, ginger, sapodilla, and grass for the animal feeding). Before distributing these loans, the beneficiaries were trained to pay \$24,000 in 5 years, but out of 21 only 7 managed to pay. Those who succeeded in paying the loan, was able to have Access to other loans given by CEZOPAS. Thanks to this experience, people in Chacaro are aware that it is important to know how to manage money before using it.
	ACAMUJI, Jimaní:	UNDP	This group received a small grant from SGP/GEF/UNDP to buy bee keeping materials (Boxes and equipments) but 14 members who received support did not manage to pay RD\$12556 except one person. The reason is not because they do not have money but because they are supposed to pay the revolving fund out of the sales of honey and no one was able to harvest enough honey to sell due to the environmental problems (chemical fertilizer killed bee population and the rising level of lake Enriquillo) In 3 years, the 95% of the fund was not recovered due to the climate and other factors.
Credit based revolving funds	PAIDHA: (Promotion of the support to the Haitian Immigrants and Dominicans of Haitian Descendence):	UNDP	This NGO received a fund from UNDP and started providing revolving fund of RD\$600,000 during 2010-2011. There are 307 persons involved in the revolving fund. The loan ranges between RD\$500 and RD\$15,000, but in general RD\$12,000. The interest rate is 2% per month with a period of 6-12 months. Currently the program works in 21 Bateyes, among whom 12 have microcredit committee. The businesses that the revolving fund supports are often ambulatory businesses” cosmetics (perfume, soap), used clothes, small grocery shops, bakery, and sales of provisional food. The majority of beneficiaries belong to a credit committee, the mechanism that ensures the recovery of the fund to reach up to 99%. Additionally, PAIDHA provides trainings on the objective of revolving fund, how to run a small businesses, microcredit, and how to invest the fund.
	Association of Handcraft women of Paraiso (ASOMAP)	UNDP	The association received RD\$372,000 3 years ago and has generated profit of RD\$ 48,000 in 3 years. The original purpose of revolving fund was helping the women with their handcraft marketing, but the association is lending money to people out of the group. Loans are often used to purchase tools, seeds, machine, cooking utensil, underwear, food and to supply goods in the grocery stores. The group believes that it would be important to have more funds to rotate, since there is high demand for loan in the community and by disbursing loans, they can earn more money.
	Bahoruco	UNDP	The group was formed in 2005 and received the revolving fund of RD\$190,000 (US\$4750). In 21 months, the group earned RD\$145,430 of income through disbursing loan. The loan term is 12 months with the interest rate 3.5% for the out of group and 2.5% for the members.

