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GUATEMALA

Promoting Community Savings Groups among Rural Women in Guatemala  
(GU-M1042)

DONORS MEMORANDUM

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## Project Brief

Access and use of financial services in Guatemala is still very low with only 22% of the adult population to access an account at a formal financial institution, compared to a 39.2% at a regional level. This access is even lower for adult population in the lowest 40% income bracket, with only 13%. In terms of credit, only 14% of the population had access to a loan from a formal financial institution in the past year.<sup>1</sup> This limited access that particularly affects women in rural areas, is a supply problem. The majority of financial intermediaries consider that the profit derived from offering savings and credit in small amounts is too low to offset the high cost of serving this population in high-dispersion areas. Likewise, the majority of entities lack knowledge concerning the financial needs of economically disadvantaged populations and products developed do not adapt to the need and preferences of women who often do not have collateral assets, credit history or financial training.

This project will expand and strengthen Oxfam's Community Savings Groups methodology to be suited to low income and poor women living in rural areas in the municipalities of Sololá, Alta Verapaz, Baja Verapaz, and Chimaltenango, where 76%, 84%, and 73% of the population lives in conditions of poverty. The project will complement the methodology by providing training to women organized in savings groups in rural areas to contribute to their food security and income generation. In this sense, the project will provide women in rural areas with opportunities to save and access credit, and also help to improve their self-esteem and organize to actively participate in other community activities. Another important component of this project will be the linkage of savings groups to financial institutions in order to access formal savings and credit projects once the groups and its members' financial needs have matured.

This comprehensive approach, the experience of Oxfam America implementing community savings groups throughout the world and in the monitoring and evaluation of development projects, and the involvement of local NGOs and other relevant local partners will ensure the sustainability of this initiative once the project is ended.

It is expected that the knowledge generated through this project, targeted particularly to women, through a *before and after* impact evaluation to observe changes in beneficiaries at the beginning of the project and after its completion and the implementation of a study of low income and poor women's cash flows, namely "Financial Diaries Study", will help to a better understanding of the financial behavior of rural women in the region and on the products that need to be develop to address their needs and preferences.

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<sup>1</sup> Demircuc-Kunt and Klapper 2012. "Measuring Financial Inclusion: The Global Findex Database" Policy Research Working Paper 6025, World Bank, Washington D.C.

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## ABBREVIATIONS

COF	Country Office
DEU	Development Effectiveness Unit
EA	Executing Agency
ESR	Environmental and Social Review
FI	Financial Institution
IDB	Inter-American Development Bank
IE	Institutional Evaluation
KSC	Knowledge Strategic Communications
LAC	Latin America and the Caribbean
MFI	Microfinance Institution
MIF	Multilateral Investment Fund
NGOs	Non-Governmental Organizations
POA	Annual Operational Plan
PSR	Project Status Report

**EXECUTIVE SUMMARY**  
**PROMOTING COMMUNITY SAVINGS GROUPS AMONG RURAL WOMEN IN**  
**GUATEMALA (GU-M1042)**

<b>Country:</b>	Guatemala		
<b>Executing agency:</b>	Oxfam America.		
<b>Beneficiaries:</b>	The project will benefit 9,500 women, low income <sup>2</sup> and poor <sup>3</sup> , living in the rural municipalities of the states of Sololá, Alta Verapaz, Baja Verapaz, and Chimaltenango, where 70% of the population is located in rural areas, and 76%, 84%, and 73% of the population lives in conditions of poverty, respectively. 95% of the beneficiaries of the projects will be women. Additionally, the project will benefit 38,000 individuals mainly children and youth.		
<b>Financing:</b>	MIF Non reimbursable	US 994,000	60%
	Technical Cooperation		
	Local Counterpart	US\$658.410	40%
	<b>TOTAL</b>	<b>US\$ 1,652,410</b>	<b>100%</b>
<b>Objectives:</b>	The <b>general objective</b> of this project is to improve the living conditions of poor and low income rural women in Guatemala. The <b>specific objective</b> is to develop self-financing, empowerment and technical skills of poor and low income rural women and rural women in Guatemala.		
<b>Execution Timeframe:</b>	Execution period: 36 months Disbursement period: 42 months		
<b>No Objection:</b>	The letter of non-objection was issued by the government of Guatemala on September 12, 2012.		
<b>Exceptions to Bank Policies:</b>	None		
<b>Contractual Conditions:</b>	The executing agency will submit evidence that (i) it has formed a project execution unit including a project coordinator and (ii) project operating regulations are approved by the executing agency's Vice President for Programs and submitted to the satisfaction of the MIF at the IDB Country Office in Guatemala.		
<b>Environmental and Social Review:</b>	The project was submitted to the corresponding review process established by the ESR, and as a result was approved (ESR 08-12) and classified as a category "C" operation.		

<sup>2</sup> It refers to individuals living above the national poverty line and below the median national income.

<sup>3</sup> Refers to individuals living below the national poverty line.

## I. BACKGROUND AND RATIONALE

- 1.1 Poverty in Guatemala is concentrated among indigenous communities; a minority that represents 40% of the total population of the country, from which 86% lives in poverty<sup>4</sup>. 54% of the total population of the country remains in poverty, a figure that is higher in the rural areas of the country, especially in those located on the north east of the country; Sololá, Alta Verapaz, Baja Verapaz, and Chimaltenango, those where the project will be implemented, where 76%, 84%, and 73% of the population lives in conditions of poverty.
- 1.2 **Rural poverty and limited skills in Guatemala.** According to the most recent study on Rural Poverty published by the International Fund for Agricultural Development, the main causes for rural poverty are related to: the lack of liquid and productive assets, limited economic opportunities and poor education and capabilities. In fact, MIF's projects that have benefited poor and low income population in Guatemala, have found that limited technical skills is a recurrent obstacle to overcome poverty. In most cases, rural women lack the most basic training or experience to get entry level jobs in local businesses, and decide to start self-employment and microenterprise activities. But without proper support and orientation, they tend to start microenterprise activities that lack differentiation, without considering their capacity to compete and meet existing market demand. According to the United Nations' Economic Commission for Latin America and the Caribbean (ECLAC) 68% of women are in low productivity sectors, which refer to self-employment and microenterprises, a percentage that is higher among rural women.
- 1.3 **Limited income and food security in Guatemala.** Poverty and recent food price increases, affect food security<sup>5</sup>. As a large proportion of poor rural Guatemalan families' income is spent on food<sup>6</sup>, family farming techniques would help reduce their total household expenditures, and thus increase net income, and food security. However, often rural women are exposed to limited local examples of low scale sustainable, and diversified family farming. Training on those skills is scarce. In addition to generate disposable income, family farming would provide two additional benefits for rural women in Guatemala. As they diversify their production, they can generate surplus that can sell in local markets and generate some extra income. Also, they are less vulnerable to variation in changes in market prices for basic staples, such as corn, red beans, eggs, rice, or milk.
- 1.4 **Rural poverty and community participation in Guatemala.** Poverty among rural women is also the result of as well as disadvantages imposed by social inequalities in local communities. Often rural women do not have the opportunity to make their needs and demands heard in their communities. There is limited presence of civil society and community organizations in their impoverished communities, and even fewer where they feel welcome, or represented<sup>7</sup>. One particular obstacle is illiteracy in Spanish which is over 32% among women, and over 50% among indigenous women<sup>8</sup>.

