CARE INTERNATIONAL IN KENYA

SUSTAINABLE LIVELIHOOD SECURITY FOR VULNERABLE HOUSEHOLDS IN NYANZA PROVINCE (DAK ACHANA) PROGRAMME

COMMUNITY SAVING MOBILIZATION

(COSAMO) PROJECT

FINAL PROJECT DOCUMENTATION
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1. Project background

Community Savings Mobilization (COSAMO) is third component of CARE-Kenya DAP FY04-FY08 under the Sustainable Livelihood Security for Vulnerable Households in Seven Districts of Nyanza Province (Dak Achana) Programme. It is a Rural Micro Financing methodology adopted from Care Niger Mata Masu Dubara (MMD) in which the community is capacitated to mobilize savings and access loans from personal savings with no funding from outside. The project aims at creating a savings culture within the community.

The Kenya government has been on the forefront in promoting rural enterprises development through the departments of Cooperatives development, Culture and Social services and of late, the department of Micro Enterprise Development as a way of creating employment and poverty eradication. The commercial banks and micro finance institutions have not been left out, especially in the provision of micro credit based on the Grameen bank. These efforts have not been very successful in the rural areas due to low borrowing requirements, high costs of reaching clients, and the belief that what the poor need for development is credit.

COSAMO project therefore comes in handy through its holistic approach to micro enterprise development and addresses community key economic needs i.e. savings mobilization, loans from personal savings and business management skills. The project's main objective was to create a savings culture among the community and targeted both potential and existing micro entrepreneurs operating different activities yet could not easily access banking facilities and credit from the commercial banks and conventional micro finance institutions due to the stringent requirements and demand for collateral. Suba District for example had no commercial banks at all at the start of the project. In all our areas of intervention, there are no conventional micro finance institutions to fill the gap left by the banks. Most households are consequently unable to accumulate savings, except periodically and unsystematically through local informal short lived merry go rounds, thus have no hope of ever accessing credit for both social and economic development.

1.1. Project Design

1.1.1. The Strategic objective

The strategic objective was that by September 2008, the target vulnerable households in seven districts of Nyanza Province will have increased their asset base by 20%.

The following were the Intermediate Results (IR):

- IR 1: By September 2008, 80% of savings group members will have cumulative savings of US$148,356 mobilized.
- IR 2: By September 2008, 80% of savings group members will have access to loans from the cumulative savings of US$148,356 mobilized from personal savings.
- IR 3: By 2008, 50% of Group Savings and Loans (GS&L) group members will have borrowed to invest in the existing /new Income Generating Activities (IGAs).

1.1.2. Target Group

The project targeted both potential and existing micro entrepreneurs. These are the poorer sections of the economically active population in the rural areas who cannot easily access credit from the commercial banks and the conventional micro financial institutions. A typical COSAMO client is a subsistence farmer/fisherman/petty trader who often tends to have a range of different activities, in combinations that may vary over time and capital for business is accumulated mostly from personal savings.

1.2. Methodology

GS&L projects are designed to respond to exclusion, by established and formal financial service providers, of more vulnerable and poor populations due to high cost of service delivery, low business volumes, high risk and limited or inappropriate security, unsuitable products, poor infrastructure and dominance of seasonal investment opportunities such as agriculture. This is despite the poor's need for opportunities where they can make small and variable savings, access small to large loans for production and/or income generation and consumption or social needs. In addition they also need opportunities for savings that are secure and offer high returns while guaranteeing them access to loans and lump-sums.

Kenya remains highly dependent on agriculture from which 80% of its population relies for livelihoods. Despite this 51% and 38% of the rural and urban population respectively is food insecure as a result of a combination of natural factors; decline in agricultural productivity, inefficient food distribution systems, population growth, unemployment and limited access to income.[1] The rural poor constitute three quarters of the population that is poor in Kenya. The impact of HIV/AIDS, gender inequalities, food insecurity and malnutrition, unemployment and other human insecurity threats are testimony of challenges faced by households in Kenya. Access to financial services is recognized as one of the key inputs essential for increased agricultural production and fighting poverty by the Kenyan Government.[2]

The Kenya financial services landscape has a range of actors who include:

- ✓ More formal financial services providers such as banks, building societies, micro finance institutions using the Ghrameen model and Savings and Credit Cooperatives(SACCO) regulated under the Banking, Building Society, Post Bank and Cooperatives Societies Acts. Included here are Microfinance Institutions (MFIs) to be regulated by the recently passed Micro Finance Act. Most banks have their major market segments in urban areas but targeting the relatively well off clients and excluding the majority in poor zones such as slums. Few banks such as Post Bank, K-Rep, Cooperative and Equity Bank have some financial products targeted at rural clients, but most MFIs still dominantly service urban areas. SACCOS and Financial Service Associations (FSAs) have comparatively some level of rural outreach and are member based but compared to demand they still have a very limited reach. In Kenya still, it is the formal SACCOs that have succeeded. While some formal financial services are quite evident in their relative presence in rural and urban Kenya their depth of reach to more vulnerable and poor groups is limited. A 2007 Financial Access study for Kenya shows that only about 27% Kenyans access financial services from these formal institutions.[3]

