



AGA KHAN FOUNDATION



## **Beyond Financial Services**

A Synthesis of Studies on the Integration of Savings Groups  
and Other Developmental Activities

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## Abbreviations

A4N	Agriculture for Nutrition
AKF	Aga Khan Foundation
ASCA	Accumulating Savings and Credit Association
CLP	Chars Livelihood Programme
COSAMO	Community Savings Mobilisation
CPM	Cost Per Member
CREAM	Community Organisation for Rural Enterprise Activity Management
CRS	Catholic Relief Services
FA	Facilitating Agency
HIV/AIDS	Human Immunodeficiency Virus / Acquired Immune Deficiency Disorder
ISAL	Internal Saving and Lending
MFI	Micro Finance Institution
MIS	Management Information System
MRHP	Mwanza Rural Housing Programme
NGO	Non-Governmental Organisation
OA	Other Activity
SG	Savings Group
SHG	Self-Help Group
SIGA	SILC Group Associations
SILC	Savings and Internal Lending Communities
UWESO	Uganda Women's Effort to Save Orphans
VSLA	Village Savings and Loan Association

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## 1.0 Summary

This document summarises the findings of a Learning Initiative<sup>1</sup> carried out by the Aga Khan Foundation (AKF) with support from The MasterCard Foundation, to study the integration of Savings Groups (SGs) and other developmental activities. The Other Activities (OAs) include: training provided to group members (separate from training for financial activities); products or services offered; cash or in-kind; linkages between the SG and service providers including financial institutions; creation of federations or networks of SGs; or any other product or activity in addition to the core financial activities of the SG (internal saving, borrowing, and insurance). In most of the cases studied, the OA was added to the SG after it began financial activities, but in other cases the order is reversed, and training in the core financial activities is offered to a group that is already engaged in an OA.

The Learning Initiative examined how SGs are leveraged for other development activities, how linkages to other services take place, and the associated costs, benefits and risks to group members. This paper summarises the findings and conclusions of the Learning Initiative regarding the sustainability of SGs and of the OAs, as well as the residual value or benefits of the OA that may persist after the intervention ends. It explores the internal and contextual factors that influence sustainability, replicability and outcomes. Finally, it concludes with some preliminary thoughts about good practice and some areas where further research would be useful. It is hoped that the findings of the Learning Initiative will assist facilitating and funding agencies in considering how SGs can be effectively leveraged to contribute to the achievement of their developmental goals.

Savings Groups, as discussed here, are time-bound, distributing ASCAs— Accumulating Savings and Credit Associations—that distribute their assets to the members at the end of regular cycles, and then begin again. SGs are widely believed to be a safe method for people to provide financial services to themselves, and one that is generally much less expensive per person reached than other approaches to providing financial services. SGs often serve people who would not otherwise have access to a safe way to save, or a convenient place to borrow.

A Savings Group can be reliably trained in eight to 12 months through a series of visits from a trainer, usually someone based in the community where the groups are located. Trainers generally work under the supervision of Facilitating Agencies (FAs) whose role is not to *provide* financial services, but to *facilitate* the SGs in learning to provide the core financial services of saving and lending to their members.

The recognition that SGs reach large numbers of people often living in remote rural areas, and do so in a low-cost, sustainable fashion, is creating growing interest in leveraging SGs to achieve other developmental aims. FAs are increasingly introducing a variety of OAs to SGs. This has created some concern that the OAs may put members' savings at risk or divert members from the core financial activities of the SGs.

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<sup>1</sup> The AKF Learning Initiative is described in detail in Annex One.

Under the Learning Initiative, AKF researchers conducted a number of studies, either through field research or desk reviews, to learn from experiences to date and understand the potential to achieve broader developmental objectives by adding-on other activities. While eleven studies were completed, this paper draws on findings from nine studies<sup>2</sup> focusing only on studies of SGs combined with OAs. However, because SGs are frequently compared with the large Self-Help Group movement concentrated in India, AKF also commissioned a comparative analysis of SGs and SHGs<sup>3</sup> to understand the similarities and differences between the two models and to situate SGs within the context of other community based movements. The eleventh study was from India examining the experience of a private sector consumer goods company sourcing sales agents through SHGs.<sup>4</sup> This study was excluded from the synthesis as an extreme outlier, in that the relationship between the private sector firm and the SHGs was very short-lived and tangential.

The studies are summarized in the table below, and described in Section 2.

**Table 1: Summary of Cases**

Case Location	SG Programme (and OA Programme if different)	Type of Other Activity	Facilitating Agencies	Period	SG Outreach	Researchers	Dates and Type of Study
Bangladesh	Chars Livelihoods Programme	Asset transfer	Maxwell Stamp PLC	2004-2010	Estimated 42,000 members in 2,000 by the end of 2010	David Panetta and Kate Conroy	July 2010 (Desk Review)
Central America	Agriculture for Nutrition Central America	Agricultural inputs	Catholic Relief Services	2008 – Present	3,283 members in 257 groups	Kim Wilson, Gaye Burpee, Jose Angel Cruz, Suzanne Andrews	November 2010 (Field Study)
Kenya	Community Savings Mobilisation	Various (determined by SG members)	CARE	2004-2008	In Rachonyo district, there were 979 members when project ended. There were 1702 at time of study.	Marcia Odell and Paul Rippey	March 2010 (Field Study)
Mali	Savings for Change	Malaria education	Oxfam and Freedom from Hunger Stromme Foundation	2007 - Present	340,000 members	Laura Fleisher Proaño and Kathleen Stack	September 2010 (Desk Review)

<sup>2</sup> One of the cases listed below, Mali Savings for Change, was not a full case study; rather a short brief was prepared drawing from a number of papers written on the programme and the experience of the authors.

<sup>3</sup> Lee, Nanci. Community Based Financial Services: African Savings Groups vs. Indian Self-Help Groups, October 2010.

<sup>4</sup> Harper, Malcolm, Kalluri Raja Reddy, Nanci Lee. Corporate Linkage with Self-Help Groups in India : Hindustan Unilever's Project Shakti – Good, Bad or Benign? November 2010.



Case Location	SG Programme (and OA Programme if different)	Type of Other Activity	Facilitating Agencies	Period	SG Outreach	Researchers	Dates and Type of Study
Nepal	Women's Empowerment Programme  Combating HIV/AIDS: A Literacy and Economic Approach  Save & Build	Literacy; women's empowerment; rights, responsibilities and advocacy training; HIV/AIDS education; Housing loans	Pact, Inc.  Habitat for Humanity	2002-2003  2005-2009	125,000 women in 6,000 groups	Marcia Odell	September 2010 (Desk Review)
Niger, Rwanda	Mata Masu Dubara (Niger)  CLASSE-Intambwe (Rwanda)  Access Africa	Bank linkages	CARE  Access Africa	Niger: began 2004. Rwanda: began 2004; present status of both unknown	Niger: At least 150,000 members. Rwanda: 33,446 members (69% women) in 2,218 SGs	Paul Rippey	February 2011 (Desk Review)
Tanzania	Chickpea Promotion Project	Agricultural marketing	Catholic Relief Services and Mwanza Rural Housing Programme	2005-2009	190 groups and 5020 members	Ben Fowler and Candace Nelson	May – June 2009 (Field Study)
Uganda	Village Savings and Loan Associations	Solar lanterns	Uganda Women's Effort to Save Orphans (UWESO)  Community Organisation for Rural Enterprise Activity Management (CREAM)	2007 – Present	UWESO: over 50,000 members; CREAM: 63,314 members	Candace Nelson and Paul Rippey	May 2010 (Field Study)
Zimbabwe	Internal Savings and Lending Project and Agribusiness Entrepreneur Network and Training	Agricultural inputs	CARE	1998 – Present (ISAL)  1995 – Present (AGENT)	127,000 members	Ben Fowler and David Panetta	May 2010 (Field Study)

While all the studies followed a common research methodology, the programmes that were studied varied greatly in context, approach, and in the nature and method of delivery of the Other Activity. This report attempts to clarify and classify the wide variety of OAs by analysing six fundamental aspects: their genesis; the architecture of the delivery mechanisms; the complementarities between the OA and the core functions of the group; the results achieved; the degree of risk created; and the prospects for sustainability and replicability.

*Genesis:* In most of the cases studied, the OA was an initiative of the Facilitating Agency, sometimes in conjunction with other NGOs or the private sector. In only one of the studies were the OAs the initiative of the groups themselves. This is not surprising, given that the selection of the studies in the sample was not focused on finding group-initiated activities, which are probably more common than their frequency in these studies suggests.

*Architecture of Delivery:* Other Activities can be delivered through three types of delivery models: *linked*, in which staff of two separate organisations work separately or in tandem, with one providing the core financial training to the SG members and the other providing the OA; *parallel*, in which different staff of the same Facilitating Agency provide both services; and *unified*, where the same staff within a single Facilitating Agency deliver both the SG training and the OA. Researchers encountered all three models, and this study concludes that there are several factors to consider in determining which delivery model is most appropriate: the congruence between SGs members and the intended audience of the OA, the expected receptivity of SG members to the OA, the skill sets of FA staff, and the acceptable cost of programming.

*Programmatic Complementarity:* Some OAs provide a good fit to the core functions of the Savings Group because they leverage the core financial operations of the group, inviting members to spend small sums, increasing their savings through improving their businesses or decreasing their household expenses. While it might be assumed that greater complementarity leads to greater success, there was not enough evidence from the cases to conclude that complementarity is a necessary characteristic of OAs to be successful.

*Results:* Most of the programmes studied were young, still on-going, and it was early to evaluate the impact of the OA. As a result, it was difficult to acquire hard data to provide definitive conclusions about the results of many of the programmes. Nevertheless, this synthesis estimates the results to date where possible, and finds them largely positive.

*Risk:* Many OAs create little risk for the group, because they put at stake members' time as opposed to their financial resources. Others carry more risk, as they invite individual members to invest their own money or require the whole group to participate. Finally, some seem to be particularly high risk, because they require the group to use some or all of the group funds to guarantee an external loan or to invest in or lend to a marketing federation. While risk is not in itself a bad thing, FAs bear moral responsibility for the outcome of the OA, to the extent they urge or require group members to take part in it, and the greater the risk, the more responsibility they bear.

*Sustainability and Replicability:* The Learning Initiative defined sustainability as the capability of the Savings Group and the Other Activities to continue to supply the intended goods or services to group members after the period of intervention, including being able to grow and adapt. While the experience of leveraging SGs for other development activities is still young, the cases illustrate the importance of Facilitating Agencies developing an exit strategy and sustainability plan at the outset of the intervention to avoid a sudden rupture of services or the on-going dependence on donors. The replicability of all the cases studied depended on certain contextual factors being present, and any effort to duplicate the programmes described here should take those factors into consideration.

Some lessons begin to emerge for Facilitating Agencies from these classifications and findings. An important first principle is that programmes that leverages groups for Other Activities need to respect all that has been learned about the design and management of development programmes, including broad prior consultation with stakeholders, careful planning, transparency, respect for local culture and desires, and monitoring and correction and, as mentioned above, a vision for the future that does not include the Facilitating Agency's ongoing involvement.

In addition to respecting the rules of good development when designing and implementing SG programmes, the following ideas should be kept in mind when offering Other Activities to Savings Group members:

- *Respect Principles of Good Programme Design and Implementation:* Careful planning, transparency, avoidance of creating dependency, an exit strategy, and willingness to make corrections are important to success in SG programmes, as in all programmes.
- *Match Delivery Mechanisms to the Type of and Demand for Other Activities:* This paper suggests using a “unified” delivery model when overlap in outreach is desired; overlap will not happen automatically with “parallel” or “linked” models, even when a FA has built it into its programme plan and staff training. “Unified” delivery models are also useful for controlling costs. Conversely, first consider “parallel” or “linked” delivery models when the market for the OA is much larger, smaller or different than SG members or when the OA is too complex to be delivered by SG implementing staff, or not consistent with its mission, skill set or legal status.
- *Recognize Additional Capacity and Resource Requirements:* SGs are easy to replicate but as other services are added, there is a risk that increased complexity can be problematic for the Facilitating Agency, just as it can for the SG. FAs should be cautious in marrying complex OAs to SGs.
- *Weigh Responsibility for Risk:* Facilitating agencies should consider their responsibility for the risks associated with any OA. Risk is not inherently negative and sometimes high-risk ventures have high payoffs. However, programmes should assess risk and manage it, and in particular, avoid transferring risk to groups or individuals that are not capable of absorbing losses; this applies especially to any OA that requires the use of group or individual member funds.
- *Measure Costs of SG and Other Activities Accurately:* It is recommended that the FA consider having a clear written policy about attributing costs to the two elements, and stating that groups are to be considered independent and sustainable at the end of the first year.
- *Assess Sustainability:* FAs should consider up-front the impact of any OA on the sustainability of the Savings Groups themselves, of the OA and of the capacity of the system to adapt and expand the benefits provided by the OA, by developing an exit strategy, and by asking the questions, *Who does?*, and *Who pays?* once the intervention ends.
- *Proceed with Caution:* While the results of combining Other Activities with SGs documented in the case studies were largely positive, they also revealed issues surrounding risk, costs and sustainability, and suggest that caution is warranted.

