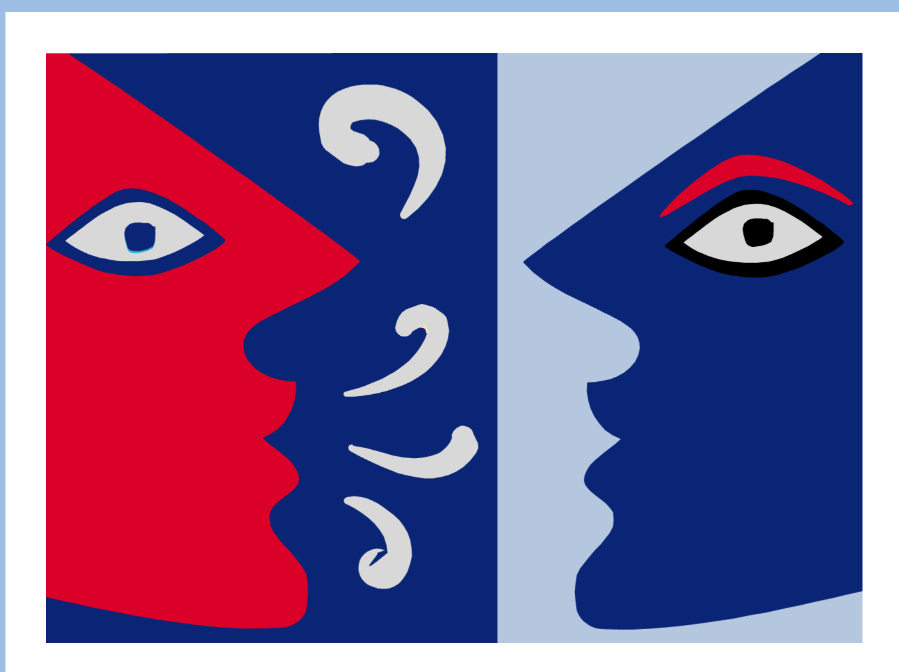
Building the Assets of the Poorest: Savings-Led Financial Services

AN ONLINE SPEAKER'S CORNER DISCUSSION LED BY JEFFREY ASHE, CARRIE KEJU, AND LAUREN HENDRICKS - HOSTED BY MICROLINKS.ORG.



JUNE 20-22, 2006

This publication was produced for review by the United States Agency for International Development. It was prepared by the QED Group, LLC, and International Resources Group.

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SUMMARY

This Speaker's Corner on savings led microfinance led to a lively discussion of the issue.

The first day's discussion was led by Jeff Ashe (Oxfam America) and focused on whether or not this approach was appropriate for serving the vast numbers that traditional microfinance has not reached and is unlikely to reach or serve. The answer was yes, of course. There is a growing awareness as expressed by the participants that the poorest do save, especially in rural areas given the variability of cash flow in agricultural villages. The challenge is moving savings from under the mattress and from traditional ROSCAS into the groups where the members can take out loans when they need them and where the interest on the loans builds the group's fund through compound interest. Funding these groups at least in part through remittance payments from abroad was also discussed. The sustainability of these programs is defined as the groups graduating quickly and the level of self-replication where group leaders train new group. The most important indicator is the cost per group or per group member.

What the methodologies developed by CARE, Pact, CRS, Oxfam America and myriad of Indian NGOs have demonstrated is that with a well designed methodology and an adequate service delivery structure that villagers (and city dwellers as well) will join these groups. The fact that group leaders train other groups on their own account, that the savings rate increases after the group has proved itself, and that the now organized group serves social as well as economic functions and becomes a platform for other development inputs illustrates the attractiveness of the approach. Many said they prefer to take loans from their group rather than an MFI. Why should they pay interest to an outside agency when the interest they pay builds their own loan fund? For others, especially in India, the now organized and trained group is a good candidate for a loan from an outside source. With this model NGOs train and banks lend with each institution fulfilling its appropriate role.

Like any methodology, however, there are limitations as well as advantages, especially when the groups are not well trained. There is the risk that the leaders will capture the savings of the group, or that funds will be misused, or that when the fund builds unwise investments will be made. This underscores the need for ongoing monitoring of these groups after they have graduated. Another risk is pooling money from several groups into a larger cooperative structure -- costs increase, transparency declines when all transactions cannot be observed, and the risk of large loans going to a few becomes a real threat.

Sharing our experiences and methodologies will help the savings led movement to move forward. Substantial in depth research is required to understand not only how the groups function, but who is being reached, who is being left out, the impact of these groups on power relations between groups and families, and how what is learned in these groups ripples out into the larger community. It may be that the ripples are more interesting in terms of impact than what the agencies are doing as they train these groups.

On Day Two, Carrie Keju (PACT) led the discussion of the Microenterprise Results and Accountability Act, examined approach innovations (particularly as regards the MRAA), and addressed the need for industry-wide standards and ratios for savings-led financial services. The responses generally focused on the need, possible options and necessary components of savings-led ratios. As regards innovations to increase the approach's breadth of application and broader applicability as a tool in meeting the MRAA mandate, consensus was that the approach was sufficient for the economic inclusion of the very poor and that innovations would make it unnecessarily complex and unwieldy, leading to failure at the group level.

On Day Three, Lauren Hendricks (CARE) led discussion that focused on women and the targeting of special populations, such as people living with HIV/AIDS. The discussion began with a deliberately provocative questioning of the impact of savings-led microfinance on women's empowerment. This provoked a discussion of the intent of savings led microfinance, and the need to require social impacts of a financial service oriented intervention. While

most respondents agreed that the economic benefits alone were enough to warrant a focus on scaling access to savings-led financial services, many still included their own evidence of important social impacts. Representatives from multi-sectoral organizations noted the ability to integrate savings-led financial services with programming such as education in order to leverage social and economic impacts. Conversation also focused on the target of women only versus targeting both men and women for inclusion in savings led groups. Positive examples were given of the inclusion of men or community leaders in the groups, but reservations were also raised regarding the change in power dynamics within the groups. Finally, day three included some discussion around targeting special populations. Examples were given of partnering with non-financially oriented NGO's in order to reach particular target groups.

- Jeff Ashe, Carrie Keju, and Lauren Hendricks

DAY ONE: Do you think a decentralized approach is the most appropriate?

Moderator: **Jeffrey Ashe** is the Manager of Community Finance at Oxfam America. Prior to coming to Oxfam, Mr. Ashe founded and served as Executive Director of Working Capital, the largest micro enterprise program in the United States. Before Working Capital, Mr. Ashe was Director of the "PISCES Project," the first worldwide investigation of programs reaching the smallest economic activities of the poor. He also served as Senior Associate Director at ACCION International where he assisted in the dissemination of peer group lending throughout Latin America.

Mr. Ashe designed, assisted and evaluated microenterprise programs in thirty-five countries in Asia, Africa, Latin America and Eastern Europe for the World Bank, the Agency for International Development, CIDA, ODA, and many NGO clients. In addition, he developed micro-enterprise projects in Arkansas, North Dakota and Canada. Before his work in the micro-enterprise field, Mr. Ashe directed a nation-wide rapid rural appraisal for the Costa Rican government and served as a Peace Corps Volunteer in Ecuador.

For the entrepreneurial poor and people in densely populated areas, a good part of the unmet demand for financial services (estimated at half a billion households) can be met by simply extending the outreach of microfinance institutions, banks and credit unions.

An entirely different approach, however, is called for to reach the much larger number whose savings and borrowing capacity is in the order of tens rather than hundreds of dollars, who often need a safe place to save rather than take on debt, and who live far from towns and cities. The key is training many thousands of small groups to deliver basic savings and lending services by building on what villagers already understand -- their tontines, susus, chit funds, money-go-rounds and tandas.

These "modernized ROSCAs (revolving savings and credit associations) " add lending at interest and simple record keeping to traditional systems, with interest from loans building the group fund. Since member savings are pooled rather than given in turn, several can take out a loan at the same time, with this seen as a major advantage. Adjusting savings to the highly variable cash flow in villages adds flexibility to the model and charging an interest rate of between two and ten percent per month quickly builds the group's fund with the trust that ensures compliance in their ROSCAs ensuring a high level of accountability. After all, it is their own money that they are managing. Villagers quickly grasp the idea that it is better to pay interest to themselves and reap the benefits than to an external credit provider be it a moneylender, a bank or an MFI (if such services are available at all.)

"Savings-led" initiatives rely on the capacity of groups to manage their own accounts. Graduating trained groups quickly, and encouraging "spontaneous replication" where group leaders train new groups, are the keys to the cost effectiveness of this highly decentralized model. While mainstream microfinance defines sustainability as covering operational and financial costs, this savings-led model defines sustainability as savings and lending groups operating successfully on their own and "self-replication" as group leaders train new groups. Minimizing the training and support costs per group is an important measuring rod and encouraging group leaders to train new groups enables program services to expand at no additional cost. Periodic monitoring and training after graduation insures portfolio quality.

Do you think a decentralized approach such as this is the most appropriate option for those left out or is institutional microfinance the best option for reaching this population?

- Jeff Ashe

As I see it there are two major approaches to microfinance - one approach leads logically to the development of regulated financial institutions, the other is best seen as a "pebble in the pond" with the initiative spreads virally to other villagers through an informal process of women talking about what they have learned in the market, or as they return to their "birth villages."

To what degree does this radically decentralized approach represent an alternative? What are the challenges and limitations of this methodology?

Talk about your experiences. What are the pluses and minuses of this approach? Is this best seen as a way to link groups to other financial services, or are group members as likely to "delink" from these services as to link up?
- Jeff Ashe

Savings led finance is an approach that intermediates very small pools of capital, and tends to be appropriate for people who aren't full-time entrepreneurs (although it works with entrepreneurs too). It makes useful lump sums available in the form of savings, insurance and credit for people whose household and enterprise cash flows are highly variable, but small. MFIs tend to intermediate larger pools of capital for people who often want to invest in growth-oriented enterprises: larger sums for longer periods at lower cost are needed and people are prepared to put up with a degree less flexibility and the export of interest from their communities in exchange for these growth benefits.

So, it seems to me that these two approaches serve somewhat distinct types of clients. At least in principle. There is bound to be enormous overlap and there will be lost of people who have a bank account who want to belong to a savings and loan ASCA. So the one doesn't exclude the other and the one doesn't have to become the other. They can coexist quite happily and complement each other.

Where I think the 'industry' might be making a mistake is in thinking that these things need to be regulated. They don't so much need to be regulated as well-designed around a methodology and a set of rules that guarantees transparency, which is how the promoting agencies justify their investment and interest. The main thing to keep in mind, in my view (and here I take issue with the notion that microfinance is all about enterprise promotion) is that community-based finance offers a cash-management service that's every bit as useful to a poor housewife in El Obeid as a Chase account is to a Washington-based USAID civil servant. Neither necessarily want to be entrepreneurs and both have cash management needs that are legitimately served by these types of institutions. Until the economy strengthens to the extent that there's enough cash movement to attract the formal sector, a technological and methodological cleverness is needed to get MFIs more often into gumboots. But proponents of MFIs need also to acknowledge that there is a cost frontier that will take a long time to traverse and, in the meanwhile, community-based approaches are a sustainable, low-cost and legitimate alternative.

-Hugh Allen

Pertaining the question: To what degree does this radically decentralized approach represent an alternative? The approach offers an alternative which can without being unnecessarily diluted independently provide financial services and can also be linking for other purposes than credit. The approach offers the following: Diversity of use: Access to social or consumption and production loans is guaranteed and self determined. Vulnerable groups have in the initial engagement phase high consumption and social needs than productive needs. My experience in Zimbabwe with some of the leading MFIs was when the "supposedly productive loans" are disbursed the bulk, as high as 80%, were used for payment of schools, food and other social needs. The same trend was noted even with clients in the SME sector served by a development finance institution. The decentralized approach realizes this and allows members to borrow for any purposes as long as they uphold the importance for repayment. It also goes with practicality; would a member with an ill child or one sent out of school not use a loan to satisfy these needs? Empowerment: I know the empowerment issues need more in-depth study but the decentralized approaches have shown greater tendency towards achieving this. In the first instance as programme staff we could see a greater transition to assertiveness from previously submissive community members. The commitment of their own savings has made them realize the greater need to speak out where their interests are at stake. This has also been seen around issues of choices and decision making on income generated. Recognition by other community members is often raised by clients. The ownership of the accumulated fund gives a sense of pride and confidence often not achieved by other approaches. I remember meeting a group of about the 30 that in 1999 had accessed external loans. They openly spoke about how during the loan they sweated for the MFI. With savings led models the story is how "happy we are because we know this is our money; even if we charged the highest interest rates".
- Alfred Hamadziripi

Just a quick contribution on individual bank accounts, urban programs and usefulness of savings for a diverse population: While most people would prefer regulated, safe and accessible individual banking services, the reality is that most developing countries in Africa have an inefficient banking sector (limited or no rural outreach). Our staff of Catholic Relief Services Sudan Program in Nairobi, well-paid NGO workers with individual bank accounts, have set up their own Savings and Internal Lending Community (SILC) as the banking system does not allow people to take out small flexible short term loans (< 1 year) for immediate needs, investment opportunities or consumption. Going to the commercial bank has a high transaction cost (You need to beat traffic, go during office hours and get into a queue to be served!) and is costly (Fee for withdrawing money from your savings account). They just finished their SILC cycle of 10 months and had a return of 22 % on their savings and charged 10 % on their internal loans. They just started a second cycle and their colleagues have started another SILC group. You can find ASCAs and ROSCAs at all levels of society in Africa and they are driven, as Hugh states, by profit in one way or another. Our programs have about 25 % male participation as most programs mainly target women groups.

- Guy Vanmeenen

I don't think that any of us that practice the "savings-led" approach to microfinance recognize it as the magic bullet that will address poverty at all levels. While Pact is deeply committed to our literacy-based savings-led WORTH model, we also practice traditional microfinance, micro- and small-enterprise development and market development in order to reduce poverty across the continuum of economic growth. However as your question highlights, the savings-led approach to credit provision reaches those who otherwise would not be reached.

The question is asked if this decentralized approach is the most appropriate or if institutional microfinance is more appropriate. The reality is that this non-traditional microfinance approach initially holds together because it is operating beyond the traditional microfinance providers' reach. The geographic targets for most savings-led activities are remote rural, typically characterized by distance from the urban centers, lower population density, limited economic opportunities, low-volume monetary transactions, high outward labor migration, diminishing returns to land, and multiple dependents relying on a single-income earner. All of these factors work together to increase the rural poors' vulnerability to and exposure in shocks. Compounding these rural-area obstacles, generally the only credit providers are likely to be family, friends and the ever-present exorbitantly-expensive moneylender.

