LEARNING BRIEF

Applying a Market Systems Approach to Savings Groups

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This learning brief was developed by the SEEP Network in partnership with Financial Sector Deepening Africa (FSD Africa) and Financial Sector Deepening Zambia (FSD Zambia).

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In memory of Alan Gibson (1961 – 2018)

This paper is dedicated to Alan Gibson. From its inception, Alan inspired and guided its structure and content. Diane and I are deeply grateful for his invaluable contributions. Alan's influence was far-reaching. He was a mentor, a teacher, and a friend to so many. His thinking and vision for a market systems approach to poverty alleviation and economic development was transformative, resulting in changes in both mindset and policy. He has left an indelible legacy. It is our responsibility now to carry it forward. To my mentor, my best friend, may you rest in peace.

– Joanna Ledgerwood

About SEEP

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SEEP is a global learning network. We support strategies that create new and better opportunities for vulnerable populations, especially women and the rural poor, to participate in markets and improve their quality of life.

Founded in 1985, SEEP was a pioneer in the micro-credit movement and helped build the foundation of the financial inclusion efforts of today. In the last three decades, our members have continued to serve as a testing ground for innovative strategies that promote inclusion, develop competitive markets, and enhance the livelihood potential of the world's poor.

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FSD Africa is a non-profit company which aims to increase prosperity, create jobs and reduce poverty by bringing about a transformation in financial markets in SSA and in the economies they serve. It provides know-how and capital to champions of change whose ideas, influence and actions will make finance more useful to African businesses and households. It is funded by UK Aid from the UK Government.

Through access to finance initiatives, it seeks to build financial inclusion. Through capital market development, it looks to promote economic growth and increase investment. As a regional programme, it seeks to encourage collaboration, knowledge transfer and market-building activities – especially in fragile states. FSD Africa also provides support to the FSD Network.

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fsd Zambia
Expanding Financial Inclusion

Financial Sector Deepening Zambia (FSDZ) is a national non-profit company providing information, innovation, and impact to increase financial inclusion. We seek to expand and deepen the financial market so all Zambians can benefit from financial services. We work with financial service providers, policy makers and civil society to make Zambia's financial sector more robust, efficient and, above all, inclusive. FSDZ enjoys the active support of financing partners UK AID and Swedish International Development Cooperation Agency (Sida).

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1 Introduction

This learning brief proposes the application of the **market systems approach** to support the development of a well-functioning system where Savings Groups (SGs) effectively reach all those who seek participation. Equally important, this paper proposes an agenda for the SG community moving forward, envisaging a new role for development agencies through active coordination and proactive experimentation in the formation and operations of SGs. **To reach significant numbers of poor people in a sustainable manner, it is necessary to develop a vision for the future where SGs are formed and operating without development agency assistance. This will require commitment from all stakeholders to support pilots, share results and learn how best to reach scale, sustainably.**

The paper begins with a summary of the SG sector today, followed by a brief description of, and the rationale for, a market systems approach. The paper then focuses on analyzing the current SG system, describing the experience to date of development agency efforts, and providing an informed judgment of where and why the SG system is not performing to its full potential. It concludes with a call to action for SG stakeholders to agree on and to move toward a future vision for the sector.

The primary audience for this paper is 'development actors' who perform two key functions: *funding and facilitation. Funding f*or the development of the SG sector is provided by both public and private organizations, including bilateral and multilateral development agencies, private foundations and development finance organizations. *Facilitation* refers to temporarily intervening to develop the market system to include a focus target group and to function efficiently. The purpose of facilitation is to catalyze market actors to better serve the poor; in the long term, facilitators do <u>not</u> have a continuing role in the market system. Funders can play a facilitation role or, more often, they fund other organizations, including international and national NGOs, consulting companies (i.e. contractors), local organizations such as the Financial Sector Deepening organizations (FSDs) and others, to facilitate development of markets. In turn, these organizations may fund other facilitators. In the SG sector, *facilitating agencies* (FAs) is the term used for organizations who use donor funding to form, train and, in some cases, provide additional support to SGs. These generally include NGOs, faith-based organizations and community-service organizations (CSOs).

The secondary audience for this paper includes other stakeholders seeking to establish a sustainable SG system including local governments, service providers and formal financial service providers (FSPs). Other practitioners using a market systems framework may also find the application of the approach relevant.

While SGs are sometimes used as conduits for development programming—in health, education, or agricultural extension, for example—this paper addresses the provision of financial services only. Furthermore, this paper does not focus on the sustainability of individual SGs as ongoing financial service providers. Rather, the focus is on developing a system whereby SGs continue to be formed and supported while offering quality financial services to members **without** the ongoing support and involvement of development actors. It is hoped the paper will help develop a common understanding and vocabulary within the SG community, and encourage SG stakeholders to use a market systems approach in order to achieve scale, sustainability and impact.

2 Savings Groups and Development Outcomes

Savings Groups are a type of financial service provider (FSP) that reach areas and populations generally underserved by formal FSPs. SGs are more accessible than formal providers since there is minimal administration required to join, meetings are held locally, and interaction is with people who are known and within the community. SGs engage people who are often excluded from formal financial services, including the rural poor, women, youth and other vulnerable populations, and therefore act as a key channel by which these populations become financially included.[1]

SGs meet regularly—usually weekly or monthly—to save money and borrow from the group savings, if desired, according to rules established by the group. These rules address the amount that can be saved, borrowed, contributed to a 'social fund' (a type of mutual insurance accessible in emergencies as determined by the group) and the interest rate charged on loans. In general, members can save varying amounts (usually between one to five 'shares') and borrow about three times their savings. Members normally pay back loans with interest over a period of one to three months. Amounts from the social fund are generally provided either as an interest-free loan or grant. After 9 to 12 months, groups distribute all the money saved, plus the interest earned, to the members prorated (usually) based on their savings, although in some groups, interest earned is split evenly. This distribution is referred to as a 'share-out.' After the share-out, members begin another cycle of saving and borrowing.

SGs support a range of development efforts, either as stand-alone initiatives or as part of larger objectives, which include, but are not limited to: a) a reduction in poverty and vulnerability, such as of a part of a 'social transfer' program or 'graduation' strategy, b) women's or youth empowerment, c) improved education or health outcomes, or d) a combination of these and/or other development outcomes.

As with any single type of FSP, SGs do not meet all the financial service needs of members. In general, SGs help members meet more immediate and short-term consumption and investment needs through commitment savings, access to relatively small loans, periodic lump sums and risk management. In addition, SGs serve some non-financial needs, such as the development of social capital within groups and support among members. For the most part, SGs do not offer easy withdrawal of savings, long-term credit, full insurance products, or money transfer services.

Membership in an SG can have positive impacts at the household level, including asset growth, increased investment in productive activities, school enrollment and attendance, food security and the ability to meet medical expenses. Yet, the impact of participation is not fully known. There is some indication that the risks of SG membership have not been sufficiently measured nor appreciated. These risks include the loss of savings, potential over-indebtedness, security risks inherent in holding large amounts of cash and data privacy and protection. Other undesirable outcomes include pressure on members to take unwanted loans, invest in risky activities, and group disintegration due to elite capture or lack of mastery of procedures, sometimes due to poor training.

2.1 Savings Groups Today

The formation and training of SGs by (primarily) development organizations has been ongoing for roughly twenty years, with significant growth occurring during the 2000's when the Bill & Melinda Gates Foundation and the Mastercard Foundation provided large amounts of funding to international non-profit organizations (INGOs) to form SGs.[2] "An annual survey conducted by VSL Associates (www.vsla.net) reports that a total of approximately 700,000 SGs consisting of at least 14 million members in 75 countries have been trained. Nearly 85% of SGs are located in Africa; outreach varies considerably across regions and countries, with Kenya, Mali, Tanzania, Uganda, and Rwanda representing the largest markets" (SEEP Network, 2017). While the cost of forming groups has been a highly-debated issue, providing access to these many poor and often rural, women and men has been significantly less expensive for funders than the creation of microfinance institutions (MFIs), popular among development actors a decade before.

In addition to groups that are trained by trainers initiated by FAs, a large number of groups are formed through 'viral replication', which occurs when people in neighboring villages copy the methodology either as independent trainers or as 'peer-to-peer replicators', at times asking for support from an existing group.

[1] Financial inclusion is defined as all individuals and businesses having access, and the ability to use, a range of appropriate financial services that are provided responsibly and sustainably.
[2] Primarily CARE, Catholic Relief Services, Plan International, the Aga Khan Foundation, Oxfam and Freedom from Hunger.

"ALMOST 50% OF THESE NEW GROUPS WERE FORMED WITH THE SUPPORT OF AN 'UNAFFILIATED' TRAINER, AND MORE THAN 50% OF THESE GROUPS REPORTED PAYING THEIR TRAINER. **THIS FINDING IS SIGNIFICANT AS IT INDICATES THAT THERE IS A GROWING INDUSTRY OF INDEPENDENT TRAINING PROVIDERS SETTING UP AND SERVICING SAVINGS GROUPS."** *(ELLIOT, 2016)*

While the number of SGs may seem large and there is clear evidence of benefits to members, in reality, the SG system is underperforming in terms of its potential. A recent market study estimates the demand for SGs by women in Sub-Saharan Africa at 125 million, and the potential market for SGs worldwide may be as large as 400 million individuals (CARE, 2017). In fact, with population growth in Africa estimated to be 30 million people per year, the demand for SGs will continue to rise (Bish, 2016).

Given the huge demand, there is simply no prospect of enough donor funding to continue the current model of paying FAs to form, train and support groups if unserved or underserved populations are to be reached. If the SG system is to truly reach **scale,** it is necessary to find a way to achieve **sustainability;** that is, the capability of the SG system not to simply 'stay' at its existing level but to develop and grow by itself to offer more benefits, to more poor people.

Scale: widespread numbers of the poor are served and benefiting from the system.

Sustainability: the market system continues to adapt and provide benefits to the target group without donor funding.

As stated by Stuart Rutherford during his keynote address in 2011 at the first Savings Group Summit in Arusha, Tanzania, the ultimate challenge for the SG community is to reach a point where SGs are as much a part of local culture as indigenous savings and credit groups like ROSCAs.[3]

[3] Rotating savings and credit associations (ROSCAs) are common in most countries around the world.

3 The Market Systems Approach

This paper proposes the market systems approach[4] as the most effective way to develop a sustainable well-functioning SG system at scale. In this section, the essence of the market systems approach is set out, covering its key elements and the rationale for its application to SGs.[5]

3.1 What is the market systems approach?

The market systems approach is a practical approach to development focused on achieving sustainable, long-term development outcomes for large numbers of the target group. A **market system** consists of market functions and market actors that perform these functions.

Market functions include:
(i) Core: transactions between supply and demand
(ii) Supporting functions: functions that shape, inform and enable transactions
(iii) Rules: formal rules that shape the market, and informal norms and practices that shape the behaviour of market actors

Market actors are permanent players in the market system and include private sector, public sector and civil society. A combination of different types of actors are required for a system to function well and to be inclusive.

Changes in the core of the market are a consequence of changes in the wider market functions that surround the core. A key distinction in the approach is the recognition that each support function or rule can be seen as a system on its own.

