



Saving for Change

A Savings- Led, Asset Building, Sustainable Strategy for Providing Basic Financial Services to the Rural Poor

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“Most microfinance institutions will continue to reach the poor and the very poor, that is, those below the poverty line in their countries, but not those in the lower half below the poverty line. . . . Even with subsidy and technology, we expect that at the end of the decade there will still be a challenge to reach the poorest, rural, and most remote clients.”¹

The Challenge of Reaching the Poorest

The rapid growth of microfinance over the past twenty-five years is a major development success story. There are 94 million micro-borrowers worldwide, according to a recently completed study by the World Bank’s Consultative Group for Assisting the Poorest.² The microfinance industry is growing at a rate of 12% a year, the authors say, with most of the growth occurring in the largest microfinance institutions (MFIs) that provide loans (and some savings services) to micro-entrepreneurs.

While this is undoubtedly good news, microfinance products, principally small loans, are only reaching a tiny percentage of those who need it, and their impact is geographically limited. Seven of every eight borrowers live in the densely populated countries of Asia,³ but while coverage is 47% in Asia, it is only 9% in Africa and the Middle East. In Latin America, where most borrowers are the “entrepreneurial poor” living in cities, coverage is 15%.⁴ Only Bangladesh – where the Grameen Bank and a host of others are active – is approaching market saturation at the national level, including rural regions.⁵

These statistics underscore the great challenge facing the microfinance industry today – providing improved savings and lending services for the hundreds of millions of households at the very bottom of the economic pyramid. It is especially important to reach those living in rural

¹ Rhyne, Elizabeth, and Maria Otero. *Microfinance through the Next Decade: Visioning the Who, What, Where and How*. Acción International 2006. p. 6 of the Executive Summary.

² CGAP: Consultative Group for Assisting the Poorest. CGAP, which is housed in the World Bank, sponsors research, funds innovations in the microfinance field, and administers the Microfinance Gateway, the most comprehensive compilation of information about microfinance.

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

⁴ Daley-Harris, Sam. *State of the Microcredit Summit Campaign: Report 2006*. p.25

⁵ When microfinance institutions complain of “market saturation” in a country (Bolivia is often cited as an example), they are generally referring to the urban markets that they are designed so well to serve.

villages where conditions are often the most severe. Financial institutions such as banks, credit unions, and MFIs have not reached this population at scale outside of Asia. The cost of reaching dispersed rural populations is high and loans are often too small to be profitable.

Oxfam America's Saving for Change Initiative

Saving for Change (SfC) is an innovative and cost effective microfinance program, targeted to the rural poor, that addresses the needs of those who are not reached and are unlikely to be reached by institutional lenders. Instead of providing permanent access to financial services which requires a costly loan delivery infrastructure, SfC acts as a trainer and facilitator so that groups learn to manage their own saving and lending activities. And instead of providing a loan to jumpstart a business, SfC starts with savings. A group of about twenty individuals pools their savings and lends to members at interest, with the interest growing both the group fund as well as the savings account of each member. Most loans are for micro-businesses – generally trading and agriculture – with some loans used for emergencies, and annual events, like school fees. Since each group manages its own fund, groups continue to save and borrow once they are trained, and villagers train new groups on their own, reducing already low costs even further.



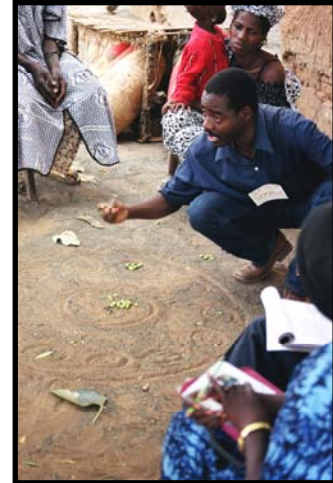
Saving for Change is based on the knowledge that even the poorest villagers must save to subsist between the harvest and the next planting. But the savings they keep at home – “under the mattress,” or in jewelry, animals, or traditional savings and lending groups – loses value instead of earning a return. Money kept at home is often spent, stolen, or lost; jewelry is not worth much when everyone else is selling; animals may die; and the payouts of traditional savings groups are eroded by inflation. Instead of losing money on their savings as they did before, SfC members earn 20% to 40% on their savings every year as the group fund is lent and relent over the year. When small bits of excess cash are saved in a readily accessible fund, members often find that they don't need to borrow from a money lender or depend on their husbands or relatives for every purchase. The surprising finding is that there is enough “excess liquidity” even in a very poor village to build a fund that is adequate for most needs. Villagers are “not too poor to save,” as has so often been assumed. But before SfC, villagers did not have the tools to put their savings to work.

