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MULTILATERAL INVESTMENT FUND

EL SALVADOR

Community Savings Groups and Economic Empowerment of Rural Women
(ES-M1044)

DONORS MEMORANDUM

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Project Brief

Access and use of financial services in El Salvador is still very low with only 13.8% of the adult population with access to an account at a formal financial institution, compared to a 39.2% at a regional level. This access is even lower among women with 10% and adult population in the lowest 40% income bracket, with only 6%. In terms of credit, only 3.9% of El Salvador's population had access to a loan from a formal financial institution in the past year.¹ This limited access that particularly affects women in rural areas, is related to 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 identified municipalities in departments with high levels of poverty of El Salvador, which may include Cabañas, La Unión, Morazán, San Miguel, and San Vicente. Additionally, it will complement this 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.

¹ Demirguc-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 and Strategic Communications
MFI	Microfinance Institution
MIF	Multilateral Investment Fund
NGO	Non-Governmental Organization
POA	Annual Operational Plan
PSR	Project Status Report

EL SALVADOR
COMMUNITY SAVINGS GROUPS AND ECONOMIC EMPOWERMENT
(ES-M1044)

EXECUTIVE SUMMARY

Country:	El Salvador		
Executing Agency:	Oxfam America		
Beneficiaries:	This project will directly benefit 5,500 women, both low income ² and poor ³ , living in rural areas El Salvador. ⁴ Additionally, this project will benefit 22,000 individuals in their households, mainly children, and youth. ⁵		
Financing:	MIF Non-reimbursable Technical	USD\$ 999,820	69%
	Local Counterpart	USD\$ 440,448	31%
	TOTAL	USD\$ 1,440,268	100%
Objectives:	This project will improve the living conditions of low income and poor rural women in El Salvador. The purpose of this project is to develop self-financing mechanisms, empowerment, and technical skills among low income and poor rural women in El Salvador.		
Execution Timeframe:	Execution period: 36 months Disbursement period: 42 months		
No Objection:	The letter of non-objection was issued by the Government of El Salvador on October, 23, 2012.		
Exceptions to Bank Policies:	None		
Contractual Conditions:	(i) The executing agency will submit evidence that it has formed a project execution unit, including a project coordinator and (ii) draft operating regulations will be approved by the executing agency's Vice president for Programs and submitted to the satisfaction of the MIF at the IDB Country Office in El Salvador.		
Environmental and Social Review:	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.		

² Refers to individuals living above the national poverty line and below the median national income.

³ Refers to individuals living below the national poverty line.

⁴ This Project will be implemented in identified municipalities in departments with high levels of poverty of El Salvador, which may include Cabañas, La Unión, Morazán, San Miguel, and San Vicente.

⁵ Assuming 4 individuals per household.

I. BACKGROUND AND RATIONALE

- 1.1 According to the Social Panorama of Latin America (2011) report⁶, the poverty rate in El Salvador in 2010 was above 47%. Rural areas which host an estimated 31.6% of El Salvador's population⁷ are characterized for having the highest levels of poverty. Efforts to reduce it have been undermined by the food crisis and the recent international financial crisis⁸. The most recent study on rural poverty published by the International Fund for Agricultural Development, recognizes that the main causes for rural poverty are related to the lack of liquid and productive assets, limited economic opportunities, and poor education and capabilities, as well as disadvantages imposed by social inequalities in local communities.
- 1.2 Poor rural women in El Salvador constitute one of the most marginalized population segments and often have limited access to formal financial services, and technical skills for developing activities that allow them to guarantee their food security⁹ and to generate income. Moreover, 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 welcomed, or represented¹⁰.
- 1.3 **Savings instead of credit.** Studies on savings and rural poverty have found that 81% of wealth accumulated by poor households comes from their own savings¹¹. In addition, several studies demonstrate that poor people save using informal mechanisms¹² 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 financial services. Financial Institutions (FI) that mobilize deposits like banks, credit unions, and postal savings banks are often far from rural and remote areas, or do not offer products whose minimum balance requirements, costs, and/or opening procedures adjust to low income and poor households needs. In most cases those products do not incorporate financial education¹³.
- 1.4 Microfinance institutions capacity to reach the poorest and most excluded populations in rural El Salvador 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,

⁶United Nations' Economic Commission for Latin America.

⁷ Data for 2011 taken from the Human Development Report, El Salvador, United Nations Development Program (UNDP). <http://hdrstats.undp.org/en/countries/profiles/SLV.html>

⁸ IDB Country Strategy with El Salvador 2009-2014 (2010)

⁹ 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.

