



Comparative Evaluation on Community-Managed Savings-Led Approaches in the Mekong: Executive Summary

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Executive Summary

Since the 1990s, CARE International has been a key player in piloting, implementing and scaling up community-based and member-owned decentralised financial services models, with a strong focus on the Village Savings and Loans Association (VSLA) model in Africa. On a much smaller scale, CARE Australia has supported the VSLA approach in the Mekong region, with some 17 economic development projects implementing stand-alone models or integrating the VSLA model as a component over the last 10 years. VSLAs have become part of a cross-cutting strategy to foster economic development within rural communities, especially among women. However, the use of savings-led approaches such as VSLAs is yet to be fully integrated as an overall strategic approach in programs.

In 2016, CARE Australia partnered with Coady International Institute (Coady) to undertake an evaluative study to gain a better understanding of the savings approaches being implemented in the Mekong region (Vietnam, Lao, Cambodia, and Myanmar) and to evaluate the VSLA model in terms of effectiveness, sustainability, and impacts. This involved a desk review of work across the four countries and field evaluation in Cambodia and Myanmar. This summary presents key findings.

Background – where did VSLAs come from?

CARE first began implementing the VSLA model in Niger in 1991, seeking to facilitate access to financial services for rural populations. These were people with no access to any kind of informal nor formal financial services, who were located in very remote rural areas with poor financial literacy levels, depressed economic environments with low demand for large loans, and seasonal livelihood patterns. As the model matured and was then successfully transplanted in countries like Tanzania, Zimbabwe, Uganda, and Mali, the implementation of the VSLA model was scaled and expanded in early 2000s by CARE in Africa (where CARE has now reached almost 4.9 million people), as well as in the late 2000s in Asia (where CARE has reached around 300,000 people). This included starting to replicate the classic VSLA model in the Mekong region, reaching around 20,000 to date. VSLA was also adopted and promoted by several large INGOs and local NGO partners globally, now estimated to reach over 14 million members (VSL Associates, 2015).

“It is not usually allowed for women to go out of the home in this culture. It is allowed for VSLA. It is good for them to have this opportunity to join together”
(Religious leader, Muslim village, Maungdaw district, Rakhine State).

Basic VSLA Model, salient features:

| Membership | Governance | Management | Products |
|--|---|--|---|
| Self-selected voluntary membership, affinity based, homogeneous group | Elected leaders, fresh elections every year | Weekly or fortnightly meetings, sometimes monthly | Group fixes share value for saving, interest rate for loans |
| 10-30 members (usually 15-25) | Self-governed, all transaction is the meeting, in front of everyone | 3 leaders, 2 money counters | Max 5 share per meeting |
| Mostly women members in the group, few men in some cases | Democratic decision making, dispute and conflict resolution | Annual cycle (usually 12 months) | Max 1:3 saving to loan ratio, one loan at any time |
| Annual cycle, member can drop out after cycle, new members can join in new cycle | Values and principles promoting solidarity, support to each other | Group Box, storing passbooks, cash, material | Contribution into social fund, for meeting minor emergency needs |
| | | 3 locks and keys with 3 different members, 4 th member keeps the box; for transparency and safety | Annual share out, returning saving and group surplus based on individual savings amount |

How do VSLAs in the Mekong compare with those in Africa?

The VSLA model implemented in the Mekong region does not differ greatly from the basic VSLA model developed in Africa and outlined in the table above. In both regions, some adaptations/additions have been used in different contexts. What varies between Africa and the Mekong region is not so much in the model itself, but rather in the delivery mechanisms and the tools used to train group members and monitor progress which are widely used in Africa. In that regard, the research has shown that the Mekong region is slightly isolated: better coordination would allow the Mekong region to save time and improve efficiency and effectiveness by using existing tools, developing best practices, improve outreach mechanisms and pilot innovations.

The other difference is not the model itself but the scale and maturity of implementation. While VSLA programs are relatively new in CARE programs in the Mekong, mature VSLA programs in many countries in Africa have reached upwards of half a million members and had the opportunity to experiment, adapt and grow. Many VSLA programs implemented in Africa have evolved to be “VSLA-plus” programs. In other words, VSLAs can become a platform to deliver other types of services or facilitating links with external stakeholders such as financial service provider or agricultural buyers, to bring additional broader benefits beyond immediate VSLA membership.

- CARE should explore how VSLA can serve as a platform in the Mekong to take advantage of the agricultural value chain and linkages with markets, especially through the establishment of cooperatives.
- CARE programs should view VSLAs as a community based-members' managed local institution, and not just a savings and loan service provider group. This helps it become a building block for community mobilisation and social dialogue, and in the longer run, a platform for social change on other issues besides financial services.

What have been the impacts of VSLAs for participants?