			The loan should be paid every month with interest. There are 31 loans and all money is in circulation, but the committee is having difficulty in recovering loans. This year the group decided not to lend more.
	<b>Fudeco</b>	<b>UNDP</b>	The association founded to help people affected by hurricane Noel and Olga, has 30 members and has been managing their revolving fund received from UNDP for the last 3 years. The loan is disbursed for the business purposes (sales of fries, charcoal, clothes, sweet bread, yanikeki, grocery store, fish shops) and the size of loan ranges between RD\$5,000 and RD\$20,000 according to the size of the business. The interest rate is 2.5% per month and the recovery reaches to 90%. There are 3 persons who were not able to repay their loans and in 4 months they did not pay yet. In fact, the association has started many small businesses including selling fries, gasoline, grocery store, fish shop, charcol, used clothes, sweets, yanikeki and others. The majority of recipients started the business for the first time. The revolving fund is a good opportunity to help people get business experience, but it should be noted that many members expressed interest in having more business trainings.
	<b>Peñon</b>	<b>UNDP</b>	The women's group was founded in 1975 and has 33 active women members. All manage small businesses in fish, pie (empanada), corn pancake (arepa), sweets, pastel en hoja, sausage, used clothes, electrical technician, and money lenders, among others. With the revolving fund from UNDP, the group was able to Access to the loan of RD\$1,000~\$15,000 with a period of 18 months. Since its inception, the group has been trained by numerous NGOs including PLAN, IDDI, Promo, and UNDP.
	<b>Cachón</b>	<b>UNDP</b>	<b>-The beneficiaries</b> of revolving fund of UNDP were formed in 1991 and they meet every Wednesday at 5 PM for the last 6 years. The initial funds they got from UNDP was RD\$214,000. With these funds, the group has raised the profit up to RD\$183,494, almost 80% of the original fund. The group invested RD\$30,000 to buy plastic chairs with total profit \$153,494 in bank. The group applies strict discipline: they charge fine for those who come late at meeting and those who do not make it with their loan payment, should pay 1.5% of fine. New members have to go through 3 months of probational period till getting loans. Thanks to these rules, the recovery rate reaches 100%. <b>-All women</b> have small businesses: sausage, sweets, underwear, hair salon, among others. Since the group rotates the role, everybody is confident to manage their register. Over 50% of members also are involved in San and additionally the group pays \$300 on a monthly basis to raise a fund for their annual trip. <b>-The study</b> found that NGOs and development agencies provide microcredit as revolving loan fund to boost income generating activities. To run the revolving loan fund, often community based organizations or community based NGOs are selected to ensure the fund rotated. According to the study, the organizations with years of tradition of working together, better manage the fund, but those with weak social tie, undergo difficult in recovering loans. It should be noted that a 7 year old savings group that took revolving fund was outstanding in managing the revolving loan. This group generated RD\$145,430 of profit within 2 years while another group managed to generate RD\$46,000 during same period even if the latter received RD\$200,000 more than the former. It is clear that the fund management skills acquired in running savings groups is an asset to manage a successful credit groups. Another finding is that the revolving fund stimulates experience of income generating activities (sales of fries, grocery store, gasoline, fish, charcoal, underwear, sweets, used clothes, yanikeki and others). In Fudeco, the majority started their business for the first time thanks to the loan provided by UNDP. It should be addressed that the people need reinforcement training on business.
	<b>Foundation Agrega Tu Luz (FUNDATUL), Dajabón</b>	<b>Canadian NGO</b>	FUNDATUL has disbursed revolving fund to the members of women's groups in Dajabón with purpose of supporting women in their income generating activities in their own homes to continue give support to their children. The types of business include hair salon, pedicure center, sales of beans, rice, grocery store, production of cushions, windows, shoes spray, catalogue sales, bathroom sets, plastic utensils, underwear, among others. FUNDATUL has 24 beneficiaries with a loan size between RD\$5,000 and RD\$20,000. The revolving fund promotes business initiatives. However, FUNDATUL is considering changing their system, since their principal donor from Canada has been asking to shift their focus from microcredit to micro saving.

