



Center for Social Development

GEORGE WARREN BROWN SCHOOL OF SOCIAL WORK

POLICY BRIEF

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Matched Savings Initiatives in Hungary and Slovakia: Pilot Projects and Future Directions

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Summary

Two asset-based matched savings initiatives are underway in southern Hungary and eastern Slovakia. These three-year asset-building pilot programs will focus on the rural poor with the goal of encouraging low-income families to save for assets that will pave the way to a better life.

The design of these pilot projects was modeled after Individual Development Accounts (IDAs) in the United States. As preliminary data from pilot projects becomes available, research in project documentation and experience learning will have the potential to significantly influence both governments' social policy.

Initiatives

Two major matched savings pilot initiatives have been implemented in Tolna County in southern Hungary and the Spis region of Slovakia. Both initiatives are projected to last three years, with the Hungary program running from 2005 to 2008 and the Slovakia program running from 2007 to

2010. The initiatives aim to encourage low-income families to save for assets that will pave the way to a better life.

With the support from the Soros Foundations Network, Autonomia Foundation in Hungary and ETP (Center for Sustainable Development) in Slovakia have led the implementation of the projects.

All low-income residents in Tolna County, Hungary, and the Spis region of Slovakia are eligible to apply for the program. Participants are required to be in the program for at least six months before receiving the matched funds benefits. Savings can be matched up to three times of the initial deposit and up to a fixed ceiling, depending on participants' target goal for assets. Once assets goals are met, community financial counselors can help participants invest in a home (either purchase or renovation), small-business setup, or personal development (including obtaining a driver's license). Slovakian participants are



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eligible for Habitat for Humanity home loans and can choose to save for a down payment.

Role of research

Research on Individual Development Accounts (IDAs) in the United States informed the design of these asset-building initiatives. Delphoi Consulting has been conducting research on the pilot initiative in Hungary, with the aim of measuring how well the program works and how low-income families have improved their lives through participation.

Discussion

In Central Europe, building assets for low-income families through savings products is increasingly viewed as a promising strategy for poverty reduction and sustainable development. The focus is on the medium to long term with specific assets target such as home repair or renovation or initial down payment. These two pilot initiatives have closely engaged local governments in both countries.

Caveats, concerns, challenges

(1) The pilot projects are still in their early stages. Although the potential seems great, it is not possible to predict how the projects will develop. (2) The most critical challenge is to motivate the poorest in the rural areas of both countries to participate in the programs. (3) Another major challenge is to gain the support of national governments in Hungary and Slovakia for a new social policy paradigm that includes asset-building.

Funding

The Soros Foundations Network has supported implementation of the asset-based initiative of matched savings in Hungary and Slovakia.

At this time, limited funding allocation has been made for research. A high funding priority is to involve the national governments to support these path-breaking pilot projects in Hungary and Slovakia.

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