¹⁰ Based on accumulated experience in the implementation of projects by Oxfam and MIF focused on women.

¹¹Accumulation and Factors Accounting for Success," by Robert Townsend and Anan Pawasutipaisit of Thammasat University, to be published in the Journal of Econometrics.

¹²Collins D, Murdoch J, Rutherford S, Ruthven O, *Portfolios of the Poor*, 2009

¹³ 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.

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. Despite the expansion of the microfinance sector in El Salvador in the last decades, the access and use of financial services in El Salvador is still very low with only 13.8% of the adult population with access to an account at a formal financial institution.¹⁴ This access is even lower among women with 10% and adult population in the lowest 40% income bracket, with only 6%. Same source also shows that only 3.9% of El Salvador’s population had access to a loan from a formal financial institution in the past year.¹⁴

- 1.5 **Community Savings Groups methodology.** Community savings groups mobilize and 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 on 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 proportionally to the amount saved. Additionally, each member receives a percentage of other investment gains 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.
- 1.6 **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 concludes 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 workshops¹⁵. Finally, savings constitute a particularly 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.
- 1.7 **The problem.** In El Salvador, there is a limited presence of financial intermediaries (FI) in rural areas, which are home to close to a third of the population. Those FIs that do operate in rural areas do not offer savings and credit products adapted to the needs of poor women. In addition, there is mutual mistrust between these institutions and the poorest women, who have a limited knowledge of practical and basic finance and of the advantages of saving, and have not exercised their capacity to save. Their spending is higher on days with more income and they have difficulty covering basic expenses like transportation and even food on days with no income. Regarding credit, even though they need financing, women in rural areas under the

¹⁴ Demirguc-Kunt and Klapper. 2012. “Measuring Financial Inclusion: The Global Findex Database.” Policy Research Working Paper 6025, World Bank, Washington D.C.

¹⁴ Ibid

¹⁵ USAID, SIDA, Impact Evaluation of Worth Literacy-Led Saving and Credit Program, 2009

poverty line do not meet the minimum requirements (e.g. history and business size) to obtain loans offered by financial intermediary institutions. This lack of access to financial services limits the opportunities that poor women in rural areas of El Salvador have for investing in small businesses and in their families' education, health, and nutrition.

- 1.8 The limited access to financial products and services by women in rural areas of El Salvador is mainly a problem of supply. 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. Moreover, this exclusion is also related to the lack of the necessary collateral assets, credit history to access loan products, and proper financial education.
- 1.9 Moreover, the poor rural women constitute one of the most marginalized population segments in terms of labor opportunities and technical skills for undertaking activities that could allow them to guarantee their food security and to generate income. This lack of technical skills is due to shortage of training opportunities in rural areas, the economic and social conditions, and long distances that impede access to training in urban areas.
- 1.10 In addition, seasonal increases in the price of agricultural products like corn and beans, which are essential elements of the basic food basket, make it more and more difficult to satisfy the basic food needs of the low income population, who spend practically its entire income on food. In this sense, family farming techniques can help reduce total household expenditures, and thus increase net income and food security. In addition to generate disposable income, family farming may generate surplus that can be sold at local markets and generate an additional income. However, often rural women are exposed to limited local examples of low scale sustainable and diversified family farming.
- 1.11 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. 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.
- 1.12 **The project.** This project will promote community savings practices among women in rural areas by expanding Oxfam's Community Savings Groups methodology to a more sustainable platform that incorporates 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, contributing to improve their self-esteem¹⁶ 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.

¹⁶ As part of the efforts to reinforce the community saving methodology and strengthen the self-esteem of beneficiaries, the project will develop a curriculum on gender to be incorporated in the saving group's manual. This curriculum will be implemented at all levels of the savings group's structure, including coordinators, promoters, and beneficiaries.

- 1.13 The promotion of the community savings practices will be implemented by Oxfam America in collaboration with two local non-governmental organizations (NGOs), in selected departments in El Salvador. Under this model, community savings groups operate like credit unions¹⁷ 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 volunteers 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.
- 1.14 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. 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.
- 1.15 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 saving groups with FIs in order for its members to access larger loans than those offered by the savings groups, or manage the groups' liquidity that has not been placed on loans. Moreover it is expected that the FIs will offer other financial products and services adapted to the needs and preferences of members of the groups, such as fixed-term deposits, for women that need to accumulate assets for a longer term, including for the purchase of land or housing renovations. Finally, this project will provide two types of trainings to women in rural areas organized in the savings groups to guarantee food security and income generation. On the one hand, it will provide training on agricultural skills to improve food security and commercialize production surpluses in local 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.