Finally, this report points to additional research suggestions in the areas of the dual nature of Savings Groups as social and financial institutions; the ways groups adapt the procedures they are taught and their motivations for doing so; whether the sequencing of SGs and OAs is important and, if so, whether there are practices to recommend; the complex relationships and sometimes differing agendas among SGs, international partners and local partners, and FAs; the question of what groups are included or excluded not only in SGs, but especially in OAs; and, based on programmes with a longer experience than those studied here, how well do OAs grow and adapt as the SGs evolve, and how do self-replicating groups access OAs.

An introduction to the AKF Learning Initiative is provided in Annex One, while a description of the model and history of savings groups is provided is presented in Annex Two.

## 2.0 Overview of the Learning Initiative

This document summarises the findings of a Learning Initiative carried out by the Aga Khan Foundation (AKF) with support from The MasterCard Foundation, addressing the integration of Savings Groups (SGs) and other activities (please see Annex One for a detailed description of the Learning Initiative). The Learning Initiative examined how SGs are leveraged for other development activities, how linkages to other services take place, and the associated costs, benefits and risks to group members. The Other Activities (OAs) can be training provided to group members in addition to the training for the core financial activities; products or services offered; cash or in-kind transfers; linkages between the SG and other service providers, including financial institutions; creation of federations or networks of SGs; or any other product or activity in addition to the core financial activities of the SG, saving, borrowing, and insurance. In most of the programmes studied, the OA was added to the SG after it had started its financial activities, but in other cases the order is reversed, and training in the core financial activities is offered to a group that is already involved in an OA.

Savings Groups, as discussed here, are time-bound, distributing, Accumulating Savings and Credit Associations (ASCAs). They are typically groups of 15 to 30 people who collect savings regularly from their members, make small loans out of the collected savings, distribute the assets to the members at the end of regular cycles of about a year<sup>5</sup>, and then begin again. SGs are widely believed to be a safe way for people to provide financial services to themselves, and one that is generally much less expensive per person reached than other approaches to providing financial services. SGs often serve people who would not otherwise have access to a safe way to save, or a convenient place to borrow<sup>6</sup>. A detailed description of the model and history of savings groups is provided in Annex Two.

Savings Groups are frequently compared with Self-Help Groups (SHG). SHGs are concentrated in India and make up what is frequently cited as the largest community based microfinance movement in the world<sup>7</sup>. AKF commissioned a comparative analysis of SGs and SHGs as part of the Learning Initiative to better understand the similarities and differences between the two models, and to situate SGs within the context of other savings-led movements. The analysis noted the fundamental methodological similarities between these two approaches, in which people form small self-managed savings-led groups, and make loans among themselves.

It also documented the important differences: SHGs tend to not distribute or do so only partially, and they typically have a long-term relationship with their creator; whereas SGs are often—though certainly not always— independent following their formation and training, and regularly distribute all of their accumulated savings and earnings. Linkages with banks or other financial institutions are promoted to SHGs, whereas they are much less common with SGs. This may result in SHGs being more credit-led than savings-led in contrast to SGs. SHGs tend to deposit their savings in a formal institution (often a condition of accessing credit), whereas SGs tend not to. Finally, SGs tend to be less complex relative to SHGs, particularly in bookkeeping.

<sup>5</sup> An exception is the WORTH model, which differs from the savings group methodology practiced by other Facilitating Agencies in that most groups regularly distribute interest earnings but allow savings to accumulate indefinitely.

<sup>6</sup> Allen, H. and Panetta, D., “Savings Groups: What are they?”, The SEEP Network Financial Services Working Group, June 2010. This and many other publications about savings groups are available at [www.savings-revolution.org](http://www.savings-revolution.org).

<sup>7</sup> For example, in Mansuri, Dr. B. B., “Microfinancing through Self Help Groups-A Case Study of the Bank Linkage Programme of NABARD”, *Asia Pacific Journal of Research in Business Management*, p.149

With the expansion of SGs beginning in the early 1990's, techniques for training members to manage their groups have been continually refined, and now a group can be reliably trained in eight to 12 months through a series of visits from a trainer, usually someone based in the community where the groups are located. These trainers are in turn trained and managed by Facilitating Agencies (FAs), usually international or local NGOs; Facilitating Agencies are so named because their role is not to *provide* financial services, but to *facilitate* the SGs in learning to provide the core financial services of saving and lending to their members.

As SGs have expanded, it has become evident they can facilitate the rapid mobilization of very large numbers of people living in remote rural areas, generate enduring social capital through regular meetings and financial transactions and have a strong track record of continued operation and growth following withdrawal of the Facilitating Agencies (please see Annex Two). As a result, there is growing interest in leveraging SGs to achieve other developmental aims. FAs are increasingly introducing a variety of other activities to SGs, including health or literacy training, linkages to agricultural inputs or marketing services, access to 'social' products, and financial services such as wholesale loans or savings accounts from formal institutions. The addition of these other activities has created concern among some practitioners, who fear that the addition of other activities may put members' savings at risk and divert members from the core financial activities of the SGs.

Under the Learning Initiative, researchers conducted 11 studies, either through field research or desk reviews, to learn from experiences to date and understand the potential to achieve broader developmental objectives by integrating SGs and OAs. Findings from nine of the studies are synthesised in this paper focusing only on studies of SGs combined with OAs. In addition to the SHG-SG comparative study described above, a case study was commissioned to examine the experience of a private sector consumer goods company sourcing sales agents through SHGs in India. The study by Malcolm Harper examined the case of Hindustan Lever's 'Project Shakti' which sells approximately 100 million dollars worth of personal and homecare items annually through some 45,000 women who are members of SHGs. However, there is only a modest linkage between Hindustan Lever and the groups, which are used mainly as an entry point to assist the company in identifying and hiring suitably qualified women as salespeople. The groups play little part in the scheme thereafter. Thus the findings from this study were excluded from the synthesis due to the short-lived relationship between Hindustan Lever and the SHGs.

The bulk of the case studies were conducted in 2010 with one conducted in 2009 and one in 2011. The geographical focus of the studies very roughly mirrors the distribution of Savings Groups in the world, as the majority, six of the studies, are from Africa, two are from South Asia, and only one concerns programmes in Central America. All of the studies concern time-bound distributing accumulating savings and credit associations except for the Nepal study, which involve non-distributing ASCAs (the Nepal programme concerns what could be called partially distributing ASCAs, which pay out earnings every six months but allow savings to accumulate indefinitely). The selected cases differ substantially in terms of how the OA is delivered: in some cases by the Facilitating Agency itself and in others by an external organisation such as a local and international NGO, a private sector firm, and people working on a volunteer or fee-for-service basis. The objectives of the OA include such diverse goals as health education, solar lamp sales, collective purchase of agricultural supplies, women's empowerment and wholesale lending. The studied cases also vary significantly in terms of the benefits and risks they create for group members in terms of costs and the sustainability of the Other Activities.

Three studies, Zimbabwe, Tanzania and Central America, document very different paths to improving returns to agriculture by linking farmers in Savings Groups to sources of inputs or



to markets. The Uganda case involves a private sector effort to use Savings Group networks to increase sales of consumer goods. In the Nepal and Mali cases, FAs combined training activities with Savings Groups; the Nepal case involved literacy, women's empowerment training, and rights, responsibilities and advocacy training, while in Mali, groups were offered malaria education. Two countries, Niger and Rwanda, were addressed in the same study of wholesale lending. In Bangladesh, Savings Groups were added to an asset-transfer programme and in Kenya, the study sought to discover what OAs developed spontaneously when a Savings Group programme was left on its own for two years.

Most Savings Group programmes include both men and women, though they typically have a preponderance of women members. The Mali and Nepal programmes are exceptions, in that they are limited to women. None of the studies specifically focuses on the impact of the OA on gender roles, nor on the differential take-up of the OA by men and women, and as such this is listed as an area for future research in Section 5.

In some cases, people who had been involved in the design or execution of the programme carried out the studies. The decision to take this route was based on the trade-off between the expediency of having someone well versed in the programme do the research, versus the compromise of the loss of the appearance of objectivity. Each study is described briefly below.<sup>8</sup>

## 2.1 Bangladesh



Authored by David Panetta and Kate Conroy, this study examined the Chars Livelihood Programme (CLP), a seven-year initiative (2004-2010) aimed at assisting 55,000 extremely poor people in northern Bangladesh.

The CLP was a multi-input programme implemented by Maxwell Stamp PLC, of which an asset transfer programme was the primary intervention, providing cash and productive assets to all participating households. The programme recognized that many clients did not access formal savings or insurance products to smooth their consumption patterns, causing them to rely on harmful coping strategies including the drawdown of productive assets. As a result, the programme introduced SGs, called Village Savings and Loan Associations (VSLA). The study projected that over 40,000 individuals would have joined one of 2000 VSLAs by the end of 2010.

The study found that Savings Group membership was correlated with greater savings and higher income, and that the amount saved did not decline in the three months following the withdrawal of programme's cash stipends to participating individuals. Further, over 80 percent of VSLAs were still operating after completing two full cycles. Overall, VSLAs were found to strongly support the overall objective of the programme to reduce vulnerability and build the assets of the extremely poor.

<sup>8</sup> One of the cases, Mali – Savings for Change, was not a full case study; rather a short brief was prepared drawing from a number of papers written on the programme and the experience of the authors.

## 2.2 Central America



In four countries of Central America—El Salvador, Honduras, Guatemala, and Nicaragua—Catholic Relief Services (CRS)’s Agriculture for Nutrition programme (A4N) works to help participants acquire skills in five areas: agricultural production; marketing; saving and lending; group organization and management; and innovation and learning.

Local implementing partner agencies were encouraged to start Savings Groups as a means of helping villagers acquire those skills, particularly savings and lending, group organisation, and innovation and learning. Although partner staff, specialized in agriculture, were sceptical of the value of Savings Groups and reluctant to integrate them into their on-going agricultural programmes, the initial success of the groups largely won them over and the groups have subsequently expanded to 257 with 3,283 members (2010).

In all four countries, free goods and services were also made available, including veterinary kits, agricultural inputs, and training. The conflicting pull between hand-outs and the self-help values of the Savings Groups created tensions within groups, and also among staff, according to the study’s authors: Kim Wilson, Gaye Burpee, Jose Angel Cruz and Suzanne Andrews. In some countries, the hand-outs were in the form of co-investments requiring groups to put most of their savings into potential money-making activities, but some members did not appreciate the risk that this created. Many groups held raffles and dances to raise money, in some cases earning far more from these sources than from interest earnings. This unexpected outcome may have led to pressure by the promoters to embed raffles within all the groups, introducing unpredictability and chance, which were not qualities that A4N wanted to promote.

## 2.3 Kenya



The Kenya study differed from the others in its objectives: rather than examine the functioning, risks and benefits of known OAs, Marcia Odell and Paul Rippey visited groups formed by CARE’s *Community Savings Mobilisation* project (COSAMO) between 2004 and 2008. The SGs had not had any further contact with CARE since then. The objective was to discover what sorts of linkages and value-added activities had been created since the end of project assistance.

The study found that almost all the groups still existed two years after CARE left, although it also noted that most of the groups had existed in one form or another before CARE trained them, so that their durability was hardly surprising. In addition, the study documented a large number of new Savings Groups that had come into existence since CARE’s departure through fission or splintering of existing groups; or which were formed by dedicated local social entrepreneurs; or created by introducing the SG methodology into existing rotating savings and credit associations (ROSCAs,) or “merry-go-rounds”. In total, the 979 SG members at the end of the project had grown to 1702 at the time of the study (2010).

Almost every group carried out OAs in addition to the financial services, in many cases multiple activities. Remarkably, almost all the OAs were initiated by the groups themselves, and not by outside NGOs or government programmes. Two activities were found in many of the groups: joint income-generating activities, which seemed in some cases to be more successful at reinforcing a sense of cohesion among the members than at generating revenue; and various efforts to aid widows or orphans or other needy segments of the community.

## 2.4 Mali



Starting in 2007, Oxfam has worked with Freedom From Hunger and the Stromme Foundation to form Savings Groups in a drought prone and exceptionally poor country, through a programme called Saving for Change that had reached 340,000 members as of December 2010.

In designing the programme, the implementers noted the high incidence of malaria, the cost of treatment, the time lost from productive activities, and the limited knowledge about malaria prevention and treatment. They decided to include training in this topic as part of the programme. The malaria information is presented through materials especially developed for non-literates and delivered through six “technical learning conversations”, of about 30 minutes each that occur before regular savings and credit meetings of the group.

Authors Laura Fleisher Proaño and Kathleen Stack cite emerging evidence that the training is effective in increasing knowledge of the causes of malaria and in encouraging the use of treated mosquito nets. The implementing partners argue that the marginal cost of the training is quite low because the malaria training is given by the same trainers who deliver the savings and credit training, a model called *unified service delivery* (see section 3.2 below). The study concluded that to be effective, messages must be simple to understand, take a small amount of time to deliver, and be relevant to local realities.

## 2.5 Nepal



The WORTH programme in Nepal, started by Pact Inc., was a woman’s empowerment programme, with not only a Savings Group component but also literacy, business development, and rights and advocacy training. These interventions were delivered more or less simultaneously, and were seen to be mutually reinforcing: literacy made women better group managers, stronger groups helped in business development, and so on.

The programme’s fieldwork began in 1999, ultimately reaching 125,000 members in 6,000 groups. The study by Marcia Odell focuses on two programmes initiated by outside organisations, after assistance given by Pact Inc. in group formation and financial procedures ended in 2001.