While the objectives of market systems development are similar to all development objectives, the market systems approach is different because it applies the operational principles of **facilitation** and **adaptive management** to catalyse **systemic change**—that is, change in the underlying dynamics of a market system (i.e. incentives, capacities and relationships of market actors), which leads to sustained positive development outcomes at scale.

Facilitation refers to playing a temporary role encouraging and assisting market actors to take on, and pay for, key functions. Facilitating change requires a clear vision of how the market system will function in the future without development actors—that is, who will perform and who will pay for key market functions on an ongoing basis. This requires identifying the relevant market functions, who currently performs these functions and who currently pays for (or resources) these functions. If development actors are performing or paying for market functions, identifying which market actors have the incentives and capacity to do so in the future is necessary. In doing so, a future direction is established, supporting decision-making by facilitators and providing a starting point for operationalizing sustainability.

The purpose of analysis and setting a future vision is to help shape effective **interventions.** Interventions are activities undertaken by a facilitator, usually with partners, to address constraints that prevent market systems from working effectively and inclusively. Most often, constraints relate to the capacity of market actors (i.e. they do not know *how* to change) or the incentives of market actors (i.e. they do not *want* to change). Facilitators intervene to support the development of market actor capacities or to address incentives.

[4] The approach is referred to by various names – most commonly Making Markets Work for the Poor (M4P), market development, market systems development and the systemic approach.
[5] For a more comprehensive guide to the approach, see The Springfield Centre (2015); *The Operational Guide for the M4P Approach;* 2nd edition; SDC and DFID.

A COMMON THEME THROUGHOUT FSD KENYA'S WORK WITH SGS WAS WORKING IN PARTNERSHIP. IT SOUGHT PARTNERSHIPS WITH ORGANISATIONS THAT HAD THE TRACK RECORD, MOMENTUM, INCENTIVES AND CAPACITY TO ACHIEVE SIGNIFICANT CHANGE. WITHIN THESE PARTNERSHIPS, FSD KENYA'S ROLE WAS CONSISTENT: IT HELPED PARTNERS TO TEST AND LEARN, GIVING THEM THE CONFIDENCE TO INVEST FURTHER RESOURCES TO SCALE UP. FSD KENYA DID NOT SIMPLY SUB-CONTRACT ITS PARTNERS TO DELIVER RESULTS, AS MIGHT HAVE CONVENTIONALLY BEEN THE CASE. INSTEAD IT USED A VARIETY OF INSTRUMENTS—RESEARCH, TECHNICAL ASSISTANCE, FUNDING—TO INFLUENCE THE THINKING AND BEHAVIOUR OF ITS PARTNERS. IT ENSURED LEARNING EMERGED, AND WAS PRESENTED, DISCUSSED AND DEBATED WITH KEY STAKEHOLDERS THROUGHOUT THE PROCESS. **THIS INFLUENCING APPROACH HAS BEEN SUCCESSFUL IN BRINGING ABOUT LASTING CHANGE."** *(ELLIOTT, 2016)*

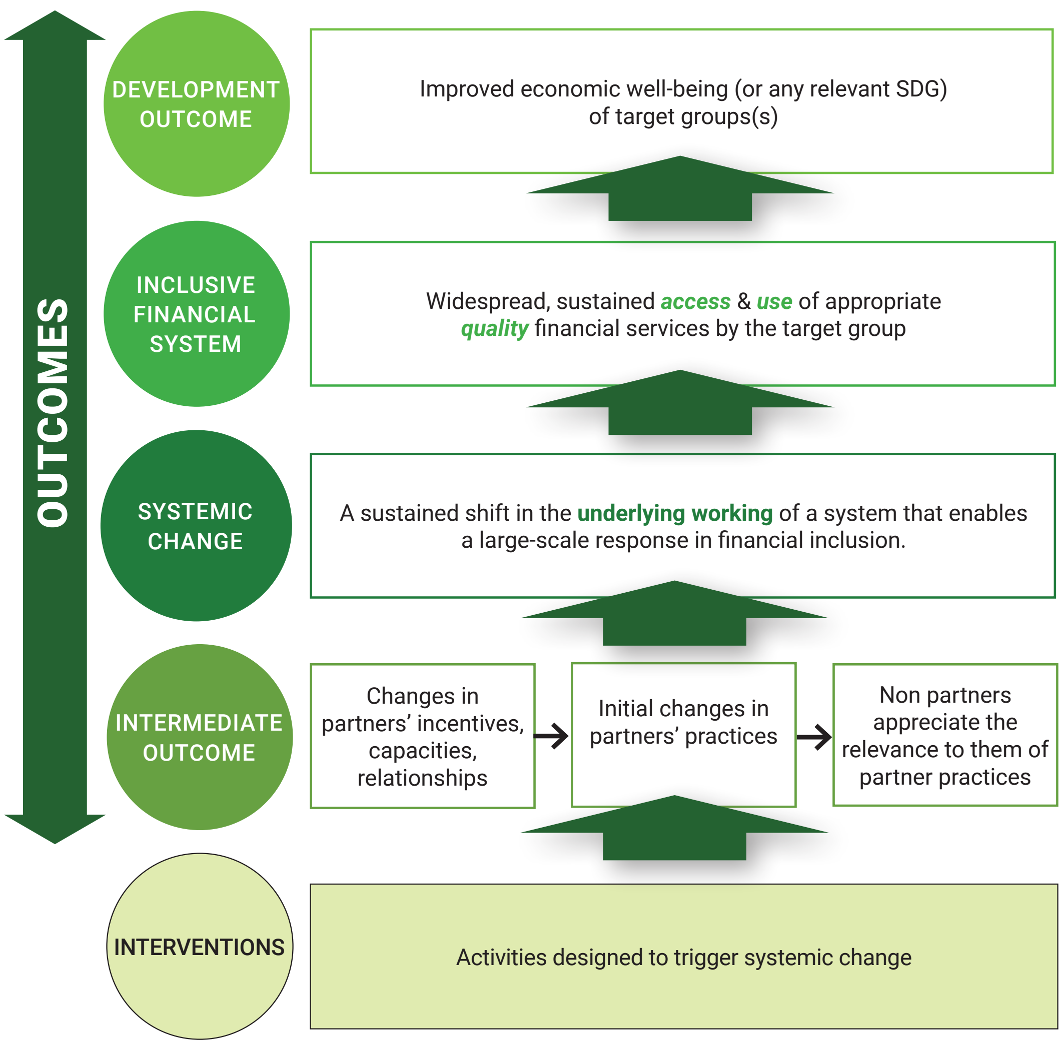
As stated above, market actors include the private sector, public sector and civil society. The incentive of **private sector actors** to provide services is normally based on earning sufficient returns such that it is in their interest to continue providing (and expanding) the service without continued subsidy. For example, fee-for-service providers that train groups are private sector market actors.

For **public sector** and **not-for-profit** actors, change must achieve other objectives, such as meeting constituent needs, reducing systemic risk, or providing increased social benefits. For example, governments are public sector actors that have incentives to protect group members and to support greater financial inclusion by fostering the formation of more groups.

Facilitators may support market actors to, for example, develop and offer new or improved services to new or underserved clients, upgrade their capacity and performance, take on new roles in the system, change the way they relate to other system actors or change the way they formulate or enforce rules.

The underpinning logic of the market systems approach is manifested in a common theory of change. Based on assumptions and hypothesis, the theory of change articulates the expected pathway from facilitator intervention(s) to market system changes, to increased financial inclusion and a well-functioning system that benefits the target group.[6] Below is a generic theory of change for an inclusive financial system.

3.1 Inclusive Financial System Theory of Change



Source: based on CGAP's Funders Training 'A Systemic Approach to Financial Inclusion'

[6] Developing the theory of change is an iterative process as analysis and intervention lead to increased understanding and help establish whether linkages between interventions and intended impacts are plausible.

A key aspect of the market systems approach is continual assessment of the validity of assumptions and the effectiveness of interventions while adjusting interventions accordingly. This is referred to as adaptive management. Adaptive management recognizes that complex systems require piloting multiple solutions with market actors to determine what may work in a specific context. Measuring and validating intervention results while tracking and verifying the link between interventions and expected market changes are fundamental, integrated parts of facilitating systemic change. This means asking the right questions and using the right tools to generate useful information, and then acting on this information. The result is sustained positive development outcomes at scale, rather than impact that is short-lived or dependent on further injections of development funding.

3.2 Why a Market Systems Approach for Savings Groups?

The rationale for applying this approach to Savings Groups stems from two related factors:

- First, while progress has been made, the development of SGs is, to some degree, 'stuck.' For the benefits of SGs to be enhanced, more durable and available to significantly larger numbers of disadvantaged people, a different approach is required—one which does not rely on further infusions of donor support.
- Second, the rationale builds from growing experience with the approach. Both conceptually and practically, by addressing underlying causes of underperformance, the approach offers the potential for large-scale and enduring impact.

Although not a panacea, nor without challenges in implementation, the market systems approach is increasingly recognized as a logical path to follow. The frustrations—and challenges—faced by the SG community is precisely the same as that faced in other development spheres, both economic and social, where the limitations of direct, supply-side support have resulted in relatively small-scale and unsustainable benefits. In financial sector development more broadly, this weakness has been recognized for some time, and has been instrumental in development organizations looking to do things differently.[7]

[7] For example, as advocated by the Consultative Group to Assist the Poor (CGAP).

4 Understanding the Savings Group System

Facilitation begins with an analysis of the functions within a market system. The first step is to define the market functions; the second is to determine who is performing the functions and who is paying for them. This section describes the functions within the SG system using the market systems framework (Figure 1), followed by a 'who does/who pays' analysis of the current system, bringing sustainability issues to light and assessing performance (Table 1).

4.1 Saving Group System – Market Functions

The functions of the SG system are depicted below in Figure 1. The core (supply-demand) is in the centre, the supporting functions are in the top half and the rules on the lower half.

4.1.1 The Core

The **core** consists of the SG members (demand) and Savings Groups (supply). Performance and stability in the core is demonstrated by size and outreach—the number of members and the number of SGs operating, and by depth and quality—the poverty level and the degree to which services meet member needs. In a well-functioning SG system, high-quality SGs form and operate without the support of development actors, and are accessible to all those who wish to participate, regardless of income level or geographic location.