Why Saving for Change Works

- Starts with what villagers value most: a safe and convenient place to save, and an easily accessible source of loans for business, emergencies, and purchases.
- Builds on, but effectively modernizes, village traditions of saving and mutual assistance by charging interest on small loans and adding bylaws, elected officers, improved record-keeping, goal-setting, problem-solving, and new knowledge. The outcome is an easily accessible, group-managed, and audited source for saving and borrowing.
- Each group manages its own fund, which is mobilized entirely from its own generated savings. There are no external grants or loans provided. In comparison, when a

matching fund is provided the motivation is to receive the match rather than mobilize savings. This external incentive is rarely sustainable.

- Serves as a “virtual insurance” policy as members strengthen their commitment to help each other in time of illness or crisis. According to Oxfam’s evaluations, mutual assistance and solidarity rank as high as saving and lending as benefits of participating in the group.
- Includes the poorest in substantial numbers.
- Is effectively carried out by generalist local NGOs already providing health, literacy, and agricultural extension services in these villages. NGOs can focus on their strengths—outreach and training—rather than loan fund administration, which most NGOs find challenging.
- Each group requires only 12 to 16 weekly training visits by field staff and then monitoring visits of lessening frequency. Most groups operate on their own in a year or less. Having a clear graduation plan for each group and a specific objective for each visit keeps costs low.
- Has been adapted for regions with very low literacy. An innovative oral record-keeping system and a “pictographic manual” to guide group training by illiterate women have proved to be highly effective.
- Serves as a platform for additional training and education. In Mali and Senegal, *Saving for Change* teaches malaria prevention and treatment using the same “pictographic” training methodology as the group training manual. These tools and the participatory group training methodology were developed jointly with Freedom from Hunger, our partner in West Africa. In Cambodia, *Saving for Change* groups adopt improved agricultural techniques promoted by our partner in Cambodia, CEDAC, including the System for Rice Intensification (SRI), which doubles rice production while greatly reducing the need for chemical fertilizers and pesticides. A rice marketing scheme managed by CEDAC leads to a better price for the organic rice produced with SRI techniques.
- Builds organized savings groups that are often used by other NGOs and government agencies to provide literacy or health services, further leveraging the initial investment.
- **Can be easily disseminated by villagers. In Mali, for example, 31% of the groups have been trained by other villagers at no additional cost. In regions where SfC has been active for a year and a half, close to half of the groups were trained by other villagers.**



An animator draws in the dirt to illustrate how SfC works.

Oxfam America and its local partners each play a well-defined role in making *Saving for Change* a reality. The staffs of the local NGOs that carry out *Saving for Change* in each country train and then monitor the groups until they can operate independently. The Oxfam America staff recruits, trains, supervises, monitors, evaluates, and funds the local partners.

Each NGO team of at first 10 and then 15 “animators” (group trainers) is funded for three years to disseminate *Saving for Change* groups to a region of approximately 300 villages. By the end of the third year, it is expected that half of the 40,000 to 50,000 households in these villages will have joined SfC groups. The number of groups will continue to increase after the NGO team leaves, since new groups are trained by the leaders of the already trained groups with the objective of reaching most households. An exit strategy is clearly defined from the start of the work in a region.

