

Savings Groups in Graduation Programs: A Pathway to Inclusive Markets



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In 2019, the SEEP Network facilitated a Peer Learning Group (PLG) on The Role of Savings Groups in Supporting Graduation from Social Safety Nets – composed of representatives from the Governments of Kenya, Malawi, Senegal, Tanzania and Rwanda. Through a yearlong, collaborative learning process, the PLG supported member governments to mobilize knowledge, learn from each other, and improve their ability to effectively integrate Savings Groups within social protection policies and programs. This paper draws from the rich experience of the PLG members, literature reviews and looks at the role of Savings Groups in sustaining social safety nets beneficiaries after the programs have ended.

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About SEEP



SEEP is a collaborative learning network. We support strategies that create new and better opportunities for vulnerable populations, especially women, to participate in markets and improve their quality of life. For over 30 years, our members have served as a testing ground for innovative strategies that promote inclusion, develop resilient markets, and enhance the livelihood potential of the world's poor. SEEP's 100 member organizations are active in 150 countries worldwide. They work together and with other stakeholders to mobilize knowledge and foster innovation, creating opportunities for meaningful collaboration and, above all, for scaling impact.

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CARE International is one of the world's leading humanitarian agencies, delivering life-saving aid and long-term solutions to poverty in more than 80 countries. We put women and girls at the centre of our work, because they are hardest hit by poverty, discrimination, injustice, and inequality – and because the best way to overcome poverty is to ensure all people have equal rights and opportunities. CARE's flagship Village Savings and Loan Association programme was launched in 1991 in Niger. Today CARE directly supports nearly 7.5 million members of Village Savings and Loan Associations across 51 countries – 81 percent of participants are women.

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About the Savings Learning Lab



Savings Learning Lab

[The Mastercard Foundation](http://www.mastercard.com/foundation) Savings Learning Lab is a six-year initiative implemented by Itad, in partnership with the [SEEP Network](http://www.seepnetwork.org). The Lab's aim is to support learning among the Foundation's savings sector portfolio programmes through increased alignment and effectiveness of monitoring and evaluation, and through the generation, synthesis, curation and dissemination of knowledge. Savings Learning Lab partner organisations implement savings-focused financial inclusion programmes across Africa. Active partners are [Scale2Save](http://www.scale2save.org) (formerly Making Small Scale Savings Work), an initiative implemented by the World Savings and Retail Banking Institute and Savings at the Frontier (SatF) led by [Oxford Policy Management](http://www.oxfordpolicymanagement.com). Partners who have now completed their programmes are [CARE Canada](http://www.carecanada.org), [Catholic Relief Services](http://www.catholicrelief.org), and the [United Nations Capital Development Fund](http://www.unitednations.org).

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Introduction

The Graduation Approach (hereafter referred to as “graduation”) is an evidence-based and cost-effective method to reduce extreme poverty. First developed by the [Bangladesh Rural Advancement Committee](#) (BRAC), graduation is defined as a “multi-pronged set of interventions, which aims to provide extremely poor and very vulnerable individuals sustainable livelihoods within a defined period of time, generally 18 to 36 months.” As the term suggests, graduation from extreme poverty implies that participants have passed a specific threshold beyond which the probability of slipping back into extreme poverty is significantly reduced. While there is ongoing research around the most effective and efficient sequences and combinations of graduation components in various settings, graduation interventions generally include five core components: consumption support, access to savings, technical skills training, seed capital or job placement, and coaching/mentorship.¹

The effectiveness of graduation in promoting resilience and improving the livelihoods of the extremely poor has been globally recognized and scientifically validated.² A recent IPA and Consultative Group to Assist the Poor (CGAP) study that compared 48 cash transfer, poverty graduation, and livelihood programs worldwide also concluded that “the Graduation Approach is the clearest path forward to reduce extreme poverty in a sustainable manner.”³ Another IPA study found that the graduation approach has significant positive effects on financial inclusion and income that last at least three years post-intervention.⁴ This promising evidence base has encouraged funders, governments, non-governmental organizations

(NGOs), and financial service providers (FSPs) to invest in graduation programming while adapting and innovating approaches to reach scale, serve new segments of the population, and enhance impact. Increasingly, governments are seeing graduation programming as a promising practice that allows beneficiaries to engage in productive activities and graduate from long-term national safety net support.

Graduation program participants, particularly women, often face constraints to access markets. They are confronted with limited access to resources to invest, long distances to the nearest markets, prices that leave them with very small margins, and limited understanding and information on market opportunities. In addition, not all value chains are well suited for the poorest, limiting their ability to develop their businesses into profitable enterprises. Yet, engagement in markets is key to poverty reduction, inclusive economic growth and the long-term health and resilience of the household.

