

## Chapter 4.

# Delivery Channels, and their Implications for Scale and Sustainability

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## 1 Introduction and Summary

For most of the organisations implementing savings group (SG) programming, it is taken as a given that SGs are an efficient way of bringing financial and other services to people. The question that now preoccupies practitioners is, what is the best way to form them in terms of inter-institutional arrangements, management and supervisory structures, the type of personnel needed, incentives, training approach, and messaging?

Observing the industry we see that SGs created by a wide variety of agencies are essentially similar, based on a common set of principles, the most fundamental of which are self-management and self-capitalisation. But we see a diverse array of approaches to creating, training and tracking SGs and there is no consensus as to which of several approaches will be most successful in delivering sustainable, high-quality financial services through SGs at an affordable cost. Since not doing anything until all the questions are resolved is not an option (and, happily, it appears that several diverse approaches can work equally well) – the industry has gone forward with certain assumptions, while continually looking for any information that can enable practitioners to refine their choices.

The chapter will present what is known on the basis of evidence and what is believed on the basis of anecdote and principle, about delivery channels. It will define the questions that facilitating agencies face, and it will point to some research that is likely to help answer the questions being asked.

## 2 Defining Delivery Channels

There is no industry consensus on a typology of delivery channels. This discussion will begin by classifying SG group formation and training into two large families, and then will divide each into smaller divisions. However, it should be noted that these are working classifications that sometimes overlap, and do not exhaust the possible ways that groups are formed. Nonetheless, they are useful for our discussion here.

The two large families are *project-driven* group formation and *community-driven* group formation. While most attention among donors, INGOs and local NGOs has been directed towards project driven group formation, the community-driven channel is hugely important and will also be discussed below. It is also clear that an increasing number of implementing agencies have integrated community-driven group formation into their SG programmes while

we observe a large number of groups emerging as a result of systems left in place by implementing agencies or through spontaneous replication that involves little or no formal training. We have tried to take this into account.

## 2.1 Project-driven delivery channel

“Delivery channel” implies of course that some product or service is being delivered to groups. While in most projects, groups are given some kit – likely including a lock box and record-keeping materials – the primary thing which is delivered to groups is training, including technical and social support, during the period in which the group is forming, learning and practicing procedures, getting ready for the first annual share-out, and very often after that, including assistance during crises, and subsequent share-outs. Along with the services to the group, there is often a project exigency of periodic data collection. This assistance, which we can lump together under the rubric “training”, is provided largely or exclusively by a single trainer. The questions around delivery channels, then, are usually concentrated on **what sort of profile is necessary for someone to be a successful trainer, and how should that person should be trained, motivated, supported and supervised.**

Much work and discussion has gone into the question of how to maintain high productivity, reasonable cost, and good to acceptable quality. To some extent, the cost of the trainer is of secondary importance and is usually a relatively small part of the total budget [P1] for Savings Group projects.[1] Much more important is productivity, because the number of trainers needed to reach a certain number of people has cascading effects on project costs, for supervision, transportation, and back-office functions. In general, the best strategy for reducing costs is to get high productivity from a smaller number of trainers, even if they earn a bit more.

While there are countless institutions forming and training SGs today, and using a wide variety of approaches, the following categories constitute not only a way of classifying project driven delivery channels, but also to some extent presents an evolutionary history of approaches: the approaches that are described first are the earliest ones, now largely though not completely abandoned; those described later are widely considered to be more modern.

We have noted the following trends in the evolution of delivery channels:

- Institutionally
  - INGOs starting out with direct implementation
  - INGOs working with local partners in order to reduce costs, operating with greater agility and saving time in ramping up outreach
  - INGOs becoming ‘Facilitating Agencies’ (FAs) in which they work in many countries as technical support agencies, mobilising and investing donor funds across multiple projects
  - Southern NGOs independently adopting an SG model and operating at much lower cost per member: this appears to be gaining momentum
- Trainer type
  - Starting out with paid project staff who create and supervise SGs until they are independent
  - Project staff identifying, training and supervising community-based trainers (CBTs) who begin to take over the role of the paid project staff and, after a

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period, become independent service providers. These community-based trainers may be volunteers or may generate fee income from groups that they train. There is compelling evidence that fee-for-service trainers are more effective and many observers see this approach as most likely to produce groups of good quality, at an affordable cost on a sustainable basis.

