The Saints Peter and Paul Peace and Social Justice Committee invites you to focus on Catholic Relief Services' MICROFINANCE operations

Now that we have basics of microfinance covered (see our October 27, 2013 bulletin article), we have the proper appreciation to begin exploring the microfinance operations of Catholic Relief Services (CRS). We provided a brief introduction to CRS' microfinance operations in the June 9, 2013 bulletin, which was a part of our larger series on CRS and their operations in general. In this series, we intend to provide more in-depth information on the benefits of CRS' microfinance operations, but the introduction is crucial to contextualizing and understanding such in-depth information. Rather than expect you look up the June article on the parish website, we will reprint much of it now:

CRS has over 20 years of involvement in microfinance, including successful work with microfinance institutions (MFIs). While this is still an important part of their microfinance work, CRS saw the need for a more holistic approach to microfinance that can be tailored to fit the needs of any population, no matter how poor or remote.

That's why CRS developed Savings and Internal Lending Communities (SILC). As CRS president and CEO Carolyn Y. Woo recently told USCatholic.org, "The whole idea is no matter how poor you are, if we gather people, like 20 or 30 people together, and every week or month consistently they give whatever they can—even if it is 25 cents or 50 cents—then together they would be able to have a pool of money and they could take turns accessing it."

Pooling resources in order to make best use of them is not a new idea. However, CRS has provided the innovation to bring this model to more people, with maximum impact. Here's a simplified version of how SILC generally works: (1) a CRS-trained field agent helps a group select and form itself, (2) the field agent provides group members with training, (3) members begin saving and contributing to the fund, (4) once funds are sufficient, members can take out loans and use the funds to grow businesses, (5) borrowing members repay their loans with interest, (6) at the end of the cycle (often 6 to 12 months), members receive their original savings contribution, plus the profits earned on that amount, (7) the saving and lending cycle starts again. After about one year or one cycle, CRS steps back and the SILC group (thanks to the initial training and oversight provided by CRS) is entirely self-sufficient and self-governed.

Because the groups are self-selected, self-owned and self-governed, there are variations from group to group. Some groups meet more frequently than others. Some groups choose to have minimum and maximum deposit amounts. While the I in SILC stands for internal, groups can choose to lend outside the circle as another way to grow the fund. Furthermore, many groups have a social fund which acts as a sort of safety net in case of emergencies, providing a kind of insurance to those for whom formal insurance plans are either inaccessible or unaffordable. One interesting detail is that most groups keep funds and ledgers in a box with three padlocks on it. The treasurer keeps the box, but three other members each keep a key, so it takes four people to unlock the box.

After about seven years of SILC programming, CRS is celebrating over one million members served in 35 countries, a vast majority of which are in Africa. While the program is open to both genders, about 80 to 90 percent of SILC members are women, and the program has worked well for them. The annual return on investment for SILC members has been between 25 and 40 percent (jealous?).

Nothing succeeds like success, and demand for SILC has grown so large that CRS and its partners can't afford to pay field agents to provide training and support to everyone who wants to form a group. In order to meet this demand, CRS has developed the Private Service Provider (PSP) model. CRS provides intensive training and certification to local field officers, who often come from SILC groups. Those field officers, called Private Service Providers, can then offer their services to help form new SILC groups, or provide technical support to existing groups. Since groups are willing to pay for this support, the PSPs earn money for their work. They can also take on apprentices who can then be trained and certified as PSPs as well. As Woo told USCatholic.org, "We're actually creating new opportunities for people. It's passing on to others so that the work can grow beyond CRS."

So, that's SILC in a nutshell. This model, in spite of the world's many challenges to financial inclusion, provides, in CRS' words, "simple, affordable and flexible financial services to the most vulnerable and disenfranchised people, thus advancing CRS' mandate to serve the poorest of the poor." Furthermore, the SILC model facilitates several types of financial services, not just credit. For these reasons, and for simplicity sake, we will continue to focus on SILC (and by extension, Africa, since that is where the most SILC groups have been formed), even though it is not the only microfinance model that CRS and its partners have utilized. We encourage you to explore CRS' other microfinance activities at crs.org.

Now that we have the basics of microfinance *and* SILC covered, we can spend more time focusing on the different ways in which SILC improves the well-being of its members and communities. We can start with SILC's positive impact on water and sanitation. It might seem a stretch to link microfinance with improved access to clean water and improved sanitation, but that is only because most of us in the First World have seemingly "free" clean water and waste disposal. Many women in lesser-developed countries spend a significant portion of time every day traveling to get free, clean water for their families. If these women could access clean water closer to home, they would be able to use that time in more gainful ways.

SILC enables such access. A woman in Kenya, Caroline Kache, used a SILC loan to construct a borehole on her farm, enabling her to irrigate her crops, wash, cook, and clean in spite of the area's unstable water supply. Another Kenyan woman, Mama Sellina Kazungu, a widowed mother of eight children, used her loan to construct a pit latrine for her family. One need only imagine life *without* the pit latrine to imagine the difference it made. Her loan also enabled her to start a fish-selling business, thereby earning income to pay back the loan.

CRS believes SILC can play an important role in community-managed water projects. These projects (without SILC or a program that provides similar benefits) often create infrastructure—such as storage tanks or communal water-taps—but fail to provide community members with the skills and organizational capacity to sustain the project. SILC can provide community members with the education and tools needed to ensure that water-use fees are reasonable, transactions are handled transparently, members are able to save for water-use fees, and cash is on hand for routine maintenance and repairs. Such education and tools can keep infrastructure from falling into disrepair and projects from failing.

Almost every area of development has engaged positively with SILC activities, and we look forward to illustrating these engagements in upcoming bulletin articles. In the meantime, please visit crs.org, the source of all the above information. You can also find our previous articles, mentioned above, in the bulletin archives at http://www.sspeterandpaul.net/about/bulletins/.