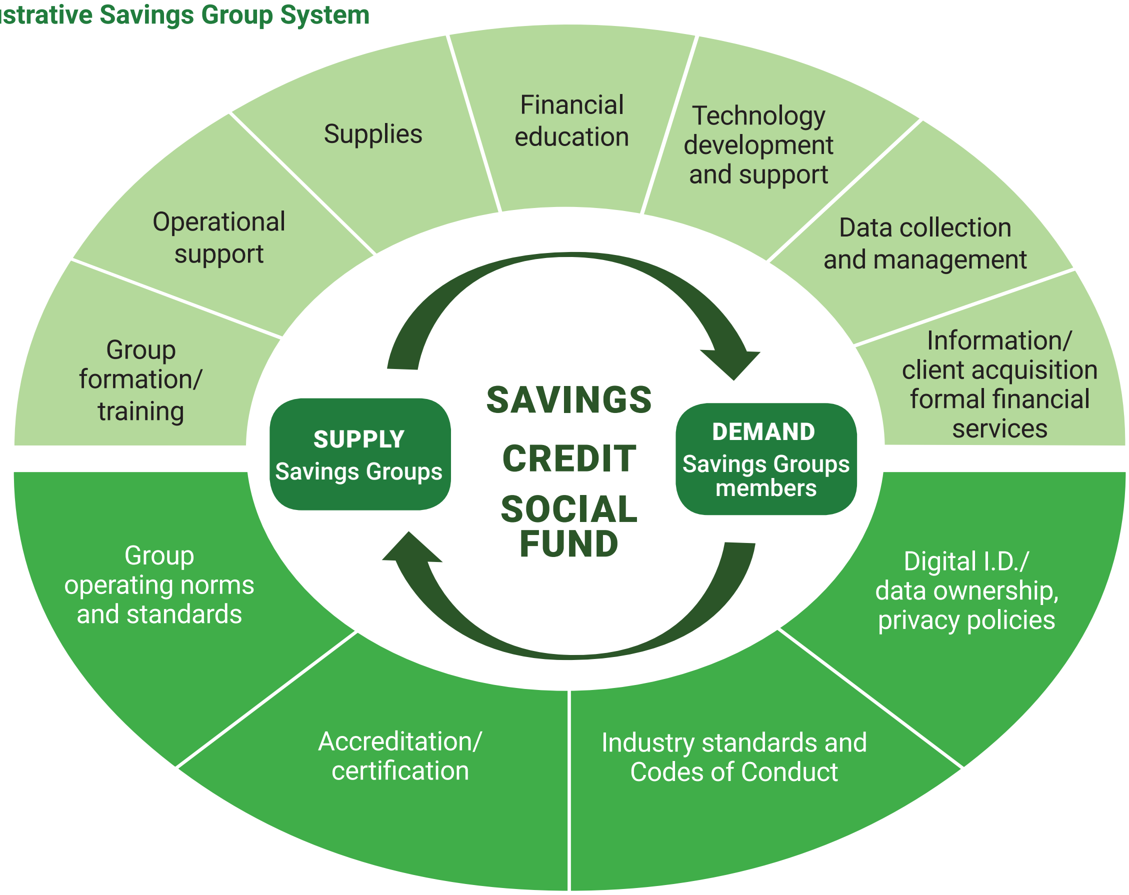
4.1.2 Support Functions

Group formation and training: The process of forming and training SGs to operate on an ongoing basis, including creating group operating norms and standards. Includes the process of training fee-for-service trainers and master trainers, who in turn train others.

Operational support: Mechanisms to reinforce and embed group operating processes, norms and standards such as bookkeeping, share-out, dispute resolution, accessing external services, etc.

Supplies: Items necessary for group functioning such as boxes, locks, calculators, notebooks and passbooks.

Figure 1: Illustrative Savings Group System



Information/client acquisition to formal financial services: Provision of information to SG members regarding financial services from formal FSPs, including group or individual savings or credit, insurance and payments. Includes the provision of information on SGs and their needs as well as support to FSPs to acquire SG clients.

Financial education: Efforts to increase financial capabilities—the knowledge, understanding, skills, attitudes and behaviour among SG members to access and effectively use financial services.

Technology development and support: Technology-related services commonly used for group formation/training and operational support such as videos, data platforms and bookkeeping applications.

Data collection and management: Collecting and managing data regarding a group's functioning (i.e. number/names of members, member savings, loans outstanding, interest paid, share-out, etc.) The data is used for group functioning and/or to gain access to external services. This does not refer to data collection for FA program management and reporting, which is part of facilitation and, therefore, not a market function.

4.1.3 Rules

As SGs are informal structures, formal rules are generally absent, except those that would apply to formal financial services (a different market system and not discussed in this paper) or for development actors (and therefore temporary).

Group operating norms and standards: Although SGs are not subject to formal oversight, formalized operating norms and standards do exist (as documented in individual SG constitutions, governing how SGs function and members behave). These rules include: how many members can be in a group, how often members must or can save and in what amounts, when and how the group makes loans, interest rates and other related charges, when and how groups share-out, how leadership is selected, how to determine who receives a loan if demand exceeds supply, whether or not additional support is used, maintenance and security of the box, security procedures for cash or digital accounts, etc. Constitutions may also attempt to pre-empt and address issues resulting from conflicts of interest or an imbalance of power and information asymmetry within the group. They might also address whether the group will access external services (financial or otherwise).

Informal cultural norms, related to issues such as gender, age, trust, etc., are embedded in group operations. Informal norms, especially trust among group members, between members and trainers, and members and service providers (particularly external FSPs), influence group operations. Often, group members have developed trust due to some sort of affiliation that existed before the group was established whether it be faith-based or other social groups.

Industry standards and codes of conduct: Established standards, norms or requirements adhered to by SG stakeholders. Currently, they are predominantly related to development actors and associations. However, standards may be developed for market actors such as through associations or SG networks.

Accreditation/certification: The process of formally accrediting and certifying trainers.

Digital ID, data ownership and privacy policies: Formal policies around the establishment of an identity related to digital transactions. Includes policies about how information on an individual member or group is gathered, used, shared and stored, as well as ownership of that data and member understanding of how it is being used, and by whom.

4.2 Determining Who Does and Who Pays

Figure 1, above, provides a means of organizing information related to the structure and functions of the SG system; determining who performs these functions and who pays for them is key. For the SG system to be inclusive, the variety of market functions must be efficiently and effectively performed by market actors (public, private, civil society) and not by development actors (funders and facilitators). By analyzing who is performing and paying for market functions, we can identify what is keeping the SG system from performing on its own at scale (i.e. which functions are being performed and/or paid for by development actors and, therefore, where change needs to happen). This supports facilitators to design interventions accordingly.

Table 1 outlines the functions in the SG system and identifies who currently *'does'* the function and who currently *'pays'* for it, and assesses the effectiveness of the current performance.

Based on the analysis in Table 1, development actors currently provide and/or pay for almost all the supporting functions and rules, and many are underperforming.

Table 1: The Saving Group System: Who Does? Who Pays?

FUNCTION	WHO DOES?	WHO PAYS?	PERFORMANCE
CORE (Supply-Demand)			
Savings, credit, social fund	*Supply* - Savings Groups *Demand* - Members	Members	Quality varies. Not reaching potential of scale. Overall sustainability issues with the system given sustainability in support functions and rules, as per below.
SUPPORT FUNCTIONS			
Group formation and training	Facilitators (and partners)	Donors	Not sustainable in the long-term if paid by donors. Not reaching full potential of scale. Quality varies.
	Fee-for-service models	Members Donors	Donors pay for initial training of trainers to train fee-for-service providers. Some sustainability issues. Not reaching scale. Quality varies.
	Replication models	Members	More sustainable but hard to reach scale. Quality varies. Payment made in cash and in-kind.
Group supplies	Local suppliers	Members Donors	Not sustainable if purchased by donors but members have incentive to pay depending on their capacity to do so.
Operational support	Facilitators (and partners) Trainer networks	Donors	Often conducted by the same players who do group formation/training. Not sustainable if paid by donors, which reduces potential for reaching scale. Quality varies.
	Fee-for-service models	Members Donors	Potential for sustainability if members see value and pay. Not sustainable if paid by donors. Quality varies, particularly if incentives set for quantity over quality.
	Replication models	Members	Potentially more sustainable, but social incentives difficult to reach scale. Business model commercial sustainability issues.
	Networks-associations	Trainers Donors	Potential of sustainability but hard to ensure quality. Requires scale to ensure business model can work without subsidy.
Financial education	Facilitators (and partners) Government	Donors Government	Embedded into group formation, training and operational support. Sustainability issues if paid by donors. Government may be providing within framework of national financial inclusion/financial education programs/ policies. Quality varies depending on provider. Related to ensuring consumer protection.
Technology development and support	IT companies Consultants Facilitators	Donors	Not sustainable long-term if paid by donors. Lack of incentives for private sector to invest in commercially sustainable business models.
Data collection and management	Facilitators (and partners) Private sector	Donors Members	Not sustainable in the long-term if paid by donors. Quality varies depending on provider. Potential for private sector actors to provide and group members to pay (although this is relatively low at present).
Information/client acquisition: formal financial services	Facilitators (and partners) Trainer networks/ associations Formal FSPs	Donors FSPs SG members	Not sustainable if done by facilitators paid by donors. Quality concerns including consumer protection and increased risk to SG members. Will not reach scale until incentives aligned for FSPs to do and pay for client acquisition. Often low commercial returns inherent in business model of reaching poor populations who may be in hard to reach areas.
RULES			
Group operating norms and standards	Facilitators (and partners) Savings Groups	Donors SG members	Largely informal but often documented. Quality varies, related to quality of group formation, training and operational support. Essential to ensuring consumer protection/ quality of groups. Not sustainable long-term, if paid by donors.
Industry standards and codes of conduct	Facilitators (and partners) Industry bodies	Donors	Temporary function related to ensuring consumer protection. Will reduce in importance and eventually not be necessary, or will shift to local industry networks when development actors are not performing key support functions.
Accreditation-certification	Private sector Facilitators (and partners) Government	Trainers Donors Trainers	Not necessary to have accreditation/certification but it may contribute to assuring quality and increasing trust for members. Issues of long-term sustainability, if paid by donors. Quality varies depending on provider.
Digital ID, data ownership and privacy policies	Facilitators and donors Government	Donors Government	Risks increase as SGs are exposed to formal financial services. Development actors do not have clear policies on their role in this area at present. Formal policies are more broadly applicable to formal financial services.

5 Interventions and Learning

This section describes the various efforts undertaken by development actors to address areas identified above as underperforming and unsustainable. Following each example is a brief analysis of the intervention and the considerations for market actors to perform and pay for functions currently performed and paid for by development actors. The purpose is to understand what has worked so far and where continued challenges exist.

Given that most interventions address more than one support function or rule, the examples have been grouped around the identified support functions and rules where development actors are either *doing* or *paying*, (or both). Similarly, these are the areas where future facilitation efforts are required to ensure market actors take over in order for the SG system to become sustainable and to reach scale.

Support functions:

- **Group formation, training and operational support** (including supplies and financial education)
- **Technology development and support** (including data collection and management)
- **Information/client acquisition to formal financial services**

Rules:

- **Consumer protection** (including group operating norms/standards and accreditation/certification, industry standards and codes of conduct and digital ID/data ownership and privacy policies)

The following sections each begin with a description of the constraints followed by examples of development actors' efforts to address these constraints.

5.1 Group Formation, Training and Operational Support

SGs require formation and capacity building through a structured process of training. In many cases, groups also require periodic support. In the past few years, the majority of efforts by FAs to create a more sustainable SG system have focused on developing and implementing approaches to reduce the cost of group formation and training. The most common approach is the *'fee-for-service'* model. Other approaches include the accreditation of *'master trainers,'* use of *'volunteer replicators',* and use of local companies either in a *'franchise system',* or with a highly simplified methodology. In several programs, videos and apps have been used. Most of these models address both formation/training and operational support. There have also been efforts to provide operational support by leveraging networks.