SfC is carried out through the Community Finance Unit of Oxfam America, based at Oxfam's headquarters office in Boston, Massachusetts. Operations in each country are supervised by the regional program staff.⁶ **With current projects in Mali, Senegal, and Cambodia, and a start-up in El Salvador, more than 78,000 villagers have already joined *Saving for Change* groups in just two years, reflecting the close match between what the villagers want and what SfC provides.**



Saving for Change is a sustainable microfinance model in the sense that services are delivered without needing additional funding in a region after the initial three year start-up investment. But, the path to sustainability is entirely different for the institutional micro lenders and for *Saving for Change*. The institutional model, with its focus on credit delivery, is deemed sustainable when interest payments cover operating and financial costs of the lending institution and the institution expands its outreach with its profits. The savings-led programs such as SfC are deemed

sustainable when groups within a region save and lend without further assistance and a cadre of trained leaders trains new groups after support to the local NGO team is withdrawn.

Both models fill a niche in the market, but when it comes to very poor and scattered rural populations, the savings-led decentralized model appears to have far greater potential, in terms of both the number of people reached and the ability to meet the particular needs of the poor.⁷

⁶ Oxfam America has regional offices in West Africa, Southern Africa, the Horn of Africa, East Asia, Central America, South America, and the United States, with each region responsible for two to five countries.

⁷ There is solid evidence that *Saving for Change* will be fully sustainable (because it will be entirely self-managed) within three years. In a March 2007 *Small Enterprise Development* article entitled "Village Savings and Loan Associations - experience from Zanzibar," Hugh Allen (who has taken a major role in expanding the CARE model) writes, "I attach here a recent piece of work done on VS&L in Zanzibar. It is an article coming up in *Small Enterprise Development*. The background is that CARE started to do VS&L in Zanzibar in 2000 and stopped in 2002, and left the island, so there was no further contact. DFID and DFS (Decentralized Financial Services) in Nairobi did a follow-up study last year and came up with some startling discoveries. These can be summarized as:

1. A 258% increase in the number of VSLAs: none had ceased to function.
2. Total 6-year member dropout from individual VSLAs was 12%.
3. The average VSLA with 29 members was liquidating \$4,000 a year comprised of savings and earnings.
4. The average yield was 53% on the final balance of annual savings.

Anyway, a very impressive piece of work and one that shows how community-based microfinance can offer services of significant financial scale: a finding that may relieve some doubts about whether or not this type of microfinance is irrelevant or of real value."

In a similar case, a study was conducted of the groups trained through Pact's Women's Empowerment Program in Nepal, after all of Pact's support to the 6,500 groups it had worked with over the previous thirty three months was withdrawn. The study indicated that the net number of groups had increased (with some disbanding but more being trained by other villagers), and the size of the group fund had virtually doubled. (There is a study currently underway that will see to what degree the groups have survived and thrived with no external support and with the region taken over by the Maoists.)

How Oxfam America's *Saving for Change* is Different

Oxfam America, CARE, Catholic Relief Services, PACT, Plan International, and numerous Indian Non-Governmental Organizations (NGOs) are in the vanguard of the savings-led microfinance movement.⁸ Oxfam America differentiates its work from the others in the ways listed below:

- Builds in an exit strategy by limiting funding to a local NGO working in a 300-village region to three years, with the entire program geared to meet this objective.
- Works exclusively through local NGOs.
- Introduces a comprehensive strategy that encourages group members to train new groups of the same quality as those trained by the staff.
- Works toward one hundred percent coverage. In Mali, after eighteen months 62% of the adult women in SfC villages had joined groups. (MFIs, to the degree that they work in villages, target those with larger credit needs. Of the current *Saving for Change* group members, only 13% in Mali and 20% in Cambodia had taken out a loan from an institutional lender.)
- Adds training modules to the basic saving and lending package, starting with malaria prevention and treatment in Mali, and improved rice production in Cambodia.
- Encourages rigorous evaluation of the program and the dissemination of research findings.

The Credit-Led and Savings-Led Models: a Case Study from Mali

Figure 1 compares the performance of credit-led and *Saving for Change* programs in an impoverished rural region in Mali carried out by the same NGO (Tonus) and in many of the same villages. The rapid expansion of the SfC model shows that it better responds to the needs of the women. The performance of the Tonus credit-led program is typical of the smaller microfinance initiatives that exist by the thousands in the developing world.