Institutions are not obliged to move from direct implementation to working through partners, or to start working with CBTs, but there is a tendency in both of these directions. In the first case, working with local partners is seen as a way of driving down costs and leaving behind an institutional system that can, potentially, continue to create new SGs. In the second case, CBTs are seen as embedding a self-sustaining training and support capacity at the community level.[\[2\]](#)

### **2.2 Direct Implementation**

In the SG project that that most people would consider the ancestor of modern savings groups, CARE's MMD project in Niger, there was a direct and simple approach to motivating and monitoring the trainer: a foreign donor gave money to CARE Niger, and CARE Niger staff trained groups. The use of staff trainers had clear advantages: it facilitated having a common approach, and may have led to higher quality groups (more on this later). Also, at that time, it was way too early in the development of the SG discipline for CARE to be concerned about measuring or comparing cost per member, and it isn't surprising that the innovators in the field used their own staff – there was little idea that the SG model they were evolving would become a replicable approach with a standard set of operating procedures that could be spread through training, and be standardized through manuals.

As time went on, however, it became clear that direct implementation by salaried INGO trainers had clear disadvantages: INGO personnel costs are usually high and INGOs sometimes find it painful to let staff go at the end of a project. Finally, salaried INGO trainers have tended to be less effective in terms of group-level financial results than CBTs paid by SGs.[\[3\]](#)

With time, however, this architecture has become more complicated, as intermediaries have been inserted into the chain, initially between the country program and the trainer, and then between the country program and the donor.

### **2.3 Subcontracts with local NGO and other partners**

International NGOs often work through local partners, but it was only after the creation of savings groups got to be standardised and simplified that INGOs began to rely systematically on local partners to do the work of forming and training groups. Care Uganda was the first to standardize this approach and, in 2005, launched a large project built on the model of working with local partners, usually NGOs but also some for-profit firms. [\[4\]](#) At much the same time, and independently, Plan International and Oxfam developed programs that work exclusively through partners in all of its 43 West African projects, while, since 2006 CRS has worked through 187 Diocesan partners in all of its SG programming in 27 countries. CARE, too, is increasingly working with partners across a portfolio that is of longer historical origin.[\[5\]](#) Thus, there is little disagreement among the larger INGOs that this is a practical

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approach to cutting costs [\[6\]](#), setting up operations more rapidly and working with greater geographic agility.

In the subcontracting model, the local partners receive training from the INGO, and use their own staff to form the groups. They usually use their own copy of the industry standard MIS, and send their reports to the INGO, which consolidates them and sends the consolidated report upstream, or to the [thesavix.org](http://thesavix.org) website. This approach has lowered costs – local NGOs pay much less than international NGOs - and their staff are more likely to ride bicycles than motorcycles. It also helps to achieve a fairly common strategic objective of building the capacities of local partners.

Finally, the sub-contracting approach has led to the continuation of services after the end of project funding, as most of the local partners are better positioned to attract other resources to allow them to continue to form and support groups; this is discussed below in the section on Train and Retain. Increasingly, therefore, we see improved local NGO capacity both to implement SG programming and to raise donor funding.

This approach also has its costs, of course: working with a number of local partners, and managing numerous sub-grants, is labor intensive (but often less so than creating international corporate infrastructure, built around corporate administrative and personnel systems). It requires the INGO to invest heavily in training to assure the quality of group formation, provide accurate financial reporting from multiple partners, and ensure the correct use of the MIS.

### **2.4 Community-based trainers: origins**

The original concept of using community-based trainers was also developed by CARE Niger. This evolved out of a recognition that paid project staff could not meet the rapidly growing demand for SG training. Initially, CARE selected CBTs from groups that a paid Field Officer had trained and, after a period of supervision, set them free to create their own groups on a fee-for-service basis. [\[7\]](#) Since more than 5 years all SGs in Niger have been created in this way.