Group formation and training: Historically, group formation and training has been done primarily by FAs paid for by donors. Despite the relative cost advantage of establishing and operating SGs over other donor-instigated FSPs, the costs of SG training are still too high to satisfy the demand using donor funds. With a potential market of up to 125 million women in Sub-Saharan Africa alone, the cost could exceed several billion dollars—even at a relatively low unit cost of US $20 per member. Traditional methods for funding group formation with donor funds have reached the

"**EXPERIENCE INDICATED THAT AN INITIAL SUBSIDY BY DEVELOPMENT AGENCIES WAS REQUIRED TO TRAIN AND ESTABLISH TRAINERS, WHO WOULD THEN GO ON TO FORM AND SUPPORT THE SAVINGS GROUPS.** THE PREMISE HELD THAT ONCE A NOTIONAL 'CRITICAL MASS' OF TRAINERS AND GROUPS WAS ESTABLISHED, THE 'SYSTEM' WOULD TAKE CARE OF ITSELF. AID FUNDING WAS REGARDED AS A ONE-OFF 'PRIMING OF THE PUMP' WITH NO NEED FOR RECURRENT SUBSIDY. **HOWEVER, IT BECAME INCREASINGLY EVIDENT THAT MANY GROUPS REMAINED DEPENDENT ON THE SERVICES OF THEIR TRAINER AFTER THE INITIAL PERIOD OF TRAINING AND SUPPORT FOR GROUP FORMATION.** PARTICULARLY AT THE TIME OF SHARE-OUT AND TO HELP RESOLVE PROBLEMS THAT INEVITABLY AROSE FROM TIME TO TIME." *(ELLIOTT, 2016)*

limits of operational and financial efficiency. In fact, efforts to push unit costs lower have had some negative outcomes in terms of group quality resulting from poor or inadequate training.

Operational support: Whereas it was once widely thought that SGs can be trained over one year, become safe places for members to save and continue indefinitely with no further contact or support, the reality is often different. Of particular concern is the difficulty with bookkeeping systems, especially during the share-out, which has proven to be a struggle for many groups to complete on their own. Furthermore, as groups mature, and more cash/savings exist, accuracy becomes more important; poor bookkeeping can cause groups to break apart.

Supplies: As part of group formation, SGs require passbooks, boxes, locks and other supplies such as bags for the different funds, pens, calculator, etc., some of which is found in local markets. Since passbooks and boxes often need to be custom-made, sufficient volume is required to make it attractive for local suppliers to produce. In addition, trainers often need some mode of transport (bicycle or motorcycle). While FAs initially provided boxes and passbooks, several now require that groups purchase or produce the materials. Some FAs still provide transport. To be sustainable, it is important that groups and trainers can source and pay for passbooks, boxes and other supplies locally as well as pay for transport. This requires effort to ensure providers are in place to produce supplies on an ongoing basis at an affordable price and readily available.

Financial education: Some FAs also provide financial education in addition to the basic training for SG operations. Financial education curricula have also generally been developed by FAs and funded by donors.

5.1.1 Fee-for-Service Providers

The fee-for-service model has been developed and implemented by various FAs including Catholic Relief Services (CRS), CARE, the Aga Khan Foundation (AKF), and others. Fee-for-service providers have various names—private service providers (PSPs), village agents (VAs), community-based trainers (CBTs)—depending on the particular FA and their branded model.[8] Regardless of the name, all have a similar approach whereby a paid staff from the FA trains a number of CBTs (identified either from existing/recently trained groups or through another search process) to equip them to form and train groups for a fee. The fee is paid by the members, and generally set as a charge for each meeting or as a percentage of the share-out at the end of the first cycle. These CBTs may also continue to provide periodic support such as during the time of share-out when calculations can become complicated. In some cases, CBTs have diversified their services, increasing the potential for commercial returns (i.e. selling solar power or agri-inputs.)

Local networks: Some of the fee-for-service models suggest the CBTs form networks for ongoing coordination and support, and maintain and update the methodology and/or group operations. Networks generally operate independent of FAs because they register as local organizations and charge trainers a fee to belong. As most networks are self-funded and no development actors remain involved, their sustainability depends on the perceived value of the members and their willingness to continue. Networks could provide a conduit for coordination and information to SGs, particularly as new technologies evolve, or additional services are added.

Hotlines: Pioneered by Catholic Relief Services (CRS), a local partner hotline provides a way for SG members to get assistance or redress when they have problems their trainer cannot solve, including but not limited to

[8] For the purposes of this paper, CBTs will be used as a generic term for fee-for-service providers.

problems related to their trainer's behavior or capacity. While the hotlines are managed and operated by the Catholic Diocese and, thus, may be able to continue in the long-term, it is difficult to determine how, without donor funding, other organizations' costs would be covered and/or how other market actors would undertake this function.

LEARNING While the fee-for-service models reduce the cost of group formation and training substantially and will ideally contribute to reaching scale, sustainability has not yet been achieved and other weaknesses and risks exist:

1. The model still requires initial investment to develop the capacity of CBTs (and to certify, if applicable) and to form and train the first cohort of SGs.
2. In areas where previous funding has been provided to form SGs, it may be difficult to transition to a fee-for-service system when existing groups received training (and often supplies) for free.
3. While some models provide availability of periodic support, not all groups have access to support. For example, CBTs sometimes move on without replacing themselves, perhaps because they do not collect fees and lose motivation; others collect excessive fees and sometimes pressure or even bully group members into paying for services they may not want or need.
4. With a finite number of groups that can be formed within a certain radius, the business case for fee-for-service training requires on-going fees for the continued provision of services. Thus, the incentive to create and encourage groups that can operate independently is diminished. This misalignment of incentives can lead fee-for-service trainers to foster dependency among their client SGs or continually introduce new services to ensure their income.
5. If ongoing operational support through networks, hotlines or other local entities is to continue, capacity and incentives need to align for market actors to 'do' and 'pay' for these initiatives on their own without donors. For example, the Catholic Diocese, other local CSOs or municipal leadership structures may be appropriate to provide support such as hotlines. For networks, the fee-for service trainers must be willing to pay for minimal costs of operating the network.

5.1.2 Master Training Program

FSD Zambia is piloting an accredited Master Training Program (MTP) to build a corps of SG master trainers with the knowledge and skills necessary to train others (fee-for-service trainers) to form high quality groups, efficiently and sustainably. In doing so, FSD Zambia seeks to test the business case for socially motivated master trainers to earn enough income from the direct formation of SGs and from training other fee-for-service trainers to enable them to expand SGs. Ultimately, the aim is to demonstrate the value of an investment in training to become a master trainer (similar, for example, to becoming an agro-vet or acquiring other vocational skills).


CARE International

FSD Zambia

Participants may be staff of local NGOs active in SG promotion, individuals associated with other NGOs, faith-based organizations, private enterprises, individual community activists or social entrepreneurs. They acquire broad knowledge through lectures, reading and media, gain practical skills through practice, mentoring and peer-group support and prove their abilities through an objective, rigorous and credible certification program. Videos are used to support the training of master trainers, fee-for-service trainers and SGs. These videos are embedded in target communities to provide continued technical support to existing groups, establish norms for group operations and to support the replication of new groups.

A key element of the MTP is the role of a local institution (for example, a university or training institution offering similar programs) to provide the training and accreditation of master trainers on an ongoing basis. Once the model has demonstrated the viability of the training, a local institution would be given the curriculum and trained by FSD Zambia to operate independently over the long-term.

LEARNING The MTP had not yet demonstrated a viable business case, either for the master trainers or a training institution. However, the model shows promise of becoming sustainable and is an effective systemic intervention for a market facilitator (in this case, FSD Zambia) given that development funding is only required in the initial stages to establish the training and demonstrate its viability. By supporting a local training institution to offer the MTP as an ongoing accredited program, FSD Zambia has a clear exit plan with market actors identified to take over. Success is, however, based on some key assumptions that, to date, have not yet been proven true:

1. There must be enough up-take of master trainees to make the business case for a training institution.
2. Similarly, master trainees must believe there will be enough revenue in becoming a master trainer to dedicate the time and resources to attend the training and, importantly, see the value in being accredited.
3. There must be enough revenue for master trainers to have the incentive to train and supervise fee-for-serv and/or form and train groups.
4. There must be enough revenue for CBTs to have the incentive to form SGs and provide a portion of their fees to the master trainer.

This list highlights the need for a fair amount of revenue, which ultimately must come from members. It is difficult to determine how robust the demand will be in order to sustain this structure. In addition, it will be necessary to consider an appropriate timeframe for which CBTs continue to share their fees with the master trainer. At some point, the added value of the master trainer becomes minimal. This, in turn, affects the business model(s).

5.1.3 Volunteer Replicators

In the Saving for Change program implemented by Oxfam America and Freedom from Hunger (2008-2012), a replication model using volunteer replicators was introduced to address the cost of group formation and training. In this model, there is no bookkeeping; rather all transactions are memory-based. Training is provided by local partner organizations whereby one group in a village is trained, during which the trainer identifies a member who demonstrates particular leadership skills (she speaks up more often, is engaged in the community, has a business, etc.). This woman (all members are female in this model) then receives training specific for 'volunteer replicators' and, in return, trains new groups in her own village and sometimes in other villages as well. No payment is made—volunteer replicators gain social status from creating and training new groups.[9] There is no limit to the number of additional groups she can train; indeed, the rollout of the model depends on the volunteer replicators continuing to form new groups.

LEARNING The volunteer replicator model seems to be effective in increasing scale, and the quality of groups formed and trained by the volunteer replicator appears to be close to the quality of the initial groups formed by the local partner (Bermudez and Matuszeski, 2010). However, the model still requires initial investment to create the cascade effect as other groups in a village do not form without the first group and the training of the volunteer replicator is currently done and paid for by development actors. It is unclear how long the volunteers continue to train more groups without payment and/or once the community is saturated.[10]

[9] Some volunteer replicators feel they have benefited from participating in their SG and feel obliged to give back.
[10] Ongoing group formation was not tracked, but it is assumed volunteer replicators continue to train groups if there is demand.

5.1.4 Franchise Model

FSD Kenya piloted a franchise model from 2011 to 2014 designed to alter the incentives for training SGs. Local businesses (i.e. hairdresser, agro-vet, bookseller, etc.) and faith-based organizations (FBOs) were selected as franchisees by CARE with funding from FSD Kenya. CARE trained franchisees, who then trained CBTs, who in turn trained groups. CBTs were paid a fee per member trained and then, in a second iteration, a percentage of the increase in the share-out value. However, there is some doubt as to the real number of groups formed (there have been allegations of fraudulent reporting, phantom groups and counting groups formed by others) and some question regarding the quality of the groups formed.

LEARNING By paying trainers based on quantity rather than quality, rent-seeking behavior is often the result. If the incentives are set to produce a large number of groups and/or a large number of members (quantity) over quality groups, trainers focus on getting the numbers rather than quality, and training may be cut short. Further, FBOs generally performed better than the local businesses, supporting the view that CSOs may have a role in forming and training groups (as well as private and public-sector actors).