While institutional microfinance has had and will continue to have great success, the reality is that many still exist beyond the reach, particularly in rural areas, of institutions and many of those reliant on informal credit provision may never be able to qualify for formal microcredit. This is because formal credit provision is more costly, difficult and time-consuming to extend to rural remote areas. Due to the participants' vulnerability to risks, seasonality of incomes, low population density and lack of infrastructure, operating in remote rural areas has additional costs. Microfinance for the rural poor is further inhibited by weak local management and implementation capacity – including literacy, ineffective client monitoring, lack of creditworthiness, and a high degree of political interference. The savings-led approach to microfinance addresses these issues while building on the non-formal ROSCA traditions that the rural poor are already familiar with.

As the barriers that keep institutional microfinance from reaching the very poor in rural areas fall (i.e. geographic reach, infrastructure, transaction and customer acquisition costs, client capacity to qualify for and absorb credit-led capital) the options for credit provision expand beyond the savings-led approaches. Until those barriers decrease sufficiently that institutional microfinance can move into the very rural markets, it often is the case that not only are the decentralized approaches the most appropriate option, typically they are the only option.

- Carrie Keju

Thank you for your comment. While it is certainly true that savings led microfinance can reach beyond where traditional microfinance has reached (in Mali 80% of the group members had never taken out a loan from a microfinance institution with many of these the better off and those closest to markets) it may be that for many managing a small saving lending group is seen as superior to the MFI options. During my last visit to Mali there was no interest in taking out an MFI loan. Why should they when they could get a 50% return from their own savings and have easy availability to loans when they wanted them and on their terms? I noted the same when interviewing groups in India, Nepal and Cambodia. It may turn out that delinking from MFIs as well as linking to MFIs will be going on at the same time. Hugh Allen in his recent work in Bangladesh also found a strong interest in the savings led model in the heartland of traditional microfinance. Subscribers: What have you observed? How much linking and delinking to MFIs have you observed? Tell me your experiences? What are your impressions?

- Jeff Ashe

On linkages of groups to other financial services: Linkages are a possibility, practice elsewhere and not bad but I am sure we need to seriously interrogate and engage on this whole issue with very impartial and open minds. Yes we know there are "successful" programmes mostly in Asia but this should not be used as a benchmark towards which all programmes are driven. It appears quite evident that linkages are being pushed without giving adequate time for the maturation of the 'pure community based processes." I would be happy to hear the reasons for linkage and then we can engage on them. Just to touch on one that is predominantly used: Access to large loans: because there is the perception that savings led loan capital is limited linkage with other providers is meant to fill this gap. We need to ask serious questions around the reasons, value to the poor or clients for these linkages? For what services? Let us be realistic for a number of very practical reasons. When groups start understandably their savings and group fund will be small and equally so the loan sizes will also be small. Let us also bear in mind that at this very stage the individual IGAs will be seasonal and very small. In addition the experience of individuals managing loans and IGAs will be very limited. In my southern Africa experience the capital needs of IGAs at this stage can adequately be satisfied by the so "called small savings." The beauty is that as the group fund grows so will be the regularity of operating the IGAs and the experience of the client to manage credit and the IGA. More importantly the interest and commitment of the clients in the approach becomes more pronounced and this is usually seen through increasing savings amounts. There is evidence of programmes and groups where clients are getting loan amounts that exceed loan sizes offered by MFIs. In addition there are programmes where some group members openly express that they are afraid of borrowing larger amounts for fear of failure to repay. This is further seen through groups retaining excess savings to loan demand. This has been the case in South Africa and Zimbabwe. Where groups have excess cash on hand is there need for linkages that are oriented towards credit? Even where we link the groups for savings we need to ask ourselves if this is the best alternative. The poor just like any other investor expect `returns, and high rewarding ones. Most savings or deposit taking institutions offer rates that are not attractive to the poor; far below what is generated by the savings led models. Are they flexible enough to offer more? Are they willing to broaden and include partnerships that can ensure the poor access say building materials, agriculture inputs and medication among others? In Zimbabwe we had to encourage asset based savings for excess savings and through these members bought agricultural implements, building materials and other household utensils. This way they protect the value of the savings against inflation, theft, over borrowing and also helped households improve agricultural production. I am sure this can apply to most contexts where savings led models are implemented. I have practical experience of groups that indicated they were borrowing from an external financial service provider only because the programme or institution had designed that linkage. Given a choice they would use their own savings. At a group meeting in Uganda I was discussing with clients who apparently were paying more interest from their internal savings led model than what the bank offered on their savings. Again they were keeping their money in the bank because the programme wanted them to do so otherwise they would use it for the more rewarding internal process. In 2003 we brought a group of MFIs to interface with mature (16 months +) savings and credit groups and asked how they saw MFIs linking with them. The communities indicated that they will be happy if the MFIs could borrow from them not the other way round. For sure when the credit officers visited the same area and groups they did not get any business. Obviously this can raise lots of questions but from my point it is pertinent to ask whether credit should be the only driving factor with these groups. We took a seed supply company to the same groups and they where willing to pay in advance as long as they were guaranteed to get the require inputs when needed. Is this not an opportunity for MFIs to be playing a role? Or even other business sectors? It is quite evident that some programmes do not give time for groups to mature and experience the pure savings led approach and rush clients to linkages. Probably because that is what Asia is doing? That some individuals can out grow the sizes of loans offered by groups is not deniable and linkages for these would be appropriate. But we need to ask ourselves if we have to push the whole group for the sake of individuals? Are there no alternatives that can be explored? Groups, within the same cluster or locality, with excess funds have provided loans to other individuals with demand for higher loans. Having said all this let us not design savings led models with linkages in mind and dangled somewhere on the horizon. Staff not articulate and without the right orientation and in the early stages of the programme will always tell communities "save so that we can link you to BANK X for larger loans." Who would not? Doing so only makes the linkage the client's end target and the radical approach becomes only a token and transitory process.

- Alfred Hamadziripi

I have found this whole string of linkages - which then evolved to 'delinkages' - very interesting; it leads me to another question. Pact's WORTH model has traditionally excluded those that are concurrently participating in credit-led microfinance programs. Looking for more flexible ways to manage our model, I am wondering if there are any observations to be shared as regards participants that are exercising both the traditional and non-traditional approaches to credit provision. For example, are there any repayment rate differences between those that borrow from within as well as without the group and those that borrow strictly from within the group? Are participants exercising multiple credit channels more likely to miss payments, perhaps paying only interest? I personally exercise multiple mechanisms to address my cash management needs and am certain that the very poor are equally proficient at it, but I would enjoy hearing about your direct experiences and observations in this.

- Carrie Keju

I love that question and I would urge everyone to take a look at Stuart Rutherford's Financial Diaries for some answers to that. In Bangladesh and South Africa, the diaries (fortnightly financial interviews over the course of a year) show that even the poorest households have multiple sources of saving and borrowing. I just quickly looked at Sultana. She's a maid; her husband is a day laborer, her father a beggar and her son a mason's helper. The other 3 kids are in school. Total family income is 32cents per capita They saved in a mud bank, a daily savings club run by local women, had 15 sources of credit (9 friends or family, 6 shops), had lent money to two people; when they'd had a bit more regular income, they had been in an MFI and they used to pay into a life insurance policy until the agent ran off with their money and policy. I can't remember the exact numbers, and I can't find the full paper anymore, but in the microfinance hometown of Bangladesh, people had multiple MFI memberships, multiple informal (ROSCAs, ASCAs, etc) memberships and multiple reciprocal finance relationships (friends/family). I personally don't see a good reason to exclude anyone from an MFI or savings led group (or an informal model) because they have another loan out somewhere else. As soon as you make that a reason for exclusion, they can easily say "OK, I don't have one". You can't check the credit bureau. AND, even if you could, folks with informal incomes wouldn't have an income figure on the credit bureau report, so how would you know if they were capable of paying you back or indeed, "over-indebted"? Too often I think that exclusion is less about the claimed worry about over-indebtedness of clients than it is that clients are going to permanently prefer a different financial group/institution that offers better, timelier products. (And more power to them!)
http://www.adb.org/Documents/Events/2005/ADB-microfinance-week/presentat ion-day1-02-rutherford.pdf

- Evelyn Stark

Thank heavens my bank does not refuse my business because I owe money to another, maybe via a credit card. Sometimes it helps to look in the mirror and to wonder how we would feel, excluded because of this, made to join in groups like that, to save and even to borrow just so...., m-f is second or third rate banking, intolerable for us, maybe necessary for 'them', but let's hope not for long if we are doing our job properly.

- Malcolm Harper

This one's interesting. CARE recently came up with a study in Bangladesh that discovered that the more MFIs penetrated rural areas in the north-west and south-east, the more money lender business flourished, in approximate proportion to the increase in MFI credit. There was a lot of hand-wringing about a downward spiral of poverty, but I wonder if it wasn't simply a reflection of increased but irregular cash-flow that needed a mechanism for short-term adjustment that money lenders were able to plug a lot more conveniently than anyone else. I am horrified at the cartels of Stalinist MFIs who, recoiling from the challenges of competitiveness, ensure that a client borrowing from one can't get a loan from another. Where would I be if I couldn't finance my cash flow, balancing a car loan against an overdraft, while I wait (much too long) from an overdue fee from USAID? I think that MFIs do in fact make it easier than it ought to be to borrow and unrewarding to save, but the principle that a client is a consumer also implies that (s)he is free to choose where to shop. Having a credit rating agency that says you are a bad payer is quite a different thing to saying that you have no right to a choice because you are poor (and presumably don't know what's good for you).

- Hugh Allen

Hugh: We need to do a major piece on delinking from MFIs with the coming of strong saving and lending groups. Jeff Ashe Having a practice to give clients the most accurate information on implications of financial transactions has been useful for them to make informed decisions. I know some clusters in Zimbabwe where savings led groups have members getting loans from a neighbouring group. I am not sure if stopping that practice would be the answer. Rather advising that this happens with the two groups involved discussing and understanding would be a much better option. It has worked. If we say NO they will do it privately which in most cases will not bring desirable results.

- Alfred Hamadziripi

As far as I am concerned, I don't think that bringing regulation at the level of community savings led finance is a good idea, at least for now.

The main argument is that Regulators have so many thinks to do, even in the microfinance industry, so called regulated MFIs still have a long way to go.

In most southern countries, regulators can make laws, but when it comes to enforce them, they don't necessarily have the means for that. They are short of staff, they don't have the material capacities, etc.

Many MFIs in the south fail to receive even 1 on site visit from a regulatory agency in a given year. Many clients see their savings jeopardized, because even with a regulated entity, said a coop, the management fails to respect the regulation in place.

At the level of community savings led finance; they should keep themselves informal as long as the management is participatory and inclusive and the transactions involved are still manageable without any full time job responsibility. Regulation may come into play when those associations want to reach the next level, for instance they want to put in place an apex organization or they want to transform themselves as a fully fledge financial institution.

Regulations could also set some standards for an initiative such as the community saving led finance, say in term of savings amount involved, number of participant per group, etc. before they qualify for any formal regulation.

- Laté Lawson

Jeff and Late; I agree with some parts of your input. However the latter part to me is a no go area. External regulation should not in any way determine "savings amount involved, number of participant per group," etc. That will be receipt for disaster; for cases in the south this is the same framework used for the not so successful cooperatives. These are matters that a privy and determined by the groups themselves even within the same operating contexts. Savings amounts are a functions of so many factors (income level, type of IGA etc) setting a

figure is bound to exclude participation, force clients to apply certain practices that can have negative results on themselves and the group.
- Alfred Hamadziripi

If there is no formal regulation, how are abuses in these groups to be controlled? What happens when the loans all go to the better off or the officers? What happens if the loans are not being repaid?

What are you experiences in this area?

- Jeff Ashe

Probably we need to look at regulation for groups and regulation for promoting organizations. These are two different structures.

Groups have regulations that they put in place; some written and some memorized. Enforcement has been applied in various ways by the groups themselves and others by bringing in local leadership. Where loans have not been repaid members have tended to avoid being judgmental and taken a position to assist. I have seen group members help the defaulting member to find an alternative IGA, supporting a member to sell and providing members with piece work.

Where loans go to the better of or officers? That has not been a problem for me. On the better off you can easily trace this back to the group formation and training that is provided. Often people take these things for granted but I have always said tackle these issues head on in your training. We all know these risks but when we deliver the training at times we are so generic and avoid these for discussion by the group. If you bring them you will notice a difference in the formation of the groups.

For officers I guess within programmes and/or organizations there is need to develop a code of conduct. Some elements of this must be covered with the community so that they know the associated risks.

- Alfred Hamadziripi

I am wondering if "Decentralized" is still the term to use in this context, implying a "center" from which to be decentralized. It seems to me that keeping things as simple, autonomous clusters makes a lot of sense for the smallest scale of activity... Not sure if this is a repeat message to this group, but I am pretty sure I won a small award from the Omidyar Network to support a "NanoFinance" project... see my video proposal at http://www.youtube.com/watch?v=HCwdaLypjmQ or the text version at NanoFinance Project. I would like to explore ways of propagating these ideas via the network in a "viral" model - spontaneously spreading from group to group... what I am calling "infectious good." What attracts me to savings-led microfinance is the low replication cost, not requiring outside debt or dependencies. So, less regulatory control helps to make the idea spread more rapidly. I am holding a workshop in Boston Aug 7-8, and hope that we can pull in some interested folks to think this through a little more... can we come up with a simple activity template that will capture a "good enough" version of these ideas? Can we propagate this over the Internet to folks who have never heard of this, have them try it, and get feedback from them as to what works? pre announcement is at upliftacademy.org. Jeff will be giving a talk, that I want to video tape; I'd be interested in capturing others, too.. Here is a video of Marcia Odell's presentation at my last workshop in Paris: http://www.youtube.com/watch?v=dqyCEAuQnr0.

- Tom Munnecke

Tom: Your idea sounds worthy trying. I have had trouble with the non-believers who have not been infected (by the "infectious good') always being a head ache after a presentation unless they see the savings led in action. Probably adding to your initiative we need to have very brief (5/10 mins) videos capturing key programme elements to give the evidence side. This in part is the information and knowledge management gap that I have seen in our field. Obviously resources may be the limitation.
- Alfred Hamadziripi

Tom raises an interesting point. From your perspective is it better to remain as small autonomous groups or does the formation of groups into some sort of association makes sense? If groups are associated should the association centrally manage the funds of the associated groups or should the groups manage their own funds and restrict association activities to managing a social fund or for learning or marketing? What are the pluses and minuses of associating?

- Jeff Ashe

Jeff: We need to be careful with this part on autonomous groups and associations.
From experience allow groups to function autonomously and over time you will gradually see them working towards an "association like" functions. You also need to have a good sense of the kind of support you will provide for a structure to support the functions. There has to be value that the next level structure adds to the members otherwise it will not be successful.

