

## **Overview of the Village Savings and Loan Association (VSLA) program in the Central African Republic**

**Project Purpose:** This project aims to increase the capacity of impoverished households to manage their financial resources and withstand shocks to their livelihoods by providing access to three basic financial services – savings, credit and insurance – to 3,300 beneficiaries in 165 Village Savings and Loan Associations (VSLAs). A grant from the European Union is currently paying for 75% of the costs associated with training and supporting associations to govern themselves transparently and manage their financial resources effectively. Access to these self-managed financial services enables impoverished households to become self sufficient, making them less vulnerable to livelihoods shocks and capable of investing in income-generating activities that reduce their poverty.

**Project Needs Analysis:** The Central African Republic (CAR) is among the poorest countries in the world, coming in at 179<sup>th</sup> out of 182 countries on the UNDP Human Development Index. 67% of the population lives on less than \$1 per day and 84% live on less than \$2 per day. Local factors contributing to this pervasive poverty include lack of access to credit, lack of financial resources to cushion families against external shocks, lack of secure places to save, and a lack of trust and social cohesion within local communities that limits the transparent management of communal resources. A WFP survey in 2009 demonstrated that 91% of households had confronted an external shock in the past year, with 94% using negative coping strategies that affect their health as the means of dealing with this crisis. Women in CAR score worse than men in nearly every social and health indicator, a fact that is often linked to the exclusion of women in financial decision making processes at the home and in the public sphere.

**Project Description:** Village Savings and Loan Associations is a type of microfinance that is managed by communities which provide communities with access to savings, credit and insurance services. Association members are self-selected and self-governed. They meet on a weekly basis to deposit their savings. After five weeks of saving, members can take credit of up to three times the value of their savings, depending on the amount of money available from the savings of all of the members. Members then repay the association within three months, with an interest rate that is set by the VSLA (typically 10% of the value of the loan). The role of Mercy Corps is to facilitate the creation of associations, train them on the methodology, and provide them ongoing support during the first nine-month cycle of savings and credit. After this period, the VSLAs become independent and have little or no need of further assistance.

**Project Activities:**

1. Facilitate the creation of new VSL Associations, and produce VSL manuals and VSL kits
2. Train the Associations on eight modules : (1) Groups, Leadership and Elections, (2) Insurance Fund, Savings and Credit Policies, (3) Development of the VSLA constitution, (4) Record Keeping and How to Manage a Meeting, (5) First Savings Meeting, (6) First Loan Disbursement, (7) First Loan Repayment, (8) End of Cycle Share Out
3. Monthly collection and analysis of VSLA performance data
4. Training of local partner organization in the VSLA methodology and management of a VSL project

**Projected Outcomes:** The project aims to alleviate poverty and increase the economic well-being of 3,300 households by increasing their capacity to generate income, to manage their financial resources, and to cope with external shocks in a positive manner.

- 165 VSLAs have completed the training program for all eight modules
- 3,300 people are members of operational VSLAs, 60% of whom are women, increasing women's control of resources and their input into household and business decision-making
- 165 VSLAs are operational, as demonstrated by the attendance rate of its members at VSLA meetings, the average savings per member, the annual return on savings at the end of the cycle, average outstanding loan size per borrower and the loan fund utilization rates

**Sustainability:** The aim of the VSLA methodology is to ensure the sustainability of self-managed micro-finance services at the community level. After an intense period of training and technical support, the associations are able to run independently. From the pilot project, 90% of the associations trained have continued functioning, with an average savings of \$40 per member. Mercy Corps trains community level technical support agents, to ensure there is continued technical support beyond the end of the project. A major component of the project is also training our local partner EEL-RCA in the methodology, to ensure there is increased ability in Bouar to set up and support VSLA services in the future.

**Administration of the Project:** This project is led by Mercy Corps, in association with our local partner EEL-RCA (Eglise Evangélique Luthérienne de la République Centrafricaine).