Figure 1

Tonus Credit-Led program	Tonus <i>Saving for Change</i> Savings-Led Program
<ul style="list-style-type: none"> • Started 90 months ago 	<ul style="list-style-type: none"> • Started 23 months ago
<ul style="list-style-type: none"> • Has a staff of five 	<ul style="list-style-type: none"> • Has a staff of 10 – nine field staff and a coordinator
<ul style="list-style-type: none"> • Has 2,289 savers 	<ul style="list-style-type: none"> • Has 12,410 savers
<ul style="list-style-type: none"> • Has mobilized \$34,432 in savings from members managed by the institution 	<ul style="list-style-type: none"> • Has mobilized \$186,432 in group-managed savings, of which about a third has been returned to members when the group fund was divided among members⁹

⁸ Twenty-nine percent of the 93,000,000 current borrowers, largely in India, are part of self-help groups, which shows the scale of the savings-led approach already. (Gonzales, Adrian, and Richard Rosenberg. *The State of Microfinance – Outreach, Profitability and Poverty*. Pp 1-3. CGAP 2006.

⁹ In the SfC model savings plus interest is divided among the members at the beginning of the planting season when money is scarce. Villagers typically buy seeds with the payout or to purchase food to tide them over before the next harvest.

<ul style="list-style-type: none"> • Has a ratio of 458 savers per staff person 	<ul style="list-style-type: none"> • Has a ratio of 1,241 savers per staff person.
<ul style="list-style-type: none"> • Has 801 outstanding loans – interest income pays the costs of the MFI 	<ul style="list-style-type: none"> • Has 8,472 outstanding loans – interest income builds the group fund and member savings
<ul style="list-style-type: none"> • Has a ratio of 160 loans per staff person 	<ul style="list-style-type: none"> • Has a ratio of 847 loans per staff person
<ul style="list-style-type: none"> • Has an average loan size of \$69.83 	<ul style="list-style-type: none"> • Has an average loan size \$13.33
<ul style="list-style-type: none"> • Has a loan repayment rate of 90.7% 	<ul style="list-style-type: none"> • Has a loan repayment rate of 99.8%

The local partner cost per loan for the *Saving for Change* component in the Tonus region is about \$2¹⁰, showing the cost effectiveness of the savings-led model. Compared to the credit model, SfC costs are minimal because each group manages its own loan fund, and the staff plays only a transitory role as trainer and takes no role in loan assessment and administration. The partner cost per loan will be close to zero by the fourth year when the leaders will manage their own groups and continue to expand the program on their own.

In Their Own Words: The Benefits of Joining a *Saving for Change* Group

Saving for Change would not have expanded so quickly if it were not seen as beneficial. These quotes, taken from an April 2007 field assessment in Mali, illustrate the economic and social benefits of membership in a *Saving for Change* group:

- **Access to money:** “You can easily go to the group and get money. It was not easy to get money before. You had to say why you wanted the money from someone outside the group and you might not even get it. Anyway, why pay interest to someone else when we can pay the interest to ourselves?”
- **Learning how to use money:** “Before, even if we had \$10 we didn’t know how to use it for a business. We didn’t know how to grow our money.”
- **Overcoming shyness:** “At the beginning we were too shy to speak. Now we are speaking in the meeting.”
- **Empowerment:** “This has brought more solidarity to our women. Before it was everyone for herself, but thanks to our groups today, women are coming together across the generations.”
- **Improved relations with husbands:** “Now if you don’t have your own money you can get it from the group. This creates a good atmosphere between wives and husbands.”
- **Better relations between families:** “Before there was tension between some women who often would not speak to each other. Now we are working together.”
- **More communication:** “Before you could go months without seeing someone from the village. Now we meet every week. This increases understanding.”
- **Virtual insurance:** “If you get sick, the group will go to your fields for you.”
- **Better diet:** “Now we are preparing food with better sauces. We sell sauces and we have enough money to use them.”