Let us not determine the functions of these associations. From experience I have seen the foundations of the next level structure being around new member mobilizations and training, organizing community events and mobilizing resources for these and building cluster wide community (social) funds. But mostly community led and our role being only to support for transparency, diversity and effectiveness (among others). Timing is also very key here. Introduction of the second level structure from initiation will be a bit ambitious and can cause problems. Bearing in mind that some individuals are working together for the first time, on a new approach and you want to introduce a new structure with new functions. Allow individuals and groups to build trust and confidence, the social relations etc... before bringing in the second structure.
- Alfred Hamadziripi

Alfred: I am in agreement with you here. I firmly believe that the best option is for each group to manage its own fund and that the associations be limited to a forum for exchanging experiences, training and managing a social fund such as I observed in your Zimbabwe program. Once the group fund moves up to the association level, transparency decreases, costs increase and the quick availability of loans also decreases as the groups loose their social purpose. What is the experience with the subscribers?

- Jeff Ashe

I am sorry not to have been around much today, and the end of the day approaches, an evening of fund raising for our 300 children in Orissa (www.orissa.org), no hardship for us, how does USAID measure children's poverty ? But I am glad to second your skepticism about groups of groups, federations, clusters and all that. A dozen or so women can aggregate enough money, in savings or in credit worthiness, to have a bank account or even to borrow money from a bank (sorry, my experience is so very much with Indian SHGs), there should in most places be no need for any sort of apex to be involved in actual financial intermediation. By all means for exchanging experiences and so on as you say, for advocacy, I am not so sure about social funds, but not, please not, unless absolutely unavoidable, for handling savings and loans. NGOs like to promote them, once they have promoted the first line groups it is the only new fun thing left for them to do, and NGOs do have to justify their continued existence. Politicians like to promote them too, for distributing patronage, a dozen women's votes are not worth the effort, but a few hundred are really a catch. Most of the many clusters and federations I have talked to in India seem mainly to add cost but not much value. The sad thing is that very often their members love them all the same, in spite of the fact that their basic groups can save their money more safely and often more accessibly at a bank or post office, and can borrow money at half the cost from a bank. The NGOs have trained them well. So any group of groups must be assumed to be unnecessary unless its promoters can prove it is necessary, like the prosecution in a court of law.

- Malcolm Harper

I dunno Malcolm. My mum belonged to a Christmas club when I was a lad and seemed to find it quite useful. Granted they didn't meet under a tree on the village green, but she was able to get loans against her savings and cashed in mid-December and she was very protective of her passbook. She doesn't do that anymore since my dad got a real job and joined the middle classes. My point is that I don't think financial service provision is a function of methodology, but profit. Methodology makes a profit opportunity a bit more accessible but it's profit that drives formal sector provision. The credit Union movement in Germany got going because the emerging industrial working class wasn't being provided with financial services. So the folks did it themselves, or sort-of. Once the economy got going and there was more cash sloshing around the banks started to look on the workers as clients, because there was money to be made. If they'd had PCs back in the 1880's maybe they'd have started earlier, but the point remains: better tailored, regulated and varied service arrives when people get better-off. So, unless we are ready to wait 50 years for the economy to start clipping along in Karamoja, we have to tolerate these groupy, unregulated types of service provider. And while I think you may be right about men, I was struck by Bushenyi in SW Uganda, where 80% of the adult population belongs to ASCAs (started by the Anglicans 30 years ago in a one-shot 3-year project). And male participation is 50%. Overall, in CARE's programmes where males are actually allowed to participate (fancy that) it's a respectable 37%. But this is another discussion.

- Hugh Allen

Yet another great point raised about poverty measurement. At least week's Microenterprise Learning Conference the World Bank experts were asked about how intra-household poverty was measured in their study (the link is below) - they frankly said they didn't measure intra-household. Folks may also be interested in looking on povertytools.org for the information on gender and poverty measurement.
http://www.microlinks.org/ev_en.php?ID=10641_201&ID2=DO_TOPIC
- Evelyn Stark

Malcolm: You are (of course) right on all counts. Another issue is the donor's enthusiasm for matching the savings of the group. This not only erodes the motivation to form a group for savings rather than getting the donation, but also limits self-replication because the spontaneous replicators in the village do not have the matching fund to offer. What have the experiences of the others been on these two topics?
- Jeff Ashe

Not of course right, in fact usually, and more interestingly perhaps, I am wrong. Matching grants are an efficient and easy way to destroy groups. I have done it myself. (See the Shantyburg Women's Group case study, pp. 88-89 in Empowerment through Enterprise, ITDG Publications London 1996, Mr X was me!). And I see it being done in India still, particularly in Andhra Pradesh, hence, in part, the current crisis there. In India governments give them, at

least they have the excuses of ignorance and their need for votes (India is a real democracy, unlike some, 70% odd of the people vote.) International donors have neither of these excuses.
- Malcolm Harper

What is the rationale for matching grants I may ask? I will tell you with grants you can have your numerical targets hit in the shortest possible timeframe. You even turn away clients. This is what politicians (MPs) do. But look at the quality and sustainability of the groups? Matching grants are like carrots dangled at communities once removed the whole process, motivation etc becomes compromised.

I wonder why the matching grants can not be used for increasing the number of organizations/staff that are trained to deliver savings led approaches. Or better still to document and package the good being done for wider dissemination. This may sound a bite strange but often we practitioners tend to misrepresent certain aspects about the clients we are serving. It is very common when talking about savings led approaches to hear staff making more noise about their clients being too poor, no IGAs etc to participate. It is this same mentality which in the end leads to all these matching grants and the "new hype with cash transfers" etc.. But when you talk to the clients, challenge them with their own experiences and knowledge, how they manage their money etc you get a different picture altogether. They are willing to join. I know there maybe some deserving cases for the grants and cash transfers but the majority are just a creation of our own and I am sure we can do better.
- Alfred Hamadziripi

Alfred: We are in agreement on this. (As you are since the initial groups in Zimbabwe were created largely to receive a cash contribution to the loan fund and the groups disbanded. You had to start the program over again with as I remember only a handful of groups and build from there. One of the dangers of this program is that with so much donor money washing around the temptation is to give out money to the groups which undermines them. (This gives the donors something to do with their money.) A reason why the savings rate is so low in our Cambodia program is that the groups are only willing to match what the match provided by the agency is. The savings rate in the groups without the match is often higher. Another issue is the rush to link groups to external sources of credit. This is the salvation for the MFIs that are looking for a new market, yet this dampens the use of the groups to mobilize internal resources more efficiently, and, of course the interest income flows out of the community instead of builds the loan fund. Two of my Chinese students pointed out that the Chinese save in the post offices with all this money from the rural areas pouring into the cities. Saving and lending groups could provide a series of "check dams" to keep money in the villages where it could be invested. Similarly remittance payments from Jose to Maria could go to Maria, Maria could use what she needed immediately and invest the rest in her group at a 20% to 50% return with the money used to stimulate local income generating activities.
- Jeff Ashe

Regarding the question: Do you think a decentralized approach such as this is the most appropriate option for those left out or is institutional microfinance the best option for reaching this population? I must say even for those not left out the radical approach is also very appropriate. Only that introducing the approach to them can create all sorts of problems with some business sectors. Definitely the decentralized approach has proved to be a most appropriate and effective approach for a number of reasons:

Product flexibility and client needs: The approach provides for both productive and consumption needs or social needs often not available with other service providers.

Adaptability: The approach works for clients from a broad range of social and economic circumstances. Adjustments in group sizes, savings and loans amounts allow the approach to work in post conflict, stable and unstable contexts. The approach also allows group funds, IGAs and individuals to grow in a manageable environment.

Inbuilt growth orientation: The approach has an inbuilt mechanism that allows for individual and entrepreneurial nurturing and growth. Repayment of loans with interest pushes members to be more enterprising.

Reach: This approach has reached where other providers have not been able to reach; remote rural areas, previously excluded groups and others.

Scale: approach has, compared to others, within short periods reached large numbers through spontaneous growth, community based facilitators and program staff.

Low cost methods: the approach has very minimal transaction costs, uses community resources and is village based which is a potential for increasing scale.

Ownership: the process, principal savings contributions and interest from loans is determined and owned by the community which is an incentive for high quality performance.

- Alfred Hamadziripi

The challenges that this model poses are:

Limited Capital Accumulation: The rate of capital accumulation is so limited that it takes the group a long time to generate useful sums of capital.

Internal Pressure impacting equity: The more influential members of the community can tend to dominate the group by being on the Management Committee. This would impact the equity of benefits accruing from being a member in the group as the stronger members would take the lion's share of loans.

External Pressure impacting sustainability: The traditional power structures within a community (village leaders, money lenders, local preachers) can (and do) disrupt the groups if they see the group as their influence over the local population. We had a very interesting experience in Mali recently where a local preacher tried to break up the groups citing 'charging of interest' as being anti-religious.

Exclusion: The poorest members tend to get left out of the groups due to a variety of reasons.

- The poorest may not be able to participate in meetings since they are away the whole day selling their labor.
- The reason can also tend to be caste-based segregation.
- The poorest are also normally physically located at a distance from the main village and hence would not be reachable for community outreach purposes.

<u>Linking Vs. Delinking Issue</u> I have personally promoted ‘linking’ and observed 'delinking' of SHGs from formal financial institutions in India. The main point to remember here is that delinking was practiced mainly by groups who had been in operation for 2-3 years and had availed themselves of the credit facilities available to them via the regional rural banking network in India. So they had already reached a stage where they felt that they could meet the credit needs of their members with the pool of savings that they had built up over the years. The groups use the credit from the bank/MFI to meet the credit needs of their group members and generate enough momentum and capital accumulation to have the confidence and ability to strike out on their own. 'Delinking' practiced in this fashion is likely to be sustainable in a beneficial manner.
- Vinod Parmeshwar

Vinod: From experience I am still to be convinced with some of the challenges you have raised here. Probably this needs to be contextualized. Limited capital accumulation: My experience in Zimbabwe, Kenya, South Africa and Uganda has been that limited capital accumulation is often misplaced. As raised elsewhere when groups are new their funds are small but equally so their IGAs are also small to warrant large loan amounts. The types and sizes of IGAs largely match with what members are saving at inception. The small fund and loans allow members to build confidence within and among themselves and the IGAs to grow. In Zimbabwe in 1999 when members were saving about $100 each (for a group of five = $500) the most reasonable capital for start-ups and working capital was $250. Then the hype and viable loans with MFIs was maximum loans $2,000; we followed suit. But clearly from what the group could save two members within a month could have their loans satisfied and by the second or third month each would have had an opportunity to borrow. Would members not benefit if they can be patient for only three months and also save on the usual costs associated with accessing external loans. Without the facts on the costs some people would push for linkages or external capital. We had to develop charts showing the process and related costs up to (maybe??) access to the external loans. When we went through this you would see a different view from the communities. They would rather increase their savings, be patient or look at alternatives of boosting the group funds. For the latter members would use the initial savings to buy in bulk a fast moving consumer good (milk, sugar, fabric, knitting wool, grain etc) and then allocate portions for members to re-sale. The realized profits etc are reinvested in the group fund. Others would have community based fund raising "tea parties" where you pay for the food etc. The proceeds go to the group fund.

I have seen that often it is us practitioners who want groups to borrow large amounts. Savings led approaches thrive on the gradual growth opportunity. We often want to "start big and with a bang" but this is not the way with savings led approaches. Can we appreciate the value of the gradual growth and transformation that you see happening from the little $5 to $100? For me the cases raised from Mali would be thrown back to the content of our training. Those are some of the contextual issues that need to be understood and factored in prior to the training. Working in other contexts where similar religious beliefs were held we had to look at alternatives of bringing value to the savings by avoiding interest. A group can agree on a given commodity (e.g. packet of sugar, pot, etc) that a member brings in when repaying the loan. This can change every month to the group's choice.

Exclusion as a challenge??: Not that it does not happen but we have to look at ways of minimizing this. Why can we not take the training to those (location) excluded by caste or whatever reason? I have enjoyed deliberate meetings with community members who would not have joined the programme. Walking through their life styles and how they handle and use cash up to the point they realize they indeed can be part savings led approaches and make it. At times we also tend to use scaring figures and examples in our training when we know too well we are dealing with the very poor. Why not develop examples that are more realistic and motivational to the poor? Why not give options of how the poor can find their way round. Two members put in one joint contribution until they have started their own individual IGAs and then become independent. I have seen community members being given piece work to raise their initial contributions.
- Alfred Hamadziripi

Alfred: Thanks for your response. When I mentioned the challenges, I did not imply by any means that there are no solutions to these challenges. I shall mention what I have personally practiced with my colleagues from CRS and our partners in different corners of India to address these issues:

1) Limited Capital Accumulation: Here I am not even considering the range you have quoted in your example (member’s savings $100 each). I am taking about group members who were saving 2-5 cents a month. I know it sounds far fetched but I have met and interacted with these groups. You are right in so far as their ability to absorb capital is also limited or the opportunities for them to use huge injections of capital are limited. For example, the average loan size in our Mali program was $6 when we started and is up to a princely sum of $10 as we speak.

2) Internal Pressure: We have dealt with this issue by advocating rotation of leadership within the groups and

promoting democratic decision-making in the trainings (like you suggested).

3) External Pressure: There is no magic silver bullet for this issue as the groups have to (and do) evolve locally applicable solutions to these pressures.

4) Exclusion: In India, we were encouraging all the groups formed through partners working with CRS to include all the members in village to be part of a self help group. We were accomplishing this objective by using a tool called Learning Conversations that helped group members to reflect on this and other issues and takes relevant action to address the same.

5) Other examples I have seen (as I am sure you have too) working well in remote rural areas are
a. Saving a fistful of rice every day for a whole month and then selling it in a nearby market and depositing part of the proceeds in a savings group.

b. Collecting other forest produce (firewood, lac, mahua flowers for making wine, oilseeds for making oil etc.) and selling them to make their monthly contribution

6) An interesting challenge that we faced in some parts of India was where we were interacting with tribes who had very limited interaction with a monetary economy and whose concept of savings was defined in terms of 'number of months they had rice (or equivalent).' It was useful to get them to see money also as a medium of savings that would be useful to them.