One OA, *Combating HIV/AIDS: A Literacy and Economic Approach*, implemented by Pact, Inc. from 2002-3 was a reproductive health programme that disseminated information on HIV/AIDS and other topics to women through the groups. A post-programme evaluation concluded that the programme was successful in meeting its objectives and benefited from working with established Savings Groups, although only a third of the participants requested further training in this externally initiated programme.

In the other programme, *Save & Build*, implemented by the local Habitat for Humanity office from 2005-9, groups vetted both SG members and non-members for external housing credit, made and collected the loans, and provided technical support to homeowners. An end-of-programme evaluation found that the partnership between Habitat Nepal and the Savings Groups was very successful, benefitting significantly from the fact that groups were already functioning. It also identified some risk factors to be addressed before scaling up, including the risk that the flow of cheap capital for housing would weaken the savings culture of the groups; the danger of overwhelming the members who manage housing loans with an increasingly complex burden of financial management and bookkeeping; and the financial risk to the groups, which guarantee the loans made to members and non-members alike. This OA did not prove sustainable after the programme concluded.

## 2.6 Niger, Rwanda



Two African countries – Niger and Rwanda - have long and documented experience in linking Savings Groups with wholesale lenders, and a third experience is now being carried out across Africa.

As summarized by Paul Rippey, in Niger, MFIs were introduced to SGs and encouraged to take wholesale loans by CARE from 2004 under the Mata Masu Dubara programme. The MFIs lent with little respect to the needs or investment opportunities of the

groups, which were reaching 150,000 members at their peak. Many groups broke up as a result, and many others experienced stress and member loss. The experience was deeply affected by the context: groups of non-literate rural women were urged to take loans in some cases by the same people who had earlier encouraged savings.

Rwanda presented a very different context: pre-existing mixed-gender groups of people with the same occupation were introduced by CARE first to the savings methodology starting in 2004, then to the option of taking external loans. Loan applications were carefully vetted by apex organisations. The experience was more positive than that in Niger: the repayment rate for external loans was around 93 per cent. CARE assumed 100 per cent of the lending risk. The Rwandan experience had more benefits and caused fewer problems than that of Niger, among those that participated from the 33,446 members and 2,218 SGs at the time of the study (2007). Finally, the desk review briefly summarises the lending principles of Access Africa, a continent-wide programme of CARE that has incorporated most of the lessons of the earlier experiments.

## 2.7 Tanzania



In Tanzania, the NGO Catholic Relief Services (CRS) and its partner Mwanza Rural Housing Programme (MRHP) sought to use Savings Groups (called Savings and Internal Lending Communities, or SILC) to improve access to agricultural markets for their members through the Chickpea Promotion Project that lasted from 2005 to 2009.

CRS and MRHP did this by creating apex structures called *SILC Groups Associations*, or SIGAs. SIGAs are federations of at least four SILCs based within a single community. They primarily function as marketing cooperatives that negotiate with buyers to purchase the major cash crops produced by SILC members and other farmers in the community.

The study's authors, Ben Fowler and Candace Nelson, concluded that this arrangement had many benefits for the farmers: grouping crop sales reduced transaction costs for crop dealers, and SIGA members were able to negotiate better terms with them. In addition, CRS and MRHP worked with the SIGAs to switch from a volume-based measure of crops to a weight-based measure, which was more favourable to farmers. The possibility of improving opportunities to market their crops is quite attractive to the SILC members and many of them were quite enthusiastic about the scheme.

On the other hand, the SIGAs face challenges that threaten their sustainability. SIGAs are too large to rely on the intuitive management systems of the 190 SILC and their 5020 members, in which all financial transactions take place in front of all members; instead, they must rely on more complicated bookkeeping systems. However, they are not large enough to afford professional management and outside financial audit. As a result, they suffer from substantial risk of elite capture by their volunteer managers and are possible targets for fraud and mismanagement.

## 2.8 Uganda



This study by Paul Rippey and Candace Nelson documented the experience of two Ugandan NGOs, Uganda Women's Effort to Save Orphans (UWESO) and Community Organisation for Rural Enterprise Activity Management (CREAM), as both institutions piloted partnerships with a commercial enterprise to sell solar lamps to the members of their SGs. At the time of the study, UWESO reported more than 50,000 SG members while CREAM had 63,314 members.

Since initiating SG promotion in 2007, both CREAM and UWESO practice a model of SG promotion that the authors called "Train and Retain": they have no desire to abandon groups once they are trained; instead, the two NGOs benefit from their linkage with the SGs and look for ways of remaining in contact with the groups, both to provide them with additional support as the groups face crises and transitions, and to provide additional OA services beyond the Savings Group training. For both NGOs, the sale of solar lamps was an integral

part of the Train and Retain strategy, as trainers supplemented their income by selling solar lamps primarily, but not exclusively, to members of the Savings Groups they had formed.

The two NGOs experimented with three separate models for managing and remunerating their trainers as they sold lamps; the results varied according to the extent to which the schemes benefited from careful planning, good record-keeping, and appropriate levels of compensation, transparency and after-sales service. The AKF researchers were cautiously optimistic that the model being introduced by CREAM could continue indefinitely without distorting either markets or CREAM's objectives; in this model, trainers, furloughed due to the end of programme funding, were converted into "Village Agents" and paid primarily on a fee-for-service basis by new groups they formed, with an important additional component of their compensation coming from commissions earned on the sale of solar lamps. The commissions from lamp sales were estimated to be enough to raise their total income to approximately what it had been when they were salaried employees working under a donor grant. The case study pointed out that CREAM faces a significant challenge in moving into a commercial area in which it has little experience and will need to master such aspects of commercial sales as inventory management and after-sales service. The remainder of this synthesis paper refers specifically to CREAM's Village Agent model.

## 2.9 Zimbabwe



Zimbabwe hosts one of the oldest NGO-initiated Savings Groups programmes, called Internal Saving and Lending (ISAL), which was started by CARE in 1998 and has reached an estimated 127,000 members. This study by Ben Fowler and David Panetta describes how CARE has tried to integrate the ISAL programme with an agricultural programme (Agribusiness Entrepreneur Network and Training, or AGENT) launched in 1995 that works to build access to agricultural inputs and

markets for small farmers. AGENT provides training to agro-dealers, along with assistance in linking them to wholesalers and markets. In 2004, CARE started intentionally implementing ISAL in areas where AGENT had already been introduced, and vice versa, with the hope that Savings Groups would improve the capacity of members to purchase agricultural inputs.

The study concluded that Savings Groups were not natural vehicles for the collective purchase of inputs. While membership in a Savings Group made it more likely that individual members would be able to purchase agricultural inputs, the linkages between groups as a whole and agro-dealers seldom occurred. This was sometimes due to a lack of coordination and poor integration between the two programme elements, and sometimes because the heterogeneous livelihoods of Savings Group members made it difficult for all the members to agree to common actions that had not been the original purpose of the group at the time they joined it.

The study also found that while the SGs were natural complements to agricultural promotion, because they allowed farmers a chance to accumulate wealth to invest in farming, other types of associations that were active in the working area, including production-oriented groups, were more natural targets for linkages with the agro-dealers.

### 3.0 Classifying and Understanding Other Activities

Understanding OAs begins with classifying and describing them. The Learning Initiative identified six aspects through which learning from the cases can be explored:

1. *Genesis*: What motivated the additional activity? What was the objective and whose initiative was it?
2. *Architecture of Delivery*: How was the OA delivered? To whom? What were the roles of the different actors?
3. *Programmatic Complementarity*: How well did the OA and the implementation of the OA complement the existing financial activities of the Savings Group?
4. *Results*: What were the intended benefits, costs and risks of the OA? What happened, and how did that differ from what was intended?
5. *Risk*: What risks are associated with the OA? Are the group's assets at risk? Are some additional activities riskier than others? Should institutions accept moral responsibility for any risks they may expose the SGs to?
6. *Sustainability and Replicability*: Is the OA sustainable when delivered through the Savings Group? Are the benefits sustainable? Does the addition of an OA affect the sustainability of the SGs? Is there a model that is replicable in other areas? How does context influence replicability and sustainability?

Each of these aspects is discussed below in relation to the programmes studied as part of the Learning Initiative.

#### 3.1 Genesis

In most of the programmes studied, the OA was the initiative of the Facilitating Agency which perceived a need or an opportunity that could be addressed by leveraging SGs. In Mali, the FAs were aware of the heavy costs of malaria in people's lives and so delivered health education programming to address gaps in knowledge about malaria. In Zimbabwe and Tanzania, the added activities were designed by the FAs to help group members improve access to agricultural input and output markets, as part of a strategic plan to help groups generate wealth, and not simply access financial services. In Nepal, a women's empowerment component was central to the programme that created the SGs. As a result of the groups' cohesion and developed trust, the SG members were optimal target audiences for additional OAs, which were implemented by the original FA and an external NGO. In Niger, the same donor that was supporting the facilitating agency for the SGs was also supporting a number of small MFIs and thought it could help the SGs gain access to additional credit funds through MFIs. In Central America, the OA was initiated by the same donor that was facilitating the SGs. The origins of the various Other Activities are summarized in Table 2.



**Table 2: Genesis of the Other Activity**

Country	Genesis of Other Activity
Bangladesh	Facilitating Agency
Central America	Facilitating Agency and donor
Kenya	Savings Group Members
Mali	Facilitating Agency
Nepal	Facilitating Agency and external NGO
Niger	Donor and Facilitating Agency
Rwanda	Facilitating Agency introduced external partner
Tanzania	Facilitating Agency
Uganda	Private sector firm and Facilitating Agency
Zimbabwe	Facilitating Agency

Only in the Kenya case were most of the OAs the initiatives of the groups themselves; however, Kenya’s uniqueness among the studies is an inevitable outcome of the sample selection process, which favoured large, well-known programmes of international NGOs. When the groups themselves initiate OAs, they tend to be undocumented and unknown to the FA. The large number of additional activities encountered in Kenya strongly suggests that groups will engage in additional activities, whether or not an external organisation seeks to introduce OAs systematically.

The studies showed that occasionally the agendas and desires of the different parties did not completely coincide. For instance, some Savings Group members in Niger were reticent about having the group take a wholesale loan and manifested their lack of enthusiasm by leaving the group; similarly, some of the staff in the Central American case expressed reservations about the free goods that were being offered to savings group members.

### 3.2 Architecture of Delivery

The architecture of delivery refers to the *delivery model*, that is, the roles of the different parties that provide or facilitate the provision of the Other Activities to the groups, and the *congruence* between the potential audience for the OA (i.e. the individuals who are intended to participate in the OA) and the population of SG members.

A typology developed by the NGO Freedom From Hunger offers a helpful framework that is used here to understand the three delivery options for Other Activities available to FAs<sup>9</sup>:

- In the *linked* delivery model, the OA and the SG training are provided by two or more independent institutions. In the housing programme in Nepal, an outside development programme (Habitat for Humanity) piggybacked on the existence of the groups. The Uganda study noted that some of the groups there have as many as ten outside organisations that visit them or provide some OA, and the FA cannot say with assurance that it is aware of all the outside organisations that visit the SGs. In most cases, the OAs were added after the groups were formed, and in some cases, even after the FA had left; these cases, where the FA and the other organisation provide services at different times, are also here considered linked.

<sup>9</sup> Sustainable Integration of Microfinance with Education in Health, Family Planning and HIV/AIDS Prevention for the Poorest Entrepreneurs, Christopher Dunford, Freedom from Hunger, commissioned by the Microcredit Summit Campaign, August 2001, 8-9. The article, prepared for the Microcredit Summit Campaign in 2001, speaks throughout of “microfinance”; the distinctions work equally well when applied to SG programmes.

- In the *parallel* delivery model, the OA and the SG training are provided by different staff of the same organisation. In the Central American case, different staff members of the same programme (A4N) were responsible for training in SG methodology and for the OA. The same was the case in Zimbabwe, where parallel staff facilitated the development of the agro-dealers; this evolved into a linked model as the agro-dealers began offering services themselves and the FA ended its role. In the case of Nepal, the HIV education activities were provided by different staff of the same FA (Pact Inc.) well after the SG training component had ended.
- In the *unified* delivery model, all services—SG training and the OA—are provided by the same staff from the same institution. Mali is an example, as the same trainers offer both financial services training and malaria education. Tanzania is a second example in which the same field staff formed both the SGs and the apex marketing associations, although that programme differs from Mali in that in Tanzania the marketing associations served a population that extended beyond the members of SGs.

The cases studied were fairly evenly split among the three delivery models, although classification is not always easy. Freedom from Hunger points out that many programmes straddle these categories, and this is true of the AKF studies also. Zimbabwe was a case of parallel service delivery, in that two different staff from the same agency work in parallel: the SG facilitator and an agro-dealer facilitator; the goal was that in the long run, the service delivery would be linked, because the private sector agro-dealer would continue to provide services to the SGs. In Uganda, the lamp sales were initially unified, because the SG trainers were also selling lamps; when donor funding ran out, the trainers became free agents, still carrying out the same functions of training and lamp sales, but now as independent consultants paid by the groups and thus technically in a linked model.

*Congruence of target audience:* A critical factor for FAs selecting a delivery model for an OA is the congruence between the universe of SG members and the intended audience of the OA.

In some cases, the intended audiences for the SG and the OA overlap but are not identical. This was the case of Zimbabwe, where only a small proportion of SG members used the services of the agro-dealers while the audience or target market of the agro-dealers also included many farmers who were not SG members. Overlap can be *high* or *low*, to the extent that the two audiences approach being identical.