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<sup>4</sup> International Fund for Agricultural Development, Indigenous Peoples and Sustainable Development, 2003.

<sup>5</sup> For purposes of this project the term "food security" is understood as containing three elements: 1) an increased ability to produce food at the housing level, 2) an increased disposable income resulting from obtaining more food from family farming, and less from purchases, and 3) a reduced vulnerability to changes in food prices due to self-reliance on family farming.

<sup>6</sup> According to UNICEF, 48% of Guatemalan children are under nourished

<sup>7</sup> According to observations by Oxfam staff, and comments by rural women during field visits.

<sup>8</sup> According to several sources, in departments with high indigenous presence this percentage can be between 50% and 70%.

- 1.5 **Savings instead of credit.** Studies on savings and rural poverty have found that 81% of wealth accumulated by poor households came from their own savings<sup>9</sup>. In addition, several studies demonstrate that poor people save using informal mechanisms<sup>10</sup> since their disposable income is rarely sufficient to manage crises, invest when an opportunity appears, or pay for large expected expenses, such as school fees, a wedding, or house improvements. Poor people save mostly in informal mechanisms such as animals or building materials. This in part is due to lack of access to affordable formal and safe services. Financial Institutions (FI) that mobilize deposits like banks, credit unions, and postal savings banks are often located far from rural and remote areas. In addition the FIs do not offer products whose minimum balance requirements, costs and/or opening procedures adjust to low income and poor households. In most cases those products do not incorporate financial education<sup>11</sup>.
- 1.6 Microfinance institutions' capacity to reach the poorest and most excluded populations in rural Guatemala is limited. To access microcredit services, rural women must have a stable and regular income to pay loan installments. If income is less than expected or more volatile than anticipated, loan default or a need to sell essential household assets may occur. However, when a person saves, the amount and frequency of savings can be adjusted based on the seasonal and instable nature of their income and expenses, lowering the risk to individuals. As a result, savings is more valuable than formal credit for poor and low-income individuals<sup>12</sup>, making it a powerful tool for reducing poverty and rural vulnerability. In the absence of savings, the alternative is informal or "pay by the day" lending at high interest rates.
- 1.7 **Microfinance sector in Guatemala.** Despite some advances by a group of credit unions (Micoope), Banrural, and Genesis Empresarial and other Non-Governmental Organizations (NGO's), the access and use of financial services in Guatemala by poor rural women and excluded populations is limited by several factors, such as the lack the necessary collateral assets, credit history, proper financial education, regular employment or business history, to qualify for business or household loan in the formal financial sector. Furthermore; traditional banks and MFIs do not consider allowing loans small enough to be appropriate in those instances, as transactional costs (monitoring and enforcement) would be prohibitive. In the absence of formal access to financial services, the poor traditionally have no choices outside of being exploited by local money lenders. Nevertheless the access and use of financial services in Guatemala remains low with only 22% of the adult population to access an account at a formal Financial Institution. This access is even lower for adult population in the lowest 40% income bracket, with only 13%. Same source shows that only 14% of Guatemala's population had access to a loan at a formal FI in the past year<sup>13</sup>. This exclusion is related to the lack of the necessary collateral assets, credit history, proper financial education, regular employment or business history to qualify for business or household loan in the formal financial sector.

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<sup>9</sup> Accumulation and Factors Accounting for Success," by Robert Townsend and Anan Pawasutpaisit of Thammasat University, to be published in the Journal of Econometrics.

<sup>10</sup> Collins D, Murdoch J, Rutherford S, Ruthven O, *Portfolios of the Poor*, 2009

<sup>11</sup> MIF experience has shown that for financial education to be effective and sustainable, this should not be approached as a separate activity but as part of the financial products and services.

<sup>12</sup> Some banks in the region are starting to recognize that by starting to offer savings products to low income clients and poor and not only credit, after realizing that there was an unmet demand for savings, for example Bancolombia in Colombia, or Banca Comunitaria Banesco in Venezuela.

<sup>13</sup> Demirguc-Kunt and Klapper. 2012. "Measuring Financial Inclusion: The Global Findex Database." Policy Research Working Paper 6025, World Bank, Washington D.C.