- Vinod Parmeshwar

The linkage of community-based Associations to external sources of finance is hyped almost as a given and the nominal ('though problematical) success of SHGs in India has created an assumption that it's necessary and inevitable. But the belief that everyone must be linked to a pool of external finance because local pools are 'insufficient' needs to be questioned. I am not sure who makes these judgments, but it is my experience that people who run rural IGAs are risk averse and much more interested in savings than they are in borrowing - a service that is usually not on offer. Linkage of ASCAs to formal financial institutions, while especially useful for the safe deposit of excess liquidity, brings with it several risks, especially in rural Africa where livelihoods are fragile. These may be summarized as:

- Excessive debt. There is an unhealthy dynamic created when an asset-poor client in a cash-flow bind borrows from a financial entity that has a vested interest in offering the largest possible loan to a 'qualified' client. This may saddle the borrower with a loan that may be disproportionate to the scale of the enterprise. In Malawi, a well-known international MFI is known as 'the bank that takes away your furniture', mainly because it has made borrowing so easy and over-capitalized income-generating rural investment where the average net worth is less than $15.
- A falling tide pulls all ships down. Any linkage will be seen, in one way or another, as a revenue source for the larger partner. The earnings will come, through fees, interest, or other payments, from the group's members, or from common funds that are extracted from the community: effectively a tax on rural capital formation.
- The loss of independence. Association's most precious asset is their autonomy. The self-confidence arising from an ASCA's success contributes to a self-belief that has huge collateral benefits. When it becomes a low-cost conduit and guarantee mechanism for MFI credit and does not manage its own resources it undermines this dynamic.
- Increased accounting complexity and the emergence of a technical elite to manage the greatly increased flow of funds. Professional support people have a vested interest in keeping things complex and mysterious, in order to remain indispensable. This may well turn out to be the Achilles heel of SHGs in India.

- Hugh Allen

What I am coming to understand -- and mind you I designed, evaluated and managed MFIs for 25 years before coming to this realization -- is that there is considerable savings in even the poorest villages. Rural people save because they need to survive until the next harvest. The challenge is for the members to trust the groups enough to deposit more of their savings in the groups. In Mali, for example, according to our studies money is moving from being saved at home to the group and from traditional ROSCAS to the group while borrowing from MFIs and moneylenders is decreasing. In Cambodia, in contrast, the savings rate is absurdly low because the level of trust is not sufficient. If the groups are well managed over time the savings rate should increase.

I agree with Hugh that a loan to the group from an outside source should be a last resort. The interest goes to the external credit provider rather than the group. Some simple calculations will often that if the group saves for eighteen months to two years at a good interest rate or so they will have sufficient savings to not need an external loan. We need to develop training materials that reflect that insight.

- Jeff Ashe

Jeff: Your last line here is exactly the point for me in most cases. Give communities as much information on financial services as you can in a very simple and consumable manner. To be honest most MFI do not do that. Some of the tools we developed involved tracking the costs that a group incurs in accessing formal financial services. From the initial inquiry trip through processing, checking progress, disbursement, food, fees, and repayment etc. These are real processes and costs that we all know but unfortunately most communities members do not have the chance to sit down and analyze that. But as you go through the process and communities begin to come to terms with reality you they add their own experiences and ask you not to be conservative. You hear of groups that borrowed money for bus fare, fees etc and in the end never got the loan. Then you give the other side of the picture of what would have happened if the same group had used the bus fare, fees etc to start their on saving led approach. The amortized charts for savings growth have helped communities to see what they can do using their own resources.

- Alfred Hamadziripi

Alfred: Interesting the Hugh has found so much interest in saving and lending groups in the heartland of microfinance, Bangladesh. Delinking from MFIs could be as common as linking. The bigger issue, however, is those who have no access to any form of financial services. Even in the supposedly "saturated" market of Bolivia where institutions increase their portfolios at least in part from poaching from each other, there are at least 1,000,000 households that lack these services. We estimate the unmet demand for services at 500,000,000 households. At least 1,000,000 each in our three pilot phase countries, Mali, Senegal and Cambodia. In Latin America less than 5% of the potential market for microfinance services has been met.

- Jeff Ashe

That is bound to happen. Bangladesh may only be the beginning!! Not that we should celebrate and I know we should be looking at complementarities. If we package our training and approaches well and go on full throttle delinking can be a common trend. This has to be a challenge to MFIs to look at how they are doing their business.

- Alfred Hamadziripi

Regarding the challenges and limitations of this methodology? One jacket fits all: In as much as some countries have been very successful it will be risky to implant the approaches to the word in every context. In my experience helping programmes in Kenya and South Africa I have learnt the value of adaptation and flexibility. Collecting some basic information that about savings behavior, formal financial services products, history of groups and history of savings, staff background among others has been helpful in making the preliminary adaptations to the methodology and training to suit each context. Also it is essential to working closely with the local staff by walking through the modules to adapt the tools, techniques and content to the context. Willingness and openness to learning: Because there is a misconception around the simplicity of implementation of savings led models this has led other organizations failure. Getting to that "simplicity" takes a lot of research and technical support. I know of staff from an organization that visited the programme I was running. After the visit they went back and started implementing without seeking technical support. After 5 months they called me complaining that they were not making any headway with the programme. Obviously damage had already been done; staff and community faith had been lost which becomes more costly to recover. Innovation and creativity: clients should see what the new approaches add to traditional practice and knowledge and value add. Also savings and credit are only a foundation and programmes should not be static but seek to evolve and continue to be relevant to the needs of the clients. The same way MFI products have evolved so should those of savings led programmes. But in all innovations there is need to work closely with the clients; their needs inform the products and with the empowerment message they usually take the lead in identifying innovations. The role of staff will be to assist in refining and filling the gaps. From the basic savings model new products have been added such as asset based savings, social funds, OVC support funds and bulk procurement. Limited involvement of key government levels: While on the ground most programmes to some extend work with government staff the level of engagement at the key policy making levels is limited in other contexts. Getting government policy level engagement could be a good channel for leveraging resources and enhancing outreach. Yes we have to manage the politics that can go with the mass of these savings groups but we still need to engage government; less the political level and more the technocrats. Perceptions and misconceptions: There is a lot of labeling that goes with savings led approaches. "Traditional and lacking growth" among others which keep the approach at the periphery. Most clients in savings led approaches do go through a transition from subsistence, smoothening and/or stabilizing IGAs and growth. At any given time clients within the programmes can fit within these and transition can be seen from types of assets invested in, frequency and savings and loan amounts and their use to actual physical growth and volumes. If it is not growth what else can be attributed to these transitions? As long as our attitude are that savings led are short term, traditional (etc) how do we expect them to grow even where there is evidence to the contrary? Information and knowledge management: I must admit this is the biggest challenge as the success on the ground is not matched by robust information and knowledge management. Every visit, every year and every sight always has something new and very relevant happening falling outside available systems and not documented. Talk to programme staff and communities you hear and see community innovations and achievements which you do not find documented.

-Alfred Hamadziripi

In Mali, what is interesting is that the very low savings rates were not an accurate reflection of the capacity to save. When the members were sure of the groups their savings rate increased even though objectively they were probably not much better off than before joining the group. They saved more in the group because they trusted the group more.

-Jeff Ashe

I am lost with all these post-dinner e-mails, and shortly to sleep, still being slightly tired after a very pleasant week in Manchester (New Hampshire) talking about such things with mostly very real people, much more real than me anyway, albeit in a somewhat unreal environment. But I agree wholly that m-f should not be considered as being entirely or even mainly for so-called 'entrepreneurs' (that is, mostly, people who cannot find a job so are forced to be self-employed). M-F is financial services, for everyone, a safe place to save and to put money when you get it, get it out when you want it, for others to put money when they pay me, or for me to send others money, or maybe to run an overdraft from time to time. They use the village grocer, or the landowner, or money guard/lender, or some such for want of pukka financial services. But I am not groupy, and believe most people, particularly males, are not groupy either, so I prefer my simple regulated, safe, accessible individual bank account, and I tend to regard all these other group things as temporary sticking plaster, regrettable necessities until they can have real accounts with real banks, like me. And, if the groupy things are pushed too hard, they can occupy the 'space' that banks might otherwise occupy, hence delaying or permanently stopping 'graduation' by the poor.

- Malcolm Harper

Malcolm: A quite interesting un "groupy" man you are!! You are definitely no different from the men that I have encountered in the field. In the first months and before a liquation cycle yes they are very ungroupy and associate the savings led approach with women. Wait until the women buy a bag of maize seed, start accumulating household assets (including ploughs) or a goat. Then you see men significantly taking an interest and joining. I remember some "ungroupy" ashamed men starting to save a few meters away from the rest of the groups. Over time they then sneaked into the cluster. On a video clip one of the men openly says they view the approach as a women's approach and initially only joined to test. Once they tested they "ate the whole pie." Because men feel so challenged by the achievements of women they usually start with significantly huge savings contributions. This has been the pattern across areas where we replicated the programme in Zimbabwe.

-Alfred Hamadziripi

I suspect (but could not confirm) that you are right that most males are not 'groupies' - and this would help explain why group savings-led approaches to microfinance are more often a women's forum and have the same male-female long-term participation and repayment rates of traditional microfinance. While it is a common perception that the savings-led approaches are a sticking plaster - and I agree that the ideal economy would be so advanced that ROSCA-style informal-banking mechanisms are no longer necessary - studies do not support this. Seventy-six percent of Zimbabwe urban-market traders were ROSCA participants - even though 77% of them had bank accounts. Granted Zimbabwe might not be the best example, so here's another: In 1996, 80% of Taiwanese adults belonged to ROSCAs while their popularity continues still in Japan and Argentina (see You Can't Save Alone: Commitment in Rotating Savings and Credit Associations in Kenya). However rather than crowding out real-account providers, I would hope the sticking-plaster savings-led approach will prove so value adding to the very poor of a community that when real-account providers - be they microfinance institutions or formal banks - are able to move into the market they will be challenged to a higher level of pro-poor services. If and where savings-led approaches are able to thrive in the presence of real-account providers, shame on the real-account providers for failing to meet their clients' needs. Where someone living on less than $1 per day chooses to save his or her money to generate credit - absorbing the time-value of the funds as s/he does so - rather than utilize a more formal financial structure, either there must be higher costs associated with accessing the formal funds than the informal or the formal institution does not have policies that facilitate the very poor client's participation. Given these thoughts, Malcolm, it's my sincere hope that some day the savings-led approaches are crowded out - by pro-poor financial-service providers that lure all of our groupies away with competitively offered opportunities for economic inclusion. An unregrettable end to a regrettable necessity.

-Carrie Keju

Agreed Carrie. Just to add that Zimbabwe is still a very good case. The savings led programme experienced its highest growth since 2000 when the problems currently being faced started. Why? Savings led approaches offer the highest returns on the poor's savings compared to other options (banks, building societies etc) available on the market. The savings led approach is one of the very few approaches that have given the poor very meaningful benefits in the dull environment. The poor have an option to use their savings to buy goats, grocery items for resale which protects the value of their savings and returns.

-Alfred Hamadziripi

Actually, Alfred, I was trying to make the point that even where formal banking systems are strong and function well in a strong market economy, people - and not only the very poor - choose to participate in savings groups. Since in Zimbabwe there is a very large gap between the formally recognized time-value of money and that actually recognized in the market, Zimbabwe savings-led groups have experienced huge returns. And you are correct - it's due to the flexibility they are allowed in the self-management of their funds, both as and when they choose to spend the funds and how much interest they charge against their loans. The success in the Zimbabwe then is related to the lack of savings groups and savings-led microfinance regulation - if these activities in Zimbabwe had been regulated, they would have neither the flexibility to honor the time-value of money nor to decide how much to loan to whom for what. Those decisions would be tightly controlled by the current regime.

-Carrie Keju

I do agree with most of the points raised by Carrie. Though I feel we should increasingly recognize the relevance of savings led models in semi-urban and urban settlements. In the programme in Zimbabwe savings led approach was introduced in urban areas and now including the capital city Harare. I did assist some programmes in South Africa which operate in urban contexts and they are doing well. I must admit there is a huge contribution that lack of access to information makes to potential urban clients. Allowing clients to critically look at the costs, benefits and hustles associated with financial services alone has been key in making entry into urban areas. This information has to be discussed to empower communities to make informed discussions. Not that we are saying they should not borrow but they should do so knowing what they are in for. There is need for adequate tools and content informed by what is happening with the urban context in order to make this break through. In the referred contexts there has been a shift from the traditional reasons of remoteness etc to returns and benefits. Quiet interestingly there are observed differences on certain performance aspects between rural and urban groups: Frequency: because of regular access to cash urban groups save more frequently, daily and weekly compared to the mostly monthly for urban groups. So are the also loans adjusted. Diversity of products: You get more product ranges in urban areas. Some added rental and school fees funds. At the end of the month members would have their fees paid for by the group. Because of proximity to drug stores some introduced funds for drugs.

- Alfred Hamadziripi

In Zimbabwe, way back in 1999, we started the programme with the intention that after the savings led process groups would access external loans. This seems the trend that most programmes are heading whether they themselves will provide the loans or they will be accessed through linkages the result is the same. Our experience with this approach was: Access to the external loans was the prime driving factor and the savings led approach was only a stepping stone. In the end the savings led process was not fully explored and destroyed by the external option. Group cohesion was strong as long as the promise for loans was there. You need to look at the performance of some groups in the savings led stage. Each member say saves $100. They each borrow $100 or whatever amount they would have put in. Why because they did not trust each other and could not risk allowing giving turns to 2 or 3 members to borrow. Each member wants to protect his or her own investment until they get the external loan. The moment we removed the external loans the groups are much stronger and you can get groups running for 3 or so months with only 70% of the members borrowing. Achievement of targets, numerical, targets was overwhelming. High tendency for over borrowing: at the external lending stage there was a massive jump from amounts members accessed from their own savings. You would find members who normally borrowed as low as $50 applying for loans as high as $2,000. The group and credit officers would appraise the loans together but with very minimal movement. We did an analysis at the time and found that the highest loan one would reasonably grant was about $250 per member. Further discussions with clients (some were quite open) indicating social or consumptions needs that they wanted to use the loans for. Obvious questions are would the IGA capacity be ready to absorb this jump in capital injection? Is the market there and ready for such a jump? Has the individual developed the experience to manage credit with such a significant change? Probably Hugh Allen remembers one meeting we had with a group in Mberengwa, Zimbabwe, (around 1999). The group had about $14,000 in a building society account and $8,000 circulating amongst members. They wanted a loan of $10,000 from the programme. On asking them why they wanted to borrow externally when they had more of their own resources. They said they were doing so because this was the process they were told by the programme staff (as per the design).