This approach has been widely adopted, in different forms, across the sector

#### **2.4.1 CBTs: Oxfam's Community Volunteers**

Oxfam has developed a model of using unpaid community volunteers, called “Replicating Agents”, chosen by Oxfam from among group members, to form additional groups. Oxfam's approach is to enter a village, invite everyone to a meeting, and offer to train one group, and then assist a replicating agent or agents to train everyone else in the village. The villages almost always accept the offer. The paid trainer spends a good deal of time training and supporting the replicating agent in her job. While the replicating agents often receive small gifts from groups they train, the motivation for their work is clearly more extrinsic than financial, expressed in terms of improved social standing and the simple pleasure of being able to contribute their knowledge to their relatives and neighbors.

#### **2.4.2 CBTs: Fee-For-Service Trainers**

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Both INGOs and local partners are increasingly using Fee-For-Service Models, in which the trainers are paid not by the project (although in some cases they receive a stipend for the first year or two), but rather are paid by the groups themselves. This approach is widely adopted in different forms by CARE, Plan and CRS. It usually requires identification, training and supervision of FFS trainers for a limited period by salaried INGO or local NGO trainers. Many INGOs now see this approach as both a practical exit strategy that leaves in place a self-financing means to continue group replication and maintain support to groups that have a periodic need for assistance (such as at the annual share-out, or annual review of a group's constitution). These trainers may be called Community Based Trainers (CBTs) or Village Agents by CARE, or Private Service Providers (PSPs) by CRS.

Evidence from limited studies indicates that this approach can be highly effective in creating a major multiplication of programme results, post-project at little or no cost to donors and to groups that produce superior financial results, even vis-a-vis paid project staff. Questions that arise and have not yet been answered relate to the longevity of groups created in this way and their democratic performance.

**Table 1: Comparison of group performance: Paid project staff vs. CBTs**

Metric	Field Offer: Project Paid	Village Agent: Group Paid
Total Number of Groups	14,354	8,424
Savings as % of Loans Outstanding	155.5%	166.3%
Savings per Member, as % of GNI/capita	7.0%	8.5%
Average Outstanding Loan Size, as % of GNI/capita	6.3%	8.0%
Percentage of Members with Loans Outstanding	46.4%	41.0%
Loans Outstanding, as a % of performing assets	51.6%	49.8%
Annualized Return on Assets	37.5%	44.4%

### 2.4.3 CBTs: Outsourcing (COSALO model)

CARE's COSALO project in Kenya pioneered a model under which many of the functions of group formation were outsourced to trainers who were paid on commission by CARE, and who were supervised by local entrepreneurs and faith-based organizations, also paid on commission. The project reported remarkable output at very low cost per member. In some cases, the entrepreneurs and their agents were quite creative in finding innovative ways to train groups as quickly as possible to gain the greatest commissions; some of the innovations seem benign or positive, including the clustering of groups to reduce the number of visits necessary, and encourage inter-group learning, and the use of radio spots and systematic visits to weekly markets to recruit new groups. Other innovations, including excessive emphasis on monthly rather than weekly meetings, making the use of lockboxes optional, and even abandoning the share system in favor of having all members save the same amount, involved cutting corners in ways that were probably not in the members' interests. Questions that arise (of which CARE is aware) relate to group quality, the extent to which this model can work in more remote areas and the post-project sustainability of a system into which funds are no longer being injected by an external agency.

### 2.4.4 Community-driven delivery channel

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When Savings Groups are introduced into an area, very often, groups go on to form other groups themselves, or groups are formed by outsiders who visit the groups and copy them in their own villages. This often happens without the awareness of the FA or project. Two studies in Western Kenya have shown the scope of this phenomenon. Odell and Rippey<sup>[8]</sup> found 37 groups that had been created by members of the 44 groups formed by CARE, and the authors were certain that they had no identified all of the community-driven groups, the location of which was not part of their study's purpose. In a 2011 study, FSD Kenya and Digital Divide Data specifically looked for evidence of replication in a sample of 54 groups, also in Western Kenya. They found that "Replication was the norm, with the average group creating nearly 2 additional groups in the 14 months since the project ended. Three quarters of all groups had replicated." It is not known to what extent Western Kenya is representative of other parts of the world, of course, but almost every project the authors of this chapter have visited has shown some evidence of community-driven group formation.

Before receiving significant support, Oxfam reported an annually compounded rate of group-to group formation that exceeded 30% in Mali.

Since community-driven group formation is such a strong motor of expansion, at least in some regions, it is an important question whether to encourage it or discourage it, and how to assure that groups formed by other groups are of good quality.