- 1.8 **Community Savings Groups methodology.** Community savings groups mobilize, administer their own resources and provide loans for family or business needs with the accumulated contributions of their members. Each group is formed by 14 members in average, mainly women, who save a determine amount of money every week or two. The funds accumulated are used to provide short-term loans (1 to 3 months) to the members at an interest rate that is established by the group and can range from 1% to 5% per month. At the end of the savings cycle, of usually 9 to 12 months the group members receive their accumulated savings, plus the interest in proportion to the amount saved. Additionally, each member receives a percentage of other investments gain by the group, such as market fairs, and joint small business ventures developed during the savings cycle. Moreover, each group has the option to create a solidarity fund to cover member emergencies, a credit fund to support individual ventures, and an activity fund that underwrites joint community projects in the remotest rural communities.
- 1.9 **Evidence of savings' groups impact.** A recent impact evaluation study conducted on a similar methodology that got together 9,000 women around 390 savings groups in Ethiopia concluded that 70% of the members engaged in one businesses activity with the amount saved, and 22.1% of respondents were engaged in more than one business. As a result, 66% of the members reported an income increase over one year. In addition to the income generation and economic empowerment results of the program, the study conclude that 33.9% of the beneficiaries that actively participate in the savings groups learned to read and write as a result of a specific component design to complement the savings sessions with educational workshops<sup>14</sup>. Finally; savings are an important tool for poor women as it has been observed that by saving, women are able to invest in their households and businesses, increasing their self-esteem and participation in leadership positions in their communities.
- 1.10 **The problem.** Only 16% of Guatemalan women have a savings account<sup>15</sup>, and among the poorest rural 40% of the population, the figure is less than 10%. This lack of access to savings both increases poor women's vulnerability and diminish their capacity to start or expand their micro-business or self-employment activities. At the same time, for these women, the isolation and powerlessness that is associated with rural poverty tampers their participation in the civic and social matters in their local communities.
- 1.11 In Guatemala, there is a limited presence of financial intermediaries in rural areas, which are home to some 50% of the population<sup>16</sup>. Most FI's that operate in rural areas do not offer savings and credit products adapted to the needs of poor women. For the past few years, Banrural and credit unions such as Salcajá are offering microcredit and savings products in rural areas, however they offered are targeted to more established microenterprises, and low income women, not necessarily poor women with very fragile income generating activities. Among poorest rural women, there is frequently lack of trust in financial intermediaries. In addition, this segment of the population has a limited knowledge of practical and basic finance and of the advantages of formal savings, and have not exercised their capacity and to save formally. As a result, there's limited investment in the growth of their business, and household improvements, such as housing reparations, or household expenses such as health or

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<sup>14</sup> USAID, SIDA, Impact Evaluation of Worth Literacy-Led Saving and Credit Program, 2009

<sup>15</sup> Demirguc-Kunt, A., and L. Klapper. 2012. Ibid.

<sup>16</sup> International human development indicators 2011, UNDP: <http://hdrstats.undp.org/en/countries/profiles/GTM.html>



education. Above all, lack of formal savings make these women vulnerable, as they do not have resources to deal with unexpected events, such sickness or death in the family, flooding, robberies, business cycles, or other frequent causes to lose income. Frequently that causes food insecurity, and nutritional deficiencies.

- 1.12 As an alternative to the lack of formal financial services the community savings groups have been expanding in Guatemala, however their presence is still limited. Several visits and meetings with the savings groups of poor rural women show that their vulnerability is accentuated by two common causes: these women lack the technical skills to develop productive activities beyond the very basic that would allow them to become rural entrepreneurs and generate income beyond the subsistence level. Also, while there are some local women that act as community leaders, most rural poor women do not participate or voice their problems and ideas at the political level, community level, or even at family level.
- 1.13 The limited access to financial products and services by women in rural areas of Guatemala is mainly a supply problem. The financial intermediaries consider that the savings and credit amounts that this population can generate are too low to offset the high cost of serving this population in high-dispersion areas. Likewise, the majority of entities lack knowledge concerning the financial needs of economically disadvantaged populations. Moreover, in rural areas there is shortage of training opportunities for creating new businesses and access to employment, as well as an absence of financial awareness-raising aimed at women in these areas. This lack of technical capacity is related to economic and social conditions and the distance to urban areas. Lastly, the needs of members and of the group change as the groups mature over time. For example, members may need larger loans than those offered by the savings groups, or the group may have very high liquidity. Therefore, once support ends, it is important to have mechanisms in place that ensure that savings groups are linked to financial intermediaries and can use their products and services to cover these new needs. The causes of limited participation in civil society of the poor rural women are related to the lack of institutions of participatory nature in their communities, which limits the opportunities to exercise rights, share concerns, and find solutions to common problems.
- 1.14 **The project.** This project will support community savings practices among women in rural areas by expanding Oxfam's Community Savings Groups methodology to a more sustainable platform that promotes income generating activities, women empowerment, and linkages to formal financial institutions. This will provide women in rural areas with opportunities to save and access credit, and will also contribute to improve their self-esteem<sup>17</sup> and get organized to lead community activities. The project will incorporate activities to guarantee the sustainability of community savings practices among women in rural areas; and will provide the necessary technical skills for women in rural areas organized in savings groups to guarantee their food security and income generation.
- 1.15 The promotion of the community savings practices will be implemented by Oxfam America in collaboration with two local non-governmental organizations (NGOs), in four of the poorest departments in Guatemala. Under this model, community savings groups operate like credit

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<sup>17</sup> To reinforce the community savings group's methodology and to strengthen the self-esteem of the beneficiaries, the project will develop a curriculum on gender to be incorporated in the savings group's manual. This curriculum will be implemented at all levels of the savings group structure, including, facilitators, coordinators and beneficiaries.

unions<sup>18</sup> at a micro level, but based on savings. In accordance with the methodology of Oxfam Community Savings Groups, each group of about 14 women in average establishes its own rules regarding who can participate, meeting schedules, contributions, interest, etc. The groups are supported by local community voluntary promoters who are in turn supported by supervisors and personnel from Oxfam and NGOs who provide training and monitoring, deal with and resolve difficulties, facilitate other actors' participation, and ensure the quality of the methodology, the learning, and the implementation of the various components. Oxfam America, jointly with the local NGOs, will ensure that members of the savings groups understand and adapt the community savings methodology in order to contribute to the sustainability of this initiative after a year of implementation, reducing the dependency of the initial project structure.

