



# Economic Development

## OVERVIEW

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<http://edu.care.org>

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**CARE's programs in Economic Development work to improve the economic security and income opportunities of the poor. Currently, CARE is implementing 74 economic development projects in 43 countries throughout Africa, Asia, Europe, the Middle East and Latin America. In addition, CARE maintains ties with independent microfinance institutions (MFI) that have grown out of CARE's economic development programming. Programs reach more than 1.2 million individuals and are largely focused on women. Programs work in a variety of urban, peri-urban and rural setting including chronically vulnerable areas, post conflict zones, post disaster regions and stable and/or growth economies. CARE's approach to economic development programs covers a wide range of interventions from improving market access to microfinance to business development services. While programs in the sector are run on solid technical expertise, they are also able to work in synergy with other programs in agriculture, health, HIV/AIDS, education, water to more fully address the livelihood needs of the communities involved**

**The Economic Development Unit (EDU) is a technical unit based in Atlanta, at CARE USA HQ designed to support economic development in CARE.. Other CARE International members, such as CARE Canada, CARE UK, CARE Denmark, etc. also maintain a team of staff who provide technical backstopping to CARE economic development program around the world to design, raise fund and implement high quality, cost-effective, self-sustaining programs in this sector.**

### Overall Goal of CARE Economic Development

The goal of the Economic Development Unit is to achieve sustainable livelihood opportunity and social inclusion through asset protection and growth.

### Village Savings and Loans

In Africa and other part of the developing world, CARE has found that microfinance institutions (MFIs) do not reach the very poor owing to the high costs incurred to reach clients and the small demand for loans, limiting earning potential. In addition, most MFIs do not prioritize financial services in the same way as the poor. The lower socio-economic classes in Africa generally require financial services with a greater emphasis on savings and insurance than on credit; easy, available access to low-cost financial services based in their community; transparency and straight-forward transactions conducted by trusted peers; and complete autonomy, including ownership of process and profits. To this end the CARE's Village Savings and Loans (VS&L) methodology emerged in Niger in 1991 in order to provide financial and non-financial services to the very poor. By pooling the savings of a community and then loaning the savings to members of this same community at interest and building the capacity of the members in different field including business management, the VS&L methodology seeks to facilitate the economic growth of a community and empower its members with a sense of accomplishment.

### Organization

The VS&L methodology includes a preparatory phase, which is comprised of an orientation of community leaders and potential. The training phase may last anywhere from 6 days to 6 weeks and is the most involved phase. Group members must elect officials from the group, decide on the size of the group and frequency of meeting, develop appropriate savings, insurance (social welfare fund) and credit policies and procedures and draft a constitution. It is imperative that the group also conduct some form of written or memory-based record keeping so that every member may know the rules and every transaction is made public.



**"Women who used to depend on others are now doing things on their own."**

-- Madhuri Ghosh, India

The final graduation phase spans approximately 44 weeks and is concluded when the group is deemed to be sustainable, meaning members are familiar enough with the operation and the saving fund is large enough that the group can successfully be autonomous.

**MMD in CARE Niger**

CARE Niger founded in 1991 the MMD (Mata Masu Dubara - “Women on the Move”) project as a savings-based program where groups of women are empowered and taught important skills to improve the socio-economic conditions in which they live and work. MMD is the largest micro-finance network in Niger, reaching over 200,000 women in over 5,500 groups. The success of MMD has resulted in the formation of many spontaneous savings groups copying the MMD system. In response to this and to ensure the sustainability of the project, CARE has started training “village agents”: literate women who receive the same training as MMD agents. They develop the skills to initiate MMD groups in new areas and are compensated by the group. Through the village agent system, MMD is now improving the situation for women in Niger, one of the poorest countries in Africa.

**CLASSE in CARE Rwanda**

Responding to a widespread demand for financial services by the poor, CARE Rwanda has since early 2000 started to improve and adapt CARE’s VS&L model to the specific financial needs and context of Rwanda’s poor and very poor. Through the Community Learning and Action Savings and Stimulation and Enhancement (CLASSE) program, CARE and local partner agencies assist the poor in forming Savings and Loans Groups (SLG), which are self-selected groups of around 15 people who meet regularly and pool their savings into a fund from which members can borrow. The money is paid back with interest, causing the fund to grow. Currently, due to the increased activity and growth of some member groups, CARE Rwanda has started linking the group to financial institutions (Banque Populaire) for additional loan fund.

18 countries in Africa are currently implementing the savings led microfinance, either as a stand alone program or integrated with other interventions such as HIV/AIDS, girls education, etc. Furthermore, CARE is promoting this model in other parts of the world. For instance, in India it is known as Self Help Group (SHG), where CARE supports 330,000 individuals in the CASHE project. The total outreach is over 700,000 with more than 65% women.