5.1.5 Simplified Methodology and Delivery of Training

In Mozambique, the Aga Khan Foundation (AKF) introduced a simplified methodology combined with technology to reduce the cost of group formation and to, ultimately, eliminate the need for donor funding. AKF created a local company (SOMA) to train groups at a cost of US $10 per person or less through a fee-for-service model. The model uses a very basic methodology whereby all members save the same amount. Training is supplemented by training of trainer (TOT) animations developed with Freedom from Hunger (FFH)—short training films that review all the steps in standard SG training with the aim to improve group quality and training efficiency. The training videos are viewed on tablets (master trainers) and smart phones (CBTs). CBTs register groups to a database that then directly queries groups for updates to a minimum of descriptive information, using SMS and USSD technology. The data collected is secure, with non-sensitive information made available on a public portal at www.soma.co.mz. When groups require support or to submit their data, they use a menu-based app which facilitates communication between the group and the trainer without physically needing to visit. The result is an effective transfer of training and support through the use of technology (videos and smart-phone app), which reduces the costly training functions.

LEARNING While the pilot is in the early stages and the plan for sustainability is still being considered, by establishing a local firm and utilizing technology, AKF has effectively cut itself out of the training process and became a customer of the new company SOMA. Although AKF is paying SOMA to train groups, they are establishing local capacity for training that ideally will be paid for by market actors such as agricultural buyers or others seeking to leverage this new SG market. While it is often difficult for a company to achieve commercial sustainability when it is set up by a development actor and benefits from initial subsidies, SOMA appears to be growing. However, a market actor with the incentive and capacity to manage the public portal has not yet been identified.

5.1.6 FSP-initiated

In Burkina Faso, UNCDF supported two MFIs—SOFIPE and RCPB—to become SG promoters. The initiative began in 2015 and, similar to AKF in Mozambique (see 5.1.5 above), the MFI staff are trained in SG formation by Freedom from Hunger using short videos translated into local dialects which they can watch on their phones. In turn, MFI staff act as master trainers and train community agents from local villages. This helps to reduce the cost of extending financial education and group formation while ensuring consistent messages. Community agents receive commission from the SGs they form and train. Once the SGs are formed and operating, they can open mobile savings accounts. In the case of SOFIPE, the group savings account is linked to an e-wallet from one of the local MNOs. In the case of RCPB, the group savings account is accessed through RCPB's own nascent agent network. By using agents, the MFIs have decreased the cost to serve groups.

LEARNING An integrated financial inclusion package led by an FSP which not only uses digitized group training and financial education but also leverages digital financial services has potential to considerably reduce the cost of serving SG members. Making training materials available to FSPs may be a good way to transfer the role of development actors to private sector providers, assuming the capacity and incentives exist over the long-term. Whether FSP-initiated SGs feel empowered to access another FSP's services (versus the FSP which formed and trained the group) is a question which remains to be researched.

5.1.7 Group Formation, Training and Operational Support - Conclusion

Ultimately, group formation and training, as well as periodic operational support, needs to be done and paid for by market actors (private, public or civil society). Facilitators must understand and consider the incentives for, and capacity of, trainers to train SGs and to provide ongoing support to ensure quality groups that are formed and providing benefits. While technology can support group formation and training efficiency, who will 'do' and who will 'pay' in the long term, including the initial training of groups and trainers, needs to be figured out. This is particularly an issue in areas of low population density, deep poverty and limited infrastructure where it is both more expensive and more difficult to reach communities, and, ultimately, may not make commercial sense.

It may be useful to consider a role for the public sector in the formation, training and ongoing support of SGs. It can be argued that there are benefits to the wider community having more SGs (beyond the benefits to members themselves of participating in SGs) as SGs play a positive role both socially and economically. Thus, SGs may have an element of public character, which may justify the use of public resources to form groups and ensure their quality. If more SGs exist, the community benefit is greater.

Of key importance with fee-for-service models and variants, including peer-to-peer replication and the potential role for government, is the need to ensure groups are of high quality that do not harm members. As groups continue to form, the norms and standards that protect members must be maintained; facilitators have a role to try to ensure this happens. This is discussed further in Section 5.4: Consumer Protection.

5.2 Technology Development and Support

Various facilitation efforts have focused on introducing technology to reduce costs through more efficient training and to address the issue of group performance, in particular with regard to difficulties managing data and bookkeeping by collecting data electronically. Examples include: the use of videos to support and reinforce training/operating principles, an e-Recording application to manage data and make bookkeeping easier and an e-accounting platform for Digital Savings Groups to streamline training, data collection and management.

5.2.1 Videos

Several efforts have focused on the production of videos to support SGs, including the Freedom from Hunger TOT animations and the MTP videos mentioned above, which support forming and training groups.[11] For example, a series of videos visible on handsets to be shared by group members has been developed by FSD Zambia to reinforce basic messages thought to be essential to group success. The first five 'critical' message videos, each in three local languages, have been tested in Zambia and are now being disseminated. Payment to the Zambia media firm as well as development of the content and overall management of the project was undertaken by FSD Zambia. Similarly, the MTP videos developed by FSD Zambia can also be used to support groups after they have been trained. Once the videos are widely distributed, the assumption is they will continue to be shared and viewed as new groups form without FSD Zambia's support. However, this has yet to be proven.

LEARNING Currently, dissemination of videos is dependent initially on FAs and any future production/updates to videos dependent on development actors. It is necessary to determine who has the incentive and capacity to ensure videos are widely disseminated and to produce and pay for development of future videos. Civil society market actors such as faith-based organizations or municipal structures may have the incentives to update and continue to disseminate videos, especially if the cost is small. Government may also have the incentives and ability to distribute through local government outreach.

5.2.2 e-Recording

Given the potential errors related to manual recordkeeping, the difficulties some groups have calculating the share-out, and the possibility of losing passbooks, SGs can benefit from using digital recording applications for bookkeeping. *e-Recording* is a smart phone app developed by FSD Kenya to support transparency, accuracy and efficiency of SGs.[12] e-Recording does the bookkeeping of an SG (to replace passbooks or ledgers). It can be programmed on a group-by-group basis to remember and respect the financial elements of the group's constitution, and calculate the share-out at the end of the cycle quickly, using a bank-like time-based algorithm for determining interest earned. While transactions are recorded electronically, groups still

[11] For example, Fundación Capital in the Dominican Republic has developed videos to support the government to train SGs.
[12] An RCT to evaluate impact on groups and the efficacy of the app on group and member performance and to help establish the business case for linkages is being carried out by FSD Kenya in 2017.

operate with cash. The app was promoted by FSD Kenya to groups they supported through CARE and CRS, and has spread spontaneously to a few hundred SGs. The longer-term aspiration is to help build accurate and transparent records of group transaction data.

Once the FSD Kenya application was developed and piloted, FSD Zambia, FSD Mozambique and Access to Finance Rwanda supported local adaptions (i.e. local currencies and languages) of the application. Some SGs in all three countries are now using e-Recording. However, in Zambia, the application does not appear to have been adopted beyond the pilot, likely because there was little to no promotion.

LEARNING In general, it seems necessary to have a certain volume of transactions and groups, as well as groups that are relatively capable, to make the investment in e-recording worthwhile and to prove the business case for a market actor to promote and manage the application, as well as the data. For the groups, the application is helpful, but its adoption is sometimes difficult; and when groups run into problems, they are generally unable to access support. Groups whose members are not familiar with smart phones have faced challenges in using the application.

Beyond the group difficulties, most importantly, is the question of sustainability—who will distribute, manage (and own) the app—once FSD Kenya (and other market facilitators) exits? Furthermore, for the moment, FSD Kenya supports a private software firm to manage the data. While FSD Kenya is aware this is not sustainable, it is not clear which market actor(s) will manage the data and who will pay for data aggregation and management moving forward or if one is needed once development actors are no longer involved. Lastly, the question of data ownership must be considered as well as consent to use the data, especially if the data is to be monetized through sales to external actors.


CARE International

5.2.3 Digital Savings Groups

In 2016, to scale faster at lower cost and to eliminate the risk of cash theft, AKF began testing a new Digital Savings Group (DSG) platform in southern Tanzania with support from FSD Tanzania (AKDN, 2016 and Allen, 2017). The DSG platform, designed by AKF with assistance from Bankable Frontier Associates, is hosted by Selcom, a Tanzanian technology company and payments aggregator. Any mobile money service can interact with the platform, allowing groups to choose a provider that has a local network, where members can open a mobile wallet account and cash-in or cash-out with agents in the area.

DSGs are entirely cashless and paperless. Unlike cash-based groups, members of DSGs can save whenever they like, with no maximum limit to the amount saved. At any time, members can transfer any amount from their mobile wallet to their group account where it is automatically recorded on the platform. Members can access a summary of their savings and, if relevant, loan balances. During bi-weekly meetings, members can request a loan up to three times the average member savings, thus reducing the ability of any one member to borrow an amount significantly larger than others. Attendance at meetings remains important as loan approvals and disbursements require around two-thirds attendance to run properly, as all operations on the platform require approval by three out of five members randomly selected by the software. All loan disbursements are subject to approvals. Allowing the random selection of members to provide their approval ensures participation, transparency and protects members from potential elite capture. Neither the chairperson nor the secretary has access to the platform outside meetings.

Importantly, DSGs are a physical group (rather than a virtual group) and maintain the important social aspects of SGs. Also, by using the platform to record all transactions, most (if not all) inaccuracies and errors as well as the need for technical support are reduced or eliminated. By saving digitally, members eliminate the risk of cash theft, as well as the inconvenience of counting cash and recordkeeping in the cash-based system. Further, the share-out is automated, reducing the need for complicated calculations. Finally, groups also meet half as often, freeing up time for other activities.

DSG members pay a user fee of approximately US $5 per year each for access to the DSG platform. DSGs use the GSM (Global System for Mobile communications) network (with the current platform, mobile data is not required). Access to at least one mobile network operator (MNO) as well as a cash-in/cash-out agent of a mobile money provider is required. The fees are expected to cover the cost of the platform as well as the village agent commissions and ultimately produce a profit of US $1-2 per year per member. In addition, the savings and loan payments members transact through mobile money accounts (currently collected by three MNOs) are, once a day, swept into a common float that sits in an account in a bank.

The DSG pilot resolves a number of problems: cash risk is eliminated, payment to the village agents is automatic through the system rather than groups, savings go directly into a bank and records (bookkeeping) go to the platform. This results in fewer errors, improved transparency and social cohesion. Further, DSGs support the mobilization and training of late adopters of technology through peer-to-peer interaction, which has significant implications for financial inclusion.

LEARNING AKF's goal is to determine how cashless groups can provide a solid business opportunity for MNOs by encouraging mobile wallet uptake and the use of complementary digital financial services. While the business case has not yet been proven, break-even is projected after a few years, with little to no subsidy. However, it is not clear yet what the commercial entity will look like, who has the capacity and incentives to own and operate it and importantly, what, if any, its remit will be to expand DSGs. Finally, the DSG model depends on existing groups transferring to become digital groups, which means it may be difficult to reach scale unless new groups can be formed without subsidy.


Savings Revolution

5.2.4 Technology Development and Support - Conclusion

In summary, there are a number of issues that must be considered when introducing technology to support a sustainable SG system. These include:

1. Adoption requires technical capability: Additional effort may be needed to develop both technical and financial capabilities, including determining how this would happen without development actors providing or paying for it.
2. Technological support needs to be available: Regardless of capability, use of technology often requires support, which needs to be provided by market actors.
3. Ownership of equipment, apps and platforms: In many of the pilots to date, technological hardware such as smartphones or tablets are provided by the FA, raising the obvious sustainability question about who pays in the future. Market actors must develop, purchase, own and distribute applications and platforms.
4. Ownership and management of data: While the use of technology increases the accuracy and availability of data, there are risks that group data will be made available to others despite being owned by members. Even if permission is sought from group members, whether they understand the agreement, the value of their data or how it is being used, is not clear.

