



Food and Agriculture Organization  
of the United Nations

# Community Contingency Funds

**Savings as a means  
of resilience**



## Vulnerability and climate-related hazards in Central America

Central America is one of the regions that is most exposed and vulnerable to climate-related hazards. Its geographical location and geotechnical characteristics put Central American countries at particular risk of experiencing a wide range of natural hazards, such as floods, hurricanes, drought, earthquakes and landslides.

Central America's "Corredor Seco" or Dry Corridor, which covers a large part of Guatemala, El Salvador, Honduras and Nicaragua as well as demarcated areas of Costa Rica and Panama, is one of the most exposed and vulnerable regions.

This area has been hit particularly hard by recurrent droughts and increasingly irregular rainfall. In three out of five harvest cycles small farming families suffer significant losses and often their harvest is not enough to feed their families ; what is harvested rarely covers the nutritional requirements of a family considering that, on average, the livelihoods of 62% of the population depend on the production of staple grains.

## Savings as a means of resilience

Due to the persistently severe agro-climatic conditions and threats that affect the agricultural sector in the Dry Corridor region, local and national governments in Guatemala and Honduras have been working with FAO since 2011. As of 2013, FAO has received support of the Belgian Cooperation for the development of a risk management and resilience capacity-building project to support agricultural and livestock producers through an innovative approach: the Community Contingency Funds (CCFs).

CCFs are an innovative risk protection and financial transferal mechanism that provides a form of farm insurance for those who do not have access to conventional financial systems.

This booklet describes CCFs and the activities carried out under project **OSRO/RLA/304/BEL "Integrated community disaster preparedness for the development of resilient farmers associations in highly at-risk areas of Honduras and Guatemala."**

# Community Contingency Funds

CCFs are resources managed by a producers' association for the purpose of providing assistance to its members in emergency situations and to fund activities aimed at helping the most vulnerable families following an unexpected event such as drought, hurricanes, floods, earthquakes or other extreme events.

CCFs target households that do not have access to formal financing and insurance systems to safeguard their livelihoods.

These funds provide supplementary resources for the sustainability of their livelihoods and for the association's Savings and Loan schemes.

## Activities that can be financed by CCFs

CCFs can provide funding for various activities, provided that they have been approved by the association's board of directors. These activities include the purchase of supplies for the new agricultural season in the event of crop losses, to cover household expenses during emergencies, and for productive and commercial activities for the community when income sources have been lost, etc.

## Access to Community Contingency Funds

All members of the association have access to CCFs at a variable rate of interest (established by the association) of between 3 and 5 percent. Non-members of the association can also apply for CCFs under certain circumstances, namely during emergencies, at a higher rate of interest. CCFs are a solidarity fund for those who have been affected and as such are generally provided at a lower rate of interest than regular loans.





## CCFs operating requirements



**Good Agricultural Practices:** one of the prerequisites for association members to access the CCFs is the application of a series of predetermined risk management Good Agricultural Practices, for example, field burning bans, mulch management, hedgerows, field bunding, agroforestry systems, community native seed banks, horticultural gardens, poultry prophylaxis, household hygiene, and water purification methods for human consumption.



**Income-generating activities:** each association draws up a business plan for the development of a parallel community income-generating activity that will recapitalize the fund and ensure its sustainability.



**Early Warning Systems:** CCFs are activated when the community declares an emergency situation identified by means of an Early Warning System. This system is a tool run by community committees that assess the availability, access, consumption and biological use of food as well as the management of the risk.



**Risk Management Plans:** are developed through a participatory approach to identify the threats and vulnerabilities and to help association members to overcome them.



**Fund management and administration:** the sustainability of CCFs also depends on good management and administration. This occurs when each association strengthens its constitution, bylaws and internal organization, and when its members receive training in loan administration and transparency in community funds management.

## Project outcome

### Beneficiary families

In Guatemala, the project targeted families that were members of 22 farmer associations (formal and informal). In Honduras, participating farmer families were members of 28 rural credit banks recognized under national law. All associations have a constitution and bylaws as well as prior activities in savings and loans.