- 1.16 The community savings methodology has proven to be simple and is run by the participants themselves, making it easier to expand and replicate in a sustainable manner in different regions and contexts. This methodology has already been tested by Oxfam in Central America and other regions and has proven to be a tool that poor rural communities can use to meet savings and credit needs of women in self-directed groups, creating local organizations and basic entrepreneurial, social, and civic projects based on the groups.
- 1.17 Oxfam's specific experience implementing this methodology in the department of Chalatenango, El Salvador demonstrated the capacity of low income rural women to save. Moreover, evaluations show that the lives of women member of savings groups improve due to an increase in their self-esteem, perception of higher level of independency, greater capacity to communicate, development of a safety net through the savings groups, and the motivation to save to overcome unforeseen circumstances and increase their income.
- 1.18 In order to guarantee the long-term sustainability of this project, Oxfam will create local capacities in the two implementing NGOs through the transfer of knowledge of the community savings methodology. The project will also link savings groups with FIs in order for its members to access larger loans than those offered by the savings groups, or manage the groups' liquidity. Moreover, it is expected that FIs will offer other financial products adapted to the needs and preferences of the group members such as fixed-term deposits, for women that need to accumulate assets in a longer term. Finally, the project will provide two types of trainings to the women members of the savings groups. On one hand, it will provide training on agricultural skills to improve food security and commercialize production surpluses in local markets. A possibility is being explored to work with commercial companies that could sale this surplus in international markets. On the other hand, a partnership with government agencies and other related institutions, will be develop in order to contribute with the start -up and expansions of current businesses of member of the groups.
- 1.19 **Additionality.** Although the community savings methodology has had great impact as a mechanism for alleviating poverty in Africa and Asia<sup>19</sup>, experiences in Latin America and the Caribbean are limited due to a lack of financial resources. MIF financial support will contribute to: (i) expand the methodology adapted to countries within the LAC region; (ii)

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<sup>18</sup> Saving and credit mutuals, saving and credit co-ops or mutual benefit funds.

<sup>19</sup> By organizations such as Village Savings and Loan Organization, Plan International, Save the Children, Catholic Relief Services, Agha Kan Foundation, and Care International.

generate information to analyze the impact of the project on the beneficiaries; to better understand the financial behaviors, needs and preferences of poor and low income populations and (iii) leverage other Donor's funding into this area. Moreover, MIF technical support represents an opportunity to reinforce the community savings methodology, facilitating documentation of the experience for its replication in the region. In this sense MIF technical support will facilitate the formation of alliances to link savings groups with financial intermediaries, leveraging the relationship of the MIF with MFI and other financial intermediaries targeting low income populations. This linkage is necessary to ensure long-term sustainability of this project, specifically once the groups have matured.

- 1.20 **Lessons learned from other MIF projects.** This project take into account the lessons learned from MIF operations CO-S1001, CO-M1079 and CO-T1064. The main lessons learned from these experiences are: (a) in order to ensure the sustainability of the savings groups, it is necessary to begin with savings rather than credit; (b) entrepreneurship training must be adapted to local market opportunities and not push beneficiaries into entrepreneurship areas with which they are not familiar; (c) a scalable way to create jobs for the vulnerable population depends on specific identification of a demand for business at the local level, on negotiations with local businesses to satisfy existing demands, and on developing agreements and support mechanisms allowing vulnerable groups and individuals to satisfy this demand; (d) the sustainability of savings groups depends on alliances established with local entities that adopt the methodology and replicate it once the project execution period has ended; (e) alliances must be established with local MFIs interested in extending their services to savings groups, as this also contributes to the sustainability of the methodology; and (f) the technical capacity building component related with economic activities and income generation, must be implemented at least after one year of the beginning community savings groups project.
- 1.21 **Contribution to the MIF agenda.** The project aligns with the Savings, Payments, and Credit for Low-Income Populations agenda, which seeks to increase the availability of financial services and products for the low-income population. Specifically, the project contributes to increase the number of persons with access to first-time savings opportunities, and the number of rural women who receive financing. Additionally, these contributes to the Microfinance for Rural and Marginal Urban Populations agenda, the purpose of which is to expand and diversify the supply of microfinance services in rural areas by improving the capacity of financial intermediaries to reach economically disadvantaged customers. In particular, this project will contribute to increasing the options of savings and credit in rural areas offered by financial intermediaries.
- 1.22 **Contribution to Country Strategy.** This Project is aligned with the Bank's Country Strategy for Guatemala 2012-2016, currently under preparation, specifically in the area of Productive Development that promotes the integration of the rural women to the labor market, and entrepreneurship among them.
- 1.23 **Gender.** The project components and activities are design to meet the specific needs and demands of poor and low income women living in rural areas, accounting for 95% of the total beneficiaries. Among the benefits generated by this project are: (i) increased level of savings, which is lower among women as shown in the project background section, (ii) increased level of income, which is estimated to be lower among women than among men, (iii) improvements

in technical skills and capacities to access jobs or initiate productive activities, (iv) increased access to savings and credit services and (v) increased participation in economic and social activities, generating empowerment; and (vi) increased women self-esteem. A specific benefit expected for women is an increase in the level of autonomy in handling money and in household spending decisions. By collecting baseline data disaggregated by gender at the beginning of the project, and the subsequent gathering of information once the project has ended, it will be possible to determine the difference in benefits for men and women with respect to variables (i)–(vi) and the magnitude of the differences.

## II. PROJECT OBJECTIVE AND DESCRIPTION

- 2.1 The **general objective** of this project is to improve the living conditions of poor<sup>20</sup> and low income rural women<sup>21</sup> in Guatemala. The **specific objective** is to develop self-financing, empowerment<sup>22</sup> and technical skills of poor and low income rural women and rural women in Guatemala.
- 2.2 **Impact.** Upon completion, the project is expected to have: (a) women members of the savings groups increase by at least 15% their expenditure in family-oriented investments (nutrition, health, education, home improvement); (b) the disposable income of women participating in income-generating initiatives increased on average by 20%; (c) 2,500 women members of the savings groups have financed one emergency with their own savings (relating to theft, illness, death, natural disasters)<sup>23</sup>; (d) 5,700 women members of the savings groups having reported improvements in their self-esteem; (e) 4,750 women members of the savings groups recognize their rights under a gender equity approach; and (f) 1,000 women members of the savings groups actively participate in the decision-making within different local organizations of their communities (outside savings groups).
- 2.3 **Results.** The social and economic benefits this project are expected to generate for the beneficiaries include the following impact indicators: (a) after 24 months of saving in a group 9,500 women save in savings groups; (b) US\$ 480,000 are saved in the savings groups<sup>24</sup>; (c) at least 60% of the savings' funds are placed on loans; (d) at least 3,000 women members of the savings groups take a microcredit from the savings group; (e) at least 230 savings groups place their surplus funds into a savings account at a regulated financial institution; (f) at least 500 members of groups access a microcredit at a financial institution; and (g) as a result of the agricultural home production the food household expenditure is reduced by at least 20%.
- 2.4 **Component I. Promotion of community savings practices. (MIF: US\$310,770; Local Counterpart: US\$417,840).** The objective of this component is to train the supervisors, promoters, and volunteers to implement a sustainable mechanism to create, monitor and support the groups. This component will also support the adaptation of the community savings methodology to the Guatemalan context and will finance the following activities: (i) definition of groups' performance standards; (ii) creation of the savings groups; (iii) training on the

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<sup>20</sup> Poor people are individuals living below the national poverty line.