Limiting a service to only Saving Group members restricts access to a service that may be demanded by many other community members. Linked programmes allow the provider of the OA to reach group members, and avoid the complexities of reaching a large population of non-members, or offering a service within the SGs that only interested some of the members. A parallel structure allows the FA essentially to outsource the service delivery of the OA. If the OA's objectives and approach are consistent with the FA's strategy and programme, a parallel delivery structure might be appropriate, as was the case in Central America, where separate staff from the same programmes delivered different services to the groups.

Occasionally, the intended audience for the OA is essentially identical to the universe of actual SG members. This was the case in Mali, where all Savings Group members received malaria education. In this case, a unified delivery model increases the likelihood of congruence between SG members and the population targeted by the OA. It was observed that even within programmes that attempted to ensure overlap of SG members and OA beneficiaries but that used linked or parallel delivery models, such as Zimbabwe, achieving congruence proved quite

difficult. Clearly, FAs that are considering a parallel or linked delivery model but that want high percentage of overlap will require explicit strategies to ensure that it happens. If not, overlap is significantly lower than under a unified model. Note that the *intended* audience may not be identical to the *potential* audience: in Mali, for instance, the FA took a strategic decision which was motivated by their desire to reach as many people as possible with their finite resources: they deliberately limited the malaria education to group members, while knowing that many non members might have wanted it and profited from it. In this case, the intended audience consisted of the SG members, while the potential audience might have included many other people in the village. For the purposes of choosing a delivery mechanism, it is the intentions of the FA and its partners that should be determinant.

In some cases, the FA and its partners deliver the OA to some but not all of the SG members. This was the case in both Niger and Rwanda, where the wholesale loans were taken by some but not all of the SGs. In neither case was it thought that all of the groups would take loans, so the intended audience for the loans was smaller than the universe of savings group members. (There was no case in the studies in which the OA was intended for only some members of individual groups.) There are cases where the entire Savings Group must participate in the Other Activity or no members can. Depending on the nature of the OA, it is conceivable that a unified service delivery model would work; however, it would require the SG trainer to be treating different groups, or members within groups, differently, potentially complicating administration, remuneration and message. Therefore, when the OA is intended for only some SG members, a parallel or linked model is probably preferable.

Sometimes the intended audience for the OA are not only members of Savings Groups, as in the Uganda example, where the intended audience or market for solar lamps includes virtually all SG members and many other people as well. In this case, it is unlikely that the FA will be able to serve the entire market easily or efficiently, and its efforts to bring products or services beyond its natural audience of group members may exceed its core competencies. Similarly, in Tanzania, the federated agricultural marketing groups that were formed ultimately reached nine times as many non-members as members of SGs. At least initially, a parallel or unified delivery model can bring products or services to group members who might otherwise not be reached; however, it is incumbent on the FA to think through its exit strategy for the OA and to examine the implications of expanding the OA to reach non-SG members.

*Other factors influencing the choice of delivery model:* In addition to congruence with the target market for the OA, other factors can influence the choice of delivery model. The first to consider is the expected receptivity of SG members to the OA. Unified delivery allows a sort of benevolent coercion: in the case of the malaria training in Mali, where it was assumed that the benefits from the OA would not be immediately apparent to all SG members, the unified model made it easy to include the OA in the SG training, eliminating the possibility that SG members would opt out of the malaria training.

Also, in the case of unified service delivery, the FA must be sure that the trainers are able to deliver both the SG training and the OA. In the case of the malaria training in Mali, the Facilitating Agencies spent substantial resources in simplifying the malaria training so people with no public health background could deliver it reliably.

Finally, cost is an important factor in the choice of service delivery model. An issue present in many of the cases was the fact that the presence of the OA(s) complicated the measurement of SG formation costs, which are an important benchmark of programmatic efficiency among FAs. OAs that take place during the first group cycle: that is, while the group is being trained in

the core financial functions, are likely to result in some increase in the costs of delivery. If they are delivered through a parallel structure, by distinct staff within the same agency, it may be possible to separate the costs of group formation and of the OA, although doing so may require extra bookkeeping and the adoption of policies for attributing the costs of services such as transportation and communication to the two activities. Linked delivery models also have the advantage of being economical for the Facilitating Agency, because the cost of delivering the OA is imputed to the budget of another organisation, although the total costs are not decreased—they are simply distributed between the budgets of two separate organisations.

The Facilitating Agency in Mali makes a convincing case for the economies of the unified model: the same trainer delivers the SG training and the malaria training, and can combine the two functions during a single visit to the group, rather than incurring the cost of multiple trips to remote villages either by two organisations or by two people from the same organisation. But there are nuances: the Mali trainers visit the groups substantially more frequently than trainers in comparable programmes in other countries, and yet one of the reasons for the additional training is the trainers are also guiding the volunteers who will continue to train in the village, thereby reducing the costs of ongoing group formation substantially. Similar economies of scale from the unified model were realized in the Tanzania case, where the marginal costs of developing the agricultural marketing associations were quite low.

An FA might be tempted to attribute most of the cost of the visits to the groups to one of the activities, in order to reduce the apparent cost of the other. The specificity of each programme defies any standard formula for splitting costs.

**Table 3: Delivery Mechanism and Congruence**

Country	Delivery Mechanism	Congruence of Target Audiences	Observations
Bangladesh	Partially Unified, Partially Parallel	More programme beneficiaries had received asset transfers than had participated in Savings Groups. Not all members participate in both.	The unified and parallel delivery models were both used, but the parallel model was found to be more efficient.
Central America	Parallel	Most but not all members participate in all activities.	Most of the programme interventions are appropriate for a wider audience than just the SG members.
Mali	Unified	All SG members receive malaria training under the programme; not available to non-members	There is a convincing case for the economies gained by delivering the malaria training by the same people who deliver the SG training. The unified model does not allow SG members to opt out.
Nepal	Unified (literacy, women's empowerment, advocacy) Parallel (HIV/AIDS) and Linked (Save & Build)	All members in targeted groups received HIV/AIDS training. Only some participated in housing loans.	The housing finance services were offered by another agency as a linked service, while the HIV programme was offered by the FA long after it had stopped forming new groups, and thus the linked model was the only option.
Niger	Linked	Only some groups took wholesale loans.	While the external loans are delivered by independent financial institutions, this independence was not always apparent because of some of the MFI staff had originally been SG trainers, and the scheme may have appeared unified to some SG members.
Rwanda	Linked, with substantial initial support from the FA.	All groups were invited to participate, but not all accepted.	Despite the efforts of the FA, the external partner was reluctant to lend its own funds, and relied instead on funds provided as a guarantee by the FA.



Country	Delivery Mechanism	Congruence of Target Audiences	Observations
Tanzania	Unified	The outreach of the marketing federations fluctuated significantly but overall was much greater than the number of SG members that they incorporated.	Although the delivery mechanism was unified, the resulting structure—the marketing federation—could be accessed by anyone who wanted its services. This enabled and supported a very broad reach. The unified structure helped to promote a close relationship between the SGs and the marketing federations.
Uganda	Evolved from unified to linked: the same people form groups and sell lamps; they are former employees, now free agents.	A small portion of all SG members had purchased lamps at the time of the study, and many non-members also purchase lamps.	The case raised questions about the appropriateness and sustainability of an NGO working in commercial sales.
Zimbabwe	A parallel structure is used to develop the market linkages, leading to a linked model of service provision by the private sector.	A small portion of all SG members purchased from the agro-dealer	The linked delivery model is appropriate for the context, which has an overlapping structure in that not all SG members desire agricultural inputs nor are all potential customers SG members.

### 3.3 Programmatic Complementarity

In addition to the architecture of delivery, another factor for Facilitating Agencies to take into account is the *complementarity* between the OA and the core financial services provided by the group. Two aspects of complementarity are considered: first, whether the SGs financial assets can be used or leveraged to allow members to participate in and benefit from the OA; and second, whether the additional activities support the core functions of the SGs.

The first aspect of complementarity—the use of SG’s financial assets—is most clearly present in the case of the financial linkages. In Niger, the wholesale lenders would not have lent to the SGs, absent the financial guarantee provided by the groups’ savings. In Rwanda, the FA guaranteed the loans during an initial period, so the group’s savings were not immediately at risk; rather, the loans were made on the basis of an assessment of the reliability and management ability of the SG as demonstrated by its history managing its own internal savings. This aspect of complementarity is also present in the cases that sought to increase incomes or encouraged members to make purchases. In Uganda, some group members used loans, funds from share-outs, and the social fund to purchase lamps. Similarly, some SG members in Zimbabwe leveraged the savings they had raised through the Savings Groups to purchase the agricultural inputs offered by the agro-dealers. And in Tanzania, the link to the SGs provided the apex marketing association with funds for year-round operation. Moreover, the trust and social capital built within Savings Groups was extremely important for the on-going operations of the associations. Even though the core function of these marketing bodies was only required once per year, the federations continued to meet regularly, drawing on the energy and vibrancy of the SGs.

The second aspect of complementarity—OAs supporting the core functions of the SGs—is also apparent in many of the cases. The purpose of many OAs is to increase the income of the members, although obtaining credible evidence that this result was achieved was beyond the scope of any of the studies (please see Section 3.4 for a discussion of the difficulties of measuring benefits). For instance, Central America, Tanzania and Zimbabwe all sought to strengthen agricultural production or access to input or output markets, and to the extent they succeeded, they produced more income for farmers who could therefore save more in their groups. The Uganda case sought to reduce household expenses by introducing a less expensive source of lighting, and also created a new income stream for those purchasers who charged their

neighbours' phones for a fee. Finally, in Nepal the groups earned revenue from vetting housing loans to SG members and non-members, and thus both activities were highly complementary.

In the case of health and education-related OAs, the additional activities appeared to support the core financial functions of the SGs in a more indirect way. Mali was a prime example: improving the health of members will presumably improve saving and borrowing performance by reducing mortality and health care costs and increasing productivity. The same was the case of the HIV/AIDS training in Nepal, where there was very little interaction with the core activities of lending although the improvements in health would have likely benefited the members' engagement in group activities. Many of the OAs served to reinforce group solidarity which was a useful benefit for group members as well as contributing to the sustainability of the SGs.

The following table summarizes the complementarity in those cases where it was clearly a factor.

**Table 4: Complementarity**

Country	Complementarity
Bangladesh	Savings Group membership supported the safe accumulation of assets. Correlation was observed between Savings Group membership and increased household income.
Kenya	All of the OAs were intended to be bi-directional. That is, they were originated <i>by</i> the group <i>to strengthen</i> the group. Results varied.
Mali	The SGs facilitated the OA more than the OA helped the groups. Some groups have taken on the challenge of having all members acquire and use mosquito netting, thereby reinforcing group solidarity.
Niger	The MFIs needed new borrowers, and hoped that linkages with SGs could help absorb their excess liquidity. While some groups wanted loans, others felt pressured or manipulated into borrowing. In general, the linkages helped the MFIs more than the groups.
Uganda	The SGs facilitated the OA more than the OA supported the groups but the two activities were mutually beneficial. In some cases, the SG meetings were simply a place in which lamps were sold to group members and non-members alike; in a few cases, the group has taken on the challenge of having every member acquire a lamp, thereby reinforcing group solidarity.
Rwanda	SGs supported the OA and the OA was intended to strengthen the SGs, but it is not clear if this was the result.
Tanzania	SGs strongly supported the operations of the marketing federations. The federations also provided benefits to the SGs, although they also increased risks for the SGs.

The cases suggest that SGs improved the potential for the success of the OA in almost every case, by providing access to groups that are already organised and disciplined and have (often substantial) savings. The reverse was also usually true: the OAs aided group members and strengthened the groups, however, not always; sometimes the OA produced little noticeable benefit to the groups and in a few cases brought additional risks. The studies suggest that FAs should be cautious about promoting other activities unless they are confident of the benefits for the members (discussed in the following section 3.4), the risks (discussed in section 3.5), and the sustainability of both (discussed in section 3.6).

### 3.4 Results

Most of the programmes studied were still underway at the time of study, although Niger, Kenya and Nepal were completed, Tanzania was just a few months away from closure, and the OA judged most promising in Uganda, the CREAM Village Agent model, was just beginning. In most cases it was premature to state what the results of the OAs would be,

and in any case, the studies were not designed nor intended to evaluate impact. Rather than attempting quantitative measurement of impact, the case studies assessed programme design and outreach, observed how well OAs were being delivered and considered whether original plans were being respected, weighing reports from FAs and the providers of the OAs, and group members themselves to triangulate impressions. The lack of hard data, however, limits an evaluation of results.

SGs of course have outcomes independent of Other Activities, which complicates assessing the results of the OA or of the core financial services independently; the OAs have an intended result, which may or may not be realised, and in nearly every case, there were other outcomes that were neither intended nor predicted, making attribution of outcomes a major challenge. In Uganda, neither the FA nor the commercial business supplying the solar lamps has assured the availability of after sales service, with the result that the few lamps that fail because of defects represent a serious loss to the client who has saved or borrowed to purchase one; these cases offset in part the high social benefit of clean lighting.

The social capital of SGs was beneficial for the OAs, and in many cases, the OAs strengthened the social capital of the SGs and allowed for the inclusion of people who would otherwise be excluded. The Tanzania study reported that the SIGA marketing federations were more successful both commercially and in terms of outreach to the poor and women, compared to organisations with similar objectives created earlier, in large part because of the social capital inherent in the SGs which were forming the SIGAs. Respondents in Kenya spoke movingly of the social benefit of various OAs put in place to support vulnerable groups, often victims of HIV/AIDS. Despite the initial reluctance of some members to receive malaria training in Mali, some groups have embraced the fight against malaria with vigour.