¹⁰ 8,472 outstanding X 4 (the average loan term is less than three months) = 33,888 loans per year/ \$68,546 (total yearly operating costs of the Tonus SfC unit) = \$2.02

- **Business development:** “Before there was no money to invest in our businesses. When we borrowed from suppliers to have something to sell they gave us the worst produce at the highest price. Now we have our own capital; we sell a lot more and our profits have increased. We can buy more things in the village and there are more things to eat now.” (According to these women, their profit margin has often increased from barely breaking even to 50% or more, with most of the profit going toward substantially expanding their income-generating activities.)
- **Strategic thinking:** “When we have more money in the fund than demand for loans we purchase sacks of maize and rice and then we sell them during the rainy season when the price is high.”
- **Food security:** “During the rainy season there were a lot of problems. We didn’t have the money and there was nothing to buy. Now we can buy what we need from the other members of the group.”
- **Learning more about health:** “We did not know that mosquitoes caused malaria.”
- **Ownership:** “The fact that the promoter didn’t put his hand on the women’s money gave us confidence in SfC. It was the proof that it is an affair for the women themselves.”

One woman summed it up this way: **“Hope is in the box,” referring to the box with a lock that each group uses to store the money between meetings.**



Groups made up of members with similar socioeconomic characteristics face many of the same problems in life. Lack of voice and lack of information are particularly acute among poor rural women. *Saving for Change* brings such women together, providing a legitimate forum for them to discuss their problems and propose solutions. **While in the beginning they often focus on financial issues, over time, as they become more comfortable with each other, they begin conversations on such topics**

as family health, domestic violence, land issues, local politics, and other relevant issues. In this way, *Saving for Change* is also a platform for participatory democracy. *Saving for Change* is building social and economic capital in these villages.

Expanding the educational package

In Mali and Senegal, malaria education is only the first education module introduced to the groups. What is contemplated for Mali and for the new *Saving for Change* countries in Africa is a variety of complementary interventions dealing with acute problems locally. Due to erosion and deforestation, exacerbated by the increasing uncertainty of seasonal rains as a result of global climate change, the resource base in these countries is deteriorating. Simple interventions to collect and store water during the two to three months of heavy rainfall could tip the balance in favor of the survival of these villages. **With this in mind, Oxfam America will convene a group of experts in water harvesting, micro-irrigation, gardening, and community forestry, and launch a research effort to learn what has been tried and what worked best in these areas. These best practices will be translated into training modules along the lines of the group formation and malaria training modules, so these ideas can be disseminated rapidly.**

Summary

The *Saving for Change* approach:

- Starts with the financial and decision-making resources, however small, of people.
- Does not require an externally maintained superstructure. Training services are provided by existing NGOs with staff who move on to new villages as soon as groups are able to operate on their own.
- Becomes a platform for a broad range of health, agricultural, and literacy inputs.

This model succeeds because it:

- Gives power to the group.
- Supports group responsibility for its members, an important risk-spreading technique.
- Speeds capital accumulation.
- Encourages “viral replication” as members share with others what they learned.
- Recirculates money within the village economy.
- Reduces outflow of cash to intermediaries for interest payments – interest paid, in fact is a form of mutual savings.

And its impact is enhanced because it encourages:

- Increased management capacity at the local level.
- Solidarity, voice, and enterprise.
- Legitimacy for women in public spaces.
- Participatory venues for greater involvement in local governance.

The all-in cost per group member over the life of the project for the selection, training, support, and monitoring of the staff of the local institutions ranges from \$15 to \$35 with costs higher in West Africa where the population is more dispersed than in Asia where, population density is higher, and operating costs are substantially less.

Investing in *Saving for Change*

Nearly 78,000 villagers have joined *Saving for Change* in just two years – 44,000 in Mali, 4,000 in Senegal, and 28,400 in Cambodia, with this number increasing by several thousand per month. The number of members in these countries is projected to reach 100,000 by the end of 2007. **Oxfam America’s Community Finance team now has the systems and capacity to greatly expand its outreach.**

Oxfam is seeking investors to grow *Saving for Change* in up to 7 countries to 700,000 members over the next 4 years. As indicated, this investment will generate healthy financial returns, although all of it will accrue to the rural entrepreneurs rather than to the intermediary NGOs underwriting the training of the groups. What *Saving for Change* provides is the skills training to enable many thousands of groups with many hundreds of thousands of members to be reached efficiently and effectively.