¹⁷ Saving and credit mutuals, saving and credit co-ops or mutual benefit funds.

- 1.16 **Additionality.** Although the community savings methodology has had great impact as a mechanism for alleviating poverty in Africa and Asia¹⁸, experiences in Latin America and the Caribbean are limited due to a lack of financial resources. MIF financial support through this project will contribute to the expansion of this methodology adapted to countries in the region. In addition it is expected that MIF's support in the implementation of this project will help leverage other donors funding into this area.
- 1.17 Moreover, the technical support provided by the MIF represents an opportunity to reinforce the community savings methodology, facilitating documentation of the experience for its replication in the region. Additionally, starting from the project's design stage, the MIF 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.
- 1.18 Finally, the impact evaluation undertaken in this project and the study of Financial Diaries of the beneficiaries will generate relevant information to better understand the financial behaviors, needs and preferences of low income and poor populations.
- 1.19 **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, on negotiations to satisfy the demand, and on developing agreements allowing vulnerable groups 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) technical capacity building related to economic activities should be incorporated at least a year after the beginning of the community saving groups projects.
- 1.20 **Contribution to MIF Agenda.** The project aligns with the Savings, Payments, and Credit for Low Income Population agenda, which seeks to increase the availability of financial services and products for the low income population. Specifically, this 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 indicators contribute to the Microfinance for Rural and Marginal Urban Populations agenda, which purpose 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.
- 1.21 **Contribution to Country Strategy.** This project is also consistent with the IDB's Country Strategy with El Salvador, as it contributes to reverse the rising poverty trend recorded in

¹⁸ By organizations such as Village Savings and Loan Organization, Plan International, Save the Children, Catholic Relief Services, Agha Khan Foundation, and Care International.

recent years by providing women in rural areas with access to savings and credit opportunities and training to guarantee food security and income generation. This project also complements IDB's efforts to improve living conditions of women, through initiatives such as Ciudad Mujer in El Salvador, which aims to improve living conditions of Salvadoran women through the delivery of essential services provided by comprehensive care centers known as Centros Ciudad Mujer.

- 1.22 **Gender.** The project components and activities are designed to address the specific needs and demands of low income and poor women living in rural areas, accounting for 90% of total beneficiaries. Among the benefits generated by this project are: (i) increased level of savings; (ii) increased level of income; (iii) improvement in technical skills; (iv) increased access to savings and credit services; (v) increased participation in economic activities; and (vi) increased women's 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 low income and poor rural women in El Salvador. The **specific objective** of this project is to develop self-financing mechanisms, empowerment, and technical skills among low income and poor rural women in El Salvador.
- 2.2 **Results.** Upon completion, the project is expected to have: (a) 5,500 women participating and saving within the groups; (b) US\$400,000¹⁹ are saved in groups; (c) at least 60% of the savings' funds are placed on loans; (d) at least 2,000 women members of the savings groups take a microcredit from the savings group; (e) at least 160 savings groups place their surplus funds²⁰ into a savings account at a regulated financial institution; (f) at least 500²¹ 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%.²²
- 2.3 **Impact.** The social and economic benefits these projects are expected to generate for the beneficiaries include the following impact indicators: (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 will increase on average by 20%; (c) at least 1400 women members of the savings groups have financed one emergency with their own savings²³ (relating to theft, illness, death, natural disasters); (d) at least 2750 of women members of the savings groups reported improvements in their self-esteem; (e) at least 2750 of women members of the savings groups recognize their rights under a gender equity approach; and (f)

¹⁹ Each women member of the savings group save a monthly average of US\$ 3.

²⁰ For those groups with a savings amount that is significant and thus it is necessary to protect in the formal financial system. The amount will be set during the execution of the project.

²¹ Assuming the baseline confirms and ratifies the entrepreneurial potential demand for microcredit by female members of the groups.

²² Based on the total number of beneficiaries who participate in the agricultural component of the project.

²³ This number includes only women who have faced an emergency during the project implementation.

500 women members of the savings groups actively participate in the decision-making within different local organizations of their communities (outside savings groups).