- ❖ The study demonstrated clearly that access to financial services and solidarity developed among group members are by far the main benefits gained by VSLA members. There is plenty of evidence showing that VSLA helps create a culture of savings among women and that culture spreads to their husbands and other family members as well. Savings have dramatically increased in the majority of cases. Findings from the research in Cambodia also confirm that VSLA membership has had a direct impact on income, which has increased for most households.
- ❖ While there is difference in scale and maturity of VSLA programs, and the social contexts between the Mekong region and Africa are very different, the increased self-confidence reported by the women brought about by the VSLA is common outcome for both regions. In Vietnam for example, the Banking on Change partnership impact study conducted in 2012 concludes that there is a statistically significant change in the percentage of VSLA women in speaking in the public between the baseline (47%) and the final study (56%). This compares well with Africa where for example in Uganda, 42% of women said they could solve their problems themselves compared with 31% at baseline, while 63% indicated their husbands respected and valued their role, compared with only 48% at baseline.
- ❖ Alongside the impact on women's empowerment, the study showed clear evidence of VSLA having led to improved assets. Surveys, focus groups and interviews showed that annual share-outs appear to be the main opportunity for members to invest in household assets, and in gold, boats, or house repair. In Myanmar, 61% of women reported investing in livestock; in Cambodia 69% of women reported investing in household goods. Overall, only 8% of women in Myanmar and 3.8% in Cambodia stated that they had not obtained any additional assets since joining the VSLA, which demonstrates a strong impact of VSLA on new asset acquisitions. Another very positive result captured by the survey is that VSLA members from Cambodia have steadily decreased their involvement in seasonal labour as their membership in the VLSA has matured. Women members in second cycle VSLA reported 67% of them being involved in seasonal labour. This percentage decreases to 45% for the third and fourth cycle, 25% for the fifth cycle and finally only 7% in the sixth cycle. Labour activities were usually far from home, with difficult work, bad pay and contributing to someone else's wealth; but these were slowly replaced by income generating activities owned by the women themselves.

While these positive changes seem to have been clear on women's agency, income and asset acquisition, there is little evidence that VSLAs in the Mekong region have engaged in or taken any collective initiative in the agricultural value chain, access higher value markets, or making significant livelihood investments. Focus groups and interviews show that VSLA members do not aspire to realise fuller potential through livelihoods and market engagement. A project mid-term assessment from Cambodia also showed that women increased their production and productivity, but have not clearly taken advantage of linkages to market opportunities to increase their income or diversify their economic activities. This shows the limitation of VSLA to influence the links with the external environment, especially if implemented as stand-alone rather than integrating with other programs.

- For CARE, there is scope for more concentrated value-chain and market driven programming, with more collective efforts by using VSLAs as a platform and developing market-driven projects in select livelihoods specific to the location. Project strategies and staff capacities will need further attention to make greater achievements on both counts.

How can we apply VSLAs more effectively in the Mekong?

Both the field evaluation as well as lessons from the literature review confirm that the VSLA model is a very effective strategy for community mobilisation and reaching women and marginalised households. The study shows some useful features of the VSLA model which can be adapted and evolve over time, when and as the model gains higher scale and more consistent quality. Yet, certain VSLA features are barriers for the participation of the most marginalised, especially regular savings requirements and share values being perceived by some as too high. Based on this, VSLAs do not seem to reach the poorest or most marginalised members of the community.

- CARE should encourage formation of groups with lower share value to allow different share values groups to co-exist in the same community. This would allow everyone an opportunity to join a VSLA, based on their financial capacity. All these changes must be undertaken in consultation with VSLAs/ members themselves, and without diluting fundamental VSLA principles of voluntary membership, relative simplicity, self-management, and transparency.

The model where dedicated local leaders from established VSLAs are identified to become Village Agents and trained to form new groups, has been developed and implemented in a limited fashion in the Mekong. In Myanmar, Lao or Vietnam, there is no village agent system like the one found in Cambodia, which is perceived by CARE and community members as a key element for VSLA sustainability and replicability. Indeed the cost of reaching out to VSLA members through a Village Agent is lower than through direct implementation from CARE or even through a Local Implementing Partner.

- CARE should consider scaling up the Village Agent model and more deliberately mentor VAs to help them become role models in the communities, especially for influencing gender relations and establishing women VAs as change agents.

In many cases, it was unclear to what extent VSLA members were encouraged and empowered to draft their own constitution to best fit their context. Women did not appear to have much experience to compare what would work best and so they were not offered information on advantages and disadvantages either by the CARE project staff or volunteers.

- CARE should encourage groups to adapt their own constitution and define their own features, with consideration of issues around duration of lending cycle; opportunities to review and reduce share value; and decisions around disbursement or reinvestment of funds saved during the cycle. CARE can support Village Agents to facilitate rather than direct in helping set norms within the VSLAs, without compromising the fundamental principles of the model.

Scope for innovation and scale?

