Achieving SDG 1 - The Role of Savings Groups in Reaching the Poorest

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SESSION PANEL

Lauren Whitehead, BRAC USA
Yéréfolo Mallé, Trickle Up
Jason Wolfe, Bill and Melinda Gates Foundation
Ntsie Tlale, Catholic Relief Services
Savings groups have been shown to deliver outcomes beyond financial inclusion and empowerment. For the poorest, groups can strengthen access to formal and informal social protection mechanisms; stimulate economic opportunities; and leverage community ties to build social cohesion and inclusion.

Savings groups offer implementers of complex programming a delivery mechanism for reaching the extreme poor that is:

- Localized
- Trusted
- Cost-effective
- Sustainable

Though many Graduation programs do not rely on savings groups as a platform, those that do demonstrate numerous benefits. We will explore these further.
The core pillars are inextricable principles of Graduation that, when integrated, reinforce one another to achieve Graduation outcomes tailored to the most vulnerable.

Quality Graduation is:

- Holistic and comprehensive
- Highly contextualized
- Targeted to a vulnerable population
- Carefully sequenced integrated services
- Time-bound with linkages post-intervention
- Closely monitored and measured with robust graduation criteria
- Not a silver bullet operating in isolation
BRAC views Graduation as predicated upon providing a set of time-bound, tailored, and sequenced interventions that offer essential support along four foundational pillars of the approach.
FINANCIAL INCLUSION

Savings groups provide a viable platform to facilitate financial literacy and financial inclusion of the poorest.

• **Increasing understanding of financial concepts** including:
  - Savings practices
  - Financial planning
  - Lending and loan repayment
  - Risk management
  - Business planning and marketing

• **Encouraging behavior change through peer-to-peer support and role modeling** producing:
  - Improved savings discipline to buffer from future shocks
  - Reduced negative coping mechanisms
  - Increased familiarization with formal financial services
  - Enhanced credibility to formal financial institutions
  - Decreased risk aversion to household investments
In building the resilience of households through enhancing the absorptive and adaptive capacities of households to respond to shocks, savings groups act as a vital form of social protection.

- **Strengthening informal social protection** through peer networks in time of stress and shocks
- **Raising awareness of social protection resources** available to the poor
- **Smoothing consumption** via savings or access to credit from within the group
- **Increasing household expenditures** on health and education
- **Providing simple micro-insurance products/emergency funds** (usually against illness and death)
Savings groups can bolster gains in livelihoods through:

- **Building basic business management skills** reinforced by group savings practice
- **Providing linkages to cooperatives** and producer groups
- **Serve as a vehicle to attract larger capital investments**
- **Enable group enterprises** comprised of trusted peers
- **Establishing a peer support network to help balance the care burden** inhibiting poor women from working
- **Instilling a vision and plan for the future** including investments in health, education, home improvement, etc.
Often overlooked, savings groups can also have **positive social impacts that contribute to social empowerment** in:

- Providing a **platform and tools for women’s empowerment** including lessons on GBV, financial rights, etc., and expanding women’s roles in **household money management and decisions**
- **Elevating women’s place and voice** in the community
- **Ensuring visibility** of the most marginalized in a community
- Providing access to **basic services and critical information** related to health, nutrition, WASH, literacy and numeracy, etc.
- **Facilitating a safe space** that promotes social bonding, peer learning, encouragement, and confidence-building
- **Generating peer accountability**, even competition to succeed
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Yéréfolo Mallé
West Africa Regional Representative
Trickle Up
• Background on Trickle Up
• VSLA to reach the poor
• Adaptations on VSLA
• Key issues for discussion
• **Trickle Up Vision**: a world where no one lives in extreme poverty and vulnerability.

• **Trickle Up Mission**: Trickle Up helps people in extreme poverty and vulnerability advance their economic and social well-being. We drive large-scale change by partnering with governments, global institutions, and local organizations.

• **About Trickle Up**: Trickle Up has been a pioneer graduating people out of extreme poverty since 1979. We’ve helped more than 1.5 million people move to greater economic self-sufficiency and connection with their communities.
• Our operations in West Africa started in Mali in 2004 and were extended to Burkina Faso in 2008.
• In Burkina Faso, we helped rural poor to set up 208 saving groups from 2008 to 2017.
• In 2017, we engaged in the Adaptive Social Protection (ASP) Program of the World Bank in the Sahel.
• We are training Social Safety Nets Project teams in Niger, Senegal, Mauritania, Chad and Burkina Faso on VSLA and coaching.
• About 57,000 poor people will be organized in VSLAs.
People in extreme poverty face multiple barriers to accessing loans from Formal banks and Microfinance Institutions:

- **Presenting a guarantee**: the poor don’t have anything that can be sized in case they are not able to pay the loans.
- **Having solidarity guarantee**: the other community member knowing the poverty level of the target population rarely accept to provide a guarantee.
- **High interest rate**: the interest rate applied by the other institutions can be very high for the poor.
From our experience, we have analyzed the various options and decided to use the VSLA for the following reasons:

- It is **self-managed** by the target population.
- It is **a platform** for the other education activities.
- It helps the target population **build their social assets**.
- It lays the foundations for **strong local governance**.
- It is **sustainable**.
- It is **flexible** and can be adapted to the context of the very poor.
- It is **usable** by populations with low or no literacy.