**Institutional Microfinance**

Economic Development programs have typically supported the development of microfinance institutions in 3 ways: strengthening existing MFIs, creating new MFIs, and supporting the development of MFI networks. The majority of microfinance institutions that CARE works with provide individual lending or extend loans to groups as a whole, savings facilities and insurance. CARE’s MFI strengthening services cover areas such as strategic planning and positioning, product development and improvement, organizational development, strengthening of financial, administrative, managerial, and informative systems, including policies and procedures, and monitoring and evaluation systems to track business performance achievement as well as cost-recovery. CARE also maintains ties with independent MFIs which were previously part of its programs, either by holding shares in those MFIs or sitting in the board to provide strategic directions.

**EDYFICAR in CARE Peru**

In August of 1997 CARE created the Small Business and Microenterprise Development Entity (“Entidades des Desarrollo para la Paquena y Micro Empresa”) EDYFICAR an independent, formal micro-finance institution. EDYFICAR continues to carry on CARE’s mission to serve the poor through a formal, sustainable lending structure. The institution offers a variety of financial products including individual loans, solidarity loans, community bank loans and rural finance products. Today EDYFICAR is the largest MFI among EDPYMES and the 8th largest MFI in Peru with .... Clients and a loan portfolio of ..... For more information, visit [www.edyficar.com.pe](http://www.edyficar.com.pe)

**Village Savings & Loan in CARE, figures from Africa**

Country	No. of Members
Niger	200,000
Zimbabwe	56,000
Tanzania	39,000
South Africa	35,000
Uganda	26,000
Mali	25,000+
Rwanda	18,000
Mozambique	15,000+
Ethiopia	15,000
Burundi	13,000
Malawi	6,000+
DRC	5,000
Zambia	4,000+
Benin	3,000
Kenya	1,800



“The real resource for the development of Niger [is] women.”

--Zalika Aljouma, Niger

### SEAD, Inc. in the Philippines

SEAD, Inc. works with approximately one hundred local cooperative banks, and non-governmental organizations (NGO) as a credit fund broker which in turn provide credit and savings services to over 60,000 peri-urban and rural entrepreneurs in the Philippines. To ensure growth and sustainability, SEAD, Inc. provides technical and financial assistance to its partner cooperatives. CARE remains active on the board and is engaged with SEAD, Inc. to maintain its high growth and impact goals. SEAD is currently in the process of transforming into fully fledged private sector financial institution.

For more information, please visit [www.devjobsmail.com/sead/partners.html](http://www.devjobsmail.com/sead/partners.html)

### TIMPAC and WAGES in CARE Togo

TIMPAC and WAGES are Togolese NGOs which began as CARE projects but have since graduated into independent MFIs providing financial services to economically active women. TIMPAC operates in the northern part while WAGES operates in the Southern areas of Togo. Both MFIs offer credit to the more than 30,000 women organized in market solidarity groups with a loan portfolio of more than \$6 million. The MFIs also provide technical assistance in the form of business management.

### Expanding Capital Markets

CARE works not only at the community and regional level but also at the macro level in microfinance. Access to commercial sources of funding remains a serious impediment to growth for many microfinance institutions. CARE works at the national level to remove policy barriers to increase the flow of capital to local institutions. CARE also serves as an intermediary, facilitating financial relationships between financial/commercial institutions and MFIs, either through the direct loaning of funds or through the rating of local institutions for investment.

### CASHE in CARE India

The Credit And Savings for Household Enterprise (CASHE) project, operating since 1998, improves the income and economic security of poor women in India by increasing the availability and diversity of microfinance services,

such as loans or insurance. CASHE partners with local NGOs and MFIs to establish sustainable financial services through women's savings and credit groups. CARE simultaneously provides technical assistance to a wider range of microfinance institutions to develop sound practices and foster innovation. CASHE also works to improve the operating environment for microfinance by addressing governmental constraints faced by practitioners. For more info, visit [www.careindia-microfinance.org](http://www.careindia-microfinance.org).

### INCOME in CARE Bangladesh

The Increasing the Capacity of Organizations in Micro Enterprise (INCOME) project trains 30 local urban NGOs to improve their capacity for financial planning, financial management, savings and credit accounting, savings and credit management, project design, proposal writing, and impact evaluation of income generating programs. The project also works to

CARE has other major microfinance interventions in different part of the world. For a complete list of CARE microfinance program, please visit <http://vedu.care.org>  
Other MFIs with which CARE keeps a close ties include: Mikrofin in Bosnia, CRESCE in Mozambique, WEDCO in Kenya, HUMO in Tajikistan, etc.

support stronger networking among partner NGOs.

### Microvest

At the global level CARE initiated Microvest, a worldwide capital market fund, to provide capital and management expertise to emerging microfinance institutions. Microvest I, Limited Partners, is a \$15 million fund managed by Microvest Capital Management, LLC, which is jointly controlled by CARE and the Mennonite Economic Development Associates (MEDA). Microvest I has a strong private sector board and is professionally managed as a separate operation from CARE and MEDA. The goal of the Microvest fund is to improve lives and communities through debt and equity investments in MFIs in developing countries. The specific objectives of Microvest are to: provide capital for MFIs, help build capital markets for the macro-economic system, and support self-sustaining financial businesses serving the poor.