- ✓ Informal actors who are mostly individuals, friends and merry-go-rounds. Merry-go-rounds are quite prominent in both rural and urban areas contributing to both productive and consumption needs. Challenges are experienced with the capacity and reliability of these sources to the rural and urban poor's needs. Limited capital and informality inhibit capacity for outreach. A shift from merry-go-rounds to GS&L is motivated by long waiting cycles, lack of interest on savings, limited IGA promotion, absence of loans and lack of discipline by members once they have had their turn. According to the 2007 Financial Access Study these informal mechanisms are used by 35% of the population in Kenya.[4]

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[1] UNDP, 2006, Kenya National Human Development Report 2006: Human Security and Human Development: A deliberate Choice, UNDP
[2] Kibaara B, 2006, Rural Financial Services in Kenya: What is working and why?, Working Paper No 20/2006, Egerton University, pp3
[3] FSD-Kenya, 2007, Results of a national survey on access to financial services in Kenya, Brochure
[4] Ibid

Access to formal savings accounts is still low. The results of the Financial Access study shows that across Kenyan provinces an average 88% of the population do not hold bank accounts which represents a 10% increase in non-use if compared with the 77% result from a 2003 study.[5] The low usage is also reflected on credit where the 2007 study shows that only 31% were using a credit product. The outreach of formal sources of credit remains very low at 28% if SACCOs, Banks, MFIs and Government institutions are collectively considered. MFIs only reach 3% of the Kenyan population a trend that is no different from the global picture where a recent study points that below 1% of the global population are active borrowers from the same institutions.[6] The majority of those being reached are in urban areas and areas of high population density with rural and remote locations being excluded. The MFIs are credit-driven with savings being used as a precondition for credit

The exclusion of rural and urban more vulnerable populations by formal financial services providers and the limitations of informal mechanisms motivated the inception of CARE Kenya's Group Savings and Loans (GS&L) program in 2004. CARE Kenya adopted Group Savings and Loans and not Village Savings and Loans (VSL), because the word village has a different meaning in the Kenyan context.

The GS&L projects a holistic approach to micro enterprise development and addresses community key economic needs. The project promotes a savings and entrepreneurial culture among the poor community, and targets both potential and existing entrepreneurs operating different economic activities who cannot easily access banking facilities and credit from the commercial banks and conventional micro finance institutions due to the stringent requirements and demand for collateral. A number of districts where the methodology is implemented have no commercial banks and conventional MFIs at all.

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[5] Kibaara B, 2006, Rural Financial Services in Kenya: What is working and why?, Working Paper No 20/2006, Egerton University.

[6] Gonzalez, Adrian, Richard Rosenberg, 2006, *The State of Microfinance – Outreach, Profitability and Poverty*, Pp 1-3 CGAP

1.2.1. GS&L implementation methodology:

The project initially adopted a direct implementation approach in which it dealt directly with the beneficiaries. This focused mainly on capacity building of clients for ownership and implementation of the project. This was followed by an intensive monitoring by the staff from intensive phase, development, maturity and to graduation phase. Training focuses on 5 main modules; Individual Self Selection (ISS), Group formation and Leadership, Constitution development, Group Fund Development, and Record keeping.

In year one of implementation the project got resistance from the community and the Government. The targeted communities were used to donation from the donor community and the NGOs who perceived them to be too poor. There was mistrust among the community as past efforts to bring the communities together had failed. The Government staffs were more familiar with the credit-driven approach of micro finance institutions.

By end of year 2, the demand for GS&L among the community was very high and the staff could not cope with the demand for training, 80% of the clients were involved in income generating activities, something that was initially missing, and CARE offered business management skills using the Selection, Planning and Management (SPM) approach. Community review meetings at the location and divisional levels resolved that CARE should train volunteers from the community to help with the trainings; and women and youths offered to roll out the GS&L methodology in their communities.

To date CARE K uses both direct and indirect delivery channels in project implementation. In-direct is done through trained Community Based Trainers (CBTs), widely referred to as community resource persons. The project liaised with the community and resourceful persons were identified and taken through training of trainers training (TOT) in GS&L. The CBTs identify, train and monitor groups.