Oxfam America also seeks funding to expand the education package taught to the groups including an expanded health curriculum, and sustainable agriculture and resource management modules. The third area for funding is to document the results, educate donors, and involve many more local organizations, thereby greatly leveraging the initial investment. Reaching 700,000 of the rural poor is a substantial accomplishment in its own right, but the unmet demand is between half a billion and a billion households. Many others will need to be involved.

ANNEXES:

Annex 1: Results to Date, by Country

Oxfam America has *Saving for Change* programs underway in Mali, Senegal, and Cambodia. The Community Finance Unit at Oxfam America recently started operations in El Salvador and is also expanding into Burkina Faso with all this accomplished in just twenty-four months. With additional funding, new countries will be included and operations will be expanded in the countries where *Saving for Change* is already working.

Mali

Oxfam America's *Saving for Change* program in Mali, one of the poorest countries in the world, operates in partnership with Freedom from Hunger and four local NGOs. Since starting training groups in April 2005, the program has achieved the following results:

- The program has grown to 2,050 groups with 44,000 women members from nearly 900 villages.
- Of these, 1,400 groups with 31,000 members were trained by staff animators, and 650 groups with 13,000 members were trained by villagers.
- Only two tenths of one percent of the 24,000 outstanding loans is late.
- 76% percent of the fund including savings, interest on loans, fines and income from group projects is on loan.
- Over this two-year period, the groups mobilized \$427,000 in savings, interest payments, fines, and the income from their collective group businesses.
- Of this amount, \$86,000 has been returned to the members, generally just before the planting season when money is scarce.

Shown below are some statistics about SfC group members:

- They are, on average, middle-aged, illiterate women with five children, living nine kilometers from a market town and experiencing food insecurity for at least part of the year.
- Only 13% of members have ever taken out a loan from an MFI or credit union.
- These women and their families are benefiting from life-saving education provided through the SfC groups on how to prevent and treat malaria. Malaria is endemic in Mali, and is the greatest killer in this region.
- Now, 60% of women (in the SfC groups) and their children sleep under insecticide-impregnated bed nets (compared to 30% of the non-participants from the same villages). Unlike many programs, mosquito nets are not handed out; they are purchased by the members, who are able to do so now because they know it is important and they now have money.

The fact that villagers are training new groups in such large numbers is promising. It points to how much the members value the program.

Oxfam's NGO partners will expand outreach by another 15,000 to 20,000 members by the end of 2007, with the objective of reaching 120,000 women by 2010, about a tenth of the un-served market. If all goes according to plan, by 2010 *Saving for Change* will be the largest microfinance initiative in Mali in terms of number of members, and the only one reaching deep into the Malian countryside and serving the very poor.

The bulk of the funding for the local *Saving for Change* partners in Mali comes from the Norwegian Stromme Foundation and, more recently, Geneva Global. These two foundations have committed \$2,225,000 over the next three years to pay the local NGO partner expenses for expanding *Saving for Change* in Mali and neighboring Burkina Faso. Oxfam America underwrites the costs of identifying, training, and supervising the SfC partners; the design and implementation of the monitoring system; evaluation; the development and improvement of the training modules; and certain partner expenses.

Senegal

Following the Mali model, Oxfam America started its activities in Senegal in December 2006. Oxfam America works through a single partner organization in a remote site close to the border with Mali. The Senegal initiative has grown to some 4,000 group members. Expansion in Senegal has lagged for lack of sufficient funding. With adequate resources the rate of expansion in Senegal could mirror that of Mali.

Cambodia

In contrast to the Mali program where *Saving for Change* works through four local NGO partners, in Cambodia, Oxfam America works through a single nation-spanning partner, CEDAC. The Community Finance team started *Saving for Change* through CEDAC in August 2005. Now, 325 Savings Group Animators (SGAs), each working a few hours a week, provide close support and training to 1,850 CEDAC/*Saving for Change* groups with 28,400 members in 1,100 villages. The Savings Group Animators are supervised by a team of 15 field trainers, 3 master trainers, and a team coordinator.

