



Raising Local Resources

Resources May be Closer than You Think

Glenn Schwartz, Executive Director, World Mission Associates

An ancient Shakespeare play has a line which says, "But, where is the money?" As you will see from what follows, I believe the resources to help those in need are often closer to the need than we often think. One of those nearby resources is something which is being called Savings and Credit Associations (SCAs) or Village Savings and Loan Associations (VSLAs).

Many people are convinced that micro-loan projects are a quick and efficient way to help people out of poverty. But micro-enterprise projects are often launched with a significant amount of outside funding provided by the micro-lending institution. Admittedly, some of these have had significant success, while others have not done well for a variety of reasons. One of the main problems is the perception that the funds being borrowed come from somewhere far away; and if they are not repaid, there are probably more funds where those came from. I learned in Uganda recently about a micro-finance project that went out of business for exactly that reason. People borrowed "someone else's" money and felt little or no obligation to repay it. Thankfully, that failed micro-loan program was replaced by what they call a "village savings and loan association" which now has a record of near one hundred percent repayment.

Several years ago a group of college students formed a community development club on an American campus and decided to launch a project in Zambia. The villages to which they went are about as rural as they get in Zambia. The homes are traditional houses without the conveniences of those who live in urban areas. The people are subsistence farmers depending on good rains and healthy crops for their food and income.

For three weeks the college students taught basic information about how a savings and credit association works. At the close of the three weeks they asked if any of the villagers would like to invest their own funds to begin a lending project. To their amazement, the villagers contributed 3.2 million Zambian kwacha - equal to about US\$650 at that time. During the first year of operation they contributed more of their own funds bringing the total to US\$1,700. With interest earned, the amount soon rose to the equivalent of US\$2,300 in Zambian Kwacha. Everything in the fund was from the villagers' own resources; participants in the association began borrowing their own funds to generate small businesses.

Several things happened that are worth noting. First, after a few weeks the college students left and went back to their studies. Hence, there was no long-term dependency on outsiders. Second, other villagers in the surrounding area approached the association and asked if they could "join." Members of the association told them that they could not join, but encouraged them to form their own association in their own villages. Of course, those inquiring said they did not know how to organize an association. Thankfully that is not the end of the story. Members of the existing association agreed to go to those other villages and teach people how to form their own association. This resulted in reproducing the concept - without the presence of the college students to do the teaching. This all points to the importance of culturally appropriate sustainability and multiplication.

It should be noted that this example from Zambia is not the only place where savings and credit associations

are functioning and flourishing. In Rwanda there are eight thousand participants in one SCA network demonstrating remarkable results.

What lessons can be learned from this experience?

- First, it explodes the myth that those who are poor cannot save any money, or- if they do -cannot manage their savings.
- Second, training - when done appropriately - is reproducible.
- Third, the best solution is not merely one person giving something to another, but a community helping its members to do things together....
- Fourth, the savings-led approach has a built-in advantage over the credit-led approach because it mobilizes local resources and therefore is under the watchful eye of the participants.
- Fifth, the feeling that results from doing things with the villagers' own resources enhances personal dignity.

It goes without saying that mobilizing local resources—even when they seem to be meager—is healthier in the long run than developing a long-term dependency on outside resources. It is regrettable that many good opportunities have been lost because of our assumption that the poor cannot help themselves.

As I have said many times in various formats, if people will not survive without outside assistance, someone must help. But I also believe that resources closest to the point of need are often the most appropriate response to the problem.^f

Glenn Schwartz is author of When Charity Destroys Dignity: Overcoming Unhealthy Dependency in the Christian Movement. It is available on the website of World Mission Associates - www.wmausa.org