-Alfred Hamadziripi

I am reminded that in the early days of microfinance an awful lot was done that was plain illegal, but worked. The result is that regulatory space or adaptation was made to accommodate the facts on the ground. I am also reminded that when coalitions of practitioners agitate for regulation they may have their wish granted - and find (as in Ethiopia) that they are seriously inconvenienced. Regulation is designed, principally, for two purposes: to protect deposits and the safety of the national financial system. ASCAs have no real effect on the latter (although 40% of ASCA members in Zimbabwe closed their bank accounts after joining CARE's programme) and, given a transparent and well-thought out methodology, most members' savings are safer than they are in the nominally regulated local cooperative. Hugh Allen Probably we need to figure out the nature and purpose of regulation first. I think even the groups can provide very useful input in this. If it is regulation that can enhance members' access to other services probably yes. Of course there is need for savings led approaches to be recognized somehow by specific government policy. This will be key for the purposes of using (maybe this will be specific for Zimbabwe and South Africa) government extension services as an alternative channel for increasing reach. You find in most context extension staff whose nature of work does not necessarily imply that they are busy regularly throughout the year. Others are meant to promote community development but you see very little of their output on the ground because the ideas are not there. A well thought out strategy deliberately targeted at government including savings led approach in their work could be very key. I say this because in Zimbabwe we had cases of village community workers who on seeing the light made replication of savings led approaches part of their daily work. A village community worker obviously has no or limited influence at the national policy level. There is need to target engagement and exposure with the relevant policy makers. There are potential areas where we can draw lessons and adapt from the Philippines and Mexico (among others).

-Alfred Hamadziripi

Maybe this is a bit laissez faire, but groups that are hijacked by an elite or have members who default (and they do nothing about it) will collapse. People will tend to participate less actively; to reduce their investment or to quit, And it will happen fast because what's going on is a lot more visible than in the local coop, where mostly things are magnificently complex and, of course, opaque. But Alfred's point is key: regulation is a matter of how well a group has articulated (and codified) its governance and rules regarding savings, loans and any sort of social fund. In other words, the absence of an official regulatory structure needs to be compensated by the deliberate creation of democratic governance and clear rules of behavior. In my view that's the main justification for our involvement.

-Hugh Allen

I agree with some parts of your input. However the latter part to me is a no go area. External regulation should not in any way determine "savings amount involved, number of participant per group," etc. That will be receipt for disaster; for cases in the south this is the same framework used for the not so successful cooperatives. These are matters that a privy and determined by the groups themselves even within the same operating contexts. Savings amounts are a functions of so many factors (income level, type of IGA etc) setting a figure is bound to exclude participation, force clients to apply certain practices that can have negative results on themselves and the group.

-Alfred Hamadziripi

Probably we need to figure out the nature and purpose of regulation first. I think even the groups can provide very useful input in this. If it is regulation that can enhance members' access to other services probably yes. Of course there is need for savings led approaches to be recognized somehow by specific government policy. This will be key for the purposes of using (maybe this will be specific for Zimbabwe and South Africa) government extension services as an alternative channel for increasing reach. You find in most context extension staff whose nature of work does not necessarily imply that they are busy regularly throughout the year. Others are meant to promote community development but you see very little of their output on the ground because the ideas are not there. A well thought out strategy deliberately targeted at government including savings led approach in their work could be very key. I say this because in Zimbabwe we had cases of village community workers who on seeing the light made replication of savings led approaches part of their daily work. A village community worker obviously has no or limited influence at the national policy level. There is need to target engagement and exposure with the relevant policy makers. There are potential areas where we can draw lessons and adapt from the Philippines and Mexico (among others).

- Alfred Hamadziripi

Good to see that there are still some comments coming in which underscores the need to make this into an ongoing discussion group. Our data from the baseline survey shows that the somewhat better off (in the crudest sense the bottom 20% have 4 cows, the bottom 33% have one cow, the next 33% have 3 cows and the top 33% have 16 cows among other measures of relative wealth) tend to continue to save in their tontines and take out loans from an MFI, while the poorer leave their tontines and save only in the Saving for Change group. All economic levels tend to move their savings from home into the group. Also 17 of the randomly selected groups in the baseline survey have doubled up to quadruple their savings rate in the group reflecting the increasing level of trust in their group. Lending outside the group and lending to other groups is inherently risky -- even when the risk is compensated by a much higher interest rate charged on these loans. It is a matter of developing some simple learning conversations, encouraging the exchange of experience between group members, or developing graphic descriptions of the consequences and risks (and benefits) of lending outside the group through drawings in the dirt and the use of pebbles and seeds for to show the flow of money for the group to make informed decisions and avoid disasters.

- Jeff Ashe

DAY TWO: MRAA, Innovations, and Indicators

Moderator: Currently Pact's Senior Program Officer for Economic Development and the Program Manager for the AMAP Small Grants activity, **Carrie Keju** has eight years of development experience. She has more than a decade's experience consulting in SME development – primarily as regards organizational development, strategic planning, market assessment and capture plans, and the pursuit of capital. Additionally, she has worked to strengthen MFI's loan-review process and internal management systems as well as to build Board of Directors' capacity. Ms. Keju is deeply committed to the savings-led approach as a vehicle of change and a growing voice for the poor, especially for women and underrepresented groups.

Greetings Everyone – and welcome to Day 2 of our "Building the Assets of the Poorest" conversation!

According to the State of the Microcredit Summit Report 2005, reporting microfinance institutions have reached more than 66.6 million of those living on less than $1 per day. The outreach of the Microcredit Summit's registered 781 institutions is both impressive and laudable – an achievement well worth the world's recognition. However these results leave more than 70% of the world's abjectly poor unreached by institutional microfinance and without access to formal financial services, affordable and appropriate or otherwise – a fact well recognized by the Microcredit Summit.

As discussed yesterday remote-rural and other populations, especially the very poor, are easily excluded from formal credit provision simply because they live beyond the market reach of institutions, but there are also several other factors that work individually and collectively to exclude the world's poorest from formal microfinance participation. Firstly, the very poor often lack the confidence in their ability to repay a loan and fear their income-generating inexperience. Concurrently there is an incentive within the group-lending uncollateralized-loans methodology for stronger, risk-adverse group members to exclude their more poor neighbors. Additionally implicit or explicit incentives may motivate loan officers to exclude the very poor while sometimes even aspects of the program design work to prevent their inclusion.

Building on traditional ROSCAs, several agencies have developed savings-led microfinance models that uniquely address the above issues through vesting ownership and decision-making directly with the poorest. The savings-led financial services methodology provides a structure through which the very poor can collectively save, manage and invest their resources in a manner that enables them to meet their own credit needs, allow! ng their inclusion in an economy to which they otherwise could easily be excluded. Acknowledging both our industry's pending changes as well as the need within the savings-led approaches for further innovations and 'next steps', I would like to pose the following questions:

·What role can savings-led approaches play in achieving results under the Microenterprise Results and Accountability Act?

·What innovations to the methodology could make it more relevant to achieving the Act's desired results? For example, how far can we push our models to incorporate and adapt pro-poor applications of some of the value-chain and market-development work? What other scenarios for adaptation are there?

·Recognizing a need to more fully track savings-led results, what types of indicators should be considered or developed to measure the impact and sustainability of savings-led interventions?

- Carrie Keju

I'd like to respond only to your third question. The MIS that we've put together that is in use by Oxfam, CRS, Plan and CARE looks at a number of indicators. These are grouped into three broad categories:

* Effectiveness
o Percentage of women
o Membership growth rate
o Drop-out rate
o Attendance rate

* Financial performance
o Increase in the value of Association Savings (average for active portfolio, to date) I'm not sure if this didn't ought to be a percentage, but for now we've kept it as a sum, so that we are able to say, "in programme X, the average Association produces Y dollars/Euros for its members" The reason for shying away from a percentage (and therefore a ratio) is that an absolute figure may have more meaning. A 100% return on 25 cents isn't as interesting to a client as a 30% return on $10.
o Portfolio at risk
o Risk coverage ratio
o Average net profit per member to date (in external currency)
o Annualized average net profit per member to date (to make comparisons between programmes and groups)

* Efficiency
o Ratio of field staff to total staff
o Caseload: groups per field officer
o Caseload: individuals per field officer
o Active clients per staff member
o Portfolio utilization rate
o Cost per client (including ALL project costs, including capital and recurrent costs, overhead and consultancies, in external currency)
o Average loans outstanding per association (in external currency)
o Average member savings/contribution to date (in external currency)

We have based these to some extent on the existing MFI SEEP ratios, but we have excluded sustainability. The reason for this is that sustainability is inherent in a no-cost/very low-cost/quasi-voluntary ASCA model, and there isn't any means by which the implementing agency can become sustainable since there are no fees to be earned. This may be less true for 'Barefoot' trainers.

We have avoided social indicators, except female participation, because we think that this belongs to evaluation rather than a management information system that is intended to have a broad applicability.

I would be very interested to have a debate on these ratios because we are, at the same time, trying to suggest/develop some for the SEEP working group and look on what we've got, above, as only a first cut.
- Hugh Allen

Related to one of Hugh's points, the return on savings (including fines) for two groups I looked at two weeks ago was 55% and 61% respectively. The groups are charging 10% per month on the loans, but when the fund is distributed much of the interest comes back to the borrower so the effective interest rate is considerably less.

Thirteen of the 25 groups studied in our baseline survey have increased their savings rate anywhere from 50% to 400% after an average of eight months with a considerable jump in the savings rate after the fund was distributed and the rate of return was noted. After one year the average animator is supervising and training 30 groups with close to 700 members including the self-replicated groups that they are managing. Jeff Ashe Hugh and Jeff I have no doubt in the positive returns to groups but I have always had a challenge with regards to how we exclude assets acquired by the groups. Most of the MIS systems capture the cash transactions but with most mature groups (this is for Zimbabwe in this case) every year and some even every month buy particular assets (from plates, chicken and goats etc). These are then shared to members at some point. Some of these assets obviously appreciate in value. I know we have not been tracking this and doing so may posse some challenges. But I believe we should. I also know, through observations and discussion, some groups keep records of this. Is there any reason why would we not include them in our analysis?

- Alfred Hamadziripi

Hi Alfred. The MIS captures assets that are owned by the group - i.e. grain or sugar, plates, blankets etc. that are bought for reasons of trade (i.e. later sale). It notes its purchase price as the asset value and captures cash when sold. There may be a case for periodic revaluation (as in Zim with 1,000% inflation) but we haven't tackled that yet.
- Hugh Allen

Hugh's provision of the "MIS" figures are important for the first two questions Carrie poses. USAID has to present aggregate figures to Congress - as you have all seen in the MRR report (if you haven't seen this report, it is readily available on line). USAID also has to "prove" that 50% of USAID funding goes to the "very poor", as defined by Congress. The very poor were defined by a loan size proxy in the past (ie, all loans under $300 are considered loans to very poor people), but are now to be defined as those people living on less than $1.00/day, ppp or, the bottom 50% of the people living under the national poverty line. To put it mildly, this is not as easy to figure out as any of us would like (see www.povertytools.org for the real nitty gritty).

So, how do savings-led groups help ! USAID achieve this? One thing I don't see on Hugh's list is a poverty measurement indicator. Any organization receiving USAID funds will be required to use an approved poverty measurement tool (starting October 2006) as soon as a tool is available for the individual country in which they are operating. These tools are in the process of being developed or certified right now. In the past, many of these savings-led groups have received USAID funds from offices other than Microenterprise Development. Many of those offices don't require that their grantees report to the MRR (though they ought to) and many of the implementers have been just as happy not to add an extra reporting burden to either the implementing NGO or the group (even when they NGO simultaneously has projects that do report). As a result, neither the NGOs nor USAID hasn't gotten "credit" for reaching very poor people.

With the more recent attention being paid to the savings-led group! s, the activism of the folks on this speaker's corner and, as many people have stated before, the fact that most mainstream MFIs are not reaching large numbers of very poor people - this is a prime time for the savings led models to start doing poverty analysis. The tools that are being developed/certified are (very generally!) quite simple to use. They are +/- 15 questions long and take anywhere from 7 - 15 minutes to conduct. Of course, that's not including the sampling strategies, the logistics and the reporting using software that can aggregate and calculate the results. All of us are trying to make that as simple as possible. There is a definite role for associations, NGOs and others to play in understanding this as well.

For Savings-led promoters, adding this into the business model as early as possible is imperative. Being able to "prove" (with or without USAID funding) that your clients are among the poorest people in a given context provides the competitive advantage needed. With that "proof" in hand, I would imagine that not just donors would be interested, but other MFIs who do want to reach very poor people, but don't have the infrastructure or capacity to do so. Linkage models, partnerships, etc would be obvious choices. I would guess that this would be a good thing for all parties involved - especially very poor clients who might be able to then make a choice to stay in their "group" or to find one of those non-groupy alternatives that Martin talked about. (When I say MFI, I mean any organization offering microfinance services - NGO-MFI, NBFI, credit union, Banks, etc.) I would imagine that credit unions would be interested in these groups as their structures are very similar.

Finally, Hugh says that working on the social indicators is too difficult for groups. I would say that looking at the social performance management issues going on in "mainstream" microfinance! now should lead us to think in the opposite direction. How can we incorporate social performance measurement and management into the system right now! Microfinance as an industry has assumed for a long time that it has been reaching the very poor. Conveniently, there aren't very many scientifically, methodologically accurate and/or impartial studies out there... and, that's why there are huge questions about the effectiveness of microfinance and rather late in the game attention being paid to social performance. If the savings-led organizations can figure out how to incorporate social performance measurement and management into their system now, it will be able to improve faster, make adjustments earlier and "prove" itself. Evaluations are always critiqued and proving "impact" is hugely expensive using outside studies. Getting the right indicators in so that they can be tracked over time is the best way to be able to manage performance and prove! impact. I am sure that ImpAct and others can more thoroughly explain and add on to this.

- Evelyn Stark

Oxfam through its Saving for Change initiative in Mali developed a simple tool for determining poverty levels based on conversations with group members before the baseline study who said that a "rich person" had enough to eat and cows. They also suggested household items that a better off person might have. Number and value of assets including a plow, cart, bed, chair, bicycle, motorcycle, battery operated TV Number of cows Based on a random sample of 25 groups and a random sample of the members of this groups we divided the 250 respondents into three groups divided into thirds. We also looked at the poorest fifth of the respondents along these measures. This, in brief was what we found:

Wealth

Poorest

Fifth

Poorest Third

Middle

Third

Top Third

Average

Value of productive assets, household possessions, and cattle

$200

$305

$1,020

$2,115

$1,145

Number of cattle

0.4

1

3

16

7
Hungry part of the year before joining SfC
76%
69%
57%
41%
57%
Hungry eight months or more in the year before joining SfC
24%
21%
6%
10%
12%
Used a mosquito net before joining SfC
44%
58%
71%
78%
69%

As of our last MIS report the average loan size was $10.80 with the largest loans about $50 and the smallest $2. Seventy-four percent of the loans are used for income generating purposes with the poorest using more of the loans for food and medicine reflecting the precarious state of their economic situation. The poorest were also more likely to see the benefits of SfC in terms of "having someone to turn to in case of an emergency" reflecting the fact that they are using the group as "virtual insurance" with the group taking the place of an external insurance source. What have the others found out about who they are reaching? What tools are you using?