*This approach develops self confidence, self-esteem for its members and prepare them to become key actors in local development.*
Adaptations on VSLA

It is difficult for very poor and marginalized groups to prioritize saving for the future because they must meet day to day needs. The VLSA approach allows for modifications in its principles to meet their specific needs and encourage saving. **Trickle Up’s adaptations include:**

1. **Adaptations for poverty:**
   - Cash grants and/or cash transfers to the beneficiaries supported to develop livelihood plans and invest in income generating activities.
   - Value of one share is agreed based on level of poverty.
   - Interest rate adapted to the context (profit on services or benefit on loans).
   - Solidarity fund for social events.
Continued...

2. Targeting

- Selection based on level of poverty and all are cash transfer recipients.
- People aged from 19 to 49 years old (Case of Senegal).
- Groups facilitated by coaches from communities and/or NGO Field Animators.

3. Meetings:

- Reduction of the number of meetings in the preparatory phase.
- Meeting A corresponds to information General Assembly for the entire community.
- Meetings B and C gather only targeted beneficiaries.
4. Support and facilitation:

- Groups facilitated by coaches from communities and/or NGO Field Animators.
- Transformation of existing management committees into VSLA committee with 5 members (case of Niger).
- Size of groups can be more than 25 members.
- VSLA – platform for the other ASP components including financial and not financial activities.
Issues for discussion

• Extension of the number of the group members: with other saving groups like the Self Help Groups (SHG), the number of group members can grow but with VSLA, this can be limited due to the approach’s rules.
• Connection to MFIs.
• VSLA’s networks (intercommunity networks of VSLA).
• The VSLAs’ role in the local governance.
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Jason Wolfe
Program Officer
Bill and Melinda Gates Foundation
How can savings groups support national social protection programs?

Let’s consider 3 key stages that are common across most national programs:

**Targeting**
How eligible beneficiaries enroll into the program

**Delivery**
How government delivers and beneficiaries receive assistance/services

**Graduation**
How beneficiaries exit or transition from the program
How can savings groups support national social protection programs?

- **Continuous (self-)enrollment**
  
  Savings groups can support members to learn of their rights/entitlements and follow through on procedures to apply for or claim them.

- **Episodic (re)targeting**
  
  Savings groups are unlikely to make a big difference in these targeting approaches, which tend to be top-down with community validation.
How can savings groups support national social protection programs?

**Targeting**

**Efficiency**
Savings groups can de-fragment program beneficiaries, making it easier and more efficient for government to deliver assistance/services

**Effectiveness**
Savings groups can help beneficiaries smooth consumption from lumpy transfers, accumulate assets over time, and support increased agency and behavior change through peer support and collective actions
How can savings groups support national social protection programs?

- **Targeting**

- **Delivery**

- **Graduation**

- **Livelihoods Enhancement**
  Savings groups can provide an efficient platform for livelihoods training and facilitate productive investments

- **Platforms for Continued Engagement**
  Savings groups can increase the visibility and accessibility of beneficiaries for new services delivered by government or NGOs as they transition out of the social protection program
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Ntsie Tlale
Program Manager, Savings and Internal Lending Communities (SILC)
Catholic Relief Services
CGP had limited impact on:

1. Economic self-reliance
2. Transformation of Livelihoods
3. Increase productivity

“Synergies and linkages should be built between the CGP and other programmes in the area of child health, nutrition and education, but also rural and micro-enterprise development…”
Sustainable Poverty Reduction through Income, Nutrition and access to Government Services
Linking Social Assistance Programs (SAP) with other interventions:

Additional Support

SAP

Greater reductions in poverty
Promote savings, smooth consumption, families manage finances, and income generating activities

Increased access to production, improved and diversify diets

Increased Nutrition outcomes among children 6-24 months old

Enhance access to health, nutrition, education, and protection services
Each saving group agrees to a set of rules to guide its activities.

Groups meet on a regular basis and members contribute a fixed minimum sum.

Members take out loans, which they pay back with interest.

Loans help support farming, grow business and pay for schooling.

Group members get back their investment plus a profit, which they can reinvest in the group.
Pathways to Prosperity:

1. **Recover** from highly vulnerable
2. **Build** vulnerable yet viable
3. **Occasional Market Engagement**
4. **Infrequent Market Engagement**
5. **Growth Entrepreneurial & Thriving**
6. **Consistent Market Engagement**
7. **Rebound**
SMART Skills:

Building SMART Skills

Innovation
Finance
Marketing
NRM
Group Organization
Lessons learned

SILC provided people capital for building infrastructure

SILC provided opportunity to increase household production

SILC provided skills & opportunities to diversify livelihoods

SILC provided a platform for enhancing nutrition among young children
Questions?
THANK YOU

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Ntsie Tlale – Catholic Relief Services