### ANNEX 3: ORGANIZATIONS PROMOTING SAVINGS GROUPS IN DR

	PLAN	CRS	FLORESTA	UNDP
<b>Foundation Date</b>	2005-Present (7.5 Y)	Oct. 2011-Sept.2012 (1Y)	July. 2010-Present (2.5Y)	Jan. 2012-Present (1Y)
<b>Groups active</b>	<b>109 groups (2,483 members)</b>	<b>115 groups (1,542 members)</b>	<b>52 groups (1265 members)</b>	<b>64 groups (1,467 members)</b>
<b>Paid staff</b>	3 managers	1 program officer 9 half-time field officers from local partner agencies.	1 manager 4 facilitators	1 program officer
<b>Unpaid staff</b>	135 multipliers (32 in Barahona)	254 facilitators	None	6 volunteers
<b>Goal for 2013</b>	Strengthen the existing groups with emphasis on leadership trainings. Switch to Youth savings	The project is completed and is no longer run by CRS. Local partners are supposed to provide follow up for the existing groups.	One more facilitator is going to be hired during 2013 and 15 groups are going to be formed.	100 groups Funding will be actively sought to further expand the program.
<b>Monitoring visits</b>	Phone + local volunteers	Reduced by funding cut	Frequent visits (at least once a month for all groups) Groups in their 1 <sup>st</sup> cycle is visited every week and a check list filled out for a measurable monitoring.	Phone + visits of once in 2-4 months.
<b>Areas covered by the project</b>	Azua, Barahona, San Juan	Santo Domingo, Monte Plata, Boca Chica, San Pedro de Macoris, Santiago, Puerto Plata, Loma de Cabrera, Dajabón	Central (Villa Altigracia, Cotui, Maimon, Bonaó) Border (Descubierta, Hondo Valle)	Santo Domingo, Jarabacoa, Bahoruco, Valverde, Monte Plata, Seibo, Ocoa,
<b>Method to train groups</b>	2 approaches are used, but the first one is considered more effective. <b>Method 1)</b> Contacting local leader or visit the individual houses to call for a meeting. In the meeting introduction on savings groups is given and those wishing to join the group is formed as a group of 30-35 people. <b>Method 2)</b> Contact the existing organization and train them. Once a group is decided to be trained, a weekly training is given for 3 months (12 visits). After 3 month of intensive	Local partner agencies recommend leaders in their communities. These leaders attend 3-5 day of facilitator trainings. These trained facilitators are responsible to form a savings group and become a member of the group. Local field officers supervised the performance of community groups, but due to the funding shortage, the follow-up is not happening.	<b>First</b> , the leaders are contacted with introduction and in the <b>second</b> meeting, they are taken to a savings groups meeting in a nearby community. <b>Third</b> , when leaders are back in the community they organize a meeting where only responsible and serious members of community are invited. Introduction is given and those interested are invited to attend the next meeting to form a group. In the <b>forth</b> meeting, committee is elected and the value of a share,	<b>First</b> , the groups are identified by the local contacts (NGOs, CBOs, local government officials, UNDP Field offices) and the training date is fixed. <b>Second</b> , 1.5-2hr of training is conducted during which people fix the date for meeting, elect the committee, decide the value of share, social fund and fine and conduct a mock savings meeting. A 3 page manual is given to a president with 2 sheets of group monitoring forms. <b>Third</b> , the group is visited in 1.5-3 months of interval. To minimize the cost of training, often 2-4

	training, the frequency of visits reduces until the graduation of 9 months.		social fund and fine is defined. Often the rules and regulations are set on this day but it is not common. The actual saving takes place in the <b>fifth</b> meeting. Groups are visited for the first 5 weeks in a row and then at least twice a month they are visited for the pickup of performance report. - Groups are constantly being evaluated 1-3 in their respective sections.	groups are trained separately on the same day.
<b>Training Cost</b>	<ol style="list-style-type: none"> <li>1. Transportation + Fuel</li> <li>2. Annual 2 day conference with 3 committee members of each group from 3 provinces (200 people gather)</li> <li>3. Financial education and leadership training</li> <li>4. 3 facilitators trainings</li> </ol>		<ol style="list-style-type: none"> <li>1. Transportation +Fuel</li> <li>2. Kit: USD 130 (Box, pass books, stamp, 3 padlock and 3 keys )</li> <li>3. Visual material for training (microenterprises, conflicts)</li> </ol>	<ol style="list-style-type: none"> <li>1. Transportation + Fuel</li> <li>2. Printing 3 page of manual for each group</li> <li>3. 3 half-day workshops for facilitators trainings (US\$100)</li> </ol>
<b>Successes</b>	<ul style="list-style-type: none"> <li>-One of the most sustainable programs Plan ever had.</li> <li>-20,000 persons benefitted</li> <li>-Empowerment of women and youth in the communities</li> <li>-Development of solidarity, leadership and participation</li> <li>-Small business initiatives</li> <li>-In Tierra Blanca of Municipio Cabral, several savings groups gathered and they bought a land with the interest gained from savings. They submitted a proposal to donors and got a building built, which works as a community bank.</li> </ul>	<ul style="list-style-type: none"> <li>-100% groups accept the methodology</li> <li>-Reduced access for the money lenders</li> <li>-Creation and strengthening of the micro businesses</li> <li>-Increased savings culture</li> <li>-Major discipline in these groups</li> <li>-Major frequency of meetings</li> </ul>	<ul style="list-style-type: none"> <li>-Social and economic empowerment,</li> <li>-High level of sustainability.</li> <li>70% of the groups keep saving.</li> <li>-Members have a strong culture of savings.</li> <li>-Average saving is superior to the savings in commercial banks working for the population with scarce income</li> <li>-Collective and individual business initiatives (shampoo, sweet, bonbon, natural product, bed sheet</li> <li>-Some groups are converted to Cooperatives without losing the essence of a savings group.</li> <li>-Savings are invested to repair house, purchase washing machine, and animals.</li> <li>-The number of members increase in each group: 17-33, 30-43</li> </ul>	<ul style="list-style-type: none"> <li>-Children often save resisting temptation to spend money for snacks or look for work such as cleaning patio, working in the farm</li> <li>-Encourages punctuality</li> <li>-The groups get interested in promoting new collective initiatives</li> <li>-Promoting culture of autonomy by not giving the savings kits</li> <li>-A woman built her own house using the loans of the savings group.</li> </ul>