To address these constraints, some graduation programs are integrating Savings Groups into their interventions. Savings Groups are an important building block in linking beneficiaries with markets and value chains, as they provide opportunities for participants to save, build resilience and access formal financial services.

This paper explores the linkage of graduation participants with markets and value chains as well as the role that Savings Groups play in the process and includes some recommendations for future interventions.

¹ Arevalo, Ines et al. *PEI 2018 State of the Sector report*. World Bank, 2018.

² See “Randomized control trials by Innovations for Poverty Actions (IPA) found that the Graduation approach is cost-effective and leads to significant gains in economic and social outcomes for extremely poor households across diverse contexts” from Banerjee, Abhijit et al. “A Multifaceted Program Causes Lasting Progress for the Very Poor: Evidence from Six Countries.” *Science* 348.6236, 2015, DOI:1260799

³ Sulaiman, Munshi et al. “Eliminating Extreme Poverty: Comparing the Cost-Effectiveness of Livelihood, Cash Transfer, and Graduation Approaches.” *Forum*. Washington, DC., CGAP.C. 2016.

⁴ Banerjee, Abhijit et al. “Unpacking a Multi-Faceted Program to Build Sustainable Income for the Very Poor. No. w24271, National Bureau of Economic Research, 2018.


Access to Markets for Successful Graduation

Many graduation programs help participants link to existing value chains and markets, and some also support the creation of new value chain opportunities at the local, regional, national and/or international level.⁵ This is because individual- and household-level interventions alone are rarely sufficient to enable effective participation of the poorest in market systems. The 'push' interventions delivered by successful graduation increases capacities such as assets, skills, networks, and behaviors of the extreme poor to gainfully participate in markets. This impact is enhanced by 'pull' market systems development interventions that expand the quality and diversity of opportunities available to extreme poor households. Interventions that challenge the barriers the extreme poor face to enter the market can improve the terms on which they engage in markets, enhancing their income and ability to accumulate assets.

Graduation programs generally start off by prioritizing viable livelihoods based on market

studies, particularly looking at the demand side, market constraints, available infrastructure, value chains, and potential upstream and downstream linkage.⁶ They also take into consideration market risks related to price fluctuation, unreliable delivery and extension support mechanisms, among others. Program implementers also focus on livelihoods that can build on markets that the participants have tried in the past or have seen operating in their communities. Most often, the extreme poor aim to work in sectors with low risks and that they know well.

In addition to helping the extreme poor move toward economic self-sufficiency, some programs also try to expand opportunities and make market systems more inclusive for these individuals. This frequently requires the involvement of other economic groups in order to attract private sector investment and promote upward mobility through social and business relationships.



Graduation with Resilience to Achieve Sustainable Development (GRAD) - Ethiopia

In the implementation of the Graduation with Resilience to Achieve Sustainable Development (GRAD) program in Ethiopia, CARE Ethiopia set aside funds and time to strategically work with the 'less poor' in the community. This included more successful farmers or business people, small and mid-scale traders or aggregators, and local input and service providers. This group did not 'count' in terms of graduation program beneficiaries but they were critical for building market linkages and achieving impact at the beneficiary level.⁷ Support of village associations that foster dialogue between men and women, the promotion of female leaders, and access to labor and time-saving technologies were some of the push strategies adopted to allow female participants to take advantage of new services and linkages.⁸

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⁵ Arevalo, Ines et al. *PEI 2018 State of the Sector: Synthesis Report*. World Bank, 2018.

⁶ For more information on market analysis see de Montesquieu, Aude et al. *PEI "From extreme poverty to sustainable livelihoods: A technical guide to the Graduation Approach"*, ed. 2, World Bank, 2018.

⁷ Garloch, Anna. "A Framework for a Push/Pull Approach to Inclusive Market Systems Development." LEO, USAID, 2015.

⁸ "Combining Push and Pull Strategies for Greater Scale and Poverty Outreach: Key Takeaways from the 2014 SEEP Annual Conference". LEO, USAID, no. 6, Washington, DC., 2014.