- 2.4 **Component I. Promotion of community savings practices. (MIF: US\$248,340; Local Counterpart: US\$252,700.)** 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 local context and will finance the following activities: (i) definition of groups' performance standards; (ii) creation of savings groups; (iii) training on the savings methodology to the community savings groups; (iv) strengthening of the community savings methodology;²⁴ and (v) capacity building on local NGOs.
- 2.5 This component is expected to produce the following outputs: (i) 400 savings groups²⁵ formed and operating; (ii) 90% of the savings groups operate according to minimum standards defined by the project²⁶; (iii) 2 local NGOs learn, adopt, and implement the community savings methodology as part of their institutional mission; (iv) 5,500 of 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\$90,000; Local Counterpart: US\$0.)** The objective of this component is to develop new savings and credit products to expand and sustain the access to formal financial products among the women members of the savings groups. The following activities will be financed as part of this component: (i) development of market research to identify the financial needs of women members of the groups; (ii) development of savings and credit products tailored to meet the financial needs of the women members of the savings groups; and (iii) implementation of a pilot to test the financial products developed by financial intermediaries.
- 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; (ii) at least one savings and one credit product offered by at least one financial intermediary, aiming to serve rural women members of groups, tested by a pilot; and (iii) At least two financial institutions incorporate one savings products and one credit product aimed to serve the needs of the rural women members of the savings groups.
- 2.8 **Component III. Family farming and income generation. (MIF: US\$301,580; Local Counterpart: US\$49,500.)** 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 the agricultural component: (i) development of a strategy to implement, scale and achieve sustainability on food security and income generation, including the creation of a family

²⁴ The community saving methodology will be strengthened in areas included: self-esteem, roles of men and women, and intra-family violence prevention and complaints.

²⁵ It is estimated that each group will consist of 13 members in average.

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

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 using produce from 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; and (vi) technical assistance to link the agricultural surplus production with local markets.

- 2.9 The activities to promote income generation through the development of micro enterprises initiatives include: (i) identification of new business opportunities; (ii) workshops to train promoters on the development of micro enterprises initiatives among the group members; and (iii) monitoring the microenterprises initiatives.
- 2.10 This component is expected to produce the following outputs: (i) definition of a strategy to implement, scale, and achieve sustainability on food security and income generation; (ii) development of minimum requirements for the operation of agricultural activities, including: ecological techniques, pest control, productivity levels, and phytosanitary conditions; (iii) establishment of a partnership with a training institution for micro enterprises development; (iv) 1,200²⁷ women members of the savings groups implementing agricultural initiatives in compliance with the minimum conditions established; (v) at least 80% of household agricultural plot 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; and (vii) 250 of women of the savings groups develop micro-business activities.
- 2.11 **Component IV. Knowledge and communication strategy. (MIF: US\$16,000)** 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 incomes and increase access to financial services for low income and poor rural populations. 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 currently 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 El Salvador 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 El Salvador 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 this project will be implemented in coordination with the strategy established for a peer project²⁸ in Guatemala (GU-M1042).

²⁷ 750 household agricultural plot are implemented with project resources. 450 household agricultural plot are implemented by the initiative of other members of the local community.

²⁸ GU-M1042 will be a complementary project to be executed in Guatemala by Oxfam America.

- 2.12 The following activities will be financed as part of this component: (i) exchange of lessons learned of the project²⁹; and (ii) development of case study/knowledge product.
- 2.13 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 project. This material will constitute part of the content for developing the project’s final report.
- 2.14 An important knowledge product derived from the implementation of this project will be a study of low income and poor women’s cash flows, namely “Financial Diaries Study” (see paragraph 5.5.)
- 2.15 **Coordination of Oxfam projects (ES-M1044) in El Salvador and (GU-M1042) in Guatemala.** This project (ES-M1044) and a similar project in Guatemala (GU-M1042) 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 alliances, and other contextual factors, as shown in this table³⁰:

	Expected Implementation Partners³¹	
Components	El Salvador (ES-M1044)	Guatemala (GU-M1042)
Component I	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 and CRIPDES.	Institutions implementing Community Savings Groups with Oxfam support in Guatemala, such as IEPADES and ASECSA.
Component II	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 MICOOPE could be the partners of the project
Component III	Salvadorean private and public partners to implement technical assistance and training for income generation and family farming production, such as CONAMYPE and	Guatemalan private and public partners to implement technical assistance and training for income generation and family farming production UNIESPECIES, in alliance with IEPADES,

²⁹ This activity will involve the participation of Oxfam implementing partners in El Salvador and Guatemala in order to share lessons on the projects (ES-M1044) and (GU-M1042).

³⁰ 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.

³¹ 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.

	Ministry of Agriculture.	ASECSA, organizations that have been partners of Oxfam in the implementation of the community savings methodology
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III. COST AND FINANCING

- 3.1 The total cost of the project is US\$1,440,268 of which MIF will contribute a total of US\$ 999,820 (69%) as non-reimbursable funding, and the local counterpart will provide a total US\$ 440,448 (31%), of which Oxfam America will contribute 33% in kind, and the remaining 67% will be provided in cash. The following table is a summary of the estimated budget, which appears in Annex II.