			<ul style="list-style-type: none"> <li>-Loans are used mostly for “buying and selling” clothes, shoes, underwear, jewelry, crop,</li> <li>-A group purchased seeds and planted vegetables and sold the harvest adding the profit to the savings. The person who sold the vegetables was paid, too.</li> </ul>	
<b>Challenges</b>	<ul style="list-style-type: none"> <li>-Continue to Foster human development of the members and the community</li> <li>-Permanent and systematic monitoring</li> <li>-Replication with high level of impact</li> <li>-Guarantee the sustainability of the process.</li> </ul>	<ul style="list-style-type: none"> <li>-Negative experiences with the dues of traditional association</li> <li>-Identify genuine leaders</li> <li>-Insecurity of the money in box A box was stolen and another box was almost stolen. More money is being transported to the bank.</li> </ul>	<ul style="list-style-type: none"> <li>-Finding a sponsor that can allow the proper follow up, -strengthening of the groups, the expansion of the program as well as increase the opportunity of funding for the members</li> </ul>	<ul style="list-style-type: none"> <li>-Financial resources to form and maintain facilitators in each región</li> <li>-Identify appropriate contacts to work as facilitators</li> </ul>
<b>Lessons learned</b>	<ul style="list-style-type: none"> <li>-Proved that it is possible to save regardless of the socio-economic conditions of the people</li> <li>-Groups are excellent for changing attitude, create new habits, overcome myth and insecurity.</li> <li>-Enough time should be spent to establish politics and regulations</li> <li>-Savings groups cultivate values like creativity, solidarity, humility, responsibility, punctuality, cooperation improve the integration of the people in the groups and in the communities.</li> </ul>		<p>The members show high level of participation reflected in the rotation of committee members, participation in the meeting, collective productive, educational and social projects.</p>	<ul style="list-style-type: none"> <li>-Stronger Interest about savings groups in the communities without Access to the financial institutions</li> <li>-Savings groups strengthen the system of payment of cuota of the existing groups (junta de vecinos, asociacion)</li> <li>-Choose a good contact in the región is vital to reach communities appropriate</li> <li>-A good committee determines the quality of the group</li> <li>-You should be flexible with the internal decision.</li> </ul>
<b>Future direction</b>	<ul style="list-style-type: none"> <li>-Strengthen capacities to improve its performance in integral form</li> <li>-Develop plans and initiatives of business</li> <li>-Integrate the methodology into the program and projects</li> </ul>		<ul style="list-style-type: none"> <li>-Promote change of behavior through follow up and learning space</li> <li>-Include social and financial education.</li> <li>-Reproduce “Creceer Contenta” with adaptation in implementation</li> <li>-Focus on the promotion of employment and entrepreneurship of</li> </ul>	<ul style="list-style-type: none"> <li>-Create a mechanism to incorporate revolving fund with the savings groups as patrimonial fund</li> <li>-Promote contacts among savings groups for interchange</li> <li>-Support community businesses emerged from the initiatives of savings groups</li> <li>-Look for the Alliance with cooperatives of</li> </ul>

			Youth -Minimize the investment, promote learning, and maximize impact through integration with other programs with higher potential to reach	savings for the security of money.
<b>Area of work</b>	Business	Education, Health, Environment	Entrepreneurship Business initiatives with youth	Business
<b>How to keep the groups motivated</b>	-The groups underwent a SWOT analysis and they realized their strength and kept working. -Livelihood project was involved. -Yearly congress with all groups in 3 provinces is a good way of keeping the interest alive.		Workshops for strengthening Importance of savings Work in team Development of microenterprises Development of leadership Conflict management	Promote the interactions among savings groups

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