"IN ADDITION TO INTRODUCING THE FSP TO SGS, FACILITATING AGENCIES MAY FULFILL A ROLE IN CLIENT ACQUISITION. THE TASK IS MULTI-LAYERED AND INVOLVES ORIENTATION TO SGS FOR THE FSPS, INPUT TO PRODUCT DESIGN THAT ENSURES RESPONSIVENESS TO MEMBER NEEDS, FINANCIAL EDUCATION FOR CLIENTS, BUILDING THEIR TRUST IN THE FINANCIAL SERVICE PROVIDER, AND CONSUMER PROTECTION. THE FSP HAS A STRATEGIC DECISION TO MAKE ABOUT HOW TO MANAGE CLIENT ACQUISITION IN THIS MARKET. IT CAN PARTNER WITH ONE OR MORE FAS TO MANAGE CLIENT TRAINING OR IT CAN ASSUME THIS ROLE DIRECTLY. **BOTH COME WITH COSTS; A PARTNERING STRATEGY ASSIGNS VARIOUS ASPECTS OF THE CLIENT ACQUISITION PROCESS TO PARTNERS ACCORDING TO THEIR STRENGTHS; OPERATING INDEPENDENTLY ALLOWS THE FSP GREATER CONTROL OVER THE PROCESS, BUT WILL REQUIRE IT TO ASSUME FUNCTIONS THAT MAY BE OUTSIDE ITS AREAS OF EXPERTISE."** *(SEEP NETWORK, 2017).*

5.3 Information/Client Acquisition to Formal Financial Services

It is well understood that Savings Groups do not always meet all the financial service needs of members. Given these limitations, many SG proponents believe members would benefit from access to formal financial service providers for savings, credit, insurance or payment services (either as individuals or groups).

Deposit services: As SGs mature, some use (or desire) the services of formal FSPs to deposit excess liquidity. A deposit account, particularly during the time just before share-out, is proving useful to reduce the risk of holding cash. As more people become aware of the cash in the box (in some cases, large amounts) the safety of the group fund, as well as the box holder, can be an issue. While in practice this risk appears to be negligible, it does cause stress and has significant implications on group decisions (for example, forcing members to take loans to reduce the amount of cash in the box). Some groups also want to open deposit accounts to access government funded schemes. However, opening a bank account is not always easy, given proximity issues in rural areas, the inability to meet eligibility criteria (i.e. identification, minimum balance) and/or a lack of suitable products.

Credit services: Some group members would like larger loans than those available within their SG. External loans, while potentially useful, introduce the risk of over-indebting groups and their members as well as the potential loss of the group savings if used as collateral to meet the larger credit needs of a few members. Group members, therefore, need to be financially capable in order to make prudent decisions about if, when and on what terms to take external loans.

Insurance services: These services may also be useful for SGs and their members. However, little experience currently exists with insurance. Some efforts are being considered to use the social fund to pay insurance premiums to formal insurance providers. However, this likely reduces the ability of groups to support the members in times of emergency when the funds are required urgently.

For all formal financial services for SGs and their members, information and (in some cases) capacity building is required for both the SG members and for FSPs. To effectively reach the SG market, FSPs have largely accepted the need to reduce documentation requirements, reduce or eliminate fees, replicate the requirement for three people to access the 'box' and use mobile applications and agent networks extensively. While some FSPs may assume this role, currently FAs often play an active role in client acquisition. This varies somewhat depending on the type of financial service being accessed. There is evidence from national demand studies that the market is working well for current accounts used by many SGs for security of cash; groups appear to be opening accounts on their own. For example, based on analysis in both Tanzania and Kenya, there are more people who use both informal and formal services compared to those who only use informal services (FinScope, 2017; FinAccess, 2013).[13]

However, many FAs are playing a brokerage role between SGs and FSPs. For example: helping banks or MFIs prepare business models and develop services that mimic the existing operations of SGs; introducing staff to groups; encouraging groups to open accounts; and sharing lessons learned from the small but growing body of evidence about commercial relationships between SGs and FSPs. These interventions may become less necessary, as FSPs with particularly strong rural networks begin to market services directly to SGs and their members.

Note: While providing information and/or client acquisition is a support function in the SG system, formal financial services are a 'system' on their own and, thus, the required support functions for formal financial services are not

[13] Note: informal services include other services or groups, not only SGs.

"A YEAR AFTER LAUNCH, BOTH SIGN UP RATES AND ACCOUNT ACTIVITY LEVELS WERE LOWER THAN EXPECTED. AN ANALYSIS OF THE SITUATION REVEALED THAT THE COMMUNITY-BASED TRAINERS WERE INSUFFICIENTLY INCENTIVIZED TO PROMOTE SIGN UP AND ACCOUNT USAGE ON THE DESIRED SCALE. FURTHER, AGENTS WERE OFTEN NOT IN CLOSE PROXIMITY TO SGS; EVEN WHERE AGENTS DID EXIST, THEY OFTEN LACKED LIQUIDITY, OR WERE INSUFFICIENTLY TRAINED TO SUPPORT SG CLIENT TRANSACTIONS. UGAFODE ALSO FOUND IT WAS NOT ENGAGING SUFFICIENTLY WITH SG CLIENTS. **TO ADDRESS THESE ISSUES, UGAFODE IMPLEMENTED AN INCENTIVE PROGRAM LINKED TO CLIENT ACTIVITY FOR COMMUNITY-BASED TRAINERS, RECRUITED NEW AGENTS AND INTRODUCED A LOW-COST AGENT TRAINING PROGRAM AND SCORECARD TO VET AGENTS SERVING SG CUSTOMERS. UGAFODE IS IMPROVING CLIENT ENGAGEMENT BY LIMITING ITS GEOGRAPHICAL AREA OF OPERATION, INCREASING THE NUMBER OF CLIENT INTERACTION TOUCHPOINTS AND SHIFTING FROM A STRATEGY OF MARKETING ALL PRODUCTS TO ALL CLIENTS, TO DEVELOPING MARKET SPECIFIC VALUE PROPOSITIONS."** *(SEEP NETWORK, 2017)*

discussed in this paper. However, the development of relationships between SGs and their members and formal financial service providers is part of the SG system.

5.3.1 Information and Client Acquisition to Formal Financial Services - Examples

There are numerous examples of FAs playing a direct and key role in informing SG members about external financial services (sometimes involving FA staff or CBTs to 'sign up' SGs). This includes informing and supporting FSPs to understand the needs of SGs and their members while developing services to meet these needs.

- **Mobile-money agents:** In partnership with CARE, Equity and Equitel developed a mobile-based solution that allows SGs to make deposits and withdrawals via Equity agents while maintaining the security features associated with the group's traditional cash box. The solution also allows members to seamlessly transfer funds between group and individual accounts at no cost. The increased reliability of the network and functionality of the Equitel solution have attracted new groups to open accounts by substantially reducing their total cost in travel and fees (SEEP Network, 2017).
- **Postbanks:** In Uganda, Tanzania and Kenya, the Postbank offers both group and individual member savings and loan accounts – with minimal KYC requirements. CARE, Plan, CRS, Build Africa, local NGOs and various apex bodies filter, train and refer mature SGs to the Postbanks. Postbank field officers meet with groups to market the group product and open accounts in the field, often on group meeting days. To foster mobile transactions, each group is given a free smartphone (SEEP Network, 2017).
- **MFIs:** In Benin, UNCDF's MicroLead program is supporting ALIDE, a medium-sized MFI, to provide services to existing SGs via an interface with a local MNO's e-wallet. ALIDE also provides financial education through its staff using smartphones with video and audio messages. With technical support from Freedom from Hunger, the program is testing the use of radio-aired messages by a community radio station to attract more SGs to access formal services from ALIDE who, in turn, informs the SG members about their services. ALIDE also liaises with NGOs that use the SG methodology to achieve nutrition and other developmental objectives. So far, it appears the involvement of the NGOs leads to greater enthusiasm and engagement from SG members to access services from ALIDE. Awareness efforts through mass-media without the direct high touch intervention from NGO staff do not appear to result in an uptake of services.
- **Digital credit history:** In Uganda, Barclays partnered with Grameen Foundation Uganda to develop a mobile product called 'Ledger Link' to help groups build a credit history with Barclays by enabling them to submit digital records of their savings and loan activities. After six months of saving with Barclays, these records can be used to assess the group's credit score and provide access to an overdraft facility. In line with the traditional SG model, the group (not an individual) is responsible for lending out the funds from the overdraft and collecting loan payments from individual members (State of Linkage Report, 2016).

LEARNING While numerous examples exist (and not all are discussed here), in most documented cases of bank accounts for SGs, facilitators have played a key role in developing relationships between SGs and FSPs, including subsidizing acquisition costs and supporting product development. The result is that substantial funding has supported SG access to formal FSPs. Although the results of many of these pilots are not yet publicly documented, the primary service SGs appear to be accessing are deposit accounts. Volumes seem relatively low as evidenced in an example from Uganda where community-based trainers were used to form, train and refer SGs to UGAFODE, a Ugandan MFI. However, demand side studies show a somewhat different picture; many SGs seem to be opening accounts on their own or in response to marketing campaigns from FSPs. This is an area where more study is needed to determine the value added by NGOs to FSPs. Direct high touch intervention, especially in relation to group awareness and training appears, in some cases, to be a key determinant in the success of the relationship between SG members and FSPs.

The case of UGAFODE speaks to the need for development actors to actively assess the incentives and capacities of SG members to gain access to formal financial services and to identify ways SG membership can support access to additional financial services. Similarly, considering the costs and effort to serve SGs, FSPs must assess their incentives and capacities to provide financial services to this market segment without subsidy, especially if the demand for additional credit remains small (Bankable Frontiers Associates, 2010). Even if demand on both sides exists, other issues remain, including:

1. Group quality needs to be high before SG members can effectively access and make use of formal financial services (particularly credit) without increasing their risks.
2. Uptake of formal financial services will be low if services are not well-suited to SG members.
3. Any initiatives involving mobile-based solutions require a functioning digital financial services sector – the development of which is a separate 'system'.

5.3.2 Information and Client Acquisition to Formal Financial Services - Conclusion

It is not yet clear if demand will rise as awareness and capacity on both sides increase. The extent to which FSPs need assistance reaching SGs probably varies greatly from country to country, depending on: the outreach of the branch network, the strength of mobile money agent networks, population density, the accessibility of formal financial services to rural people and groups and constraints that may be caused by KYC and registration requirements. While some FSPs are beginning to take on the work and expense of client acquisition, there does not appear to be a clear exit strategy for development actors who are facilitating that process. The incentives for market actors need to be clearly identified and understood—not assumed. One option is third-party providers, such as mobile network operators, who may see SGs as a potentially efficient client mobilization strategy, given the benefit of having SGs transfer weekly deposits via mobile.