- Jeff Ashe

This is great and I appreciate your responding to what is a challenging and potentially controversial topic. As I look at your three groupings I notice that are really two foci of information gathering needed: one the 'institutional' information that allows practitioners to collate results and make comparison across programs, countries, etc. and the other more targeted at strengthening the groups' ability to understand and manage their savings. In general, the Effectiveness and Efficiency categories seem to be heavily inclined to providing the implementing agency information with little or no value to the groups. The Financial Performance ratios seem to be a bit more 'group friendly', but even there I am uncertain at what level the ratios are being calculated and their usefulness for group management is undetermined. Given that our purpose with these models is to provide a door to economic inclusion to the very poor, how can we expand our measurement definitions to meet both our institutional reporting needs while strengthening the groups' management ability?

- Carrie Keju

Related to one of Hugh's points, the return on savings (including fines) for two groups I looked at two weeks ago was 55% and 61% respectively. The groups are charging 10% per month on the loans, but when the fund is distributed much of the interest comes back to the borrower so the effective interest rate is considerably less. Thirteen of the 25 groups studied in our baseline survey have increased their savings rate anywhere from 50% to 400% after an average of eight months with a considerable jump in the savings rate after the fund was distributed and the rate of return was noted. After one year the average animator is supervising and training 30 groups with close to 700 members including the self-replicated groups that they are managing.

- Jeff Ashe

While I fully agree with relative poverty measurements and think that Jeff's examples go well beyond the PWR and VIP-type measurements, we could debate (probably forever) the US law which requires an absolute measure. The problem with what Jeff's measuring is that you then need (for the purposes of the US law) to tie it to the $1.00/day ppp or the national poverty line; relative poverty isn't going to pass the muster with the USAID requirement. As you know, the Microcredit Summit is very much "pro" the absolute measurement, and is campaigning for its use in other development agencies.(In fact, many of you probably got an email from the MCS today that included: In 2003, RESULTS played a pivotal role in securing passage of a new law that requires that half of USAID microfinance funds go to clients starting below US$1 a day. Perhaps more importantly, the law requires that USAID grantees use cost-effective poverty measurement tools that measure $1 a day poverty (adjusted for purchasing power parity). I believe this is a landmark achievement in international development policy and must be replicated if the Millennium Development Goals (MDGs) and the new goals for the Microcredit Summit are to be fulfilled.) (emphasis mine. excerpt from MCS letter from Director Sam Daley-Harris). As the MCS continues this push, this may force organizations to either drop the relative measurements in favor of an absolute, or require them to do both. That issue is well outside the realm of this discussion, but one that I know many people are discussing in Washington and in the field at all levels - from donors, government reps and practitioners - and therefore one that savings-led organizations will want to consider from many points (from measuring to lobbying).
- Evelyn Stark

Hugely interesting posting Evelyn. Re. social indicators, I don't think it's necessarily very difficult for groups to do, but they tend to use social indicators subjectively, whenever they make loan approval decisions and they know how poor they are. There just isn't any pressing need to write this down at the level of group operations. But I wholeheartedly agree that we should be thinking about what they are and how to gather the information I think that if USAID wants these indicators (and they should) we have to recognize that getting the data is a discrete research or monitoring exercise that's not too hard to implement: it's just that groups don't really need to do it unless there's a purpose. And I don't think they have one because they have these other means of evaluating the changes that makes their participation in the groups worthwhile. I have used CARE household livelihood security indicators in evaluating VS&L programmes that looked at the following: * Assets (productive and non-productive) * Food consumption and variety * Consumption of health and education services * Social capital (inside and outside the family Note that income isn't there because money is what we exchange for the above and it's probably more important to measure what happens in people's lives than if they earn 1-2 or 3 dollars a day.
- Hugh Allen

Carrie In my opinion it would be wise to keep the two things (organizational efficiency and effectiveness measurement) and bolstering group's ability to manage its own operations separate. I agree that these ratios do not add much value to the group directly but can be looked at in the overall objective of increasing 'aid effectiveness' which is gaining a lot of currency and limelight these days. As you might be aware, there are easy to use tools that contain pictures representing 8-10 key indicators and use a red-yellow-green ranking mechanism to enable the groups to understand how they are doing as a group and help them take action to improve their functioning. So, I think we should use our ratios and measurements to take care of USAID reporting requirements as well as improving our ability to effectively and efficiently implement programs. We do not need to burden the groups with these ratios as there are better tools available that can more effectively serve the purpose of bolstering group self-management capacity.
- Vinod Parmeshwar

Hi Carrie; The ratios I put on line are in fact the only ratios that come out of the MIS that are for an external

audience. We have a set of performance tables by Field Officer that are oriented towards evaluating individual group performance and Field Officer performance; a Programme performance table that reports on aggregate Field Officer performance and overall programme performance, but, finally, we have this table that is for reporting to the 'industry' and it is deliberately structured on terms that are largely familiar to microfinance practitioners - maybe a first step to being taken seriously? The stuff that matters to the group is kept at the group level. Everyone has a passbook with a record of savings and loan and the group knows its loan fund and social fund balances, loans outstanding and net worth. This tool was designed for comparison between programmes so that as practitioners we will have, probably for the first time, a means of making direct comparisons in terms of efficiency, effectiveness and financial performance that will enable us to develop some sense of what the norms might be - right now we are guessing a bit. Having said this, the basic design principle was to derive ALL of this information only from information that the Associations generated for their internal management purposes: nothing is generated that they don't use day by day. If you want to understand a bit better how it works you'll have to look at the manuals but the MIS (one for groups that use only passbooks and one for groups that use ledgers) is on our website.
- Hugh Allen

Hugh: Since SfC focuses so much on villagers training other groups it may be difficult to spread much more than creating a strong saving and lending group. We are going to experiment with spreading the Freedom from Hunger malaria prevention and control curriculum through the group leaders who are taking on this role by providing a little training.
- Jeff Ashe

Pact has been able to use its WORTH literacy materials as basis for multiple messages. The first book in the series, Our Group, teaches women basic sounds, letters and numbers, and principles for developing strong groups. The second book, Road to Wealth, instructs women how to use simple mathematics to track the growth of savings; learn responsible lending and borrowing; study basic bookkeeping principles that enable the group to function as a self-sufficient village bank; and gain insight into sound entrepreneurship. A supplementary series of microenterprise development pamphlets is used in tandem with the core materials to continue to build and develop strong business skills. Since women continue to gather weekly for regular banking meetings, other materials in the areas of rights and advocacy or HIV/AIDS have been successfully introduced and integrated into ongoing group activities. Through additional materials with the original Nepal groups, Pact is now implementing a peace-building program using reading materials. Shortly we will be starting WORTH program with an NRM focus. As long as the women are motivated to learn about a topic that is of interest to them, Pact's experience has been that WORTH groups provide a sustainable platform for many types of ongoing educational activities, which leads to action in the community. All books reinforce the value of the women's role and contribution in the community and her capability to participate.

- Carrie Keju

I think you (and others!) would really enjoy looking at the www.povertytools.org website and also looking at what Grameen Foundation USA are doing in re: measuring income. The livelihood indicators you are talking about ARE the same broad categories that all the tools are looking at - and translating it into income. You are exactly right - asking someone how much money they make is one of the worst ways to discover their income. Proxies are very important and that's why I think that the asset accumulation questions ARE measurements that can be utilized in both measurement of poverty and management (are people NOT increasing their assets - let's figure out what's happening? Do we need to figure out how to access an insurance product? Do we need to find a (HIV/AIDS) (Health) (education) (business) specialist to come to our village to give some info on TB, prevention, testing, nutrition, gov't primary education, high value assets, better value chain crops, etc.). I think that we might find that

the final poverty tools may be able to be incorporated into the group structure so that it can be used by the group for their needs (improved needs assessment/services, etc) and used for reporting purposes.
- Evelyn Stark

Evelyn: Tough to come up with the $1 per day measure when most life off what they produce. Objective measures that measure poverty are better -- quality of the house, number of times lights a cooking fire, if had enough to eat in the last week, number of household items. If there could be an agreement of what constitutes poverty then should be relatively quick to develop an objective set of measures.

- Jeff Ashe

I wholeheartedly agree Jeff. If that's what USAID wants (and at least they want to be sure of targeting the poor) then I suppose we must duly contort, but people can be economically and socially secure on $1.0 a day in a Malian village, when they have 5 acres of millet and 2 acres of rice, and completely off the poverty chart on $2 a day in Delhi or Dhaka, pulling a rickshaw. Measures should focus on whether or not you can educate your kids, stay healthy, eat at least 2 meals a day, have a spare pair of shoes and stay dry indoors during the monsoon. And if you can't and your income is $10 a day then you're poor, no matter what the indicator decrees.
- Hugh Allen

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www.povertytools.org. That fight has been fought. Congress mandated that we do it and we're doing it. The tools (not yet finalized) are NOT very difficult and will be proxy based in most cases. "relatively quick" was a hope of everyone, but alas, not possible. Each country requires its own tool because it has to be an absolute figure and it has to be accurate. It was impossible (it was tried, and documented on the povertytools site) to get an accurate tool that covered all countries. There was no way to get an accurate tool which even covered a region. The primarily issue really is the absolutism of the "$1.00/day ppp or bottom 50% below the national poverty line" which makes this more difficult to find a "relatively quick" solution. Just another issue - $1.00/day ppp has nothing to do with the exchange rate. I was recently in Pakistan where clients, I was told, are almost all below the $1.00/day line. When I pressed, I was told that the $1.00/day was 60 Pakistan Rupees - the exchange rate. The ppp $1.00/day for Pakistan is 20 Pakistan Rupees. And, to make matters more interesting, the PPP is changing.... (many, many people are saying what you are saying Jeff - how about a strong relative poverty tools!) Here's a paragraph from USAID Economist Don Sillers who keeps on top of this: "Many of you have already heard about the forthcoming release of new Purchasing Power Parity estimates from the International Comparison Project managed by the World Bank. Over the next year or so, we should expect this effort to provide a much stronger empirical basis for computing the local currency equivalent of any selected international poverty line. In fact, the second phase of this effort is supposed to generate new "poverty" PPPs, based on the basket of goods and services actually consumed by the poorest quintiles (deciles, etc) in poor countries, and therefore should provide even better comparability in computing equivalent poverty lines in the local currency of different countries."
- Evelyn Stark

Evelyn: The PPP sounds like an interesting solution. At Saving for Change we want to use a standard that the others use so our data will be comparable even though we do not take US Government funding as an institution.
- Jeff Ashe

Jeff, Are you saying that you disagree with Hugh's comments on the difficulty of tracking sustainability because you track return on savings? It seems you are also tracking number of groups per animator? What are all the sustainability/profitability and efficiency indicators are you using?

- Ruth Goodwin-Groen

This seems to be a discussion about USAID policy, fine, difficult, nothing to do with me though, DfID's contortions are enough for me to ignore, as they try to spend less in giving away more. Hugh, a related question. Can your (dare I call them yours ?) VSLAs (is this the accepted acronym ?) act as a conduit for wages, stipends or whatever which are for individual members but are received from people other than the members ? Relevant to the chars in Bangladesh, but also maybe elsewhere.

- Malcolm Harper

Dear Malcolm; I see that we share opinions on DFID and it's rush to trust governments with huge amounts of loose change, all the while reducing admin costs. That's a discussion for consenting cynics in private. VS&LAs (to use the awkward acronym) is a name coined by Chuck Waterfield during his tenure with CARE and I've got used to it. In the very recent work I did with the excellent Mark Staehle in the chars, the existence of remittances is a factor in what apparently makes traditional ASCAs viable. We visited 15 villages in 2 days and didn't find one where there weren't ASCAs (interestingly, they didn't show up on the baseline - maybe because there were hardly any women members). But what was also interesting is that in our discussions there was an indication that they reduce the need for the forward sale of labor, and thus migration. Having said that, they are a natural home for remittances. There's no prescription that says that money that's contributed must come directly from your own labor. Many people who do seasonal rickshaw pulling remit money to the chars and can, I should think, have someone else use it for investment in an ASCA.
- Hugh Allen

Dear Malcolm; In my experience in India, I have seen the group being used as conduit for wages for services rendered to people both outside and inside the group. The following variations are what I observed: The whole group contributes labor during transplanting/harvest time on someone else's farm (who is not a group member) and all the wages are pooled into the group fund. Some members of the group do the above activity but the group tracks the original funds separately (thought the funds are used for lending to all members) but the capital is given back to those members who contributed the initial amount. The interest amount was however distributed among all members since the group thought it would be difficult to calculate interest for sub-groups within the group. Another interesting variation is when group members contribute labor on the farms of other group members in rotation and agree to get paid a lesser than market rate per member. This amount is then pooled into the group fund. This practice has the twin benefits of resulting in a lower total payout for each group member while increasing the amount of funds that the group has for lending.
- Vinod Parmeshwar

Dear Vinod; Many thanks, this is very useful, particularly for work that Hugh and I are doing in Bangladesh, but perhaps more widely too. But, given that banks and other formal institutions are not generally involved in VSLAs (I believe), is there any mechanism whereby someone could pay an amount into a VSLA account, whether for the group or for an individual member (more likely the latter in the context I am thinking about) without having physically to take a wad of cash to a meeting, or to entrust it to one of the members ?

- Malcolm Harper

Malcolm, Given that very few VSLAs (except in urban areas) have bank accounts, the answer is, for the most part, no. VS&LAs hold cash in banks when there's a decent surplus; when the bank's close by and, in particular (as in Nairobi's Kibera) when there's a real security issue. But where this happens I can't see, in principle, why this

couldn't be done. Quite an interesting idea, in fact.
- Hugh Allen

Dear Malcolm; The only way I can think about not having to carry a wad of money to the meeting or entrusting the money to one of the group members is if the person pays in goods (rice/wheat etc.) But this mode of payment has the added complications of factoring in the quality of the goods, perishable nature of the goods etc. I have seen this happen too but I am not sure how beneficial that is to the group since the glue for group cohesion is money (in my opinion). What are the problems that you anticipate with the money being brought to a meeting or being entrusted to one of the members?
- Vinod Parmeshwar

Dear Vinod, The problems are the same problems that are attached with handling cash anywhere. One of the main benefits of formal financial services, banks, is that people can receive, save and spend money from them without having to handle that dangerous dirty losable stealable thing called cash. More important for most people than loans, I suspect. For instance, take the new (and so far as I understand pretty successful, so far) rural employment guarantee Act in India. How much better if the millions of people who are getting wages that way could get them paid into safe and accessible accounts, (as some are, I hear) rather than being given cash. Here in UK we are moving towards a cashless society, let's hope that the poor in India can do the same.
- Malcolm Harper

Hugh: You beat me to the comment on remittances by a few minutes. This could be a powerful source of encouraging village development as money flows from abroad directly to local villagers with no intermediating institution with its overheads and policies for not lending to those who need it.