The studies revealed the extent to which some Other Activities were intended to be *transformational*, that is, to effect a change in the characters, skills, knowledge, values, or practices of the group members. The malaria training in Mali and the HIV/AIDS training in Nepal are examples. Other examples demonstrate OA's intended to be *instrumental*, in that they use the groups as a convenient way of reaching large numbers of people with a product or service that is deemed to be valuable. Sales of solar lamps in Uganda and asset transfer programmes in Bangladesh or Central America are examples of the groups being used instrumentally. Transformational OAs can be expected to have impacts that endure after the end of the training, but it should not be assumed that their impact is therefore in every case greater, or more desirable.

It should be noted that group membership itself can be transformational, if being part of a group leads to increased confidence, skills, assets and independence for members. Whether this happens depends largely on nuances in the training of the group and in the recommended procedures; groups can either reinforce traditional power structures, which are often oppressive to some people, or they can challenge them. These important issues were beyond the scope of these studies, however.

The following table summarises the observed results and outreach of the programmes studied. While one might expect there would be a strong correlation between the complementarity of the OA with the SG's core financial services, and the results of the OA, in fact, a comparison of this table, and Table 2: Complementarity, does not reveal such a correlation. This is in part for reasons that will be seen in the discussion of the risks in section 3.5.

**Table 5: Results**

Country	Achievement of Intended Result	Outreach of Other Activity	Comments
Zimbabwe	The financial services of the Savings Groups support members to use the services of the agro-dealers.	Estimated that over 90,000 smallholder farmers engaged in the activities promoted by the AGENT project	CARE intends to promote greater synergies between the agro-dealers and the Savings Groups in future.
Tanzania	Considerable early achievements in sales and outreach. Increased participation of women and poorer farmers relative to previous collective marketing models.	181 out of 190 (95%) of SILC joined a SIGA. SIGAs purchased from 1,048 SIGA members and 8,201 non-members in the first year and 946 SIGA members and 1,434 non-members in the second.	There are potential future challenges related to the capacity of the SIGAs.
Central America	Unclear, given the young age of the programme.	N/A	Opinions vary even among programme staff.
Uganda	Sales of solar lamps are continuing and the Village Agents are supplementing their income with commissions from sales.	CREAM had sold 1148 units at the time of study, and was selling about 200 units per month.	It is not yet known how sustainable the model is nor the burden it places on CREAM's management. After-sales service remains a challenge.
Kenya	Since all initiatives were instigated by the groups themselves, there is a vast variety of OAs and it is difficult to draw conclusions about their impact	Almost every group had OAs of some sort.	The researchers believed that the benefits of many of the OAs, particularly group income generating activities, lay more in reinforcing group cohesiveness than in the success of the OA itself.
Mali	While waiting for the results of a massive randomized control test, there is evidence that malaria messages are understood and are changing behaviour	170,000 members have received malaria education	The apparent success of this OA is encouraging the Facilitating Agencies to consider other interventions that could be delivered in similar fashion.
Nepal	Both interventions – HIV/AIDS and Housing – seem to have worked well, perhaps in part because group members had substantial training in women's empowerment.	HIV/AIDS intervention reached 111 SGs consisting of 2,530 women.  Save & Build reached 3,763 female clients, of which 1,628 (43%) were members of SGs.	The Nepali groups are being leveraged for initiatives originating both by the groups themselves, and from the outside.
Niger	Linkages have had mixed results in increasing access to finance and in building sustainable partnerships.	Estimated 60% of groups took at least one loan. The programme had between 150,000 and 200,000 members at the time of the studies.	Niger illustrates how OAs can be highly dependent on context, and the risks when OAs require "opening the box"
Rwanda	Linkages were much more benign than in Niger. At the time of the study, the sustainability of the approach was in doubt.	1086 SGs with 17,885 members (out of a total of 2218 SGs with 33,446 members) were participating in the bank linkage programme at the time of the study.	The Rwandan environment is much more favourable than that of Niger from the point of view of institutions, population density and pre-existing groups.
Bangladesh	The asset transfer programme led to significant improvements in total household assets.	55,000 individuals received productive assets.	Savings levels did not drop among recipient households in the three months after the asset transfer programme ended.

Almost all of the programmes studied seem to be on their way to creating some net positive benefit. Only a few may end up doing more harm than good; how to avoid that outcome is discussed in the following section.

### 3.5 Risk

All development interventions will necessarily involve some risk, and OAs present potential risks ranging from wasting members' time or providing bad advice, to causing the loss of group

assets and eventual break-up of the group. Facilitating Agencies should adopt a policy of risk assessment and management, rather than assume that it is possible to avoid risk altogether. The risk inherent in OAs is a function of three things: the potential gain; the potential loss; and the odds of success.

The malaria training in Mali appeared to be very low risk: members are asked to invest in total a few hours of their time and, unless they are somehow being given incorrect information about the causes, prevention and treatment of malaria, it is difficult to imagine what harm or negative outcomes, beyond the loss of time, could come of the training. The distribution of free goods in Central America and Bangladesh created a different type of risk: that the groups would change their nature, exchanging their independent self-help character for one of relying on hand-outs.

A review of the cases suggests that most interventions were low risk: the small investment of members' time is disproportionately small compared to the cost of malaria; and it is unlikely that the Facilitating Agency gives bad advice with regards to malaria prevention. Similarly, the potential benefits of HIV/AIDS education in Nepal, clean lighting in Uganda, or better farm inputs in Zimbabwe, seem so great that the small investments of member's time, or of *individual members'* financial resources, seem to be an acceptable risk.

At the other extreme, some OAs put much more at stake. Interventions that require the group to spend or commit the group's funds move into a higher level of risk. *Opening the box* involves not only the potential loss of the group's assets, but also creates new management challenges within the group, and the concomitant possibility of fraud, elite capture, or unintentional mismanagement.

For instance, the SILC-SIGA relationship in Tanzania required the members of participating SILCs to contribute regularly to funds managed by the marketing federation. While strengthening the marketing federation is potentially beneficial, the lack of strong oversight of the SIGA leadership increases the risk of groups losing their savings. .Perhaps the wholesale lending cases put the most at stake, in that groups offer a joint guarantee to banks or MFIs using the group's collected savings as collateral, to access a wholesale loan which is then on lent to group members. In Niger in particular, these schemes frequently led to the loss of the assets of most of the groups when one or two borrowers defaulted. At the same time, the added stress of managing external debt in some cases led to loss of group membership even when there were no repayment problems.

Opening the box can also change the nature of the group, or contradict the fundamental expectations that members had when they formed the group. In this respect, it is interesting to contrast the two wholesale lending cases of Rwanda and Niger. In Niger, groups were formed and trained sometimes over many years as Savings Groups, in which the members democratically decided who could borrow, and in which transparency was assured by having all members observe all transactions. The introduction of wholesale loans created an elite of group managers who dealt directly with distant MFIs, carrying back large sums that were managed according to new rules and which placed the savings of all the members at risk. In Rwanda, on the other hand, the groups were trained with the expectation that after saving and building up their funds, they would take a bank loan according to procedures clearly announced in advance. The transparency of the arrangements in Rwanda was one factor leading to its success relative to the Niger experience.

Sometimes the culture and values of the group are put at risk. While these can be difficult to measure, the self-reliance, solidarity, independence and mutual trust of a group are as much

factors in its success as are passbooks and boxes. In the Central American case, programme staff perceptively saw the delivery of free inputs to SG members as a threat to those values.

A final factor in risk assessment and management is in the amount of choice that groups have in deciding whether to be involved in the OA. For example, although SG members decided as a group whether to join the marketing federations in Tanzania, regular contributions were obligatory among SG members who decided to join a SIGA, and the scheme thus carries some of the risks of other cases which involved opening the box.

The decision-making locus for OAs varies along a continuum, in which the greatest choice occurs when a group can choose freely without outside input, and the least choice occurs when the OA is required as a condition for other assistance. Intermediary steps occur when a group is informed of a possibility, an activity is then suggested, endorsed, or urged. This can be depicted graphically as a continuum of choice based on the FA's encouragement of or requirement for the OA:

**Figure 1: Choice Continuum**



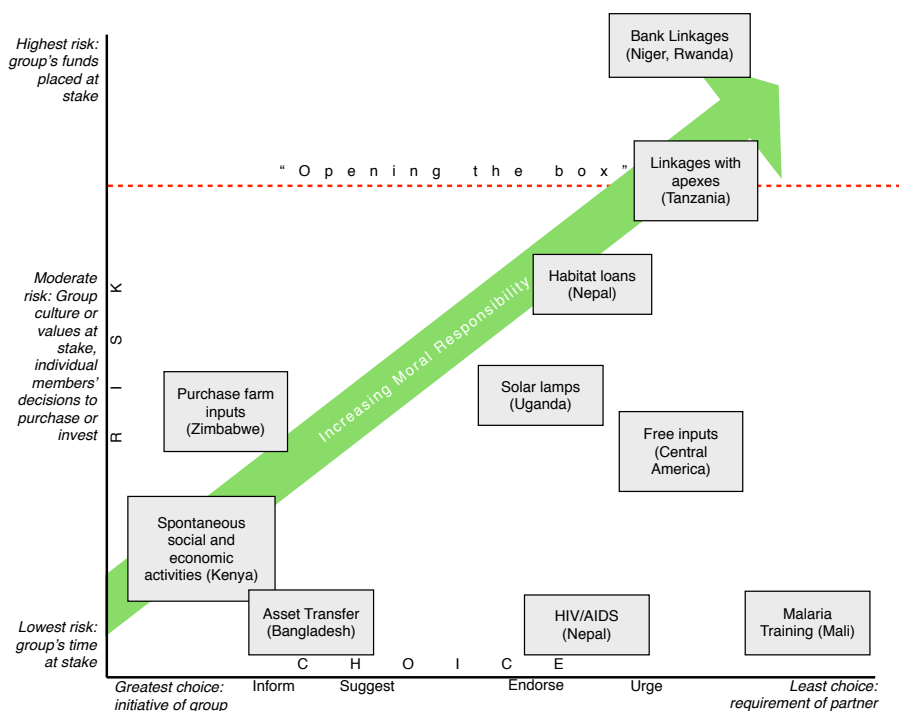
Discussions of risk management<sup>10</sup> usually point to strategies that include diversification, provisioning, mitigation (reducing the impact of negative occurrences), reduction of risk (decreasing their probability), and if possible transferring the risk to someone else. All of these seem to be appropriate strategies for Facilitating Agencies, except the last, if it involves transferring the risk to the Savings Group itself. Development agencies have a moral responsibility (though much less frequently a legal responsibility) for the outcome of their actions and it is argued here that two factors increase that moral responsibility in the case of OAs: the degree of risk, and the degree of choice. The more that the groups place at risk, and the less they have a say in the matter, the more the Facilitating Agency is accountable for the outcome.

The following chart combines the risk and choice continua to indicate the degree of moral responsibility for the outcome for FAs who propose the OA. To the extent that the intervention is to the right and towards the top of the chart, the FA has increased responsibility for the outcome.

<sup>10</sup> Mixed Risk Management strategies – Diversification That You Can Count On, Wendy Yu, from the Society of Actuaries website (<http://www.soa.org/library/essays/rm-essay-2008-yu.pdf>), is one of hundreds of sites discussing risk management.



**Figure 2: Facilitating Agency Responsibility for Risk**



The grey boxes represent the programmes that were studied. The rising arrow represents increasing moral responsibility on the part of the FA, as risk increases, and the groups have less choice. Some of the activities of the Kenya programme seem to impart no responsibility to the FA, because they were initiated completely by the group, and in most cases the groups have little at stake – perhaps some donated time or a small amount of money. The other extreme are the cases of bank linkages, where groups were strongly encouraged to take loans, thereby putting the group’s savings at risk. The malaria training in Mali carries low risk to the members, since they have little at stake, but is a group requirement, which implies the FAs have a high degree of responsibility for the accuracy of the information given and the quality of the transmission. In the case of Zimbabwe, the absence of active promotion of the OA to the SGs carried some risk to individual savings but high ability for members to choose whether to participate.

There appears to be a strong dividing line in assessing risk that is crossed once the OA requires members to use group financial resources for purposes other than the core financial functions of the group. In the studies, the only programmes to require use of the group’s financial resources were the bank linkage programmes and the Tanzania marketing federations. In the wholesale lending cases, the risk resulted in the occasional loss of funds. Even in groups where external loans had been appreciated by the members, the loans often produced stress and led to the departure of some members.

### 3.6 Sustainability and Replicability

*Sustainability:* The Learning Initiative defined *sustainability* as the ability of the Savings Groups and the OA to continue to supply the intended goods or services after the period of intervention. It follows from some discussions of sustainability<sup>11</sup> that as environments

<sup>11</sup> A Synthesis of The Making Markets Work for the Poor (M4P) Approach, 2008, Bern: Swiss Agency for Development and Cooperation, 30.

inevitably change and evolve, sustainability requires that the SG and the OA must also have the capacity to evolve and expand. Therefore, the case studies were reviewed for three types of sustainability<sup>12</sup>:

- Sustainability of Savings Groups: do OAs affect the capacity of groups to continue?
- Sustainability of the OAs: will the additional products or services continue to be available in the future?
- Evolution and expansion: do OAs stimulate wider access to these services and benefits?