Savings Groups and Access to Markets

Many push/pull approaches emphasize the importance of savings for building an asset base, achieving financial stability and engaging in markets. Savings help smooth consumption related with daily food requirements, housing, and other basic needs.⁹ In graduation programming, the savings component in the sequence of interventions commonly encourages and guides participants to join Savings Groups¹⁰ in order to:

- Build their financial literacy
- Improve social standing and build self-confidence
- Combine forces to save time and share information, ideas and talents
- Access capital unavailable to them through the formal system

Savings Groups serve as an important platform for graduation programs' participants to save, access finance and recognize promising market opportunities that can contribute to the sustainability of their small businesses.



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⁹ "Combining Push and Pull Strategies for Greater Scale and Poverty Outreach: Key Takeaways from the 2014 SEEP Annual Conference". LEO, USAID, no. 6, Washington, DC., 2014.

¹⁰ The conditions to join Savings Groups will vary according to different programs, some will make it compulsory and some won't. For more details, see: Muruka, George & Rahamatali, Aisha, "The Role of Savings Groups in Safety Net Programming: Adapting to the SG Model to Facilitate Graduation of the Poor". The SEEP Network, VA. 2020.

Savings Groups as a Platform for Capacity Building

Building the capacity of the extreme poor to help them save and build startup capital to invest in income-generating enterprises is an essential part of the graduation intervention. Participants acquire the knowledge, skills, relationships, and confidence necessary to effectively and sustainably engage in markets. Savings Groups serve as a platform to support capacity building through different avenues such as mentorship, trainings and linkages, peer learning and exchanges, and value chain development. Various examples of how group members' graduation programs have approached supporting Savings Groups' access to markets are illustrated below.

Graduation Mentors

The Sahel Adaptive Social Protection Program (SASPP) The Sahel Adaptive Social Protection Program (SASPP) in the Sahel region (Niger, Mali, Burkina Faso, Senegal and Chad) trains Savings Group members on how to enter the market and access key inputs. The graduation mentor identifies the specific needs of the members and helps them develop business plans, eventually linking them with other groups working or interested in the same value chain. In Senegal, where the SASPP program is implemented in urban areas, the focus of the mentors has been on marketing, training on sales methods, and understanding the competition, market prices and client needs. In other SASPP countries, graduation coaches have been supporting members in negotiating group discounts with input sellers, insuring timely delivery and requests for technical support.

Training and Linkages with Key Players in the Private Sector

The BOMA Project (BOMA) - Kenya In its graduation programming, the BOMA Project connects Savings Groups to relevant trainings offered by other NGOs, government, or market actors in the area. For example, in Samburu County, Kenya, BOMA has linked several Savings Groups formed under the Programme for Rural Outreach of Financial Innovations and Technologies (PROFIT) to trainings offered by Caritas and SNV through the Enhancing Opportunities for Women Enterprises (EOWE) program. Savings Groups can therefore receive specialized technical trainings on livestock and agriculture, business planning, business skills, and exposure visits to strengthen market linkages. In Samburu, BOMA is engaging with the government to see how women active in beadwork may be incorporated in the government-driven Ushanga Initiative which provides technical training, access to raw materials, and product market access for cooperatives engaged in beadwork.

Peer Learning and Exchanges

BOMA & The Sahel Adaptive Social Protection Program (SASPP)

BOMA and the SASPP initiatives offer spaces for business-to-business networking opportunities and support participation in trade fairs for graduation participants and their Savings Groups to liaise with public, private, and community representatives. Such networking opportunities should be encouraged as they allow participants to showcase what they have to offer and to find business opportunities.

Training and Linkages with Key Players in the Private Sector

Graduation with Resilience to Achieve Sustainable Development (GRAD) - Ethiopia

The targeted households of the [GRAD Project](#) in Ethiopia¹² use Savings Groups as a platform for value chain development. Farmers interested in the same value chain commodity are linked directly to existing cooperatives if possible, either multipurpose cooperatives or cooperatives specialized in particular products. In some areas, if such cooperatives don't yet exist, the project organizes a Farmer Economic and Marketing Association (FEMA), with the aim to transform it into a formal cooperative. This approach has been successful, for example, in the establishment of specialized marketing cooperatives for livestock and honey. These cooperatives have helped members access inputs (feed and beehives) and marketing opportunities. The use of FEMAs for group marketing, extension services delivery and other value chain development support has empowered farmers. They are now able to: 1) aggregate production, 2) understand buyers' requirements and value chain integration, 3) develop trust between stakeholders, and 4) share market information at Savings Group meetings.

The examples highlighted above show how Savings Groups can increase the competitiveness of group members in the market by not only developing their skills and capacities but also by building confidence in themselves and their products. It is also a space for members to build networks in which they can more effectively engage with matched markets, thus enhancing their access and participation within the market system.