Odell and Rippey identified four ways in which savings groups form new savings groups:

- Fission of large groups
- Splinter groups. Sometimes members leave a group because of dissatisfaction with some element of the original group, such as its management, disruptive members, or distance. The departing members may start their own group, which often will grow over time.
- Social Entrepreneurs. In some cases, dynamic local people have taken it upon themselves to form additional groups as a civic service. As is the case with the Oxfam replicating agents, their rewards are primarily extrinsic, although small gifts are also sometimes given.
- Rosca Upgrading. Sometimes a member of a savings group who is also a member of a Rosca describes the SG approach to the Rosca members, who decide to adopt it.

The FSD/Digital Divide Data study identified additional variants:

- Natal village
- "Inspired by". Some groups seem to be formed with no real input by existing groups, but simply because neighbors have carefully observed meetings, and imitated the procedures.
- Other upgraded. Not only Roscas, but other sorts of groups – women's, youth, CBOs – sometimes adopt the SG methodology.
- Clusters. Very often in Western Kenya, though less often or never in many other areas, groups meet at the same time and in the same place in a church hall or civic center. Clusters often are visible and so interesting as to attract many new members like a magnet, and in some cases continue to add new groups until they have ten or more member groups.

## 2.5 Do the Project-driven and Community-driven channels affect each other?

While group formation is an activity that (ideally autonomous) savings groups can choose to engage in, it is likely that the messages and system chosen by the FA can significantly influence the rate and quality of community-driven group formation.

Here are some areas in which a FA *might* encourage or discourage the community to form SGs, either by leaving specific messages, either explicitly or implicitly, with the groups in the course of contacts, or by choosing a particular approach.

**Table 2: Approaches that can encourage or discourage participation in an SG**

Area	Approach likely to encourage community-driven SG formation	Approach likely to discourage community-driven SG formation
Messaging about the difficulty of running an SG	This is easy and we will show you how to do it	This is difficult, but we will show you how to do it
Messaging about replication	This is so easy you can show your neighbor how to do it	If your neighbor sees you and wants to start a group, let me know and I'll help them
Messaging about the relation between the Facilitating Agency and the SG	Once you learn how to do this, you will be independent	Once you learn the basics, we'll be back to show you more
Standards of boxes and passbooks	Simple, local and inexpensive	Fancy or complex, imported from the capital city, and expensive
Access to boxes, passbooks	Available through private sector	Available only through project
Bookkeeping system	Passbooks	Ledgers, or ledgers plus passbooks

It should be stressed that no reliable research has been done which would inform us of how community-driven group formation is affected by project-driven group formation, and so the preceding table is purely hypothetical, and readers can form their own conclusions. However, some studies<sup>[9]</sup> due in 2012 and 2013 will begin to shine some light on this question.

It seems a likely hypothesis, so far as we know completely untested, that choosing appropriate messages and approaches could significantly encourage community-driven group creation. If so, then it is a legitimate question of whether this is a good thing.

The strong argument for encouraging community driven group formation is that it turns groups into a community asset, one that is more likely to remain part of the culture and continue to be available to new people. The argument against encouraging community-driven group formation is that community groups are likely to differ from project-driven groups in various ways. The FSD/DDD study found that community driven groups were less likely to enforce punctuality, use a lock box (which most practitioners consider essential), and enforce other rules, and less likely to use formal processes; the study concluded that “[community driven] groups were hungry for formal training especially for record-keeping and would probably be willing to pay for this, at least for a few members”.

## **2.6 Special INGO SG Structures, or Meta-Projects and how this may change**

Several of the most prominent INGOs, notably AKF, CARE, CRS, Plan and, more recently World Vision, have created trans-national structures dedicated to one or more of the following objectives

- articulating an institution-wide strategy related to SG programming and clear brand recognition
- the development of specific national SG strategies
- providing consistent, program-wide technical support in partner selection, project design, methodological training, monitoring and evaluation (MIS and impact studies)
- raising funds
- coordinating and reporting individual project results on a national, regional and international basis

The most prominent of these is CARE with its Access Africa programme, but CRS and Plan have achieved similar presence (if not scale) throughout Africa with programs in 29 and 22 countries respectively compared to CARE's 30. In addition, Oxfam has a very large scale program (similar in numbers reached to Plan) in 7 countries and World Vision is about to invest in a major scaling up of its SG work worldwide.