*Sustainability of Savings Groups:* Some practitioners have expressed their concern that the integration of Other Activities with SGs may diminish the sustainability of the SGs themselves, defined as the capacity of the groups to continue operating. The sustainability of the SGs is important not only for the continued access by group members to the core financial services, but also because in several of the cases studied—Niger, Mali, Nepal, Kenya, Central America, and Rwanda—the SG played an important role as part of the delivery mechanism for the Other Activity. Without the SG, the OA also fails. This was a lesser concern in the cases where the OA was targeted beyond the SG members: in Tanzania, the sustainability of the SIGAs would be dubious without the SILCs; in Uganda, the absence of the SGs would clearly slow but not stop the sale of solar lamps; in Bangladesh, the asset transfer programme preceded the creation of the groups, and could continue without it; and in Zimbabwe, the SGs operated quite separately of the OA and would not be affected by it ending.

Studies cited elsewhere<sup>13</sup> suggest that SGs have a high survival rate, and the studies conducted under the Learning Initiative did not contradict this finding. Due to the nascent nature of OAs combined with SGs, further research is needed to determine the conditions under which Other Activities strengthen or weaken the core savings and lending functions of the SG. Preliminary indications from the case studies seem to indicate that most of the OAs did not have an adverse effect on SG sustainability. However, some activities, such as financial linkages, did seem to put the groups at greater risk of failure or disbanding. On the other hand, other cases, such as Mali and Kenya, suggest that the Other Activities may also have the potential to strengthen the SGs.

The Kenya case suggests broadening the definition of SG sustainability itself. While the researchers were tracking the permanence of individual groups, they noted that in one case of a failed group, many of the members had simply moved into other groups. In fact, the Kenya groups showed remarkable fluidity of membership. Sometimes groups split into two or more groups as they grew larger. Sometimes members splintered off from existing groups to form new ones which were closer to their villages or in other ways served their needs better. And sometimes members spread the concept of SGs by *merry-go-round upgrading*, or showing the members of their existing ROSCAs how to adopt annual distribution and other aspects of the SG methodology. This suggests that the sustainability of *member access* may be just as important, or more so, than the continued existence of any particular group.

The Uganda case study suggested that the presence of OAs may act to further enhance the sustainability of the SGs. Much of the SG approach is based on the assumption that groups need to be trained for a year, but not longer than a year.

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<sup>12</sup> The Learning Initiative did not address the sustainability of FAs, and it is generally assumed that SGs cannot produce an income stream for the FAs. The situation is slightly more complex, however. The studies showed that FAs sometimes view add-ons as a vehicle to assist their own sustainability, either by attracting further donor funding or by generating revenues. In Uganda, CREAM hopes selling solar lamps through Village Agents will allow them not only to sustain the lamp sales, but also to sustain their outreach into the areas being served, including the formation of new groups and additional services to existing groups. This question is recommended as a subject for further study; however, for present purposes, it is important only to note that the sustainability of the FA and of the SG are distinct issues.

<sup>13</sup> Please see Annex 1 - Introduction to Savings Groups.



The Uganda FA saw the acquisition of skills by groups as lying more on a continuum, running from unawareness of the approach, through basic competence, to mastery. While the first year of training provides SGs with basic competence in managing the operations, the continued contact with FAs (or other organisations) that result from implementing OAs can often support the further development of SGs. Additional assistance and encouragement can help groups deal with various challenges they may eventually face. While this conclusion undermines traditional conceptions of how groups are trained and then become independent, SGs which have completed the training still received visits in the Nepal, Mali and Uganda cases. The impact on the groups of these visits has not been measured, though the FAs in Uganda argued that it was useful for the groups and their sustainability.

*Sustainability of the Other Activities:* The second aspect of sustainability that was examined concerned whether the OAs would continue to be available in the future. One way to address this aspect is to look at the questions of *who does* and *who pays*; that is, who will provide and who will pay for the additional service after the FA subsidies end.<sup>14</sup> FAs need to have a vision for who *will do* and who *will pay* in the future (assuming the OA is not one-off and ongoing access is required) before involving the SGs in additional activities. In three cases, the FA did not anticipate sustainable provision of the OA at all. In Central America and Bangladesh, there is no mechanism for the asset transfer programmes to be sustained following the end of the respective programmes; in Nepal, NGOs operated programmes for short periods through the Savings Groups but ultimately these initiatives ended and the activities did not continue. Of course, in all three cases, the organisations offering the assistance hoped and assumed that the OA would have lasting benefits, through continuing behaviour change, a revenue stream made possible by increased assets, or a virtuous circle of social and economic improvement catalysed by improved housing. Lasting benefits are an implicit objective of all development programmes, however, and should not be confused with the more rigorous and difficult objective of the OA itself being sustainable.

In three cases, the FA created linkages to the private sector and intended for these linkages to support on-going provision of the additional products or services. The success of this strategy seems to depend on the design and execution of the business model and enabling environment for business. In Zimbabwe, where the agro-dealers report positive returns and frequent interactions with suppliers, many have continued operations in spite of the FA ending support (and as well, in a hostile economic environment that caused the shutdown of much of the country's economy). In Tanzania, linkages between marketing federations and the private sector were established and largely functioned, though disruptions in international markets and capacity challenges among the federations' leadership remain potential threats. In Uganda, the business model for the NGO intermediary is unproven and has only operated for a short time; early results are positive though challenges exist.

In Kenya, where an FA was not involved, the OAs have been extremely diverse, and few patterns are apparent; the researchers suspect that many of the income generating activities may not have been successful in business terms, but may have had the value to the group of building social capital among group members. Some of the groups' income-generating activities are likely to continue for this reason, even if they fail to generate a reasonable return on the group's investment of money and labour. In Central America, on the other hand, group income-generating activities, such as raffles and dances, are important income sources for the groups and may support their sustainability in the long term.

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<sup>14</sup> A Synthesis of The Making Markets Work for the Poor (M4P) Approach, 2008, Bern: Swiss Agency for Development and Cooperation, 42.

In the wholesale lending cases reviewed, the sustainability strategies were based on the financial institutions providing on-going services to the SGs. The linkages in Niger had begun to collapse at the time of the studies that were reviewed; Rwanda appeared more promising, but the FA had still not convinced the financial institution to continue lending with their own funds nor were the incentives for the Savings Group Apexes to review all loan applications properly aligned. *Evolution and Expansion:* Few of the cases studied explicitly focused on creating wider changes that would ensure growing and evolving access to the OAs. The cases that partnered FAs with the private sector moved farthest in this direction, although they still faced challenges. In Zimbabwe, input wholesalers recognized the inherent profitability of the agro-dealer business model and expressed interest in scaling it up elsewhere in Zimbabwe without CARE's on-going support, although current economic conditions were an important factor impeding them from doing so. In Tanzania, exporters expressed interest in continuing to work with the marketing federations, but did not have plans to invest in growing the model. In Uganda, CREAM discussed future prospects for enhancing the line of solar products sold to include larger home lighting systems and radios, but the nascent lighting project was not ready to move beyond small stand-alone lamps at the time of the study.

*Replicability:* While *sustainability* addresses the persistence and growth of activities in time, *replicability* refers to whether the same activity could be carried out in other contexts. As illustrated in Table 6, most of the programmes studied were facilitated or made possible by particular circumstances the absence of which would make replication difficult. That does not mean that adaptations to other contexts could not be made, only that at the very least adaptation would be necessary. Table 6 does not reflect any judgements about whether replicating the OA is developmentally sound, nor does it estimate how widespread are the conditions that would be necessary to replicate the OA.

**Table 6: Sustainability of the Other Activity and Contextual Conditions Enabling Replicability**

Case	Sustainability of the Other Activity	Contextual Conditions Enabling Replicability of the OA
Bangladesh	The cash and asset transfers were in place before the SGs were started. They are not sustainable in any way: they end as soon as the donor stops funding them.	Availability of donors willing to fund a large asset-transfer programme.
Central America	The asset transfers will not continue after donor funding ceases.	Availability of donor to supply inputs.
Kenya	Sustainability of the various OAs varies. The authors thought that some of the income generating activities were not viable as businesses, although may continue regardless because of their role in building and maintaining social capital.	Many of the OAs in the SGs studied were designed to deal with problems related to the HIV/AIDS epidemic, particularly severe in the programme zone.
Mali	The malaria training is provided by the FA and requires on-going donor funding for sustained provision. Some volunteer replicators pass on the training in the groups they form but no tools have been developed to have this happen systematically.	The specific malaria training relies on visual aids and would be widely replicable in malarial zones. The principle of integrating tailored training into the SG training could be practiced in most SG programmes.
Nepal	Neither the HIV education nor housing finance services were sustainable; neither continued after the end of donor support.	Existence of large women's empowerment, literacy and savings group programme provided infrastructure on which the HIV/AIDS training and linkages to housing finance were built.

Case	Sustainability of the Other Activity	Contextual Conditions Enabling Replicability of the OA
Niger	The wholesale loans were designed to be sustainable, but in fact client disillusionment and repayment problems prevented sustainability.	Presence of MFIs willing to lend to SGs; presence of SGs willing and capable of managing and benefiting from external capital.
Rwanda	The wholesale loans were designed to be sustainable, but the local banking partner was not willing to lend its own money and the fees paid by borrowing SGs were not enough to keep the apex organisations motivated to vet loan demands.	Government policy urging financial inclusion. Network of Credit Unions.
Tanzania	The SIGAs create significant benefits to value chain actors, and they were designed to continue providing services to members following programme closure. Exporters expressed their intention to continue dealing with them, though the ability of the SIGA leadership to effectively manage these complex organizations remains to be seen.	Relatively homogenous livelihood strategies among SG members and opportunities to reduce marketing transaction costs through horizontal linkages.
Uganda	Potentially sustainable if the market for lamps remains strong and if the NGO is able and willing to manage a commercial operation.	An FA willing to experiment with sales as an income supplement for field agents, a private sector firm willing to experiment with sales through SGs, and a large portion of potential customers living off-grid.
Zimbabwe	Many of the agro dealers continue to sell inputs and maintain financial linkages with wholesalers in spite of severe economic conditions. Wholesalers express interest in replicating elsewhere in Zimbabwe but are constrained by the economic climate.	Private sector engagement in input marketing and willingness to assume costs and risks of agro-dealer training. The AGENT model has been widely replicated elsewhere in Zimbabwe and sub-Saharan Africa, although rarely if ever combined with SGs.

## 4.0 Implications for Adding Value to Savings Groups

Some lessons begin to emerge from looking at the performance of different categories of OAs across the selected cases. The following conclusions are implicit in the discussion above, and are repeated here for the benefit of Facilitating agencies.

### ***Respect Principles of Good Programme Design and Implementation, and Good Business Practices***

The case studies revealed that a significant contributor to the performance of the OA was simply the quality of the design and delivery of the OA, irrespective of the Other Activity. Some of the factors that constrained programme performance if absent, and aided if present, were careful prior planning; avoidance of dependency creation; a clear exit strategy; transparency; effective monitoring, and the willingness to make corrections.

### GUIDING QUESTIONS FOR FACILITATING AGENCIES

**These guiding questions are not necessarily complete nor perhaps a consensus of practitioners. Nonetheless they may help Facilitating Agencies verify that their SG programmes are consistent with generally recognized good practices.**

- Whose agenda is the OA really?
- Are groups being empowered, that is, are they being trained and allowed to make decisions after analysis of different options?
- Does the OA distort the market?
- Is there an exit strategy in place from the beginning?
- What is the vision five years from now?
- Does the OA presume that the groups can be re-purposed? If so, have the groups been asked about this?
- Is there already a perceived self-interest to carry out the OA in the groups?
- Do SG members understand the risks involved?
- Will progress be monitored and activities revised if necessary?
- If the OA does not work, will the FA accept responsibility for repairing damage done to the groups?

### ***Match Delivery Mechanisms to the Type of and Demand for Other Activities***

FAs need to select the most appropriate delivery mechanism carefully – unified, parallel or linked – based on the type of product or service to be offered, its appeal to members and non-members, whether it is optional or compulsory, the FA’s resources and exit strategy, the homogeneity or heterogeneity of SG members and the minimum scale of the OA. If possible, use a unified delivery model when overlap in outreach is desired; the cases suggest that overlap will not happen automatically with parallel or linked models, even when an FA has built it into its programme plan and staff training. Unified delivery models are also useful for controlling costs. Conversely, first consider parallel or linked delivery models when the market for the OA is much larger, or much smaller than the SG membership or when the OA is too complex to be delivered by SG implementing staff, or not consistent with its mission, skill set or legal status.

### ***Recognize Additional Capacity and Resource Requirements***

SGs are easy to replicate because of their simplicity and transparency: the approach is easy to learn, follow and replicate, and their innate transparency reduces the risk of fraud. As other services are added to this model, there is a risk that increased complexity can be problematic for the Facilitating Agency, just as it can for the SG. FAs should be cautious in marrying complex OAs with SGs; they should compare the additional capacity and resource requirements realistically against the capability of the FA and groups. At the same time, it is clear that some OAs—such as the collective marketing associations in Tanzania—will require more than eight to 12 months to function effectively. When this is the case, consider carefully how programming can reflect this reality.