<sup>21</sup> Low-income people are individuals living above the poverty line but below the national median income.

<sup>22</sup> According to the United Nations, women empowerment has five components: women's sense of self-worth; their right to have and to determine choices; their right to have access to opportunities and resources; their right to have the power to control their own lives, both within and outside the home; and their ability to influence the direction of social change to create a more just social and economic order.

<sup>23</sup> This number includes those women that have faced an emergency during the project implementation.

<sup>24</sup> Each women member of the savings group saves a monthly average of US\$ 3.

savings methodology to the community savings groups; (iv) strengthening of the community savings methodology<sup>25</sup>; and (v) capacity building on local Non-Governmental Organizations.

- 2.5 This component is expected to produce the following outputs: 570 savings groups formed and operating; (ii) 90% of the savings groups operate according to minimum standards defined by the project<sup>26</sup>; (iii) 2 local NGOs learn, adopt and implement the community savings methodology as part of their institutional mission; (iv) 9,500 women members of the savings groups have received additional training on self-esteem improvement, gender equality and exercise of rights; and (v) the project approves a sustainability plan for the savings groups, incorporating local communities, voluntary organizations and individuals, private and public actors and financial institutions.
- 2.6 **Component II. Development of formal financial services for the savings groups' members. (MIF: US\$67,000).** The objective of this component is to develop new savings and credit products to expand and sustain the access to financial products among the women members of the savings groups. The following activities will be financed as part of this component: (i) market research to identify the financial needs of the women members of the groups towards the use of financial services; (ii) consultancy services to design and develop two new savings products and one credit product tailored to meet the needs of the women members of the savings groups; (iii) implementation of a pilot to test the financial products developed by financial intermediaries as part of the component.
- 2.7 This component is expected to produce the following outputs: (i) at least two financial institutions authorized to take deposits sign a partnership with the executing agency to link the savings groups to the formal financial system<sup>27</sup>; (ii) one savings and one credit product tested by a pilot; and (iii) two financial institutions incorporate one savings and one credit product aim to serve the need of the rural women members of the savings groups.
- 2.8 **Component III. Family farming and income generation. (MIF: US\$324,530; Local Counterpart: US\$117.400).** The objective of this component is to provide technical assistance to implement activities that contribute to increase the food security and income generation of the women members of the savings groups. The following activities will be financed as part of this component: (i) development and initiation of a strategy to develop, scale and achieve sustainability on food security and income generation, including the conformation of a family farming for food security expert team; (ii) training of trainers sessions given by the project technical team to the operational team of the project (supervisors, promoters, and volunteers); (iii) training workshops on food preparation products in home family farming units; (iv) training sessions to implement income generation activities; (v) workshops to exchange experiences among women members of the groups that implement agricultural initiatives; (vi) technical and operational assistance to promote the agricultural surplus in local markets; (vii) consultancy to identify new business opportunities;

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<sup>25</sup> One of the improvements to the savings group methodology will be a review and improvement of how financial education is incorporated into the training activities to form savings groups, in particular the dissemination of abilities to manage the household and family business budget, the development of savings habits, and an understanding of saving and loan products. The same review and improvements will be conducted with the savings and loan products that financial intermediaries such as Banrural and Micoope will offer to the groups. Additionally, the community saving methodology will be strengthened in areas included: self-esteem, community organizations and leadership, Mayan economy, empowerment, and intra-family violence prevention and complaints.

<sup>26</sup> These standards will include performance standards such as timeliness of loan repayments, record keeping, assistance to the group meetings, etc.

<sup>27</sup> There have been conversations with Banrural, and Micoope.

(viii) workshops to train promoters and implement micro enterprises initiatives with the group members; and (ix) consultancy to monitor the microenterprises initiatives.

- 2.9 This component is expected to produce the following outputs: (i) a strategy to implement, scale and achieve sustainability on food security and income generation; (ii) development of the minimum requirements for the operation of the family farming units; (iii) establishment of a partnership with a training institution for micro enterprise development; (iv) 2,000<sup>28</sup> women members of the savings groups implement agricultural initiatives in compliance with the minimum conditions established; (v) at least 80% of family farming units initiated in the previous annual period continue in operation in compliance with the minimum conditions established; (vi) 10% of the women members of savings groups that implement initiatives access local markets to sell the agricultural surplus; (vii) 500 of members who do not participate in agricultural initiatives develop micro-business activities.
- 2.10 **Component IV. Knowledge and communication strategy. (MIF: US\$13,000).** The objective of this component is to document, systematize, and communicate results and practical lessons learned from implementing the community savings methodology as a way to boost income and increase access to financial services for poor rural and low income population. In order to have a catalytic effect, this component will aim to reach and influence the following audiences: (i) national and international development organizations that current work on, or are interested in working on, initiatives to improve the socioeconomic conditions of vulnerable populations in the region and that could learn and replicate the model implemented by the project; (ii) microfinance entities and savings and loan cooperatives in Guatemala and the region interested in expanding financial services for vulnerable populations that could implement the community-based financial inclusion model; (iii) local and national governmental social development entities in Guatemala and in the region that could implement public policies to promote inclusion of the vulnerable population, applying the lessons learned from this project. Among the communication channels to be used in order to reach these audiences are: meetings with local and national governments, workshops with international cooperation agencies, and industry meetings. The communication strategy of the project will be implemented in coordination with the strategy established for a peer project<sup>29</sup> in El Salvador, (ES-M1044).
- 2.11 The following activities will be financed as part of this component: (i) development of case study/knowledge products; and (ii) printing and publication of knowledge products.<sup>30</sup>
- 2.12 Additionally, Oxfam America's Community Finance Department will elaborate and publish a project follow-up blog. This blog will capture the lessons learned from the implementation of the project as a timeline, along with testimonials from women who benefit from the program. This material will constitute part of the content for developing the project's final report. An important knowledge product derived from the implementation of this project will be a study

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<sup>28</sup> 1,500 orchards are implemented with project resources. 500 orchards are implemented by the initiative of other members of the local community.