For more info, visit [www.microvestfund.com](http://www.microvestfund.com)

### Bank Partnerships

CARE and regional national banks are collaborating to carry out the appraisal of MFIs and meet the bulk credit needs for local lending partners as well as develop and launch innovations in microfinance, including financial services for the urban poor such as housing loans and insurance products. ICICI Bank is India's second largest bank and the largest private sector bank. The bank offers a wide range of banking products and financial services through a variety of delivery channels and through its specialized subsidiaries and affiliates in the areas of investment banking, insurance, and asset management. For more info, please visit [www.icicibank.com](http://www.icicibank.com).

### Enterprise Development and Market Access

Non-financial services are an integral part of CARE's economic development approach. CARE recognizes that while financial services alone can be beneficial, they are sometimes not enough. Non-financial services such as business management, marketing and technical training can often mean the difference between profitability and failure. As with its implementation of financial services, CARE selects and designs its business development services and access to market as relevant to its target group. CARE's business development and access to market focus on helping people acquire skills to improve the management of their businesses, access to information, technology, value added input, and especially market, internal and external in order to play active role in their respective value chain.

### EL Shams in CARE Egypt

El Shams aims at empowering smallholder horticultural growers with skills to compete in Egypt's growing high-end domestic and export markets. It intends to achieve that by building the organizational, marketing, and technical capacities of smallholders and linking their market-oriented production efforts to those of agri-business concerns, trade associations, and investors to produce a sizeable, sustainable, increase in horticultural exports, domestic sales, local income, and both agricultural and non-farm jobs.

### TIPCEE in CARE Ghana

The Trade and Investment Program for

Competitive Export Economy targets 25,000 smallholder farmers in Ghana that have already begun to integrate into commercial marketing chains. A critical activity of the project is the linking of large and medium agriculture enterprises to foreign buyers and joint venture partners in overseas markets and linking smallholder farmers to modern supply chains for agro-processing and exporting using traders, trader organizations, large commercial farms and BDS providers.

### **REAP in CARE Kenya**

The Rural Enterprise and Agri-services Promotion (REAP) Project is aimed at integrating 2,000 small-scale farmers into Kenyan horticulture export. It is also helping to establish profitable businesses that address the constraints in the horticulture sector, including land, inputs, farmer knowledge, resources and marketing. The project organizes farmers into viable horticulture production units of approximately 40 acres that are able to enter into production contracts with five exporters who are economical and legally binding. The project also facilitates the provision of loans by credit providers to viable production units that are professionally managed and services credit and long-term investment capital based on sound business plans.

### **Innovation and Integration**

CARE is working in other countries in the same area on different products. In Zambia for instance CARE works on the Sorghum value chain, while in Bangladesh, CARE concentrates its effort on the dairy production for small scale farmers. For additional information, visit <http://edu.care.org>

The knowledge management system involves learning from within and externally through our partners committed to alleviate poverty and the communities with which we work. CARE knowledge management focuses not only on placing the appropriate process on technology in place but also creating a culture where people are excited to take on the challenge of knowledge management and sharing as practitioners and are able to reflect, act and teach.

### **Credit Bureau in CARE Benin**

The initiative to create the Credit Bureau took shape in 2000 among five Beninese MFIs after problems within the microfinance sector concerning poor coordination were brought to surface. The Credit Bureau is an Internet-based database used by MFIs in Benin to access the negative repayment credit history of participating MFI clients. Since the conception and utilization of the Credit Bureau, on average 2 percent of the client applications were rejected after credit agents consulted the Credit Bureau. In 2003, the number of consultations by credit agents in Benin equaled roughly 15,500 per month.

### **HIV AIDS and Economic Development**

The HIV/AIDS crisis has spared no one, rich or poor. AIDS is an economic crisis at a practical level - for the individuals who are infected, for their households, for their extended families, for the communities that provide the final safety net and the country as a whole. The economic crisis at the household level can be broken down to four stages: post-infection, extended illness and home confinement, death, and remaining family member survival. Because of the complexity and enormity of the crisis, it is evident that the response calls for a multi-prong approach. CARE's economic development unit work closely with the HIV/AIDS Unit in order to formulate appropriate responses to the HIV pandemic. In countries heavily affected by the HIV/AIDS crisis, most of CARE programs mainstream HIV/AIDS in their programming. The local Links programs and OVC interventions are great examples in Kenya, Zimbabwe, Lesotho/South Africa, Malawi and other part of the world.

### **Avian Flu and Livelihood**

Avian H5N1 influenza has spread among poultry and wild birds across a large swath of Asia, and has been detected in Europe and Africa. While a human pandemic remains only a potential, the impact of the livelihoods of the poor has already begun. The death of birds or the culling of birds to control the spread of the disease has a negative impact on the livelihoods of all classes of poultry owners and producers and their employees. CARE has livelihood projects targeting some of the poorest communities in sub-Saharan Africa, and is well placed to reach these communities with programming related to avian influenza. CARE is currently in the process of developing a strong basis for the organization's preparedness for and response to avian influenza in Africa from the livelihood protection perspective.