CARE K had initially adopted the methodology as is used in Zimbabwe. We came up with rules that GS&L groups must follow; failure to which meant non compliance with the methodology. And this meant that we were bending much to the Ghrameen model which must follow certain rules, especially number of people per group, meeting frequencies, savings amount etc. The community rejected this. This forced the project to go back to the drawing table.

The result of this has been a more flexible approach to GS&L implementation. CARE K has adopted a more participatory approach to GS&L implementation; different approaches has been used for urban and rural community; geographical areas, population, economic activities and even the objective of the program incase of an integrated program, the law of '*mutatis mutandis' (changes to fit into every situation),* and this has worked greatly. The success of GS&L in the region is because the project uses participatory approaches in community development, listens to the community and builds on the individual community coping mechanism.

2. Key activities undertaken

2.1. **Establishment of GS&L Groups**

This was the main activity in the implementation of the project. Group formation laid the base for savings mobilization and meeting the rest of the project objectives. The project put great emphasis on effective community mobilization and this generated so much interest which led to over achievement of the targets. Awareness creation meetings were conducted at two levels. The first was GOK line ministries (Cooperative, Social Services, Trade, and the Provincial Administration) staff. Government officials were briefed on project objectives and the GS&L methodology. The next stage in awareness creation was at the community level. The area chiefs organized for meetings which were attended by key community leaders. Project goal and objectives were outlined in these meetings as well as the GS&L methodology. From these meetings interested groups applied and were trained by the CARE staff. Over 450 groups have been mobilized over the 5 years period with over 8000 community members participating.

The effective community mobilization led to overwhelming demand for trainings and project ownership by the community as they got involved in replication and rolling out of the methodology.

2.2. Savings Mobilization

Savings activities were undertaken by the groups after training on GS&L. This was a periodic activity and done according to groups constitution. According to the GS&L methodology; groups meet on monthly basis to save and take loans thus minimizing the risk of money remaining with the treasurer (group officials). In Kenya the groups adopted frequent meetings, mostly on weekly basis and with the fisher folk adopting daily savings and the project had to design a tool for daily collection and this helped in strengthening the trust within the groups and on the methodology. CARE Kenya became the first country office among other CI member countries in the history of GS&L to pilot daily savings. In areas with low population density where people had to travel long distances such as Lambwe Division of Suba District to meetings, group members opted for monthly meetings. However in both cases, loans would still be disbursed on a monthly basis.

The high frequency of meetings had a big impact on savings per month and availed more funds for loans disbursements quickly within the cycle thus enabling the project easily surpassed its set targets.

2.3. Loans Disbursements

The project experienced low loans disbursements in year one as the community were credit a verse; they associated loans with auctioneers and feared that their few assets may be auctioned incase of default. They still didn’t have anywhere to invest the loans as most of them were not involved in any income generating activities (IGAs). *‘Business is for the rich and only teachers should get loans, our money will only be borrowed when we go for funerals’*; retorted Magdalina of Okayo COSAMO group in Karungu Division, Migori District, when the ideas of borrowing loans from the group was introduced to them. As a result, the project team therefore thought of introducing business awareness (BAW) creation at the initial stages of GS&L trainings as an innovation to bridge this gap. This eventually made some impact as the group members saw the need to borrow as the people got actively involved in IGAs. The demand for loans increased in year two and up to date; people apply for loans sometimes in advance before the loans disbursement day. Loan repayment rate has stood at 98%, with 2 % being rollovers. This is very successful given that a number of conventional micro finance institutions have shrank from rural areas and even changed their target group because of default. *‘Had it been that CARE was giving out loans, there would be no groups by now’, admits* Pamela Nyar Tanga of Okayo.

Loans were taken by the groups on a monthly basis. Loan usage ranged from home consumption, start or improvement of businesses and emergencies. Over KShs 42 million was borrowed as loans surpassing the targeted figure. Loan repayment rates were good throughout the project life. This was attributed to effective training, peer pressure and the fact that participants were very careful when using their money.

There were very few default problems and participants had various ways of dealing with different situations which included;

- Discussions with spouses on repayments
- Listening and understanding the reason for delay in loan repayment
- Involving the provincial administration

The above solutions have proved very successful in recovering most loans in default.

2.4. SPM Trainings

Experience has shown that GS&L works well when blended with market sensitive, flexible and innovative income generating activities (IGA's). It was evident from discussions that:

- Clients lacked basic business skills
- There were no other business service skills (BDS) providers within the community
- Clients faced repayment challenges due to low incomes
- Clients believed their environment had limited IGA opportunities

To this end the project adapted the business management skills training using the SPM methodology.