<sup>29</sup> ES-M1044 will be a complementary project to be executed in El Salvador, by Oxfam America.

<sup>30</sup> An additional activity to exchange lessons on the projects (ES-M1044) and (GU-M1042) will be financed under the project (ES-M1044). This activity will involve the participation of Oxfam implementing partners in El Salvador and Guatemala.

of low income and poor women cash flows, namely “*Financial Diaries Study*”. (see paragraph 5.5).

- 2.13 **Coordination of Oxfam projects (ES-M1044) in El Salvador and (GU-M1042) in Guatemala.** This project (GU-M1042) and a similar project in El Salvador (ES-M1044) will be executed independently but in coordination. MIF considers that two separate projects will constitute a more effective mechanism than a regional project, as each project’s components involves working with different organizations, local alliance, and other contextual factors, as shown in this table<sup>31</sup>:

	<b>Expected Implementations Partners<sup>32</sup></b>	
<b>Components</b>	<b>El Salvador (ES-M1044)</b>	<b>Guatemala (GU-M1042)</b>
Component 1	Institutions with vast experience implementing development projects in the field and which comply with Oxfam’s requirements in its work with NGOs, such as FUNDESA, CRIPDES:	Institutions implementing Community Savings Groups with Oxfam support in Guatemala, such as IEPADES, ASECSA
Component 2	Salvadoran formal financial services providers that will adjust and offer savings and credit products to community savings members  Initially the project has identified that the Credit Unions and Savings Banks, grouped under Fedecaces and Fedecredito, respectively could be the financial partners to implement this component	Guatemalan formal financial services providers that will adjust and offer savings and credit products to community savings members.  Initially the project has identified that BANRURAL and MICOPE could be the partners of the project
Component 3.	Salvadorean private and public partners to implement technical assistance and training for income generation and family farming production, such as CONAMYPE, and Ministry of Agriculture	Guatemalan private and public partners to implement technical assistance and training for income generation and family farming production, such as UNIESPECIES, in alliance with IEPADES, ASECSA, organizations that have been partners of Oxfam in the implementation of the community savings methodology

### **III. COST AND FINANCING**

- 3.1 The total cost of the project is US\$1,652,410 of which MIF will contribute a total of US\$994,000 (60%) as no reimbursable funding, and the local counterpart will provide a total

<sup>31</sup> Besides the alliances included in this table, the Project will seek synergies with other projects being developed in each country, for example Ciudad Mujer in El Salvador.

<sup>32</sup> Both in Guatemala and in El Salvador Oxfam will do the final selection of the partners of the project during the execution, following the guidelines set in the Operating Regulations.

US\$658,410 (40%), of which Oxfam America will contribute 24% in kind, and the remaining 76% will be provided in cash. The following table is a summary of the budget in Annex II.

<b>Description</b>	<b>MIF</b>	<b>Local</b>	<b>Total</b>
C1- Promotion of community savings practices	310,770	417,840	728,610
C2- Development of formal financial services for the savings groups' members	67,000		67,000
C3- Family farming and income generation	324,530	117,400	441,930
C4- Knowledge and communication strategy	13,000		13,000
Monitoring and evaluation	28,860		28,860
Program coordination and administration	156,840	123,170	280,010
Midterm and final evaluation	34,000		34,000
Ex-post review	9,000		9,000
<b>Subtotal</b>	<b>944,000</b>	<b>658,410</b>	<b>1,602,410</b>
Impact evaluation account	30,000		30,000
MIF agenda account.	20,000		20,000
<b>Total</b>	<b>994,000</b>	<b>658,410</b>	<b>1,652,410</b>

- 3.2 Costs incurred by Oxfam America after the date of MIF's eligibility of this project and reflected in the detailed budget in Annex II, will be recognized as part of the local counterpart for this project.

#### **IV. EXECUTING AGENCY AND EXECUTION MECHANISM**

##### **A. Executing Agency**

- 4.1 Oxfam America was created in 1970 in response to the humanitarian crisis created by the fight for independence in Bangladesh. Oxfam International is a federation of 15 independent organizations that work in more than 90 countries with some 3,000 counterparts in order to abolish poverty and injustice. Oxfam has experience executing programs and projects co-financed by a large variety of donors, including foundations, bilateral and multilateral bodies and private sector corporations. Oxfam works both to support projects that develop sustainable ways of life and economic justice, as well as humanitarian projects in response to emergencies caused by natural disasters or conflicts. Oxfam also develops public campaigns to promote changes in policies and practices in order to benefit the poorest and most vulnerable sectors of the population.
- 4.2 Oxfam America's Central American Regional Office is located in San Salvador since 1993 and has been legally registered in the Registry of Non-Profit Associations and Foundations since 1997. Oxfam America started operations in Guatemala since 1993. The Regional Office is registered by the Ministry of Finance and the Ministry of the Interior. Financial statements are regularly audited by an external auditor. Funds from donations are allocated by the Boston central office directly to recipient organizations in the Central American region. Therefore, the regional office handles mainly funds for direct implementation of the program and management costs. Internal accounting is integrated into the Business Intelligence System and the operations are monitored monthly by the Finance Department at the Boston central office. It currently handles funds from some 11 outside sources, complying with donors' administrative and financial requirements.



## **B. Project Execution and Administration.**

- 4.3 **Results-based disbursements.** Project disbursements will be contingent upon verification of the achievement of project milestones. These milestones will be verified using their means of verification, which will be agreed upon between the Executing Agency and the MIF. Achievement of milestones does not exempt the Executing Agency from the responsibility of reaching the logical framework indicators and project's objectives. According to the Performance and Risk-based Project Management approach, project disbursement amounts will be based on the project's liquidity needs, for a maximum period of 6 months. These needs must be agreed upon between the MIF and the Executing Agency and will reflect the activities and costs scheduled in the annual planning exercise. The first disbursement will be contingent on complying with projects prior conditions. Subsequent disbursements will be issued as long as the following two conditions are met: (i) MIF has verified that milestones have been achieved, as agreed to in the annual plan; and (ii) that the Executing Agency has justified 80% of all cumulative advances.
- 4.4 **Procurement and contracting:** For the procurement of goods and contracting of consulting services, the Executing Agency will apply the IDB Policies (GN-2349-9 y GN-2350-9). The Institutional Evaluation (IE) generated a **low level of need/risk** classification, as a result, the Executing Agency which belongs to the private sector, will use the private sector procurement methods specified in Annex 1 of the Operational Guidelines for Technical Cooperation Projects (OP-639). In addition, the review of procurement and contracting processes for the project will be conducted ex-post and on an annual basis. Before project contracting and procurement begins, the Executing Agency must submit the project Procurement Plan for the IDB/MIFs approval which should be updated *annually* and when there are changes in the methods or goods or services to be procured.