In both Honduras and Guatemala women played a key role in the sustainability of Community Contingency Funds: they were the most active participants and the ones who ensured that savings payments were duly paid. In average, 71% of the association members were women.

### Financial establishment of CCFs in Honduras and Guatemala

Association and rural credit bank members in both countries were asked to make cash contributions for the distribution of FAO and government-run agricultural project inputs (seed money, credits, etc.). These contributions make up the first part of the CCF (40%). Another part of the CCF (40%) has been donated by the project implemented by FAO. The remaining 20% was collected and is constantly capitalized through income-generating activities developed and carried out by each association: **e.g. production of handloom fabrics, community grocery stores, gourd seed hulling, mushroom production, poultry production, farm supplies stores and vegetable production.**



## Activation of CCFs in Guatemala and Honduras

In Guatemala, association board of directors are responsible for activating CCFs through the Early Warning System known as “Sitio Centinela” (sentinel site), which consists of four commissions. These commissions assess the availability and access to food, its biological use and the management of risk. The decision to declare the emergency based on this information is made at an assembly meeting.

In Honduras, CCFs are activated when an emergency is declared by the national-level Permanent Commission for Contingencies (COPECO), which is the only agency legally authorized to declare an emergency. The process is initiated at a local level, where members of the Local Emergency Committee (CODEL) establish the emergency based on data provided by the Food Crisis Early Warning System (SATCA) and report to the Municipal Emergency Committee (CODEM) on the need to issue an official declaration of the emergency.

In both countries, associations have been equipped with a rain gauge and thermometer to register monthly rainfall in millimeters and average temperatures.

## Sustainability of CCFs in Guatemala and Honduras

The type of activities funded through CCFs also differs from one country to the other. The associations in Guatemala developed their own fund investment methodology and work plan for community-level productive projects that provide employment and income during periods of drought with no harvests. In Honduras, the fund is primarily earmarked for projects or activities of individual association members in emergency situations.

CCFs engage local and national authorities. This activity encourages both levels of government to define policies aimed at securing government funding.

### Additional information:

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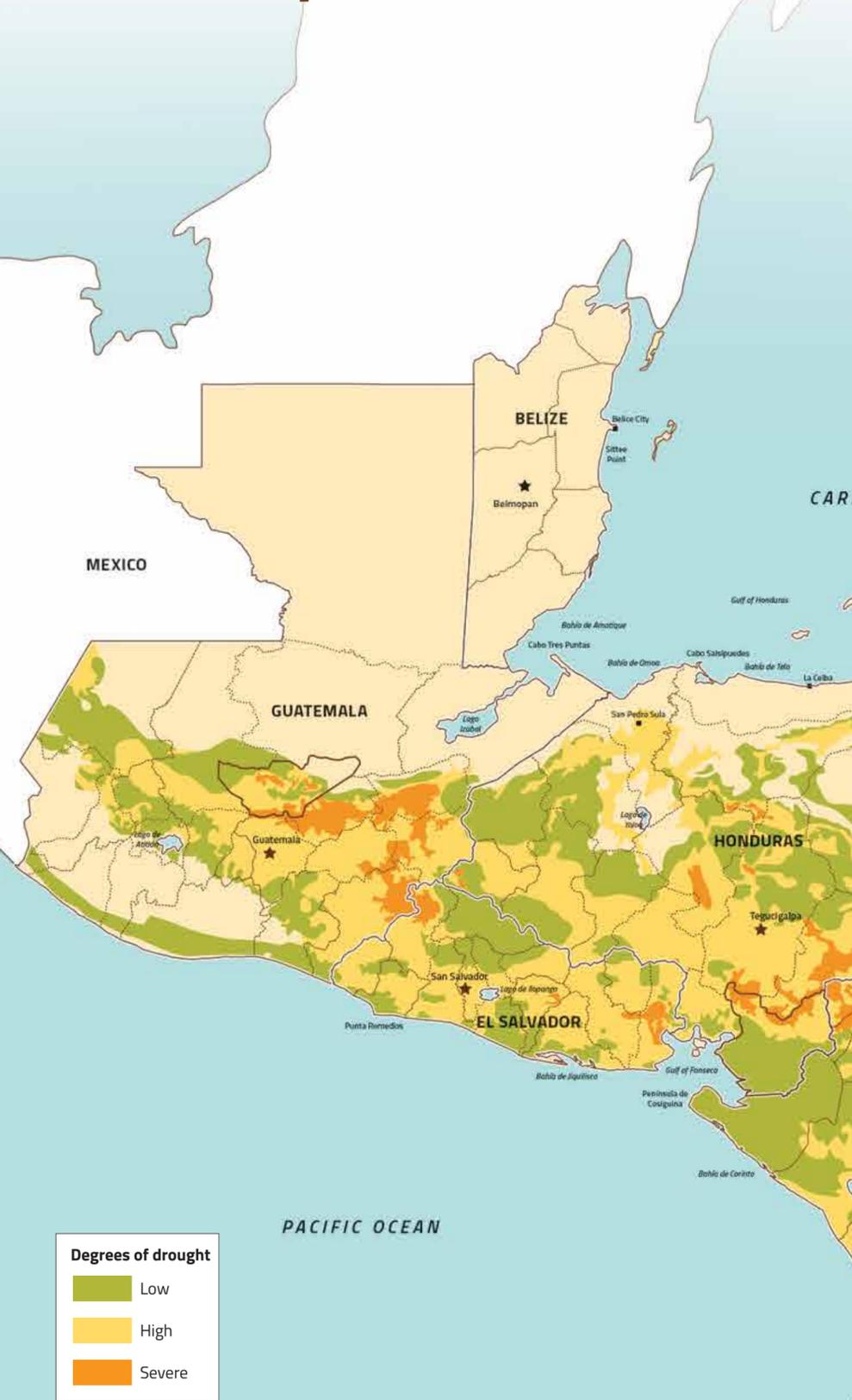
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Y GANADERÍA