Table 1 – Budget Summary

Description	MIF	Local	Total
C1- Promotion of community savings practices	248,340	252,700	501,040
C2- Development of formal financial services for the savings groups	90,000		90,000
C3- Family farming support and income-generation	301,580	49,500	351,080
C4- Knowledge and communication strategy	16,000		16,000
Monitoring and evaluation	144,400	10,800	155,200
Project Administration	120,500	127,448	247,948
Midterm and final evaluation	25,000		25,000
Review ex-post	4,000		4,000
Subtotal	949,820	440,448	1,390,268
Impact Evaluation Account	30,000		30,000
MIF Agenda Account	20,000		20,000
Total	999,820	440,448	1,440,268

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 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 reaching Milestone 0 (conditions prior). 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, 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 MFIs. The central office Community Savings Department also 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.
- 5.4 **Evaluation Strategy.** In order to evaluate the results and impact of the project a *before-and-after* methodology³² will be applied. To capture the status of the beneficiaries³³ before their participation in the savings groups, a baseline survey will be conducted 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) level 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 MIF's Impact Evaluation Fund and supervised by MIF/DEU.³⁴ 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

³² In this methodology the beneficiaries are compared to themselves before and after receiving the intervention. Even though this methodology 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.

³³ 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.

³⁴ It is expected that the collection of "Financial Diaries" data will be done by the project's monitoring and evaluation specialist.

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 low income and poor save? What is the role of financial products in the life of 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 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 will be hired by the executing agency in order to undertake the M&E activities related to this project and the project (GU-M1042) also implemented by Oxfam in Guatemala. 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 this project’s detailed budget.
- 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. This 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 access to formal financial services, GU-M1042 and CO-M1079, the executing agency will host a midterm and a closing workshop with stakeholders, sponsors, and supervisors. A MIF/DEU representative, as well as a representative of the impact evaluation technical team for the operation CO-M1079, and one representative of the executing agency of the operation CO-M1079 will attend this workshop³⁵. 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 of both parties.

VI. PROJECT BENEFICIARIES AND RISKS

A. Beneficiaries

- 6.1 The project will benefit at least 5,500 low income and poor women in rural areas who will participate in 400 community savings groups. A high percentage of these women are heads of households, single mothers or widows, or women whose husbands have migrated and who receive regular or occasional remittances.³⁶ These women will have access to a mechanism for saving and for small amounts of credit to meet financing needs of small scale business activities, in commerce, services, and production. In addition, women organized in community savings groups will be trained to develop agricultural and micro enterprises skills to contribute to food security and income generation. Likewise, two NGOs that contribute to the execution and sustainability of the project will be strengthened through this project. This project will be implemented in identified departments with high levels of poverty of El Salvador, which may include Cabañas, La Unión, Morazán, San Miguel, and San Vicente.

³⁵ The participation of the representative from the impact evaluation team of the operation CO-M1079 will be finance with resources of the project.

³⁶ Although there is no baseline for the probable intervention areas, a study carried out by Oxfam America in the department of Chalatenango, El Salvador, notes that of the women comprising the savings groups, 40% are heads of households, single mothers or widows or women whose husbands have migrated; 35% of the families live in extreme poverty, 33% prioritize food as their most important need, 44% receive family remittances, 65% have an income of less than \$200 per month, and 65% are interested in developing productive or income-generating activities. At least 40% of the women participants receive remittances.

B. Risks

- 6.2 **External Risk.** One of the potential risks of this project includes the increased violence and crime in the country. 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. The executing agency and NGOs participating in the implementation of this project will also take into account this issue in the development and execution of the dissemination of this project. Other measures to minimize risk will also be assessed by NGOs and technical teams in the field.
- 6.3 Based on lessons learned from previous MIF operations, an important risk that could be encountered in the implementation of this project is the limited human resources available to act as promoters within the local communities throughout the project implementation. To *mitigate* the risk, the Executing Agency should partner with local entities to recruit qualified promoters. It is also highly recommended to identify potential promoters among the savings groups members.
- 6.4 Finally, there is a risk of natural disasters affecting the women household's finances. This will be inherently *mitigated* by the project, as it is expected that by providing access to savings and credit opportunities, women in rural areas will become less vulnerable to unforeseen shocks. Additionally, by linking savings groups members to financial intermediaries, other financial products such as microinsurance products may be available, contributing to decrease the vulnerability of this project's beneficiaries.
- 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.

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.