## **V. MONITORING AND EVALUATION**

- 5.1 **Project Status Report.** The Executing Agency will be responsible for presenting Project Status Reports (PSRs) to the MIF within thirty (30) days after the end of each semester, or more frequently as determined by the MIF by providing at least sixty (60) days advance notice to the Executing Agency. The PSR will contain information on the progress of project execution, achievement of milestones, and completion of project objectives as stated in the logical framework and other operational planning tools. The PSR will also describe issues encountered during execution and outline possible solutions. Within ninety (90) days after the end of the execution term, the Executing Agency will submit to the MIF a Final Project Status Report (Final PSR) which will highlight results achieved, project sustainability, evaluation findings, and lessons learned.
- 5.2 **Monitoring strategy.** Oxfam America has a system for regular monitoring the outcomes of the economic operations of saving and loan groups, as well as for follow-up of implementation plans. The system is similar to that used by MFI. The central office Community Savings Department plays a role in technical assistance, quality control, and monitoring of outcomes. The system generates quarterly progress reports for the savings groups' performance indicators. There will also be an "Annual Impact Reflection" that uses the qualitative methodology of the most significant change in order to identify barriers, progress, and qualitative changes in the savings groups created. The Annual Impact

Reflections will jointly analyze the evidence generated by the quarterly reports on the performance of savings groups and other relevant evidence in order to show the contribution to the changes that have taken place. During the course of project implementation, a process for measuring the satisfaction of participants in the community savings groups will be used, thereby identifying any problems faced by the groups.

- 5.3 The NGOs and promoters in the field who are responsible of supporting the savings groups will make monthly progress reports to the project coordinator, who will in turn be responsible for reporting the growth of the groups and the levels of savings and profits generated, as well as the lessons learned as project execution progresses. These reports will be supervised by Oxfam America's Community Finance Department and published in a project follow-up blog, which will capture the lessons learned as a timeline, along with testimonials from women who benefit from the program. This material will constitute part of the content for developing the project's final knowledge product. In addition, the coordinator of this project will be responsible for financial monitoring of the savings groups by means of the SAVIX tool, [www.savingsgroups.com](http://www.savingsgroups.com).
- 5.4 **Evaluation Strategy.** In order to evaluate the results an impact of the project a *before-and-after* methodology<sup>33</sup> will be applied. To capture the status of the beneficiaries<sup>34</sup> before their participation in the savings groups, a baseline survey will be applied to a representative sample of the beneficiaries. Variables to be considered in this baseline survey could include: (i) savings levels; (ii) level of income; (iii) technical skills; (iv) degree of female autonomy in the handling of money and in household spending decisions; (v) level of administration capacity and access to savings and credit services; and (vi) participation in economic activities. At least 2 years after the baseline is applied a follow up survey will be carried out to the same beneficiaries with similar questions of the initial survey, to analyze the changes in the impact indicators included in the logical framework. The questionnaire of the baseline and the follow up survey will be reviewed and approved by the MIF/DEU (Development Effectiveness Unit) representative.
- 5.5 To complement the information and analysis of the *before-and-after* methodology, a "Financial Diaries" exercise will be financed by the MIF's Impact Evaluation Fund and supervised by MIF/DEU.<sup>35</sup> This qualitative evaluation will be undertaken in this project in order to have a better understanding of the financial behavior of women participating in this program. The "Financial Diaries" methodology consists on tracking inflows and outflows of cash and non-cash household and business resources on a weekly basis. This information will be used to study the earning and spending patterns of the beneficiaries. The results of this study will address questions such as how: poverty influences financial decision-making? How the poor save? What is the role of financial products in the life of the beneficiaries? How financial products help them to overcome unexpected events? This kind of study has been conducted in South Africa, Bangladesh, and India, providing insightful information to

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<sup>33</sup> In this methodology the beneficiaries are compared to themselves before and after receiving the intervention. Even though this methodology is has its limitations to control for other factors outside the intervention which may have changed over the period and influenced the impact of the intervention, it will allow tracking changes in the impact indicators included in the logical framework.

<sup>34</sup> The majority of project beneficiaries are expected to be women. Nonetheless, men may also join the savings groups developed through this project, so they should be included in the projects' baseline.

<sup>35</sup> It is expected that the collection of "Financial Diaries" data will be done by the project's monitoring and evaluation specialist.

improve the provision of financial services. In Latin America and the Caribbean there are few studies on this matter, thus this exercise will help to fill this knowledge gap. Furthermore, it will complement the evidence on the effectiveness of the savings groups as a methodology to provide financial services for the poor. Currently, the MIF is conducting a prospective quantitative impact evaluation of the project “Income generation and rural finance through community groups” (CO-M1079); hence the information generated by the Financial Diaries Study will add to this effort, providing a qualitative and behavioral perspective about the impact of financial services in the daily life of poor households.