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¹² Graduation with Resilience to Achieve Sustainable Development (GRAD), Midterm Evaluation, CARE, Vol. 1, 2014.

Linkage to Formal Financial Services

Informal savings are highly valued by low income populations for their accessibility and affordability. Nevertheless, formal financial institutions provide access to a broader range of financial services that support economic inclusion. A good approach has been to promote both formal and informal savings, and most graduation programs are following this path. Appropriate linkages between Savings Groups and formal financial institutions can ensure security, help members to manage risks, retain assets and invest in small business opportunities.

Graduation programs have demonstrated their role in bridging formerly unbanked poor populations with financial services, particularly through partnerships with financial service providers. One benefit of linking graduation program participants to formal financial providers through Savings Groups is that it can be done in layers through sequenced graduation components. This kind of linkage bridges the gap both between social protection and safety net programs addressing extreme poverty, the destitute and extreme poor, and financial inclusion and livelihood programs directed at the less poor segment of the population.

Graduation with Resilience to Achieve Sustainable Development (GRAD) - Ethiopia

The Ethiopia GRAD program encourages the use of Savings Groups to save small amounts to meet regular, modest needs for cash, and accounts at banks or microfinance institutions (MFI) for larger amounts. The idea is for members to save first and get small loans at a later stage. Results of the midterm review of the program in 2014 showed that 70% of the targeted households were involved in value chain activities and that 65% of them had a loan with an MFI, in part used for value chain and other income generating activities.

The Malawi National Social Support Graduation Program also recognizes linkage to formal financial providers “as one way to increase productive potential and contribute to resilience building.”¹⁴ The program plans to engage with MFIs to ensure their products are tailored to program participant needs.

BOMA collaborates with financial institutions with services that are accessible or can be adapted to businesses and Savings Groups enrolled in graduation programming.

In the SASPP targeted areas in Burkina Faso, Savings Group members receive support to open bank accounts with formal financial institutions as well as to get birth certificates and identification cards from the local administration. Program coaches also assist Savings Groups in registering with local administration in order to subsequently approach local banks and MFIs.

Linkage to Governments Services and Opportunities

Government programs provide access to certain benefits such as low-cost finance, training, extension, information or technical support for their agriculture businesses. Thus, some social protection and graduation programs link beneficiaries to other programs and government institutions that contribute to their access to markets as well as the sustainability of the graduation impact. For instance, BOMA, the Local Competitiveness Facility, and SASPP have incorporated the below linkage opportunities for Savings Groups to engage with additional government resources:

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The BOMA Project (BOMA) - Kenya

In Kenya, the BOMA Project supports Savings Groups to formally register as self-help groups with their county governments so they become eligible to apply for other forms of financing and training. BOMA helps groups qualify and apply for Women Enterprise Funds, County Enterprise Funds, and other government and non-government facilities to boost their economic activities. Through the Ministry of Labour and Social Protection, the Government of Kenya also aids cash transfer recipients that have formed Savings Groups to register and access the same facilities in order to support their economic activities.

The Local Competitiveness Facility (LCF) - Rwanda

In Rwanda, the Local Competitiveness Facility (LCF) is a matched grant facility part of the Vision 2020 Umurenge Program (VUP), led by Local Administrative Entities Development Agency (LODA) to support private business partnerships focusing on value chain integration. LCF is a micro- and small enterprises challenge fund providing finance and capacity building to winning companies, mostly micro and small enterprises which are forming partnerships. LCF encourages businesses that want to benefit from the grants to partner with Savings Groups and cash transfer beneficiaries by, for example, buying their products as raw materials and then transforming them into products, hence encouraging value chain development for certain commodities. The objectives are local economic development, pro-poor, partnership and innovation. The facility uses this value chain method to support growth-oriented partnerships of micro - and small enterprises who do not easily access finance and need to further develop their business management capacity.

The Sahel Adaptive Social Protection Program (SASPP)

In SASPP countries, Savings Group members benefit from local or regional services on request, which provide technical support for agriculture, livestock and business environment.

While linkages between Savings Groups and government programs is a promising approach to sustain the impact of graduation programs, this is an area that needs further exploration. Particularly, the transition from social protection programs into entrepreneurship and business development should be studied in more detail.