An area of potential innovation to explore in the Mekong region is that many programs in Africa have already established successful financial linkages of VSLAs with formal financial microfinance institutions (MFIs). Some of the reasons for attracting formal banks and MFIs as partners are the high level of scale (over 3.7 million people in Tanzania for example are savings through VSLA mechanisms, implemented by CARE or other facilitating agencies) whereas in the Mekong region, linkages are still lacking (FinLink, 2016) - even if Vietnam has slightly started to explore this field and is the most advanced country in this area in the region. What matters for the future of CARE's programming is to find the right space for VSLA alongside other types of financial services (formal and informal).

Despite the potential for some VSLA members to access lower interest rates and larger loan amounts through more formal MFIs, VSLA members overwhelmingly prefer to take loans from their own group. Various reasons explain this preference: lack of trust in the institutions, poor awareness about the products and term and conditions, but also often because the type and features of products available from MFIs do not meet people's needs (minimum amount to borrow too high, repayment schedule not aligned with agricultural cycles, high level of collateral, etc.). VSLAs offer a much more flexible and swift access to funding than formal financial institutions. VSLAs seem to play a key role in the local financial eco-system.

- For more mature VSLAs (groups in 3rd and 4th annual cycle), CARE should look to facilitate links with the formal financial sector so that people can access properly designed products that answer their needs. Programs in the Mekong could draw on protocols, tools, and financial products developed for African countries, build their own innovations, given deeper reach of credit unions, MFIs, and Banks in many locations.

VSLAs and Gender Equality?

In both Myanmar and Cambodia, VSLAs were found to be the only women member-owned institution at the village level. There are a few other instances, such as funeral societies, but those do not play any significant role in building social or financial capital. Beyond finance, VSLAs are also perceived as a place to meet, discuss, and solve problems, identify, and explore opportunities, obtain peer support. Most women have felt isolated to different extents, before joining the VSLA.

- Gender equality considerations can be better mainstreamed at all levels in the implementation of VSLAs in the Mekong region. Gender approaches developed by CARE for Africa should be adapted to local context and replicated, including engaging men in the sensitisation conducted and using VSLAs more consciously to address the dynamics of women's relationships within the family and community. As noted above, the Village Agent approach can support women in becoming change agents and role models.

How can we expand and sustain the benefits of VSLAs?

VSLA members often seem to have limited vision for their savings and lending practices and lack capacity to tailor their VSLA procedures to their changing needs and aspirations. Projects should be designed to include phase-out and exit strategies, including organising discussions in VSLAs to assess their current strengths and weaknesses to set a vision for future development and a continuation plan that could help improve VSLA sustainability.

One way to ensure that sustainability can be strengthened after the end of the project is to develop connections with external stakeholders, such as formal Financial Service Providers to support the demands of formal financial services for VSLA members, or farmers'/ producers' associations when it comes to linking with markets.

Another dilemma for VSLA programs has been whether to engage with the government in integrating VSLA as one of the approaches in inclusive national financial inclusion framework and policies. There is the risk that increased government involvement with VSLAs may lead to less independent and sustainable groups and may negatively impact on the VSLAs considered as a place for women to meet, save, manage their own money, share and help themselves and each other. On the other hand, government support can be crucial and have potential positive effects on the sustainability, replication and visibility of VSLAs as a vibrant community group becoming a driving force for local development. As VSLAs expand in number, the relationship with Government must be nurtured carefully to maintain members' self-management of the VSLAs on one hand, and become more connected to larger development initiatives of the State on the other. In Vietnam and Laos, deliberate dialogue with Women's Unions and government authorities may promote harmony between the VSLAs and other State-preferred models.

VSLAs can gain a strong positioning given the inherent strength of the model, especially in remote, rural regions where CARE has decided to focus. There are VSLA non-members in the communities, who have closely observed the benefits of being part of the VSLA program, and are VSLA-ready. Capturing them into the VSLA program is low hanging fruit.

- CARE should design a strategy for replication/ self-replication by supporting and empowering the Village Agent system, and/ or encouraging existing groups to help create new groups. CARE should consider a strategy to meet the demand from non-VSLA members wanting to join an existing group or form a new group right after the share out point of the cycle.
- CARE should look at – as the Cambodia experience suggests - how savings groups can be networked and brought together as federations for livelihoods promotion, and collective processing and marketing of agriculture produce. This should include collaboration with other key agencies such as Plan, PACT, Oxfam, and local NGO partners to exchange best practices.

Given the capacity of country offices, CARE should continue consolidating the model until it reaches a critical minimum scale. Typically, when projects can reach 25-30% of the households, further expansion has been seen in many countries through self-replication and/ or with the help from the trained Village Agents. Improved monitoring of quality and cross-comparability will also build a strong model that can then be advocated for with government or regulatory institutions. Cross-learning with more mature VSLA programs of CARE from Africa is one way to align best practices, use existing tools, save costs and gain efficiency in implementation.

‘Previously I was nobody in the community. Nobody knew me. Now people call out to me and say hello – people know me and respect me. It makes me feel proud that I can help others in my community’ (Female Village Agent, Nesat Village, Koh Kong Province).

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