- 5.6 A monitoring and evaluation specialist (M&E) will be hired by the executing agency in order to undertake the M&E activities related to this project and the project (ES-M1044) implemented by Oxfam in El Salvador. A representative of the DEU of the MIF will be involved in the recruitment process of this coordinator who will report to both, Oxfam America and the MIF. The resources to finance this consultant are reflected in the detailed budget of the project ES-M1044.
- 5.7 **Midterm evaluation report.** In order to evaluate project processes and performance, when 50% of the funds have been disbursed or the midpoint of the execution period has been reached, whichever occurs first, a mid-term evaluation report will be performed. This evaluation will answer the following questions: Has the project been executed as planned? Have the anticipated outputs been developed and delivered? Have the expected assumptions been met? Is there evidence of preliminary outcomes in terms of the scope of financial services for new clients? Is there preliminary evidence that those financial services are being used? What modifications are needed to achieve the expected outcomes?
- 5.8 **Final evaluation report.** When 90% of the contribution has been disbursed or when three months remain in the execution period, whichever occurs first, a *final evaluation report* of the project will be conducted. This evaluation will use a comprehensive approach and will seek to analyze project impact and results and capture the knowledge generated during project execution. Using the data collected before and after women’s participation in the groups, the evaluator should analyze and report the changes. Moreover, this final report will include and analysis of all the information gathered throughout the project by the M&E coordinator and the findings of the Financial Diaries Study. The final evaluation will analyze the following: What changes (positive or negative) in the socio-economic conditions of the beneficiaries have resulted from the project? What were the project’s key contributions to achieving the defined objectives? How could the impacts/outcomes have been achieved more efficiently and effectively? What, in particular, worked well and can be considered a “best practice”? What should not have been done because it had a small or adverse impact on the specific objective? What lessons learned have been identified? What lessons are emerging about the relationship between the relevance of the project and the originally identified development objective? What was learned about the usefulness and/or replicability of this type of project?
- 5.9 **Financial Monitoring and Supervision.** The Executing Agency will establish and will be responsible for maintaining adequate accounts of its finances, internal controls, and project files according to the financial management policy of the IDB/MIF. Given that the IE generated a low level of need/risk in financial management, the review of supporting documentation for disbursements will be conducted ex-post and on an annual basis. The IDB/MIF will contract independent auditors to carry out the ex-post reviews of procurement

processes and of supporting documentation for disbursements. Ex-post reviews will include an analysis of the Financial Statements that the EA should prepare as part of its financial management. The costs associated with this contract will be financed with the MIF contribution resources according to IDB procedures. During project execution, the frequency of ex-post reviews for procurement processes and supporting documentation for disbursements as well as the need for additional financial reports can be modified by the MIF based on the results of the ex post review reports conducted by external auditors during the project execution.

- 5.10 **Midterm and closing workshop.** To track the progress and guarantee complementarity with the other two MIF's operations that focus on savings groups as a platform to generate income and increase access to formal financial services, ES-M1044 and CO-M1079, the executing agency will host a midterm and a closing workshop with stakeholders, sponsors, supervisors. A MIF/DEU representative, a representative of the impact evaluation technical team for the operation CO-M1079, as well as one representative of the executing agency of the operation CO-M1079 will attend this workshop<sup>36</sup>. It is the responsibility of the executing agency to notify the dates of the event with at least three months in advance to guarantee the participation the parties involved.

## VI. PROJECT BENEFICIARIES AND RISKS

### A. Beneficiaries

- 6.1 The project will benefit 9,500 women, low income<sup>37</sup> and poor<sup>38</sup>, living in the rural municipalities of the states of Sololá, Alta Verapaz, Baja Verapaz, and Chimaltenango, where 70% of the population is located in rural areas, and 76%, 84%, and 73% of the population lives in conditions of poverty, respectively. 95% of the beneficiaries of the projects will be women. Additionally, the project will benefit 38,000 individuals mainly children and youth. The target population's educational level does not exceed 3.6 years, and there is little or no access to financial services, with only 13% reporting that a family member saved money during the previous year. As with the peer project in El Salvador, the women who participate in these groups will receive training to develop agricultural and micro enterprises skills to contribute to food security and income generation.

### B. Risks.

- 6.2 **External Risk.** One of the potential risks of this project includes the increased violence and crime in the country. Mitigation: To *mitigate* the risk, work will be carried out only in areas that have minimum guarantees for developing the work; a risk analysis will be performed during the design of the project for each one of the intervention areas with counterparts and local actors, and during the course of the projects. Measures to minimize risk will also be assessed by NGOs and technical teams in the field.
- 6.3 Taking the lessons learned from previous MIF operations, an important risk that could be encounter during the implementation of the project is the limited human resources available to act as promoters within the local communities throughout the project implementation.

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<sup>36</sup> The participation of the representative from the impact evaluation team of the operation CO-M1079 will be finance with resources of the project.

<sup>37</sup> Refers to individuals living above the national poverty line and below the median national income.

<sup>38</sup> Refers to individuals living below the national poverty line.

*Mitigation:* To mitigate this risk, the executing agency must partner with local entities recruit qualified promoters to implement the project. It is highly recommended to empower and recruit potential promoters among the savings group members.

- 6.4 A particular risk in the implementation of this project in Guatemala is the potential limited take-up of formal financial services developed under Component 2, due to lack of trust in formal financial institutions, particularly among indigenous population. *Mitigation:* To mitigate this risk the program will work with financial institutions with experience working with indigenous population and communications materials adapted to local languages.
- 6.5 **Financial risks:** As in any intermediation of funds, there is a risk related to the capacity to repay the loans. Consideration: Several experiences with similar populations of women show that when there is good financial education within the groups, women do not take on excessive debt and they make their payments. *Mitigation:* Leaders who organize the groups will be trained so that they can transmit knowledge to the various groups to be formed and clarify how the groups operate. In addition, as the various groups develop their regulations, they will be encouraged to establish basic criteria for ensuring repayment of the loans and strategies for solving problems such as recovering amounts not repaid. It is also important to stress that the loans acquired by the members are backed by savings.
- 6.6 **Innovation risk.** This project innovates by going beyond traditional savings and loan groups and building linkages of the groups with formal financial and no financial services providers such as Banrural, Micoope or Uniespecies, something it has not been done in Central America yet. Because of that, there's a risk that these innovations might weaken the role of the groups in rural areas. To mitigate that risk, the introduction of this linkages will be done using pilots, and will be monitored closely before expanding to all groups.

## VII. ENVIRONMENTAL AND SOCIAL STRATEGY

- 7.1 The project was submitted to the corresponding review process established by the ESR, and as a result was approved (ESR 08-12) and classified as a category "C" operation.
- 7.2 In addition to the gender focus explained in the gender section, the project will incorporate the concept of cultural pertinence in all activities with the beneficiaries. For example, the knowledge of indigenous languages that are spoken in the project areas will be required in the project team.