These agencies are characterised by working mainly with the most vulnerable and offering a multitude of other services and assistance to their respective target groups. SG programming suits them very well because:

- it creates a significant cross-sectoral impact
- it is more effective in reaching their traditional target groups than standard microfinance technologies
- it costs very little
- it creates sustainable and effective local institutions

The decision by so many of the most significant players to invest in trans-national SG support structures attests to the importance of this approach in their overall programming, where it operates either as stand-alone projects or integrated into a broader set of livelihood activities.

The provision of significant grants from the Bill and Melinda Gates Foundation to CARE, CRS and Oxfam boosted the scale of SG programming in the 6 countries selected and created a momentum and rationale for investment in these trans-national structures, that are likely to remain part and parcel of the way they do business.

While these structures have been essential to the growth of the SG movement, it is possible that they will have accomplished their missions in the medium-term, – as donors, country programs, and local partners all become more familiar and comfortable with the SG concept, and are able to generate financial support and relationships independent of these structures. It is also likely to be the case that their focus will shift from a narrow focus on methodology and a limited set of financial services to a greater interest in the development of collateral services that can be delivered through SGs – with all of the risks that this implies in terms of losing focus, increasing costs and being less certain about the technologies involved. Already

there is a greater interest in research and experimentation as the responsibility for program implementation shifts more and more towards partners and it is possible that donor interest will also begin to move more decisively towards direct engagement with projects and partners that have been ‘incubated’ by the facilitating agencies

### 2.7 Mobile phones

Finally, as part of the delivery channel discussion, it is appropriate to discuss the role of mobile phones. These are thought to have several possible roles:

- Mobilising savings. The remarkable success of M-Pesa in Kenya shows that mobile ‘phones are at least able to serve as a mobile wallet, while as yet remaining to prove that they will be the principal means by which longer-term deposits can be mobilised
- Money transfer. To date this seems to be the service most in demand and has been anecdotally reported as significantly increasing share-purchase in SGs, mainly in urban areas, for members who want to save between meetings or who cannot attend the next meeting. The same reports show that ‘phones are being used also to disburse loans and reimburse, again, mainly in urban areas where there is a real risk to carrying money.
- Improving security. An advantage of storing funds in a cell phone is that they cannot be taken out by someone who does not know the passcodes. This contrasts with the traditional safe box, whose locks can be easily opened.
- Improving record keeping. Some efforts are underway to develop special software that is adapted to the needs of groups. Any telephone app that is used for record keeping is likely also to have a remote reporting function also, and could be set up to report balances, attendance and other group quality measures automatically.

While all of these functions are useful, they do not constitute a “channel”, just convenient tools that can increase efficiency, savings mobilization, security and transparency. Some have likened them to an expensive piggy bank, or wallet, because they are almost too liquid to serve the partial illiquidity function that ‘locks up’ savings for the longer-term goal of meeting an emergency or making a useful investment.<sup>[10]</sup> The mobile phone’s advantage is also its big disadvantage: funds kept virtually are too readily available. Early studies of how M-Pesa accounts are actually used in Kenya suggest that they are mainly used as wallets with low average balances and myriad transactions.

Mobile banking by itself does not replace one of the key functions of savings groups, that of using peer pressure to instil savings discipline, but powerful synergies are likely to arise when the security and cost advantages of mobile-phone savings transactions are combined with the peer-pressure expectations of an SG that members will regularly invest in the group. Thus, we think it is unlikely that technology alone will influence savings behaviour in the absence of a social instrument that encourages savings. The social contract between members, based on mutual illiquidity, requires them to play their part by making regular savings and the ‘phone is then a means by which convenience and security issues can then be resolved.

As yet there is little project-based activity based around the mobile ‘phone. It is, and will likely remain, a dynamic that is evolved and refined by participants themselves, but we see

facilitating agencies playing a role in identifying best practice and experimenting with easily replicable approaches.

### 3. Cost of training members

The cost of training members is one of the most contentious metrics, because it is influential in decisions likely to be made by donors as to whom they will fund and whom they will not, all other things being equal.

At the present time, the Gates Foundation funded agencies that post their data to the SAVIX use a standardised approach to calculating cost per member.

