The Linkage Handbook

Presented at SEEP Savings Led Working Group
By Sybil Chidiac
And
Lauren Hendricks
**Linkage Pilots.**

Since 2008, CARE has designed and launched eight pilot initiatives connecting mature and interested savings groups with formal financial service providers.

<table>
<thead>
<tr>
<th>Mobile Money Transfer</th>
<th>Savings</th>
<th>Credit</th>
<th>Insurance</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Tanzania</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Vodacom M-Pesa</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>NMB &amp; Airtel</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Mwanga Community Bank &amp; Vodacom M-Pesa</td>
<td>2014</td>
<td></td>
</tr>
<tr>
<td><strong>Ghana</strong></td>
<td>Fidelity Bank &amp; MTN</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Barclays Bank</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Kenya</strong></td>
<td>Equity Bank &amp; Orange</td>
<td>2014</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Barclays Bank</td>
<td>2015</td>
<td></td>
</tr>
<tr>
<td><strong>Rwanda</strong></td>
<td>Vision Finance Company, URWEGO BANK, SACCO’s and others</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Malawi</strong></td>
<td>Opportunity Bank</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Barclays</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Uganda</strong></td>
<td></td>
<td></td>
<td>Jubilee Insurance</td>
</tr>
</tbody>
</table>
Table of contents

1 WHY LINKAGES? ................................................................................................................. 3
  1.1 IMPORTANT CONSTRAINTS IN VSLA METHODOLOGY .................................................. 3
  1.2 DESIRED ATTRIBUTES OF SAVINGS AND CREDIT SERVICES .................................... 4

2 MOTIVATION OF A FINANCIAL INSTITUTION TO LINK TO VSLA .............................. 5

3 STAGES IN LINKAGES DEVELOPMENT ........................................................................... 6
  3.1 PROJECT SET UP AND PLANNING ................................................................................ 6
  3.2 BUILDING CHANNELS FOR LINKAGE DELIVERY ......................................................... 9

4 PREPARING THE GROUPS FOR LINKAGE ...................................................................... 11
  4.1 ASSESS VSLA PREPAREDNESS FOR LINKAGE ........................................................... 11
  4.2 AWARENESS BUILDING OF GROUPS FOR LINKAGE .................................................. 12

5 PREPARING THE PARTNERING BANK STAFF FOR LINKAGE ........................................ 15
  5.1 AWARENESS WORKSHOP WITH PARTNER BANK STAFF ........................................... 15
  5.2 PROCESSES IN LINKING WITH A VSLA ....................................................................... 16

6 COMMON LINKAGE PRODUCTS FOR VSLAS ............................................................ 17
  6.1 SAVINGS PRODUCTS ...................................................................................................... 17
  6.2 KEY BARRIERS IN OFFERING SAVINGS PRODUCTS .................................................. 19
  6.3 ADDRESSING PROXIMITY ISSUES ................................................................................ 20
  6.4 KEY BARRIERS IN CREDIT SERVICES .......................................................................... 21

7 PRODUCT DELIVERY ......................................................................................................... 22
  7.1 APPLICATION FOR THE LINKAGE PRODUCT ................................................................. 22
  7.2 APPRAISAL OF APPLICATION ....................................................................................... 23
  7.3 APPROVAL AND DISBURSEMENT OF LOAN ................................................................. 24
  7.4 MONITORING AND EVALUATION .................................................................................. 24

ANNEXURE- I: INTER-SE AGREEMENT ............................................................................. 27

ANNEXURE- II: SPECIMEN APPLICATION FOR GROUP LOAN ............................................ 30

ANNEXURE-III: SPECIMEN AGREEMENT BETWEEN BANK AND VSLA ....................... 32

ANNEXURE- IV: SAMPLE QUESTIONNAIRE FOR MARKET RESEARCH ............................ 34

ANNEXURE- V: CARE PRINCIPLES OF LINKAGES ............................................................ 36
8 Core Principles of Linkage

1. Link groups, not individuals
2. Only link mature groups that have saved for at least a year
3. Focus on demand from groups rather than supply from institutions
4. Provide financial literacy training to groups before linking them
5. Protect core savings group principles
6. Start with savings before credit
7. Maintain a conservative savings to credit ratio
8. Minimize the use of savings and collateral
Help FSPs Understand SGs as a potential market

• Development of a Linkages Handbook
• Handbook would include:
  – An overview of SGs
  – SG Characteristics
  – SG Financial needs
Advocate for client protection

• Promote National Savings Forums which include SG implementers and FSPs

• Engage in global forums such as
  – G20
  – Global Meetings
  – Regional/ National level meetings
Develop a Business Case for FSPs’ understanding of a financial model for successful linkage

• Demonstrating the business bottom line of products and services for SG market. The «Case» would include but not be limited to:
  – Extent of demand for linkage from mature groups
  – Extent of account usage on VSLA accounts
  – Range of products/services to be offered to SGs
  – Use of different delivery channels/cost differences
  – Extent of cross selling
  – Graduation from group linkage to individual linkage
  – Use of mobile payments/partnerships with MNOs
  – Pricing of products/services
  – Product education process
Next Steps...

1. Call for the development of a linkage handbook as a key Savings Led Working Group initiative

2. Call for practitioners and FSPs to sign up to join the work on developing a linkages handbook developed through the SLWG. Send an email to Candace Nelson and Eloisa Devitta, Saving Led Working Group leaders to sign up.

3. Workplan development (January 2014)