2.5. Initiating Income Generating Activities

This activity was an output of loans usage as well as SPM trainings. Most group members used their loans for productive purposes and this entailed starting or improving on existing IGA's. A big number of clients who had no IGAs before joining GS&L groups were able to initiate micro businesses as it became easy to access loans from the groups.

3. Project Achievements

No.	Activity	Targets	Achieved to date	Deviation	% Change
1	GS&L groups formation	720	456	-264	63%
2	Participants involved	6000	8606	2,606	143%

	in GS&L				
3	Cumulative savings mobilized	111.3	326.6	216.3	294%
4	Cumulative loans given out	148.6	635.18	486.78	428%
5	Groups trained on SPM	180	151	-29	**83%**
6	IGA's initiated	1200	6109	4909	**509%**

Other key Achievements

- After successfully piloting the methodology; CARE K expanded GS&L methodology in other districts.
- Successfully piloting the GS&L methodology in the country and now being adopted by other institutions; INGOs, and LNGOs s in the country.
- A number of Market centers have come up in areas which were economically dormant before; for example Opija in Karungu division
- A number of donors are also ready to study and scale up the methodology in the country, e.g. Financial Sector Deepening (DFID).

4. Collaboration/partnerships/linkages

COSAMO linked participants to various institutions which helped in strengthening the capacity of the community. Key partners have been the government of Kenya, and especially Office of the President through provincial administration, Ministry of planning through the district development officers and Gender and Social Services which has played key roles in awareness creation and registration of groups. Community Based Trainers (CBTs) and GS&L group secretaries have played a big role in the replication of the methodology in the communities.

The GS&L clients have also been introduced to other CARE projects and especially for trainings in the area of agriculture, water and sanitation. Again depending on the needs of the community; a number have been linked up with other organization. Two groups in

Karungu Division of Migori District were linked up with Post office which is an agent of post bank.

5. Challenges faced

The project faced many challenges but was able to overcome them and effectively deliver on its targets. Some of these were:

- Working with very few field staff (4) in six districts against a backdrop of overwhelming demand for training. The project targeted areas in phases working in three districts (Migori, Suba, Homabay) for the first two years and then moving staff to three new districts (Rachuonyo, Nyando, Kisumu) in the last two years. This ensured that all the areas targeted were adequately covered. The project also introduced cluster trainings and use of CBT's as earlier explained to ensure the demand for trainings was met.
- Skills development in IGA's was another challenge as the participants expected the project to improve their IGA's and even venture into marketing for their products. The project due to both staff and financial constraints opted for SPM trainings which basically helped participants in the management of their businesses.
- Motivation of CBT's was another challenging issue. The project easened the CBT's operations by providing them with bicycles and giving them promotional materials like T-shirts.

6. Resource use

The following resources were used by the project over the project period:

No.	Resource	Number.
1	Vehicle	1
2	Motorcycles	2
3	Bicycles	4
4	Computers	2
5	Staff Establishment	
	Project Manager	1
	Field Officers	2

	Assistant field Officers	2
	Driver	1

7. Lessons learned

- That with good capacity building the community are able to mobilize and utilize own resources.
- The use of community resource persons. One third of the groups have been trained by the CBT's. There is need to explore other delivery channels involving community members that would help reach the mass populations at a cost effective manner. In case such a methodology is used, motivation (in form of stipends) should be worked out as it would be very hard to maintain free service from community members. These community members should also be gotten from strong participating groups and with a clear selection criteria spelt out.
- Flexibility is key to the success of community development
- Effective use of participatory approaches, right from training, implementation and community monitoring is good for community empowerment and creates the culture of sustainability.

The project modified the training manual to adapt to the local context. The following manuals were developed:

- GS&L training manual for project field staff.
- GS&L training manual for CBT's.
- SPM training manual for project field staff

8. Conclusions

GS&L project was successfully implemented in the six districts of Rachuonyo, Homabay, Migori, Suba, Kisumu and Nyando. The project met its objectives beyond expectations and left a sustainable GS&L institutions that are able continue long after CARE has left. The success of the project was due mainly to the innovative and flexible manner the project staff implemented the methodology. This allowed the participants to make improvements and adjustments to the original plans to suit their situations. Some of these were like the increased saving meetings in a month, shares versus equal contributions. Use of innovative delivery channels like the use of CBT's also enhanced the success of the project.

9. Recommendations for future programming

GS&L is a new programming area in CARE Kenya. Experiences gained from pioneer projects like COSAMO is very crucial in improving future programs. Some areas to note are:

- Exploring alternative delivery channels to the conventional direct extension methodology. This will ensure cost effectiveness in delivery of the methodology. Use of community corps is thus encouraged.
- The methodology, training modules should be modified and adapted to the conditions of the targeted communities. This should ensure flexibility to the prevailing situation on the ground.