First they exclude all research and evaluation costs that do not relate directly to project implementation. Thus, RCTs and other types of impact study are excluded.

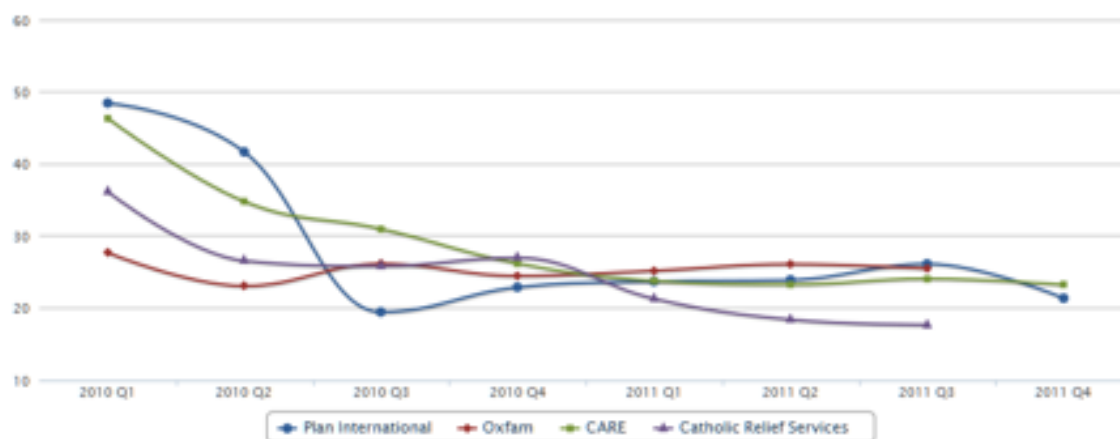
Secondly, projects and partners seek to measure the proportion of costs that can be assigned to an SG program in cases where there are other sectoral activities being undertaken and where there are shared administrative and capital costs. Decisions on how to do this are largely left to the projects themselves, although tools are available to assist in this process. Once a project-level figure has been created Facilitating agencies calculate their total costs (net of research projects also) and allocate these costs, proportionate to the number of members across an array of projects.

There are, however, a multitude of exceptions that make the calculation of this figure subject to inconsistent application. There are cases, for example, where project paid field staff may themselves work on multiple activities, some of which may not relate to creating SGs. Or they may work on activities such as small business or literacy training, or commission-based sales of solar lamps that takes up their time and are seen as an indispensable part of the methodology, while being financially supported by other (sometimes private) entities.

Perhaps we have to accept that there are somewhat different approaches and focus more on the following:

- a cost convergence that seems to be settling out at an average of about \$25 a head, during the lifetime of a 3-4 year project (see Figure 1 below)
- the rate at which costs per member decline?
- how cost comparisons can be correlated to delivery channel and methodology decisions
- how cost ought to be measured in the light of CBT models and post-project growth

**Figure 1: Average cost per member for Gates funded INGOs**[\[11\]](#)



Taken simply, there has been a fairly rapid reduction in cost to a level that is stabilizing at about \$25 for projects that operate at moderate scale for 3-4 years (we can ignore the last data point since it includes only partial data). While there are exceptions to this rule (CRS is running now at a program average of \$17.7 as their PSP model hits its stride) it is probable that costs are unlikely to go much lower. There are two things, therefore, that need to be taken into account:

- how will these results be affected by post-project group creation through CBT and spontaneous replication channels?
- how well do agencies do that are not part of INGO networks

These need to be considered before it is possible to say what long-term costs will be. For example, while we know that it cost CARE over \$100 per member in its Zanzibar program in 2000-2002, how should it now be viewed since the original 43 groups have grown to number more than 250 and the amount of capital mobilised and managed has on average tripled – at no further cost to CARE? And how should cost be viewed without also taking group quality into consideration? We also know that some projects, such as Dutabarane in Burundi are able to deliver good results at about half the lowest cost of an INGO-funded programme. How, then, should donors start to relate to the southern agencies, like this, that are showing most of the better-established INGOs a clean pair of heels?

## 4. Defining Sustainability

*Sustainability* is a concept that has a fairly clear meaning when it is applied to traditional microfinance institutions: an MFI is considered to be sustainable if it earns enough money to cover its costs, and there are no other internal weaknesses or external threats that are likely to put it out of business in the medium term.