- Jeff Ashe

Jeff and Hugh and Colleagues: I am sure you know how Zambia and Malawi have gone for cash transfers in response to the southern Africa Humanitarian Crisis. I have on numerous occasions suggested to those caught in the hype for "cash transfers' that they should somehow integrate savings led approaches in their work. Maybe that is a bit crazy but I believe the majority of the targeted households are economically active. Sparing part of the cash transfer to save in a group not only builds a future safety net but income generation. Probably they need to learn from what Hugh Allen is sharing.

- Alfred Hamadziripi

The discussions going on are very interesting and will prove useful as we go forward. Without distracting us from these 'conversations', I want to ask if there is any feedback or comments on the second question posted today: *What innovations to the methodology could make it more relevant to achieving the Act's desired results? For example, how far can we push our models to incorporate and adapt pro-poor applications of some of the value-chain and market-development work? What other scenarios for adaptation are there?
- Carrie Keju

Carrie: In the Savings for Change program in Cambodia the group is the hub around which improved rice production -- less inputs, more production -- and marketing is organized. This combination -- savings and lending and creating a strong local organization, improved agricultural production and selling this production at a higher costs is a winning combination for increasing income in Cambodian villages.

- Jeff Ashe

Hello all, I would like to wholeheartedly support Hugh and Evelyn's comments about the importance of using indicators from savings-led organizations/groups for comparison purposes. As an independent consultant I find the most effective means to challenge MFIs and donors about improving performance is to look at peer groups in the MicroBanking Bulletin. They can see exactly how other similar institutions are performing which is more powerful than others telling them what to do. (Financial performance comparisons are key to all types of businesses so this is to be expected.) Unfortunately, there are not yet many savings-led institutional indicators available in the MBB and what they have are typically suitable for larger MFIs, not small groups. Evelyn's urging that we include the indicators we want to track right at the beginning of an initiative is also important. We all know how hard it is to track down information after the fact. Therefore, would it be possible for practitioners such as Hugh, perhaps under the umbrella of SEEP, to start a dialogue with the MBB about whether there are a few indicators that can realistically be reported and tracked consistently across countries and time? Of the indicators Hugh mentioned there seems to be some potential there! Do you think this approach could contribute to building the savings sector by starting to build performance norms/benchmarks? as well as get USAID what it needs?
- Ruth Goodwin-Groen

Hi Ruth; There is a new SEEP working group being facilitated by Hugh that is going to be looking at trying to develop some sort of industry benchmarks for measuring performance. Please find below the team that will be working on this.

Hugh Allen: Facilitator
Saiful Islam, WWB
Guy Vanmeenen, CRS
Carrie Keju, PACT
Chuck Waterfield, MFI Solutions
Vinod Parmeshwar, Oxfam

- Vinod Parmeshwar

I agree with the different views that have been expressed on indicators. Particularly the trend that I experienced was when we started the financial were the only ones we had. But once the communities have the processes we began to realize a lot more that surpassed the intent. Every interface I have with groups you see a lot more resolve, high levels of satisfaction and confidence, greater control, revitalized social networks and relations recognition of the self and the other etc... Sharing these could probably be a good way of contributing towards figuring where and how these fit within available tools.

- Alfred Hamadziripi

I'm afraid I'll come across as a no-change curmudgeon, but it seems to me to be a real tendency for savings-led programme designers to be immediately dissatisfied with what they are doing. It's amazing to me that with 70% of the rural poor with no access to financial services, and a methodology now to hand that will actually provide them sustainable at extraordinary low cost, we immediately begin thinking of all the other wonderful things we can do with these groups, amongst which is some sort of market chain function, that will likely prove complex, confusing and expensive. Now I realize that the potential exists to do this but isn't it a better idea to focus on laying down a carpet of these ASCAs so that a critical mass begins to develop that defines its own position in the market chain in the fullness of time? I am struck by the fact that in nearly every case this sort of thrust comes from agencies and individuals who are part of the promotional process but not, usually, members of the groups themselves. Focusing on competitive advantage through market linkages is a great idea, but groups have proven one of the worst ways of doing it (I witnessed first hand CARE's attempt to get Basuto goat farmers to sell high-fashion mohair in Frankfurt). I lump federation/apexing and linkages into this same 'could-do, but should we and in any case don't we have more vital priorities basket'.

- Hugh Allen

Hugh - your comments are solid and you've never struck me as an irritable, a bad-tempered, disagreeable, or stubborn person (curmudgeon) regardless of a no-change philosophy. If it isn't broken, why fix it. And yet... is there more that we could be/should be doing to create more interest in our models within the microenterprise development community? One of the Savings-led Financial Services Working Groups' efforts will be to raise awareness and public credibility for our approaches. Is that enough, especially given the MRAA and the increased need for reliable downreach models? What do others think, no-change curmudgeons or not?
- Carrie Keju

Thanks Carrie. I think that what we could focus on, rather than figuring out how groups can become vectors for an entire development agenda, is to look down the tube in reverse. There's lots of groups that come together for very important other reasons that could really benefit from savings-led microfinance. I am thinking in particular of communities and individuals affected by HIV/AIDS (CARE's SIMBA project is a leader here) or CLUSA-style farmers' associations.

- Hugh Allen

I agree with Hugh. As an organization (CRS) we are looking at reinforcing existing groups with savings-led MF in different development programs. Also, we are studying the role of savings-led Microfinance in support of Integral Human Development (IHD). We use the IHD framework in the design of all our development activities to develop livelihood strategies. We are looking at ways to integrate our Savings and Internal Lending Communities (SILC) with HIV/AIDS, Orphans and Vulnerable Children, Agro-Enterprise and Food Security programs. Within the IHD framework, savings-led MF plays an important role across sectors and programs to strengthen the assets of households and communities. For example, SILC members learn new skills in book keeping, accountability and savings and lending procedures (Human Assets), provides cash savings and insurance (Financial Assets), increases individual wealth and allows members to invest in (Physical Assets), builds strong social cohesion and networks of support (Social Assets), engages and empowers women (Political Assets) and can help communities to take better care of their (Natural Assets) through environmental programs. As such savings-led MF is not a stand-alone activity but a real support to a more holistic type of programming that benefits the poorest with a range of development activities.

- Guy Vanmeenen

Guy: What you are looking at is the right direction and it works. I agree with the points you make. In Zimbabwe with SIMBA we did it with AIDs Support Organizations and there are positive results there. Specifically with OVCs this has worked at two levels 1) The adult groups paying (voluntarily) for the education costs of OVCs 2) The adult groups assisting and supporting the OVCs to start their own savings and credit groups. With 2 we have seen children who have been able to pay their own schools fees, clothing and food. Yes 2 raised some discussions but the communities pointed some very valid points. The support system for the OVCs is not in place or effective. If the OVCs are not supported to be self reliant they have an option to be on the streets or business centers or employed doing menial jobs (herding cattle) and not attend school. The adult communities members indicated that they either sell the products on behalf of the children or the children would do so when they are doing their normal children chores such as herding cattle, playing sport etc. The types of IGAs for the children fitted quite well with these (selling sweets, biscuits, stationery - pens, pencils..., fruits). Worried with OVC under option 2 we checked with school authorities. We found some of them even supervise the OVC savings group during lunch break or after school. They indicated an improved numeracy skills from children participate in savings groups. Working with Commercial Sex Workers, OVCs, Widows and PLWA there have been very interesting lessons regarding targeting and mobilization channels etc..

- Alfred Hamadziripi

I completely agree with Hugh Allen. In 1999 we had a programme that introduced savings, external loans, business training and live skills (all at the same time). Not that all these are not needed but we have to learn to be more strategic and establish connections (positive and negative) and sequences between the different services or products we want to produce. Let us not forget that in the instance we are introducing a new concept or way of doing savings different from what communities are traditionally used to. Let us allow time for maturity. Secondly some of the community members will still skeptical having been part to similar but not well refined approaches. As they join some will not be fully convinced and will wait for the slight indication of failure. Usually after a year or cycle when the group has liquidated and members have used their shares to buy or pay for something that they have been longing for you begin to see serious changes. Not only are the savings increased but the targets/objectives set much higher, strengthened resolve to overcome specific livelihood challenges etc. Too many interventions at the same time often confuse, raise expectations and comprise quality and effectiveness. Use of monitoring time to discuss with groups can help inform and shape how they see their groups functioning. Other aspects of market development actually come out on from the communities themselves as they mature. I know in Zimbabwe it is now common for community members to organize field days or asset celebration days where you have in excess of 100 individuals converging at one village point. While the original intention was to show case what others are doing and motivate each other you now find members trading among themselves. This has also helped in strengthening recognition of the approach within communities. Savings groups fund and manage these events which have food, song, drama dance and personal testimonies. You see non-members attend who attend joining. Without institutionalizing but just encouraging such community level events can add a lot of value. We also need to realize that the product range for savings led approaches is not purely limited to savings and lending. Other groups have introduced funds for medication, building materials, asset based savings, collective provision of labor and farm implements (extended to HIV/AIDs affected households), funds to assist OVCs with school fees etc.... With asset based savings you can actually see a gradual transition from the small (pots, plates and blankets) through the medium (ploughs, beds, wardrobes) to the big assets such as (cattle, scotch-carts). I know of clusters in Zimbabwe that have been able to mobilize deposits for installation of electricity in their households under the (group based) Rural Electrification Programme. The same evolution of products that we have seen with MFI led approaches do in a way apply to savings led approaches. Rather than externally driven market development approaches one would rather build on the foundation of what the communities practice.
- Alfred Hamadziripi

DAY THREE: What if there were No MFI's to Provide Microcredit?

Moderator: **Lauren Hendricks** is the Director of the CARE USA Economic Development Unit, responsible for strategic direction of over 70 active microfinance (MF) and enterprise development programs in 66 countries. She serves on the Board of Directors and Investment Committee for MicroVest, a capital management firm investing in microfinance institutions (MFIs). Ms. Hendricks also represents CARE on the board of directors of several national MFIs. Prior to joining CARE Ms. Hendricks was a program specialist at the Center for Institutional Reform and the

Informal Sector (IRIS) at the University of Maryland. Her research focused on the development of low-cost tools to assess the poverty outreach of USAID funded microenterprise development programs. She has over 10 years of experience in the development of microfinance programs worldwide. She spent three years in the Republic of Georgia managing a microfinance program and overseeing its transformation into a locally registered and managed institution.

Welcome to day three of this exciting Speaker's Corner. We've been having some great discussions between ourselves about some of the pressing issues for moving forward with Savings Led Approaches. On this last day of the Speakers Corner, I'd like to explore some of the nuances of our approaches by posing a few questions and sharing some recent CARE experiences.

1. Some recent impact assessments reveal that the CARE Village Savings and Loan Associations are not having as much impact on women's empowerment as we had hoped. Let me explain, CARE conceptualizes three aspects of empowerment; agency, structure and relations. Agency involves a women's control over herself, and includes her attitudes and access to income and services. Structure involves social norms and customs and power relations. And relations are the ability of the women to negotiate between and with power structures. While we see large changes in women's agency; they have increased self esteem, increased earning power, etc.; we see little change in structural empowerment. Women still have limited decision making capacity within the household and within the community for example. While we are exploring this further, one of the questions it has caused us to ask is: Is the inclusion of women alone the best way to have the empowerment impact we would like to be having? If we included men would it lessen the economic impact? I wonder is the speaker's corner participants want to discuss women only versus mixed groups. While we tend not to do this in groups that are externally funded, would it be possible with savings led groups? What are people's experiences with mixed groups?

2. In any context, there are always groups of people who have the least household economic security. In Southern Africa one such group is people living with HIV/AIDS (PLWHA). C! ARE has run a successful program in Zimbabwe working with AIDS Support Organizations (ASOs) to provide Village Savings and Loan services to PLWHA. What experiences have others had in reaching special populations? What are the challenges in reaching these populations?
- Lauren Hendricks

I noted earlier that 37% of people in CARE's VS&L programmes are men - when they are permitted the opportunity to join. So there is clearly a demand. If I can turn the question around, why would one not then include men? Including men does not exclude women, and everyone benefits. I first came across the apparent failure of VS&L greatly to alter power relationships between men and women in Zimbabwe where, despite one of the highest HIV prevalence rates in the continent, men who spoke out in meetings insisted on the maintenance of their sexual and traditional brideprice prerogatives. It struck me then that the inclusion of men in VS&L should be a sine qua non for two reasons:

1. VS&L groups have proven to be an effective forum for the delivery of public information and intra-community dialogue. Things that simply can't be discussed in the household can be talked about in the Association because the VS&LA is a forum in which everything is always about 'the issue' and not 'me, the person', so people are less threatened and more likely to learn.

2. One of the findings of the KI evaluation (Alfred's extraordinary programme) was that couples got on better when everyone was economically active. It didn't seem to be a remark that applied especially to women. The better people get on and respect each other the more they are likely to talk as equals. This is probably more important than using the Associations as message-delivery systems: if you like and respect someone and feel that you are genuine partners you are less likely to engage in behavior that's damaging. One hopes. Inclusion is more

likely to facilitate this than exclusion.

VS&L is a useful tool in dealing with the effects of HIV/AIDS especially in terms of improved nutrition and paying for the costs of treatment, but we may have to be more patient before its potential for prevention is full understood.

- Hugh Allen

I am not sure whether there is a real mark for the very valid aspects you have shared. Again we need to realize most of these are not an end but a process constructed over generations but can still be deconstructed. But not over a short time span. To say as "much impact" we should be measuring against a particular benchmark. But for me having seen the work of CARE I am convinced there is significant progress. Of course we need to get researchers to break the bolts and nuts:

Agency; A group of commercial sex workers indicated that since they became members of savings clubs they were able to negotiate for safer sex and could afford to forgo when they face risk. They were quite adamant that prior to the programme the pressure to raise money for food and rentals was a push factor to unsafe sexual relations. There are also many women who indicated that prior to joining the programme they had been called names for their begging and borrowing, often a very embarrassing situation. Having access to savings and income had made a difference. They expressed surprise at getting other community members coming to them for advice and socializing which would not happen in the past.

