Photo by Petterik Wiggers for CRS

SILC Pro-Poor Strategy

At Catholic Relief Services, we are convinced that everyone can benefit from participating in savings groups, including the poorest community members. But through many years of Savings and Internal Lending Community (SILC) programming in 60 countries, CRS has seen cases in which poorer community members do not join SILC groups because promotional strategies and language tend to attract those who are wealthier, and group policies and practices are often too strict or difficult for the poorest community members to adhere to. Moreover, some promoters doubt the ability of the poorest to participate effectively in savings groups, which reduces their outreach efforts to this segment.[1]

The SILC Pro-Poor Strategy, detailed here, seeks to promote the inclusion of poorer community members in SILC. The strategy comprises promotional approaches, new group savings policies and SILC Private Service Provider (PSP) fee structures, revised language in all training materials to improve SILC outreach to the poor, and additional training sessions for project implementation staff and stakeholders on promoting SILC to poorer community members.[2]

1 Savings-group program implementers from several organizations expressed concerns about such negative attitudes in interviews conducted by Ben Allen for Allen, Benjamin S. 2018. *State of Practice: Savings Groups and the Dynamics of Inclusion*. The SEEP Network.

2 For a broad discussion of the inclusion of poor, ultra-poor and other vulnerable community members in savings groups, see Allen, *op. cit.*

The Problem


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The goal of CRS' SILC programming is *inclusive saturation*, in which everyone in a project's catchment area—whether well-off or poor—is informed about the SILC methodology and its benefits and all who are interested can form or join a SILC group and commit to membership. But potential SILC members can be lost at each point in the process of raising awareness of SILC, generating interest in and ensuring understanding of the methodology, and forming and running groups. Poorer community members may be excluded during awareness-raising due to potentially exclusionary promotional *processes and language*, and from new or existing groups due to inflexible and demanding *policies and practices*.

First, the processes and language employed in raising awareness and informing communities about SILC may exclude the poor. Vulnerable and marginalized individuals may not learn about, or feel comfortable attending, SILC information sessions. Even when the poor attend such sessions, they can be discouraged from participating in SILC by promoters who frame the methodology's benefits in terms of borrowing and business growth. Such language risks excluding those community members who are reluctant to take loans, but who wish to use SILC mainly or solely as a savings commitment mechanism.

Second, SILC group policies—such as setting weekly minimum savings deposit requirements—and some groups' practices—such as mandating that all members to take loans to maximize group profits[3]—can inhibit the poorest community members from joining SILC groups and increase the likelihood that those who do join a group will drop out prior to reaching the end-of-cycle share-out.

Finally, the CRS SILC methodology works with fee-for-service agents, known as PSPs. PSPs are trained and certified by CRS and its partners to promote, form and support SILC groups. To earn income to support themselves and cover the costs of training SILCs, PSPs negotiate fees with their groups. As with any fee-driven model, there exists a risk that PSPs will charge fees that are too high for the poorest SILC members to pay, causing them to drop out of their groups. Alternatively, some PSPs may be disinclined to work with poorer community members they believe cannot pay them enough and support only with SILCs comprising better-off members.


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The SILC Pro-Poor Strategy Solution

To encourage the poorest community members to join SILC and commit to membership, the CRS SILC Pro-Poor Strategy for inclusive saturation, which has been incorporated into the SILC Field Agent Guide 5.1 and project training manuals, uses the following approaches:

- **Promoting SILC directly to the poorest community members:** The SILC Pro-Poor Strategy encourages project staff and SILC agents to identify groups and organizations that already work with community members who are less well-off and talk with them and their members directly about SILC. The strategy emphasizes the importance of direct contact with the poorest community members, understanding their doubts and resistance to joining SILC, and encouraging them to give it a try.

3 The problem of pressure to borrow, or forced borrowing, is discussed in Wheaton, Ashley. 2018. *An Empirical Risk Assessment of Savings Groups*. The SEEP Network.

- **Employing inclusive language in promotion to the poorest community members:** The SILC Pro-Poor Strategy de-emphasizes having a business in which to invest or a clear plan for one's money. Two representative examples of inclusive language incorporated into SILC Field Agent Guide 5.1 are:
  - *Everyone in the community can join a SILC group. SILC can help everyone – young and old, poor or better off. (A.2.4 p. 16)*
  - *The meetings are open to any woman or man in the community, regardless of wealth or occupation. No one should feel they are too poor for SILC. (A.4.2 p. 17)*
- **Encouraging flexibility in SILC group policies and practices to enable the poorest members to thrive:** The SILC Pro-Poor Strategy replaces strict weekly minimum savings amounts with *flexible savings*, in which groups set a *target* savings amount that serves as a motivating reference point to orient poorer members while allowing them to save less when they cannot meet the target; and discourages the practice of forced borrowing by highlighting the deleterious consequences for SILC members.
- **Delivering training sessions** to raise staff and agent awareness of the inherent, but often overlooked, challenges of successfully engaging the poorest and teach the inclusive language and promotion strategies detailed here.
- **Implementing banded pricing by PSPs based on group savings policies,** which allows a PSP to cross-subsidize their portfolio by charging higher fees to groups that save more and lower fees to groups that save less. Such cross-subsidization permits a PSP to support both better-off and poorer SILC groups.

Results

The SILC Pro-Poor Strategy was pioneered in the Expanding Financial Inclusion in Africa (EFI Africa) project, which was implemented in Burkina Faso, Senegal, Uganda, and Zambia from 2014 to 2018. Evaluations of that project found that the SILC Pro-Poor Strategy of inclusive saturation had helped CRS and its partners reach the poorest community members: while traditional outreach strategies would expect to yield about half of the SILC members from the bottom half of communities' income distribution, about two-thirds of SILC members in groups associated with the EFI Africa project were from the bottom half of their communities' distribution—and the proportion of SILC members who were poorer at the time of joining increased as more groups formed in each village.[4] This trend toward deepening poverty outreach demonstrates that PSPs are willing to promote SILC to the poor, even if they earn less income from poorer groups: group members whose PSPs were trained on the pro-poor strategy paid lower fees, relative to their savings, than members whose PSPs did not receive such training;[5] but banded pricing recommended by the SILC Pro-Poor Strategy allowed those PSPs to subsidize their support to poorer groups with higher fees paid by better-off groups. The earnings from cross-subsidization of fees and the reputational gains from working with the poorer community members enhanced PSPs' motivation to continue this line of work.

Such outreach paid off not only for PSPs, but also for the poorer SILC members: First, the lump sums they received from their groups—in the form of loans and end-of-cycle share-outs—were significantly greater, relative to their weekly income, than for those who were better-off. Second, after receiving share-out money, the poorer SILC households increased the frequency with which they made lump-sum purchases more than better-off SILC households did—and the most significant increases in lump-sum spending among the poorer SILC members were related to paying school fees and purchasing household assets. Because poorer households were more asset-poor than their wealthier peers, this finding suggests that share-out money—and by extension, SILC membership—provided greater benefits to poorer than better-off households.[6]

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4 Noggle, Eric. 2017. *The SILC Financial Diaries: Expanding Financial Inclusion in Africa Research Program*. Catholic Relief Services.

5 bavois, marc. 2018. *Pricing and Payments in the Private Service Provider (PSP) Model*. Catholic Relief Services.

6 From calculations of average SILC loan and share-out amounts compared to better-off and poor households' average reported weekly income. Source: SILC Financial Diaries data, Expanding Financial Inclusion in Africa Research Program.

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