5.4 Consumer Protection

Because SGs do not intermediate non-member funds, formal policies and regulation of their activities have not been necessary. However, SGs do face risks related to poor group quality and, more recently, from exposure to external actors. The best protection against poor group quality is good training, which ensures the norms and discipline that foster safety and transparency. For risks related to exposure to external actors, standards and codes of conduct, and/or government policies to protect group members become relevant, particularly as SG members begin accessing formal financial services. Also, as SGs become digitized and group/individual data becomes accessible to others, policies around data privacy, data ownership and digital identity need to be considered.[14]

While there has been relatively little effort made to date by development actors to specifically address consumer protection, group operating norms and standards, as well as industry standards and codes of conduct, do contribute to addressing consumer protection issues.

[14] As groups and group members begin to access formal financial services, these services carry their own set of rules, i.e. Know Your Customer (identification requirements, proof of address), credit history, collateral requirements, contract enforcement, etc. This set of formal rules around external financial services are not covered in this paper.

"THE QUALITY OF DELIVERY STUDY (QDS) IN KENYA SHOWED THAT SUBSTANTIAL NUMBERS OF MEMBERS LEFT GROUPS BECAUSE OF INTERNAL MANAGEMENT PROBLEMS, AND ONE OUT OF TWENTY MEMBERS IN A LARGE SAMPLE SAID THEY HAD MONEY LOST OR STOLEN IN THEIR GROUP, ALMOST ALWAYS DUE TO INTERNAL PROBLEMS RATHER THAN EXTERNAL THEFT. THE STUDY ALSO SHOWED SUBSTANTIAL DIFFERENCES IN QUALITY BETWEEN TRAINED GROUPS AND NON-FACILITATED GROUPS (THAT IS, GROUPS FORMED BY MEMBERS OR OTHERS WITHOUT THE ASSISTANCE OF A TRAINER), AND SIGNIFICANT DIFFERENCES IN DURABILITY AND PERFORMANCE BETWEEN THE GROUPS OF DIFFERENT [FAS]—GROUPS WHERE THE TRAINERS ARE INCENTIVIZED TO VISIT GROUPS REGULARLY FOR AN INDEFINITE PERIOD TEND TO BOTH SAVE AND BORROW ABOUT FIVE TIMES MORE THAN GROUPS WHERE THE TRAINERS VISIT FAR LESS. OF COURSE, IT IS NOT KNOWN WHAT WOULD HAVE HAPPENED IF THE NON-FACILITATED GROUPS HAD HAD ACCESS TO NORM-REINFORCING INFORMATION LIKE VIDEOS OR TRAINING MATERIALS IN LOCAL LANGUAGES." *(RIPPEY, 2015)*

5.4.1 Group Operating Norms and Standards

Groups behave in part based on local culture and in part, based on information provided during training. The result is a set of operating norms or standards. For example, in Bangladesh, the Chars Livelihoods Project (CLP) of DFID placed stickers on the cash boxes outlining key principles for group operations. As groups were replicated without CLP's involvement, the principles outlined on the stickers became the 'norm' or standard for group operations.

Some group formation and training models include a certification process conducted by the FA to 'certify' the trainers. Certified trainers are theoretically both competent and trustworthy to train 'quality' groups, which is assumed to signal value to the community. Certification formalizes group operational standards somewhat, although quality depends on how the accreditation is done and by whom (most FAs have not institutionalized accreditation to date).

LEARNING Groups not only require rules but also the capacity to follow them to ensure members are not harmed by participating in SGs. This speaks to the need for quality training, periodic support and tools to reduce complexity and reinforce and supplement skills. For informal social/cultural practices, it is important for facilitators to develop and perpetuate norms that protect group members. For SGs that form without the services of an experienced trainer, there is a need to ensure that if they are learning from facilitated groups, norms are embedded in the local culture regarding group operations, including dispute resolution and how groups access or consider accessing external services. This has practical implications; consideration must be given to who has the capacity and incentives to ensure quality norms and standards. While accreditation can support these efforts, how it can do so sustainably is not clear; this may be a role for the public sector or local networks/ associations.

5.4.2 Industry Standards and Codes of Conduct

Consumer protection efforts to date have centered around standards and codes of conduct for development actors. In a sustainable SG system, codes of conduct or standards for development actors are of course not necessary since, in the long term, development actors will not be present. Nevertheless, they are useful while development actors are active in the system, particularly if they are playing a role brokering relationships between SGs and FSPs. FSPs sometimes pay trainers a fee for each new client to help meet monthly quotas. This quota-based recruitment of new accounts can result in significant pressure to group members to access external financial services, the result of which may be loss of savings and/or over-indebtedness, or at the very least, dormant accounts.[15] SG members need to fully understand the features and costs of financial services. They need to be sure their funds will be safe and that the interest and fees for the account are transparent. Particularly as many services are being offered digitally, SG members may lack confidence to transact on digital platforms so additional support may be necessary. Members need to build trust and confidence in their relationships with formal financial service providers.

To advance consumer protection as SGs access formal financial services, Barclays Bank, Plan International and CARE International developed *The Linking for Change Savings Charter* in 2015, a pledge to principles of consumer protection to be signed by FSPs, INGOs and donors, who are considering marketing formal financial services to SGs. Signatories agree to "follow the charter principles and choose partners who will also follow them, enable a savings culture, share their experience, and encourage others to sign the charter" (SEEP Network, 2017). The effectiveness of these types of charters is mixed. On the one hand, given the voluntary nature of following the charter with no oversight, it is questionable how much difference the charter makes. On the other hand, some charters have been effective in changing behavior, even if adherence is unmonitored.

In the interest of influencing industry standards of good practice, the SEEP Network developed the *Program Quality Guidelines for Savings Groups*[16], "a sector-wide effort to build quality in SG programming to safeguard the well-being of members and the security of their assets" (SEEP Network, 2017). The Program Quality Guidelines consist of eight broad principles that give guidance at each major stage of the project cycle: design, implementation, monitoring and exit. They represent consensus among a diverse group of FAs who debated the approach and components necessary for quality groups that ensure lasting and measurable benefits for members while minimizing risks.

LEARNING Most efforts to date relate to standards and codes of conduct for and between development actors and, in some cases, FSPs. Moving forward, standards will be needed for how development actors engage with and plan for market actors to take on the roles development

[15] The Quality of Delivery Study in Kenya (FSD Kenya, 2015) shed additional light on the scope of these problems. Twenty-two per cent of members said they were pressured to take loans they did not want. About a tenth of respondents were borrowing from multiple groups, which is not problematical in itself except that a third of those members said they were doing so to pay off other debts, indicating nascent systemic risk.
[16] www.seeplearning.org/sg-guidelines.html

"WHILE STRONG INCENTIVES FOR SG LINKAGES EXIST, THERE ARE CONCERNS FOR SCENARIOS WHICH WOULD ATTEMPT TO MOVE INTO CREDIT TOO QUICKLY. FOR BANKS, THE POTENTIAL INTEREST INCOME FROM PROVIDING CREDIT USUALLY FAR OUTSTRIPS THE POTENTIAL FLOAT INCOME FROM SAVINGS ACCOUNT BALANCES. **THUS, A LOOMING FEAR FOR SG-BANK LINKAGES IS THE PROLIFERATION OF CREDIT AT THE EXPENSE OF MEMBERS, MANY OF WHOM HAVE NEVER BEEN EXPOSED TO THE FORMAL FINANCIAL SECTOR BEFORE. [T]HERE IS REASON FOR CONCERN WITH SG-BANK CREDIT-LED LINKAGES DUE TO THE ASPECT OF JOINT LIABILITY WHICH IS OFTEN USED TO MITIGATE RISK ASSOCIATED WITH LENDING TO LOW INCOME BORROWING.** HOWEVER, EXTENDING CREDIT TO A GROUP ON THE BASIS OF SHARED LIABILITY PLACES UNDUE STRAIN ON MEMBERS WHO MAY BE LESS CAPABLE OF MANAGING THE ADDITIONAL FINANCIAL BURDEN IF OTHER MEMBERS DEFAULT ON THIS EXTERNAL LINE OF CREDIT. **BASED ON BFA'S RESEARCH WITH SG MEMBERS, THIS IS A REAL DANGER TO LOW-INCOME INDIVIDUALS WHICH SHOULD BE AVOIDED AT ALL COSTS.** SG-BANK LINKAGES SHOULD BEGIN WITH DEPOSIT OPPORTUNITIES AND … CREDIT SHOULD ONLY BE ADDED GRADUALLY AND CAUTIOUSLY AS THE EFFECTS ON SG MEMBERS IS BETTER UNDERSTOOD."
(BANKABLE FRONTIER ASSOCIATES, 2010)

actors are currently doing and/or paying for. Ultimately, there is likely to be a role for government in consumer protection, given the government's incentives to ensure group quality and member capacity in order to avoid adverse effects to both members and the financial system.

5.4.3 Digital ID, Data Ownership and Privacy Policies

As in any market system, there are policy issues around data ownership and privacy that need to be considered, especially when SGs and formal FSPs interact. As groups become digitized, they need measures to protect against online theft of funds and to protect member data, privacy and digital identity. While rules and policies for digital identity are not specific to the SG system, data privacy and ownership are. Standards and policies are needed to mitigate risks associated with organizations or trainers selling SG data to FSPs or others.

5.4.4 Consumer Protection - Conclusion

As SGs are likely to remain informal and, thus, outside of direct oversight, it is imperative that development actors work to ensure consumer protection is embedded in the SG system once they exit. All stakeholders have a role to play in ensuring consumer protection. Development actors, while present, need to focus on developing the capacity of SG members and embedding norms within group operations that protect members. Formal FSPs need to adhere to standards that ensure a positive and beneficial relationship with SGs and the members. Government needs to ensure policies that protect member's privacy, ensure clarity of data ownership and protect the most vulnerable.

6 Developing the Savings Group System – A Shared Vision and Agenda

To successfully facilitate the development of a fully functioning sustainable SG system that operates at scale, development actors must work towards a future that does not include them. This requires clarity on which market actors (private, public, and civil society) have the incentives and the capacity to do and/or pay for key functions in the SG system—that is, who '*will* do' and who '*will* pay' once development actors no longer do so?

As discussed in section 5, FAs have undertaken various efforts to remove themselves from the training and operation of groups. However, to date, there are not clear answers for how facilitators will transfer key support functions and the development and enforcement of rules to market actors.

Currently, there is a lack of coordination among development actors in the design and execution of SG initiatives, and organizational incentives do not always encourage cross-learning and collaboration. A commitment to a shared vision—via coordinated efforts and a strong mutual learning environment—would contribute greatly to an SG system working sustainably at scale.