The concept is not easily transferrable to savings groups, but because SGs supply financial services, it is understandable that donors and others would ask about their sustainability. So, are SGs sustainable? In a financial sense, most of them certainly are: they have so few operating costs that their revenues easily cover them, and in fact SGs typically have a very

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high return on investment for their members. The SAVIX database indicates that all reporting projects have an average return of 33.6%.<sup>1</sup>

However, it must be noted that some SGs do not meet the criterion of financial sustainability: if they suffer losses, through theft or portfolio weakness, they might show a loss for the cycle. These catastrophic losses are fortunately rare, and there is anecdotal evidence that some groups manage to survive them, as the members bravely regroup and keep saving. Other groups wind up operations if they lose their money. (It could be noted here that Susan Johnson has pointed out that failed groups of all kinds are under-reported, since evaluators find it easier to visit groups that are still in operation, than those which have failed.) The simple fact that most groups easily cover their operating expenses does not fully address the sustainability question, however, and donors want to know, How long do groups last? Are we getting long-term provision of financial services, or will the groups fade away for one reason or another?

Two studies are worth mentioning:

- The SAVIX panel study of 332 groups so far shows that 6 groups ceased to operate after 2 years. The average group was 18 months old. Two of these are reported to have merged with other groups. Data for 2011 will be posted in April 2012
- The FSDU/DfID study carried out in Zanzibar in 2006 is the first long-term study of savings groups, where the implementing agency (CARE) ceased to work in the area. All 43 original groups had survived (although one had closed and re-formed). The total number of members had increased by 256% in a total of 157 groups and in 2009 there were reported to be more than 250 groups. None was reported to have shut down.

Having said this, the FSDU study covered a small single project and, while the SAVIX panel study covers a large number of groups in several countries, it will be two more years before it is concluded.

To address this issue, Odell and Rippey pointed out that the sustainability question should not focus only on whether individual groups survive, since group membership is often in a state of flux, as members leave some groups and create others. They distinguished three levels of sustainability: that of the group, that of access, and that of the concept:

- *Group sustainability* refers to the continued existence of the group after the end of training. There is substantial evidence that in most projects, most groups exist indefinitely. Further research being carried out as part of the panel study of VSL Associates, the Gates funded RCT in Mali, and studies planned by FSD Kenya should soon begin to quantify the survival rate of groups.
- *Permanence of member access* – If members continue to have access to services from some group or other, then it is less important whether individual groups continue to exist. The change in total membership post-project is an indicator of sustainability of access. The Zanzibar and COSALO studies show that in some cases member access grows steadily, despite the fact that in the COSALO groups, group membership and identity was very fluid, with many groups splintering and changing membership and sometimes their name. Note that even if member access continues to grow, it is still important what happens to individual groups, for the circumstances in which a group ceases to exist might easily be injurious to the interests of the members.

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<sup>1</sup> Annualised return on total assets. Returns on savings will be higher as will be return on average assets, which are not as yet calculated by the SAVIX

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- *Permanence of the concept* – While there is evidence that most groups tend to stay in existence, there is a further question about the permanence of the concept, or the degree to which groups stay true to principles and practices in which they were trained. Two studies from Kenya have tried to measure the extent to which groups deviate from standard procedures. DAI found that “questions about a basic CARE premise: the ability of incubated savings group to resist ‘entropy’ or loss of compliance to the methodology derived from external training. The DAI study found clear evidence of enormous diversity within the GSL universe in the study area. Members ranked ‘respect for the rules’ ninth in order of governance priorities for their groups—a placement that may help to explain the process of ‘entropy’.” The previously cited study by FSD Kenya and Digital Divide Data found that second generation groups were less likely to meet punctually, use lock boxes, or respect formal procedures. What is not known is the extent to which this Procedure Drift affects the permanence of groups, the security of members assets, or the return on investment. Many practices have been widely adopted, including lock boxes with three locks, use of passbooks, sitting in certain ways at meetings, having the elements of meetings in a certain order; these practices all make sense, and it is prudent for FAs to adopt them, but their affect on specific outcomes – while presumed – has not been measured. A common adage in advertising is that half of advertising budgets is wasted, but no one knows which half. Similarly, it is possible that half of the procedures followed are not necessary to favorable outcomes, but no one knows which half.