### ***Weigh Responsibility for Risk***

Development partners should consider their responsibility for the risks associated with any OA. Risk is not inherently negative and sometimes high-risk ventures have high payoffs. However, programmes should assess and manage it, and avoid transferring risk to groups or individuals that are not capable of absorbing losses. This responsibility should also manifest itself by informing SG members fully of the possible risks and benefits of the OA—doing so will require adapting messages to the culture and educational level of the group members; by giving group members a choice to participate or not, free of any pressure or coercion; by honestly monitoring results and by being prepared to modify or abandon the intervention if it is not working; and, if necessary, by indemnifying the group members for their losses.

FAs need to be especially cautious of any OA that requires “opening the box”. Putting the SGs collected financial resources at stake is a particularly high-risk venture, and to date, the track record of OAs that require this is questionable. Any FA that chooses to promote such OAs with SGs should weigh responsibility for risk particularly seriously.

### ***Measure Costs of Savings Groups and Other Activities Accurately***

In order to avoid possible ambiguity created by combining Other Activities with SGs, the FAs would do well to develop clear written policies for attributing costs. This practice will allow the FA to assess the value of the OA in relation to its cost, and also to have reasonable grounds for assessing cost per member (CPM). The FA may also want to have an explicit policy that groups are to be considered independent and sustainable at the end of the first year, and that any additional contacts that may occur after that time are incidental to the sustainability of the group, and to the calculation of the CPM. If FAs have such a policy, it should be clearly respected by trainers, and clearly articulated in appropriate language to the group members.

### ***Assess Sustainability***

The provision of OAs by FAs can make sense in the short run, but the transfer of the OA to a

market actor is usually the best path to assure the sustainability of the OA. Programmes need to consider up-front the effect of any OA on the sustainability of the Savings Groups themselves, of the OA, and of the capacity of the system to adapt and expand the benefits provided by the OA. An excellent way to assess sustainability is to plan one's exit strategy in detail before launching an OA. How will services or products continue to be provided after donor support ends? Will there be social problems caused when the funding for staff ends? Will the OA sustain itself after the end of group formation and training?

### ***Proceed with Caution***

While the results of combining Other Activities with SGs documented in the case studies were largely positive, they also revealed issues surrounding risk, costs and sustainability, and suggest that caution is warranted.

## **5.0 Further Research**

In the course of carrying out the Learning Initiative, the researchers identified issues they were not able to investigate, but which seem pertinent for future study.

### ***Nature of Savings Groups***

The fieldwork presented the researchers with two conceptions of Savings Groups. On the one hand, they often manifested themselves as multi-product financial service providers, ingeniously adapted to the needs of their particular audience. But this financial perception of the groups was often usurped by a social perception with the groups as social institutions that manifested group solidarity and mutual support, as well as complex modifications to the basic services that members were trained in. Savings Groups do not appear to be one or the other—social or financial—but rather both. Can the interplay between these two aspects be measured and described objectively? How do they reinforce each other? How can training support and ensure both elements?

### ***Adaptation of Procedures***

Many groups change the procedures after training ends. For instance the researchers in Kenya found three distinct ways groups calculated the annual share-out, and a surprising array of governance structures and linkages among groups. Why do groups modify the procedures they have learned? Are Facilitating Agencies providing training in the most appropriate procedures?

### ***Building-In as an Alternative to Adding-On***

All but one of the Other Activities studied under the Learning Initiative were added on to existing Savings Groups. However, this is not the only approach that will lead to programmes in which groups benefit both from the SG technology and from an OA. While the Nepal study looked at activities added after the original SG programme ended, the original programme began with women's empowerment activities, and then added the savings component. In other programmes, not studied here, SGs have been embedded in on-going development activities, such as working with war refugees in Northern Uganda. What are the implications of adding SGs to other activities, rather than the reverse, for impact, sustainability, cost and risk?

### ***Relationships Between International Partners, Local NGOs, and the Groups***

In some cases, the efficient and ambitious training agenda of international partners is far from the minds of local partners. As a member of the Advisory Committee said about local

partners, “They were there before we came and they’ll be there after we leave.”<sup>15</sup> Further research could reveal the prevalence of on-going ties between local partners and SGs, the motivations and perceptions of each, and perhaps the best strategies and principles for continuing to add services to SGs. Can pathways be traced for future evolution of groups, and the different pathways assessed? Can risks now be identified? What are the implications for the sustainability of local partners when they accept short-term funding for a SG programme?

### ***Inclusion***

There is no question that SGs can reach the very poor, the illiterate, and women, although work remains to be done to understand the extent to which different populations are included. Less is known about access to OAs in SGs, and how external services or products reinforce or change existing power structures.

### ***Sustainability***

The on-going implementation of many of the programmes under study created challenges in assessing sustainability. Many questions remain. For example, in Mali, will SG members continue to have access to up-to-date health information on malaria without the FA providing this? Will group members be able to learn and benefit from new medications or behaviour changes introduced that will contribute to reduced malaria? How will the malaria education programme be sustained as new information becomes available? In Uganda, it will be interesting to examine if members continue to have access to safe and affordable light as the development of solar products continues and old lamps require repair and replacement. More generally, what types of programming strategies enhance or hinder the sustainability of the SGs, the OAs, and the capacity for wider change? Under what circumstances will self-replicated SGs also have access to the OAs?

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<sup>15</sup> Comment from Mamadou Biteye during an Advisory Committee meeting December 15, 2010.



## Annex 1: Introduction to the AKF Learning Initiative

### Objective of the Learning Initiative

Savings Groups are often defined in terms of their financial functions, and it is those functions that have been the subject of most of the research and field experiments that have resulted in the efficient group training methodologies that exist today.

In fact, many groups serve multiple purposes beyond the provision of savings, loans and insurance. Visitors to SGs will find members involved in education, agricultural production and marketing and other income-generating activities. Occasionally, SGs are visited by people selling social products and household goods, and in some cases FAs have encouraged SGs to accept loans from MFIs or other external financial service providers. The use of groups as platforms for other activities, and linking of groups to other providers, is becoming common, and with the proliferation of SGs, such activities are likely to grow. In fact, platforms and linkages seem to be inevitable, because the well-organized groups, meeting at known times and places, often with substantial financial resources, are seen as an attractive opportunity to other organisations or service providers. And while external organisations sometimes reach out to SGs, in other cases, group members themselves begin to ask, “What’s next?” and take the initiative to obtain other services or pursue new opportunities.

Also, a non-negligible number of groups are formed within other programmes in health, education or other fields. In those cases, the SG itself is the OA. The result is quite similar, as the SG carries out other functions as well as its core financial services.

Not enough is known about what happens when groups are linked or used as platforms, and opinions of practitioners about the desirability of such OAs range from great scepticism to enthusiastic encouragement. The middle position—that one can provide other activities, but in moderation with caution, and in response to need or demand—is inspired more by common sense than by any hard data.

Through this Learning Initiative, AKF investigated how SGs are used as a platform for other development initiatives, how linkages to other services take place, and with what benefits or costs to group members. The initiative considered how savings combined with other group-based development activities add value for individual members of the groups, for the groups as entities in themselves, for the agencies facilitating SG development and offering the linked activities, and for the wider community. AKF was particularly interested to learn and synthesize research on the sustainability and replication of SGs themselves, and of the OAs. The question of sustainability of the OA is closely linked to that of the sustainability of the group: if groups are not sustainable, then the question of adding value through them sustainably becomes moot, although the studies showed that many OAs reach a larger population than the groups, and through other channels; in these cases, while the network of groups might be convenient and useful, it is not necessary. If the OA adversely affects the SG, the sustainability or that of the added activity itself, that risk must be taken into consideration: the failure of either the SG or the OA will adversely affect the success of the other.

The Learning Initiative sought to understand the internal and contextual factors that influence the effectiveness and sustainability of the added activities or services, and to identify factors internal to the groups, as well as the nature of the platform or linkage that affect the results and effectiveness of the combined activities.

## Methodology, Research Team and Advisory Committee

The objectives of the Learning Initiative were developed based on consultations with a wide variety of development finance professionals. AKF convened a workshop in Boston in July 2009, with approximately 40 participants, to discuss and develop a research agenda and approach for the initiative. Using a combination of Oxford-style debates, plenary discussions facilitated by McKinsey and Associates, and work in smaller groups, the workshop resulted in a summary of prioritized research questions and identified gaps in the research that could be usefully addressed by AKF.

The next step was to review the known universe of SG programmes and identify those that represented the issues identified for study. Choosing the programmes to study proved to be a surprisingly challenging task. The research team considered four criteria in selecting programmes:

1. Demonstrated experience that Savings Groups mobilised under the programme have served as a platform for delivery or been linked to the promotion or delivery of complementary services by the Facilitating Agency, commercial agents or the group itself.
2. Sufficient scale to guarantee that results stem from the intervention and are not merely the result of positive or negative outliers or local anomalies.
3. Sufficient maturity of the programme or intervention as well as consistency of approach over time and clear documentation of changes or adaptations to the approach.
4. Expressed commitment by the Facilitating Agency to the Learning Initiative and principles of openness, including willingness for AKF to publish the study.

In fact, while there is a great deal of interest in adding activities to Savings Groups, many established programmes follow a minimalist approach of offering only financial services. In some cases, identified programmes were located in areas excluded because of unrest. The nascent nature of activities combined with SGs made it difficult to find programmes with adequate information on the approach and even preliminary results. In total, the Learning Initiative benefited from carried out ten studies; four of these were desk reviews without accompanying field visits, two of which concerned Asian groups that were not technically SGs by the definition used here. Another field study looked at the SGs left behind by a programme that had ended two years earlier, to see what sort of OAs the members themselves would create when left to their own devices.

AKF selected the case study methodology to gain an in-depth understanding of the selected programmes, given the paucity of data in many old programmes and the small number and uniqueness of the existing cases. To ensure consistency in the research as well as the documentation, and to benefit from an active system of peer review, AKF assembled a research team to conduct and review the case studies. The Research Team consisted<sup>16</sup> consisted of experts in community-based financial activities and closely related areas. Each case study was researched and written by one to two experts and peer reviewed by at least two other members of the team. The Research Team followed a *Case Study Learning Guide* that includes a research framework (below), case study outline; interview guides for management, field staff and other stakeholders; and a data collection tool for financial data and performance indicators. As part of the field research, each study tested one or more research propositions of relevance to the research framework.

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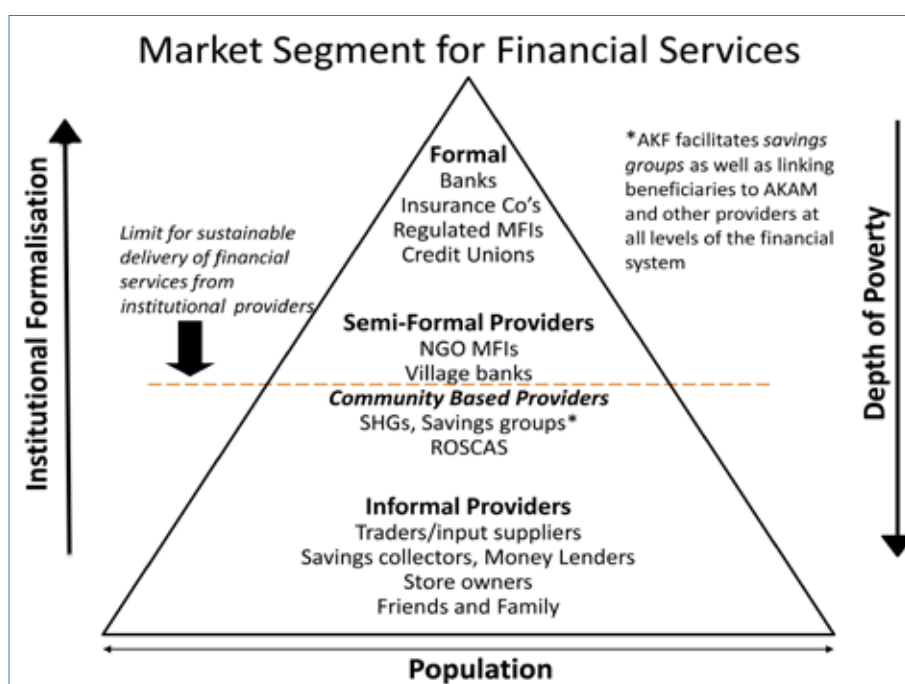
<sup>16</sup> Ben Fowler, Candace Nelson, Marcia Odell, David Panetta, Paul Rippey, Jennefer Sebstad, and Kim Wilson.



In order to develop and validate the objectives of the research, identify specific lines of inquiry for each study, and ensure the Learning Initiative reflects and responds to areas of interest most pertinent to the development finance community as a whole, AKF convened an Advisory Committee to provide oversight and strategic leadership for the Learning Initiative. The Advisory Committee<sup>17</sup> consisted of leading experts in development and finance including some involved in community-based savings initiatives, as well as some not directly involved. The purpose of the Committee was to improve the relevance and usefulness of the findings for the wider development community and to provide strategic input to the research plan, analysis of findings, and dissemination.

## Annex 2: Overview of Savings Groups

Development practitioners have long acknowledged the challenge of meeting the financial service needs of poor people, particularly those living in remote, isolated areas. Small transaction sizes, sparse populations and poor infrastructure limit the ability of financial service providers, such as microfinance institutions (MFIs), to reach remote rural areas where many of the most marginalized populations live. It is difficult for formal institutions to generate sufficient revenue through making very small loans to cover their costs, and providing reliable savings services to rural poor is an even greater challenge.