# Community Contingency Funds

## in Central America's Dry Corridor



### How were the Community Contingency Funds developed for the Project?



### What activities can CCFs fund?

CCFs approved by the executive board of the organized group can fund a range of activities. In Guatemala, community productive projects were approved during the period of drought. In Honduras, on the other hand, investments were made for individual projects.



Purchase of supplies for the new farming season when crops have been lost.

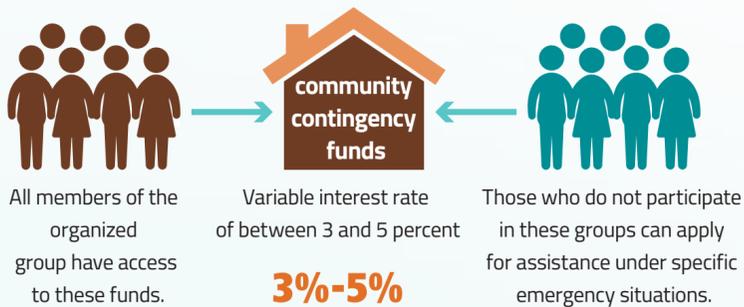


Cover family and household expenses in emergency situations.



Enable productive and commercial activities that generate income when the community has lost its sources of income.

### Access to Community Contingency Funds



### Women play a key role in CCFs



**71%** Women make up 71% of membership. They ensure the sustainability and make sure payments are duly paid for savings.

### Five basic elements for the establishment of Community Contingency Funds:



### How are CCFs recapitalized and made sustainable?

Each association draws up a business plan and initiates productive activities for the funds' establishment, replenishment and maintenance:

- Mushroom production
- Gourd seed hulling
- Poultry production
- Farm supply and grocery stores
- Vegetable production



Municipal governments and the central government can develop actions and policies to support the sustainability of the CCFs.

**1098** beneficiary families in Guatemala

4 municipalities in Baja Verapaz:

- 1 Cubulco
- 2 Rabinal
- 3 San Miguel Chicaj
- 4 Santa Cruz El Chol

**22** producer associations

**1794** beneficiary families in Honduras

4 municipalities in Choluteca:

- 1 San Antonio de Flores
- 2 San José
- 3 San Isidro
- 4 Pespire

**28** rural savings banks