Structure: Most common point programme women raise in Zimbabwe is they are able to or jointly decide the use of the income they earn. School fees are usually known to be paid by men. But most women indicate they are spending more on children's education and not on a selective (boys only) basis. Of course we may need to look at if letting the men off means they spend more on beer etc. They even boast of having broken certain norms regarding men being the only ones who buy maize seed, cattle and farm implements. There are men and women who confess to the husbands being against the idea of their wives joining the programme on inception. But after they had seen the nature of the programme permission was granted.
One challenge I know is targeting of specialized groups where if it is very exclusive it enhances stigmatization. We did work with disabled persons, widows, women health community workers, OVCs, and commercial sex workers. Use their structures for mobilization purposes but let them decide who they want in their group. Its is known that most of these individuals are not found concentrated in one village but scattered across villages in most instances. We tried to work with widows alone but the feedback in the end was not encouraging. Some had to board buses to attend training sessions, the programmes was being called "the widows'" programme. Some even said it is a programme where the widows planned taking other women's men etc... Regarding inclusion of men or not. By design or not women's still dominate. The more the men can be exposed the better. In all these the content of the training is very critical. Have the facts and risks discussed in a very articulate way. If training is not adequately structured mixed groups can be very challenging. From experience men tend to go for very large savings amounts. Obviously this can exclude other community members even amongst the men themselves.
- Alfred Hamadziripi

I noted that in Alfred's CARE Zimbabwe program that the local chiefs -- all men of course -- made a point of joining the program to indicate their commitment to it. Including the men up front should be considered.
- Jeff Ashe

For sure participation of leaders can be useful in many respects; ownership, support and encouragement. At the end of the day they are also vulnerable. I know of one provincial governor who made it a point that at every meeting in the rural areas he would want to have the savings groups attending. His main point being to emphasize to other community members that they can also be self reliant.

- Alfred Hamadziripi

On the issue of linking savings-led financial services with other services. I don't have an answer to this question but do have a few questions: Do we want to 'push the envelope' on addressing structural issues of power relations among men and women in communities? Is it something that we should be aiming to address in the initial stages of a savings and lending program? Isn't it enough to provide financial services in a sustainable manner? Are we taking too much on when we are trying to address a whole host of social issues in addition to provision of savings-led financial services? In summation, should we focus on expanding outreach to the xx millions unreached by savings-led financial services or focus on providing more value-added services to the people we are already reaching through our various savings-led programs? I would love to hear from this erudite group about your opinions on the above.

- Vinod Parmeshwar

Vinod, You are raising very pertinent and often difficult questions for some. Let us push for increasing our outreach. There is increasing evidence of how economic empowerment has a self generated change it makes to how people relate to each other. More so if we want to be gender activists when there are a whole lot of other civil society actors, maybe good at it, are we not trying to chew a much bigger chunk we can not swallow? We are specialists in savings led let us perfect and broaden it. But of course linkages with those that are doing gender related advocacy (and other) work are taken on.

- Alfred Hamadziripi

Vinod, I would say let's go to scale and try to reach as many poor people as possible with savings-(and credit) led MF. Said so, savings-led MF should not be seen as a stand alone intervention while the needs of the poor are multiple. MF is not a silver bullet and we need to be humble and realize more is needed to reduce poverty. While value added services can be designed to complement the financial services, it is also true that savings-led MF is a value added to other development programs. Within CRS, we are looking at integrating Savings and Internal Lending Communities (SILC) into a diversity of development programs as a cross-cutting model that adds value to different development activities. Instead of having to develop specific savings-led projects we just add a budget line to new and existing projects (HIV/AIDS, OVC, Agro-enterprise, Food Security, Education etc.) under an economic or livelihood strengthening objective. Another strategy to reach scale....
- Guy Vanmeenen

I am sorry, as usual, to butt in not having read what went before. But, please allow me to cast a stone into the water on this gender issue. If we want an economy of part time micro-enterprises run by women who would much rather have jobs, let's keep micro-finance to groups, which tend to mean women, and are often actually barred to men (what would the world say if we barred such things to women?). But if we want a 'real' developed economy, at least in the only form I have ever met one, maybe we ought to look harder at ways of financing men, in spite of all the difficulties, liquor, dislike of groups, unreliability and all that. On the whole, men take bigger risks, lose more, fail more often, but when they do succeed they are more likely than women to create jobs for others. Our Joint Liability Groups in India are an attempt in that direction.
- Malcolm Harper

Mr. Malcolm: I am responding to your views on "making real economy work through focusing on men", Hope I am making some sense but would welcome your reaction to it. Your comment reminds me of somebody's phrase that says "harnessing women's labor" and that's the case in microfinance so far where we have given little attention if women led microfinance is FOR women and not just THROUGH women. Your suggestion just proves the latter right. It sounds little unfair when women borrowers with their hardwork in last decade proved that "poor are bankable" you decide to give rewards to the menfolk? so by now were we just testing microfinance on women to see if it works ,so that we could turn our better products towards men just because its convenient.(i doubt that too?) Let me also present my logical reasons of keeping focus on women: To begin with whole shift towards involving women in microfinance did not start to empower women or something but because

-All other schemes in last three decades if we talk about India specifically including IRDP, that involved men borrowers failed miserably, so only when men disappointed the finance sectors did they turn to women.

-Evidences we have so far show us that that women have proved themselves better borrower than men. Women are much more likely to work efficiently in GROUPS than men; women are much more likely to REPAY than men and what more a study by Pitt showed that a women borrower She tends to spend 14% more on Family than men borrowers(i.e. men end up spending on their own personal needs) and chances of girl children of going to school increases by 8 % I would say that biggest evidence is the growth of microfinance sector happened because borrowers did not disappoint lenders. And it must have had some relation to the fact that more than 75% of these borrowers happens to be women.

-Finally I would like to take your attention to the fact that men are able to take"Big"risks (we may clarify what do we mean by it at some point of time) because he is operating in market which is operated by 'hims'. Its an irony that while its 72 % women (as opposed to 56% of men in rural india)engaged in farming and more than 90% women engaged in livestock rearing its the men who goes in market and make transactions of produce and thus SEEN as big risk taker(if you allow me to exaggerate its just like thinking of ourselves working whole week and than let our spouse go an collect the check. and then let employer let him/her see as the "driver" or "risk taker" of the household.)

Besides why not women help share the "big risks" that men are bearing for so long as family head sometimes feel so stressed of keep finding sources for survival of his family ....(or otherwise we would not have farmers(MEN) in Andhrapardesh committing suicide in desperation, only if we would have prepared their counterpart women to share that burden of survival along with men.) I would say that microfinance by design or default is the only program that has finally acknowledged women as Producers(we might have to wait another decade when women also be appreciated for their reproductive roles too) we may build on the success of this program instead of going back to where we had started. Here are some of my ideas of turning women led microfinance to MACRO INCOME GENERATING AVENUE we may

a) Diversify and graduate from micro-lending to Development financing. Having proved that they can repay money on time they deserve to be trusted with more and better designed macro finance products.

b) we may start programs that actively enable women to acquire" ASSET OWNERSHIP" . I believe asset ownership (land, home, livestock) would provide women more opportunities to leverage their income.

c) involve men as partners(and not as drivers). where we facilitate joint decision making in starting enterprises, where women remain primary borrower but men start sharing the burden of making repayment on time. (by this I mean that instead of let women humiliated by her peers while she fails to repay, her husband should get to share that, after all its whole household benefits from the credit services)
- Neelam Maheshwari

Dear Neelam, The reasons you give for providing women with access to microfinance services cannot be faulted. There is, however, a tendency in the 'industry' to presume that men have no role to play in community-based microfinance and no eyebrows are raised when programmes actively exclude male participants, as if some sort of contamination was inevitable. Even less effort is expended on finding out why, or developing methodologies and approaches that actually deal with the issue (if, indeed, there is one). But this is not really a discussion about male

participation in microfinance as a whole, but only in terms of member-managed community-based groups where there is evidence to suggest that the approach doesn't work badly with anyone who participates, regardless of gender. CARE's experience, in general, is that male participants are slow to take up the opportunity to join savings-led groups, regarding them initially as something that's not going to work and of no real significance, but when they see that it works they seem to settle in quite well. It's a pity that we don't yet have the numbers, but it's certainly my impression. Perhaps Alfred can comment: Kupfuma Ishungu in Zimbabwe involves a good number of male participants.
- Hugh Allen

Dear Neelam (if I may), Thank you, my purpose in making such statements is to learn more where I am wrong, or partly wrong. But, whoever imagined that micro-finance, banking for the poor, was or could be a way to change society? The detailed study that we (EDA and others) have just concluded of 200 SHGs, spending days with each, not hours, shows that generally the social changes achieved by SHGs, in gender, caste and so on relationships, are short lived and small. But it is amazing that they have been achieved at all, given 3000 years odd of history, and that they have been achieved by a mechanism whose main purpose is, or was, to deliver financial services to women in an affordable way. The problem is not in the SHGs, it is in what is expected of them. I see microfinance as an important way of helping poor unbanked people to have the same benefits (well not the same at all, they have to join groups and all that gross exploitation of their time and energy) of formal financial services that you and I enjoy. Not such a big deal, certainly not a way to change society, just a small rung on the long ladder (its is taking 20 years in Vietnam, maybe 200 years in India, I wonder why) from their standard of living to ours. And history shows that most businesses which employ significant numbers of people are started by men, not women. So, if we want jobs, not microenterprises, or some dream of a new type of society, let us try to figure out how to allow men to get a bit more micro-finance. That's all. And I sincerely hope that there will be no need for microfinance, or SHGs or any of this sad stuff, in India or anywhere else, in say 40, or maybe even in 30 years. Or rickshaws, or housemaids, or any of the other sad things that poor people have to put up with doing because they are poor.
- Malcolm Harper

I find these questions particularly interesting, especially in light of the development of Pact's WORTH model. WORTH originated in Nepal as the USAID Women's Empowerment Program (WEP). The SO being addressed with this program was "increased women's empowerment" defined by increased household decision making, household spending more targeted on family well-being, and social-change collective actions initiated by the women participants. Desired intermediate results were: 1) increased women's literacy; 2) increased women's legal rights, awareness and advocacy; and 3) strengthened women's economic participation. Pact addressed the first and the third while a partner agency addressed the second, the success of the second and the third being reliant increased 'empowerment' amongst program participants with the outcome of the second evidenced through collective community actions undertaken by the women's savings groups. Only ten months into the program activity an USAID review revealed that decision making levels amongst the women participants had already increased above that of non-participants - particularly in the areas of reproductive health, number of children to have and the selling of family production. At the end of the project Jeff Ashe and Lisa Parrott conducted a final external evaluation. As regards the projects defined empowerment objectives, it was determined that more than 50% reported increased household decision-making authority. When asked how participating in WEP changed their lives the women identified firstly increased self-confidence and decision-making authority followed by literacy and then savings and access to credit. Collective actions taken by the women's groups addressed such issues as gambling, alcohol sales and abuse, polygamy, trafficking, spousal abuse and women's rights. While Pact has not continued to monitor and evaluate the empowerment impact of the model, the empowerment and potential role of women in the household and the community continues pivotal to the WORTH literacy materials. Pact's current application of the model in Cambodia is designed specifically to decrease female vulnerability to sex trafficking while also providing a door for community reintegration for those that are returning victims of trafficking. While it's true that the savings-led approach cannot be everything to everyone and we are not gender or even civil society specialist, I think that we all should be aware of the empowerment aspects of our various models and target, design and manage our programs accordingly. It's been said that a women with change in her pocket can afford to say no to unsafe sex. That's empowerment - and it's an empowerment that when one is living on less than $1 a day could go a long way. I would enjoy hearing more about how, when community leaders join groups, the group dynamics are managed so as to maintain a balance amongst all 'owners' and participants. Even in mixed-sex groups, how do you manage the group so as to ensure balanced relationships - particularly given the cultural norms in many of our countries of operation?

- Carrie Keju

Secret ballots and minimum female participant representation on management committees, both mandated by a written constitution is the way CARE does it. Subject to manipulation, I'm sure, but it's a start.
- Hugh Allen

One of the advantages of working through NGOs that are carrying out other activities in the communities is that the groups can serve as a conduit for these other services. One of our Mali NGO partners does literacy and 800 Saving for Change group members are now taking literacy classes with no inputs (or even knowledge that this was happening until recently) from Oxfam. The first solidarity groups that Accion developed in 1980 in the Dominican Republic were made up entirely of men. Difficult, but successful nevertheless. The first Finca groups were men as well. There are many all men solidarity groups in India. In one village the men started their own groups after seeing the success of the women.

- Jeff Ashe

Actually, Pact only works through - cover your eyes, MD! - non-microfinance NGOs in implementing WORTH. This is not because we are anti traditional microfinance (check out our Myanmar microfinance project with more than 230,000 very poor clients!), but rather because we have learned that cross-sector NGOs exhibit a deeper commitment to the savings-led principles, are more willing to adapt themselves to the model and are not rushing participants through a "preparedness" program. Working through various local NGOs also enables us to supplement the message and therefore use WORTH as a vehicle of change in different focus areas. It also supports Pact's institutional commitment to build local capacity for local change.
- Carrie Keju

I would like to share some of our experiences here in Ethiopia on the topic of 'Women's, Mixed and Special Groups'.
First of all women as a potential microfinance (micro-credit) client in Ethiopia face a great time poverty because most domestic tasks such as grinding grain and food processing, water and fuel wood collection are highly arduous, labour-intensive and time-consuming, compounded by the fact that labour saving "appropriate" technology is largely unknown even by the standards of developing countries. An additional area of concern, in terms of the impact of loans of the poorest, concerns men's usurpation of loans targeted specifically to women. Survey indicates that only about 40% of the women who took credit from ACSI use it themselves (in their own business) others either use it “in consultation with others” of totally hand it over to their male counterparts. Really more (integrated) effort is needed to attract more women, as the proportion of credit clients is not more than 35%. Yet a separate group for women may be in-correct in many instances. In a society where no other serious women programmes was there, you cannot just 'jump-in' and establish 'women's-only' programme, by excluding women.

This would be un-welcome not just from the husbands' point of view, but also from the women themselves -- women often need husband's advise and support. Whenever you are trying to separate women from men, some also doubt about the transparency of your operation.
In some instances, you may face something you, as a programmer, might not have expected. More recently, we had conducted the AIMS impact study, and we were involved in the qualitative 'empowerment' study, focusing on 'voluntary' women savers. The area to meeting women groups were (unfortunately for some women) where other offices are, where men also go. Some women, whom we called for the 'savings' focus group discussion, simply run away when they see their husbands there, because they were saving without their husbands' knowledge. Of course, one of the beauty of financial saving is its 'unanimity'. But in a situation where that kind of programme has not been around, it ends in embarrassment. So, it would be an important step first to use both men and women in a programme, and, when the programme takes serious roots, to establish it separately not male and female.
- Getaneh Gobezie

Gatenah: Thank you so much for sharing your insights from Ethiopia. It is such a pleasure to hear a new voice in this discussion. (We are hoping to take Saving for Change to Ethiopia in the next year or so.) Your observations underscore the difficulties women face in developing a pool of savings that they can manage themselves. Based on observations from other countries I would say that for 80% of the men having their wives participate in the groups and develop their income generating activities is seen as positive by the husbands whereas for the remaining 20% it is seen as a threat. Your observations, Gatenah, also underscore the need to understand the local cultural context before introducing a model developed elsewhere. Are there any last comments from others subscribers that we have not heard from? Everyone should send in at least a paragraph.
- Jeff Ashe

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