In these remote contexts, Savings Groups offer an effective means to meet financial needs. SGs are community-based groups that provide access to basic financial services for their members<sup>18</sup>.

<sup>17</sup> Mamadou Biteye, Christopher Eaton, Alan Gibson, Susan Johnson, Nelly Otieno, Stuart Rutherford, and Frances Sinha.

<sup>18</sup> It is useful to contrast Savings Groups with some other institutional forms. Rotating savings and credit associations are groups in which members contribute the same amount at regular intervals, with a different member receiving the total amount on a rotating basis. Accumulating savings and credit associations are groups in which members contribute to a group-managed loan fund that is designed to grow with time; these are common throughout the world, and have many variants, including fixed and variable savings amounts. Savings Groups, as discussed here, are a subclass of ASCAs; they are distributing, time-bound ASCAs, with annual share-outs of all assets. Self-Help Groups, as found in India, look superficially like ASCAs, but differ in the important respect of being linked to, and often formed by, financial institutions with the intention of absorbing wholesale loans, and are usually not time bound or distributing. Credit Unions are similar to Savings Groups, in that they are member owned and at least partially capitalized by the members; however, Credit Unions require the delegation of management and governance to paid staff or elected representatives and are sometimes significantly greater in size, a factor that introduces risks not found in Savings Groups. MFIs and banks are quite different types of institutions: whether for profit or not for profit, they provide financial services to clients in exchange for various payments of interest and fees, while SGs collect money from, and distribute money to, their members.

Essentially SGs are time-bound, distributing, accumulating savings and credit associations, capitalised and managed by their members that distribute their assets to their members at the end of regular cycles, and then begin again. While people have gotten together to manage their savings and credit, the modern promotion of savings groups in Africa, Asia and Latin America by large international development organisations began with CARE in Niger in 1991. Since then SGs have spread very rapidly. They provide a secure place to save, the opportunity to borrow in small amounts and on flexible terms, and affordable basic insurance services. SGs aim to increase household financial assets and decrease household vulnerability to financial and other shocks. Quick access to a small amount of credit or accumulated savings to pay school fees, for example, can enable a farmer to defer selling or pre-selling harvest to a time when prices are higher, in some cases substantially increasing incomes. SGs offer an effective means to meet the needs of those too poor or too remote to access services from banks or MFIs.

SGs also provide some things that members do not find in banks and MFIs, particularly a mutual encouragement to save and to use money wisely. They also offer an economic safety net to protect them in the event of sudden hardship, often through a separate social fund reserved for emergencies. The popularity of SGs extends to other groups besides the rural poor. The financial diary studies documented in *Portfolios of the Poor*<sup>19</sup> showed that people use many kinds of formal and informal financial services to increase household assets, to acquire lump sums for particular needs or opportunities, and to decrease household vulnerability to financial and other shocks. Savings Groups address these needs by providing both small loans during the cycle for immediate needs and a large lump-sum share-out at the end of the cycle.

### The Savings Group Model

SGs are composed of 15 to 25 self-selected individuals. Members meet regularly on a schedule they choose—usually weekly, but sometimes fortnightly or monthly. At each meeting all members are expected to save. In some methodologies all members are required to save the same amount, while in others members have the option of saving varying amounts at every meeting.

Groups create a loan fund from member savings, plus accumulated income from interest payments, fines and, occasionally, group income-generating activities; most groups charge a service fee or interest on member loans, often five to ten per cent a month; these funds stay in the group, offering a substantial benefit relative to other ways of savings which are often more costly. Groups agree on a constitution that stipulates loan conditions including the amount members may borrow (often determined by a maximum ratio of loan size to a member's savings), the interest rate, and the repayment schedule.

Groups elect officers democratically and usually hold annual elections. A treasurer or record-keeper records member savings and loans, in passbooks or a central ledger, or both. Some groups use memory-based systems that require no paper records at all.

Groups operate in eight to 12 month cycles. At the end of every cycle, the accumulated savings and interest earnings are shared out amongst the membership. The members' savings are returned and the interest earned is distributed according to a formula chosen by the group or promoted by the Facilitating Agency. The annual share-out resolves any outstanding issues and builds member confidence in the group, because they have an immediate verification that their money is safe and that the process is profitable; and the share-out provides members

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<sup>19</sup> *Portfolios of the Poor: How the World's Poor Live on \$2 a Day* (Princeton University Press, 2009), Daryl Collins, Jonathan Morduch, Stuart Rutherford, Orlanda Ruthven.

with access to the lump sums they desire for investment, life-cycle needs or other exceptional expenses. After each annual share-out, groups immediately begin another cycle of saving and borrowing. Members may decide to make an exceptional savings contribution right after share-out to re-capitalise the loan fund. The share-out is also an appropriate time to elect new officers, to revise the group constitution to adjust the savings amount, and for members to leave or join the group.

Savings Groups most often keep their records and any extra cash in a strong box with three locks; the keys are kept by three group members, whose responsibility it is to open the box only during the periodic meetings and in front of all the members present. The box serves as a guarantee of transparency: members know no one has tampered with the records or the money between meetings.

Many SGs also have a social fund that serves a variety of emergency and social purposes, according to rules set by the group. The social fund is kept as a separate fund and contributions are normally the same from each member. Any member may request a grant or no-cost loan from the social fund; approval rests with the group and funds may be disbursed immediately.

SGs have grown quite quickly over the past decade and a half. In Africa alone, there are at least three million members of Savings Groups and the numbers are growing rapidly. The outreach of SGs in Asia and Latin America is smaller but is also growing rapidly.

Groups are formed and trained through a variety of models that are described below. In every model, the role of the Facilitating Agency is to train the groups to manage their own transactions independently. This training generally takes eight to 12 months after which groups are able to save and borrow without external support. Facilitating agencies train groups intensively at first, after which they step back and simply supervise procedures and routine operations as the group conducts its business. The frequency of visits diminishes as the groups demonstrate their ability to run organised, disciplined meetings and maintain accurate records. Although some groups desire and receive further assistance, most studies<sup>20</sup>, but not all<sup>21</sup>, show that groups do well when left on their own by the FA.

## History of Savings Groups

Community-managed microfinance has probably existed nearly as long as there has been money as a medium of exchange. ASCAs and ROSCAs in particular are found around the world.

Only relatively recently have development practitioners recognized the contribution that these groups make to household and community finance. Development programmes have collected good ideas and new approaches from around the world, and added them to standard models, while looking for better and more efficient ways to provide group training and support.

The modern Savings Group movement is largely based on CARE's programme in Niger in the 1990s, when Moira Eknes, a Norwegian volunteer, started training time-bound distributing

<sup>20</sup> In Nepal, two-thirds of the original groups were still active six years after the FA left, and group leaders trained a number of groups equivalent to the number that disbanded (Linda Mayoux (2008), *Women Ending Poverty, the WORTH Program In Nepal: Empowerment through Literacy, Banking and Business 1999-2007*). In the AKF study in Kenya, 43 out of 44 groups were still active after two years, and another 37 groups had been formed spontaneously by group members. Another study in Zanzibar – Village Savings and Loan Associations in Zanzibar, by Ezra Anyango, Ezekiel Esipisu, Lydia Opoku, Susan Johnson, Markku Malkamaki and Chris Musoke-, found that the number of groups had increased from 47 to 158 in the four years after the FA had left the area; one of the original groups had failed but was being reconstituted. In Zanzibar, a local NGO belonging to the groups themselves had taken over group training.

<sup>21</sup> A study of CARE's COSAMO project in Kenya carried out by Decentralised Financial Services appeared to show quite different results from those of the AKF study in Kenya, also of COSAMO groups: the DFS study found that only 50 percent of the existing groups in their sample were still following the procedures they were trained in. The differences are due at least in part to three things: the AKF study looked simply at group existence, and did not verify the extent to which the groups were following the initial procedures; the two studies worked in different regions where the results may well have been different; and the AKF study tracked new groups created since the Facilitating Agency left, and left with a positive impression of sustainability in light of the large number of new groups that had been formed.

ASCAs, that is, community-managed groups that distributed their assets annually and then began another cycle.<sup>22</sup> Hugh Allen, then working in microfinance with CARE, saw the value of these groups and introduced them into CARE programmes in Zimbabwe and Tanzania. Most existing programmes owe much of their methodological heritage to this early work.

## Evolution of the Methodology

As Savings Group methodologies have spread around the world, practitioners and group members have introduced a variety of improvements to the basic methodology. Initially, facilitating agencies worked to make Savings Groups more “bank-like”, with increasingly complicated accounting systems. Experience showed these systems consumed significant meeting time, were seldom understood, tended to create an elite of managers and thereby opened the door to elite-capture and decreased transparency, all the while adding very little value; now the tendency is to simplify accounting to the bare minimum necessary to allow the groups to function. Groups which are able will often keep additional ledgers, but this is not a necessary part of the methodology and indeed is discouraged by some.

Important additions to the methodology have been added by different country programmes: the familiar passbook in which share purchases are indicated by stamps came from Tanzania, while the slotted box, which allows members to save more frequently than the usual weekly meetings, came from Bangladesh.

An important addition to the methodology was the development of a standardized MIS, a purpose-built template constructed in Excel, which allows the comparison of the performance of groups, trainers, and programmes, using a small set of easily collected indicators of group health and performance. Most programmes starting today use the standard MIS although too few of the older programmes studied here produced enough reliable data to allow quantitative comparisons. Data from leading practitioners—CARE, Oxfam, CFS, Plan and AKF—are being posted on a website on the Savings Groups Information Exchange (SAVIX, at [www.savingsgroups.com](http://www.savingsgroups.com)); the software allows interactive comparisons using all the geographic, institutional, and performance variables in the standardised MIS.

## How Savings Groups Come to Be

Villages in Africa and around the world already contain informal financial groups, which have a dizzying variety of forms and procedures. Some of them would qualify as distributing ASCAs under the definitions given in this document. However, for most practitioners today, Savings Groups are groups created in the context of a deliberate effort by promoters to train people in a modern Savings Group methodology. Most often, the training is incited by a donor and an international partner, such as CARE, Oxfam, CRS, Plan International, or the Aga Khan Foundation. Note that these agencies provide training, but do not always instigate group creation, because in many cases the groups already exist as social groups or even as other forms of financial group, such as ROSCAs or Merry-go-rounds.

Originally, international NGOs trained groups using their own field staff in an arrangement that is here called the *classic model*. This practice allowed for careful observation of how groups worked, and this period of close contact led to the development and documentation of the basic methodologies that are widely used today.

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<sup>22</sup> Revisiting the Early Days of CARE’s Savings Groups: an interview with Moira Eknes by Kristin Helmore from *Financial Promise for the Poor: How Groups Build Microsavings*, Eds. Wilson, Harper and Griffith, Kumarian Press 2010.

However, direct implementation by international NGOs proved expensive, and as the emphasis of donors and partners switched to lowering the cost per member, the training was increasingly subcontracted to local partners under a model here called *the Local Partner Model*. The local partners were most often NGOs and CBOs, but sometimes included churches and for profit businesses.

New approaches are trying to reduce the costs to donors even further by transferring some of the costs of training to the groups themselves, by developing cadres of trainers working through a *fee-for-service* model. The challenge with this approach is having enough new groups being trained to off-set the high cost of training and mentoring the entrepreneurs themselves, while assuring quality once the entrepreneurs are trained and working without direct supervision or control. The fee-for-service model has grown rapidly, is now being used by three of the major facilitating agencies, and is demonstrating that fee-for-service trainers (or – in the case of Mali – volunteer trainers) can produce groups of high quality. The FAs are actively experimenting with incentive structures, to help realise the potential for very low cost group formation.

Finally, another promising approach is the *Outsourcing Model*, in which the training of groups is done by independent contractors, paid by the facilitating agency on a commission basis. The first, and so far only, large scale test of this outsourcing approach, in Kenya, has achieved remarkable efficiency, training groups at the lowest cost-per-member of any programme, while leaving some questions still to be answered about the quality and consistency of the training.

### Cost per Member and Group Quality

Every Facilitating Agency seeks to produce high quality groups at the lowest possible cost per member. In fact, defining either quality or cost per member is a daunting task. While some Facilitating Agencies define quality primarily in terms of the extent to which groups support the procedures in which they are trained, others take a more results-oriented approach, and think of quality in terms of the outcome: can members safely save and conveniently borrow?

Similarly, the issue of cost per member raises tricky problems. What should count as a cost in programmes that often have a mixture of international staff, in-country staff of international NGOs, and local partner staff working on it? How should costs be attributed in multi-component programmes? Should fee-for-service payments made by the groups count as part of the costs? And how should one account for groups that are formed by local trainers or by other groups after the end of programme funding? These questions about quality and cost are raised here only to show that Savings Group facilitation is a young field with much still to learn, particularly in the area of performance measurement.



## Case Studies

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AGA KHAN FOUNDATION

The Aga Khan Foundation (AKF), an agency of the Aga Khan Development Network (AKDN), is a private, not-for-profit, non-denominational, international development agency established in 1967 by His Highness the Aga Khan. Working in 19 countries, with special emphasis on the needs of rural communities in mountainous, coastal and other resource-poor areas, AKF seeks to provide sustainable solutions to long-term problems of poverty, hunger, illiteracy and ill health in the poorest parts of South and Central Asia, Eastern and Western Africa, and the Middle East. Its activities are coordinated not only with those of other AKDN agencies but also with local, national and international partners in order to bring to bear a full package of multiple activities that can spark a long-term process of positive change for these poor communities.



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