USAID FROM THE AMERICAN PEOPLE

fhi360 THE SCIENCE OF IMPROVING LIVES

STRIVE *for Learning*

Savings Groups
Brief #3

Designing Savings Groups to Benefit Vulnerable Children

Introduction

The STRIVE Savings Groups Brief Series provides basic guidance on savings groups programming to donors and practitioners who are interested in utilizing the approach to achieve positive effects on child protection and wellbeing. This Brief addresses how donors and implementers can approach designing savings group (SG) programming to benefit vulnerable children, primarily by working with adults to indirectly benefit children, rather than by working with children directly.

Rationale for Donors to Support SG Interventions

Savings groups are an attractive development intervention for many reasons. SGs can be established in *remote or sparsely populated areas* where more formal financial services are not cost-effective or available. Although there may be initial hesitation for people to join savings groups, once the first share-out occurs, the benefits become clear and *demand is strong*.[1] This lowers the cost of expansion. *Operating costs are low*, certainly much lower than equivalent costs of microfinance institutions. There is *no need for external capital* – in fact, this is anathema to the good functioning of an SG. *Impact is good*, as shown in the primer on which this brief is based. Savings groups can *reduce the cost of other interventions*, such as the provision of agricultural or health extension services, by providing a delivery vehicle – the group – to which to provide the service efficiently.[2] The period of time of active implementing agency involvement is limited: the facilitating agency gradually phases out its supervision so that each SG is completely independent within about one year. SGs tend to go on functioning after this phase-out, making them a sustainable intervention. SGs seem to be able to self-replicate both during and after a program.

Possible Limitations to the Basic Model

Even with all these advantages, SGs have some risks and limitations, which donors and implementers should be aware of.

Self-selection: Sometimes it is difficult to get people to self-select into groups. This may be truer of poorer, more vulnerable people, who lack capacity to assume risks. For groups incorporating children or youth, girls are harder to reach than boys.

Loans: The amount of savings that a group can collect may be too small to meet the demand for loans. This can create conflict among group members. On the other hand, loans may not be appropriate for younger members.

\

[1] Assuming that no other financial interventions are operating in the area and serving this target group.

[2] http://www.mastercard-fdn.org/pdfs/VSLA_Website_Brief.pdf#page=1&zoom=auto,-99,792.

Limited market opportunities: There may be only limited market opportunities in some areas, which limits opportunities for investment and revenue generation. This can reduce the impact of the intervention.

Cannot lift people out of poverty: Poverty has many causes, and providing limited financial services with group support, even with add-on activities, is not enough to raise people's economic status out of poverty.

Need for Context Adaptation: As with all development interventions, savings group programs will need adaptation to highly specific contexts, such as conflict, post-conflict, insecure, or post-disaster environments. For children, the adaptation should take the form of "Do No Harm."

Targeting

Donors and implementing agencies use targeting to achieve maximum impact on a desired population. But there are drawbacks to targeting in the context of savings groups. The first drawback is the conflict with one of the basic premises of best practice savings group models: self-selection. The second drawback is the possibility of creating stigma against group members, such as might occur if all members are vulnerable or HIV-positive. In many programs, SGs are heterogeneous in terms of economic status and vulnerability, and this seems to improve their functioning.

Figure 1: Approaches for Reaching a Specific Target Population

Area Saturation: SG membership is open to anyone in a given area. The result is a mix of the target population and others.
Target Group-inclusive: SG is expressly promoted to target groups as well as the general population, and self-selected members of both are combined in mixed SGs.
Dual Coverage: A certain number or proportion of SGs are composed entirely of target group members within an SG program serving the general population.
Target Group -Only: SG membership is open only to those in the specific target population.

Case Example: Targeting by STRIVE Mozambique in an SG+ Intervention

STRIVE Mozambique targeted communities with a high proportion of food insecure households, which typically farmed less than one hectare of land and relied primarily on subsistence production of cassava, augmented by some small seasonal crops. Extension Agents assigned by the project to each district mobilized community members through meetings and word of mouth to create groups and to select volunteer Promoters to support those groups in their own, and adjacent, communities. STRIVE Mozambique was particularly interested in mobilizing participation from households with children under two years of age, with the intention of tracking the effect of savings group participation on child nutrition. The project used a target-group inclusive approach, casting a broad net in target communities in order to ensure that a substantial number of households with very young children would have the opportunity to join, without compromising the principles of voluntary participation and group self-selection.

There are, however, some established good practices for reaching specific populations without jeopardizing SG success. Figure 1 illustrates these approaches.

Donors and implementing agencies can adjust their targeting approach to their need to benefit a certain population, such as children. In this case, it would seem logical to target caregivers, or children/youth, or both. Approaches have been developed for this.

Savings groups programs can be designed to reach youth and children through targeting. This can be through a geographical approach, a household approach, or an individual approach. Care must be taken not to stigmatize families or individuals, whatever the approach used.

Recommendations

For proposals that contain savings group interventions for benefiting children, donors should look for, and agencies should present proposals demonstrating, at a minimum, the following elements:

- Knowledge of the target market and target group, using a demand-side market study as foundation;

- Knowledge of suppliers of add-on services for possible partnership, using a supply-side market study as foundation;
- An approach to targeting that maximizes outreach to the population of interest while minimizing risks to members and to their ability to self-select into groups;
- Experience in successful implementation of savings groups or savings groups plus;
- An understanding of and approach for avoiding harm to children;
- A monitoring and evaluation system that monitors child-level impact;
- An exit strategy; and
- A learning approach with a dissemination strategy.

To learn more about designing savings group and savings group plus projects to improve child wellbeing, please see the STRIVE Technical Guide, Savings Groups and their Role in Child Wellbeing: A Primer for Donors, on which this and the other STRIVE SG Briefs are based.

The briefs in the SG series include:
#1: Savings Groups- Core Principles
#2: Savings Groups for Child Wellbeing- the Risks
#3: Designing Savings Groups to Benefit Vulnerable Children
#4: Introduction to Savings Groups Plus
#5: Savings Groups Plus for Child Wellbeing

This brief is produced by the Supporting Transformation by Reducing Insecurity and Vulnerability with Economic Strengthening (STRIVE) Program. Managed by FHI 360, under the FIELD-Support LWA, STRIVE represents a consortium of leading organizations committed to advancing the state-of-the-practice of economic strengthening to improve the wellbeing of vulnerable children. For more information, please visit www.seepnetwork.org/strive or www.microlinks.org/strive

This brief was made possible with the generous support of the American people through the United States Agency for International Development (USAID). The contents are the responsibility of the authors and do not necessarily reflect the views of FHI 360, USAID or the United States Government.