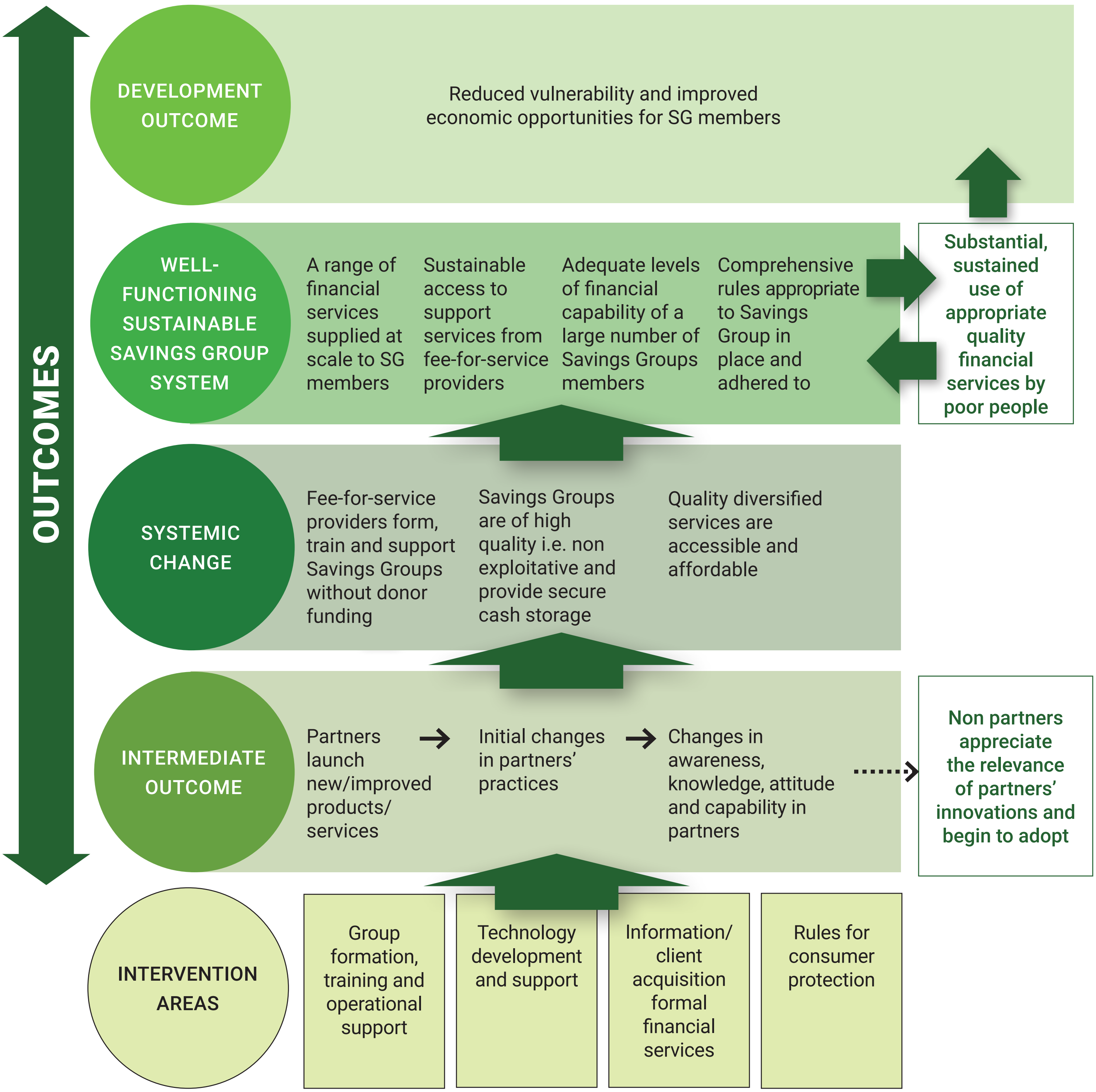
It is important for the SG community to commit to a market systems approach, and to understand what this means for the role of development actors. SG stakeholders need to agree on a common vision of the future, and commit to working together to achieve it. Continued experimentation and learning will be critical going forward. Facilitators must be willing to pilot a series of parallel interventions consistent with market systems development, and commit to documenting, sharing learning and leveraging each other's work. Funders must be willing to provide strategic funding that is flexible and focused on how market actors can take over. Unless concerted efforts are made to move in the same direction along the principles of market systems development advocated here, some stakeholders risk undermining the efforts of others with unsustainable practices.

With an agreed upon common vision, a common theory of change can be developed, leading to an action research agenda as suggested below.

6.1 A Common Theory of Change

A theory of change for a sustainable SG system is provided below. This is a proposed generalized theory of change; it would need to be contextualized and developed for each intervention.

Figure 2: Theory of Change



6.2 Action Research Agenda

This learning brief advocates for informed experimentation and documentation within the framework of the market systems approach. The action research agenda proposed below aims to explore the most promising practices to date, as well as some newly proposed interventions. In many instances, the answers are not yet apparent, but promising areas for continued experimentation and learning and new ideas include:

6.2.1 Group Formation, Training and Operational Support

- **Support peer-to-peer replication:** Reaching scale will require both facilitated groups and peer-to-peer replication. Facilitators can provide assistance at essentially no cost by allowing people in groups to see and copy training materials. Further support could be provided by making existing materials more accessible to group members, including translation of training materials to local languages and dialects and ensuring wide dissemination. Although costs will be incurred, if there is perceived value, local CSOs or FBOs may take over from development actors.
- **Fee-for-service trainers:** Given the initial successes of various models, continued investment is warranted, particularly with the use of technology, and further simplified training. Focus needs to be on establishing sustainable means for developing the market of trainers. The MTP is worth continuing, taking into account learnings from the first pilot (adaptive management) and ensuring training is provided by an accredited institution that recognizes the possibility of a business case to continue training master trainers who will pay tuition similar to other technical training courses. In addition, the SOMA pilot in Mozambique shows promise and may be replicable in other countries.
- **Role of government:** Based on experience to date, it is not clear that group formation and training can be fully commercially viable, which means it is unlikely to be just about private actors. However, even if group formation and training is considered a public good, or has an element of public good, and thus there is a role for government in this capacity building function, it is still necessary that it is sustainable—that is, the ability of government within the market system to play a role on an ongoing basis without development actors. Working with local governments to assess their potential role in group formation and training is warranted.
- **Social cash transfer recipients:** National social transfer programs reach significant numbers in many countries. It may be useful to consider forming SGs to help recipients manage their small savings to address life events and emergencies. This will require facilitators to work with government to see if there is value in supporting the formation of SGs and deciding who will do and who will pay in the long term and how.
- **Informal municipal governance structures:** It is possible that traditional structures based on village chiefs and tribal affiliation could be used, or at a minimum, leveraged, to form, train and support groups, and potentially provide local consumer protection measures.

6.2.2 Technology Development and Support

- **Training and ongoing support:** The promise of technology to support training and to provide ongoing support has significant potential and should continue to be explored. In addition, data management to support group quality as well as potential SG access to formal financial service providers warrants investment. In all instances, it is necessary to determine which market actors have the capacity and the incentives to develop and support technology in the long-term.
- **E-learning:** It may be possible to form groups exclusively through technological aids without any direct training. However, it is necessary to determine who has the capacity and incentive to create, manage and update the curriculum and maintain the technology. Ultimately, it is also necessary to determine clear ownership of data and how it is used (i.e. data companies, FSPs or associations). Further, the limited digital infrastructure and low levels of technological and financial literacy in rural and poor communities remain important hurdles to address.

6.2.3 Information and Client Acquisition to Formal Financial Services

- **Agree on common typology:** The term 'linkage' is a broad catch-all for all financial services that an SG and/or the members may access. It is confusing to discuss individual savings and group credit guarantees together because they are likely to differ greatly in benefits, risks, costs, incentives, market acceptance and the type of marketing required. For such cases, the term 'linkage' is simply too broad to be useful. The SEEP Network's recent publication, *A Typology of Relationships between Savings Groups and Financial Service Providers,* proposes a typology that provides a good start to developing a common terminology (SEEP Network, 2017).

- **Assessment of demand, risk and benefits:** Demand from SG members and from formal FSPs to serve SG members remains relatively unknown and needs to be assessed, taking into account incentives and capacities on both sides. As well, it will be important to ensure risk-benefit analysis is carried out for each type of financial service marketed to SGs and/or their members. There is a general lack of evidence on the impact of SG use of formal financial services; further information and pilots could yield positive results and better impact.
- **Shifting client acquisition to market actors:** Facilitating FSP's access to SGs (i.e., client acquisition) may not be commercially viable given that FSPs generally do not have the incentives to locate and serve groups, particularly rural-based groups, without support from an NGO. As a result, there may be an inherent public character in group members gaining access to formal financial services; stakeholders need to consider the value of offering more financial services to members and whether or not there is wider public benefit in doing so. And if such a benefit does exist, does it warrant public resources, particularly if a clear business case for the private sector in the long term has not been proven?

6.2.4 Consumer Protection

- **Standards:** Moving forward, standards will be needed for how market actors engage with SGs and members when development actors are no longer addressing consumer protection concerns.
- **Policy:** Policy development, with regards to data ownership and privacy, needs to be considered, particularly with regard to SG members accessing formal financial services, specifically credit. Also, consideration of how SGs contribute to national financial inclusion policies and development objectives may be appropriate. This may influence the role of government and should clearly outline roles and responsibilities for various market actors.

6.3 A Note to Funders

A market systems approach shifts the focus of facilitators from achieving predefined targets to a shared commitment to experimentation and learning. This affects the relationship between funders, facilitators and their partners, as well as requisite changes in funders' procedures and processes to design, commission and manage market development programs and investments.

With the goal to shift functions currently performed and paid for by development actors to market actors, a broader model of accountability is required. Each funder will differ in terms of how they structure their processes, procedures and approvals for the design, commissioning and management of facilitators. This different accountability model requires more flexibility in implementation arrangements, such as monitoring and reporting systems, budgeting requirements and contracting procedures. More importantly however, it requires a shift in culture to have a higher tolerance for experimentation and acceptance of higher risk for investments that may not perform as planned. Open communication within funding agencies, as well as between funders and their implementing partners, is key to working with an approach that applies adaptive management.

Ultimately, strategic funding is required—highly flexible funding focused on learning and with longer time horizons. Performance metrics need to be simplified (**x** number of groups, **x** months) and nuanced, **focused on market actors taking over,** taking into account the reality that facilitators cannot force market actors to behave within a certain timeframe and achieve specific targets.

This places more complex responsibility on reporting than the conventional accountability model, but creates an opportunity to combine accountability with learning. It means having a shared responsibility, and increased communication and coordination between funders, market facilitators, and facilitating agencies.

7 Call to Action

This paper advocates for the application of the market systems approach to develop a sustainable SG system at scale. The Savings Groups Evidence and Learning Initiative (SGELI) and this learning brief are a step in that direction. In addition, SEEP's Savings-Led Working Groups (SLWG) has been at the forefront of the SG movement, facilitating broad-based coordination and learning among SG practitioners for nearly a decade. The SLWG can play a key role in supporting the engagement and commitment of its members to a market systems approach, and their collective ability to accelerate learning.

It is hoped the market systems approach will be widely embraced and fully supported, by funders and facilitators alike, as well as all other stakeholders. While recognizing that activities and interventions will differ across organizations, ideally the principles and tools of the market systems approach will be reflected in strategies and investment decisions and, going forward, there will be a coordinated effort to achieve an SG system that can effectively reach all those who seek participation to access quality financial services.

[17] The SEEP Network, through its various initiatives, including the SLWG, will: **convene** its member organizations, funders, and other stakeholders for an improved understanding of the principles and best practices of a market systems approach to SGs; **catalyze** the development of a shared vision, standards and harmonized approaches, empowering stakeholders to adopt new practices and business models; **support innovation and continued experimentation by** member organizations and other stakeholders; and, **leverage relationships** to drive adoption, replication and expansion of effective initiatives.

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