### **5. Evolving and conflicting ideas about post-project groups**

There is a debate about the role of savings groups as a development engine. There are those who passionately advocate leaving them alone, on the grounds that development agencies never seem to consider their work complete, and here’s a chance to do so. There are those who maintain, with equal vigor, that savings groups have enormous potential to act as a platform for other development activities and also believe in their potential to transform themselves into something substantially more useful

This section will review the distinctions:

- *Train and abandon* (or as the Brits say, *Fire and Forget*), the notion I was originally introduced to that said that savings groups, once trained, needed no further training, support or contact and can be trusted to operate, for the most part, effectively and in their members best interests.
- *Train and retain*, the practice of many local and sometimes international NGOs of keeping in contact with groups as a conduit for future development aid, and as a marketing advantage. Advocates for this approach see savings groups as a cost-effective way of engaging in other activities, both developmental and commercial and believe that powerful synergies can be engineered.
- *Train and Transform*, the idea that Savings Groups are an intermediary step towards more complex structures, sometimes involving bank loans, federations, other sorts of

linkages which change the nature of the groups and integrates them more fully into national financial systems

The section will discuss the complex incentives in these different models: complicating a system so that extra training is needed, and the new suggestion of simplifying systems further so that additional training is not needed.

## 6. Questions for further study, and further study already underway

- A discussion of the following cases:
- Zanzibar (DFS and FSD Uganda)
- COSAMO (AKF)
- COSAMO (DFS – Markku)
- RCTs – but I’ll need to find out what they have to say that is relevant here.
- Brett’s study of COSALO
- The Panel study of Hugh
- A description of the work being done in Kenya of conducting censuses to find out what actually happens post-project. While this overlaps with the Gate’s studies, I would like describe exactly what they found (Uganda) or are asking (Mali, etc.)

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[1] Based on a number of project proposals, the range of total salary costs for paid project field staff appears to vary between 20-35% of total project costs, depending on scale, duration and the extent to which CBTs are used. This can be higher with small-scale, short-term pilot projects.

[2] Some also argue that, over time, the totality of groups trained by direct implementation and by CBTs will represent a more cost-effective outcome, as post-project group creation will continue to drive down overall per-unit costs.

[3] See [thesavix.org](http://thesavix.org). On average CBTs that are paid by groups equal or out-perform paid project staff in terms of the amount of savings mobilised, average loan size and return on assets.

[4] In the Uganda project, CARE and its donor, FSDU, also created a “VSLA Steering Committee” involving all the principal Savings Group implementing organizations, with the objectives of standardizing approaches as much as possible, and coordinating field work to improve outreach and avoid duplication of effort.

[5] While programs that have performed exceptionally well are usually involved in partnerships with local NGOs, there are other powerful factors that influence cost, not the least of which are program age and scale.

[6] There has been a general trend downwards in cost per member assisted as reported on [thesavix.org](http://thesavix.org) website to an average of \$25.20 across all of the 130 programs contributing

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data. After pursuing a highly disciplined approach CARE Uganda has brought its cost per person reported on the SAVIX to \$19.9 while CRS has steadily cut costs to an average of \$17.70 across all three countries reporting (Kenya, Uganda and Tanzania).

[7] Most CBTS are paid as a flat fee per-member, per-meeting, usually taken from the Social Fund or the Loan Fund. The amount varies, but \$0.025 per member is common.

[8] Odell, Marcia and Rippey, Paul, *The Permanence and Value of Savings Groups in CARE Kenya's COSAMO Program, Nyanza Province, Kenya*. AKF, June 2010

[9] A planned household study in Kenya; the panel study of VSL Associates which is reporting on SG performance of 332 groups in 6 countries for 5 years; and the Mali Gates RCT.

[10] *Morduch and Rutherford*. Their studies in Malawi indicate that an ordinary savings account increases investment in agriculture by 16%, while adding a commitment savings account increases the level of investment by 48%. They further show that while there is a negligible increase in crop sales with only an ordinary savings account, sales increased by 27% when a commitment savings account was added. Food consumption rose, respectively, by 16% and 25% when ordinary and commitment products were combined. Power Point presentation at the Global Savings Forum.

[11] Source: [thesavix.org](http://thesavix.org)