Summary

The experiences highlighted in this paper provide a snapshot of how Savings Groups contribute to effectively linking participants in graduation programs to markets systems and helping them graduate from social protection programs into sustainable livelihoods. Key points include:

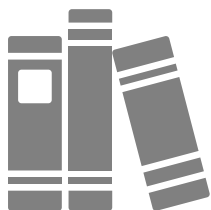
- Savings Groups are an entry point to train and inform graduation participants on value chain and market opportunities that are both relevant to them and sustainable.
- Savings Groups are a platform through which different actors may cost-effectively contribute to the capacity building of members on how to build businesses, identify opportunities and become competitive market actors.
- Savings Groups are a channel to help graduation program participants access a range of market opportunities, including the formation of local cooperatives, access to formal financial services, and access to government programs and funds.

Questions for Further Research

While some program evaluations have already examined the impact of including Savings Groups in graduation programs, this paper raises key learning questions to be considered by practitioners wishing to replicate or adapt this model in existing or future graduation programs:

- What are the cost implications of using Savings Groups to build the capacity of participants in graduation programs and provide them improved access to markets?
- Linking graduation participants to markets is done through partnerships such as key ministries (gender, trade, commerce and agriculture), NGOs, and the private sector. How do Savings Groups create an effective platform for partner collaboration?
- How are graduation programs involving financial institutions on the supply side and how is access to technology supporting linkage? What are the existing experiences and key learnings?
- What is the potential of linking Savings Groups from graduation programs to larger government programs and funds, particularly regarding moving from social protection to formal business and entrepreneurship development?
- Are Savings Groups effectively sustaining linkages to value chains and markets during and after the program has ended? If so, how?



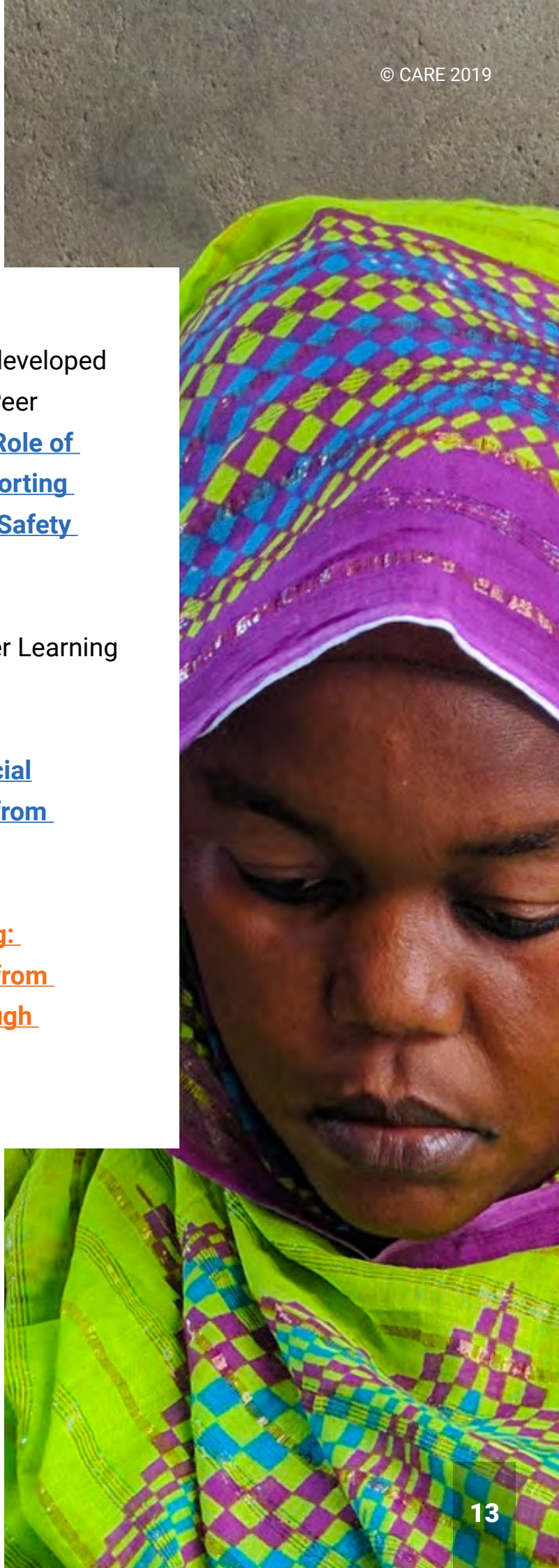


This learning brief was developed by the SEEP Network's Peer Learning Group on [The Role of Savings Groups in Supporting Graduation from Social Safety Nets](#).

Other outputs of the Peer Learning Group include:

[Savings Groups and Social Protection: Graduation from Safety Nets](#)

[Mentoring and Coaching: Supporting Graduation from Social Safety Nets through Savings Groups](#)





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