The fielding of the Savings Group Animators is an important innovation. SGAs train the groups in the SfC package, provide intensive support, and monitor progress. SGAs typically have between 9 and 12 years of education and are recruited locally. Many are members and often officers of SfC groups. Savings Group Animators are paid, on average, \$15-\$25 per month (including travel – they use their own bicycles and motorcycles). The total cost for training and supporting a group member is less than twenty dollars.

As CEDAC expands its outreach to a planned 6,000 villages by 2010 (nearly one half of Cambodia's 13,000 villages), a growing team of trainers and savings group animators will support and monitor more than 10,000 saving and lending groups with 170,000 members, making the CEDAC/*Saving for Change* one of the largest (if not the largest) microfinance initiatives in the country showing the potential of this highly decentralized model. Additional funding – approximately two million dollars over three years will be needed to achieve this objective.

There is a close link between the groups and CEDAC's small farm training work. The centerpiece of CEDAC's agricultural package is the System for Rice Intensification (SRI). Virtually all farmers in Cambodia grow rice, which is the staple of Cambodian diets. CEDAC has launched a company to market SRI rice, and plans to sell 90 tons of rice this year and a projected 480 tons next year. Farmers receive up to a 20% premium for their pesticide-free rice while CEDAC receives a source of income. (The marketing operation should break even in 2008.)



Mrs. Eam Samin, from the Ta Koem Village of the Sarong Tong District, demonstrates the healthy growth of her SRI rice.

The *Saving for Change* / agricultural innovation / marketing package is worthy of close study as Oxfam America develops an integrated approach to rural development. The model can help inform the design of an expanded *Saving for Change* rural development package for Africa, Latin America, and elsewhere in Asia.

Thus far, funding for *Saving for Change* in Cambodia has been provided largely through an individual donor, with Oxfam America underwriting the costs of supervision, research, and some partner expenses. Oxfam America has also underwritten some of the costs of the dissemination of the SRI training package. Expansion of the program will require further funding.

Annex 2: Linking Groups to Institutional Lenders

As the groups evolve, individuals or even entire groups could be linked to financial institutions such as microfinance institutions, credit unions, and banks. For example, in India, savings and lending groups trained largely by NGOs have the option of borrowing from local banks to top off their internally generated savings.¹¹

The relationship between the groups and institutional lenders will be fluid, however. Very poor group members who previously borrowed from MFIs often find that an internal loan from their group savings can better meet their credit needs and reduce their financial risk with the advantage of the interest payments returning to the group (and building their own savings account). Other members whose growing businesses require more capital may prefer to take out larger MFI loans. MFIs will need to adapt to provide services that complement the group-managed funds.

Annex 3: The Research Agenda

Oxfam America has made a major commitment to understanding the outcomes and the impact of *Saving for Change*. There are five interlocking research questions implicit in this work:¹²

- 1) **Who is being reached?** Is it possible to serve the poor and very poor whom traditional microfinance has not reached, at scale and at low cost?
- 2) **How are they being reached?** What are the most cost-effective ways to teach basic savings and lending skills at the village level? What is the process by which villagers train additional groups of their own initiative, and what is the quality of these new groups? Have the methodologies been adopted by other agencies, and are they being supported by other donors? How can additional components – health, economic literacy, sustainable agriculture – best be added to these poorly educated groups?

¹¹ NABARD, the National Bank for Agriculture and Rural Development in India, is currently linking 2.23 million self-help groups with over 32,980,000 members to bank credit with training provided by thousands of NGOs and credit provided by thousands of branch banks operating in rural areas making this the largest and fastest growing microfinance initiative in the world. The success of the decentralized NABARD model, however, reflects the vast number of rural banks in India, the extensive NGO sector that has twenty years of experience in Self Help Group training, the relatively dense population of India, comparative stability, a high level of literacy, and policies encouraging lending to the poor and banks to make loans to informal groups.

¹² Oxfam America has recently completed a major study in Mali and Cambodia that addresses most of these issues. The surveys are supplemented by the observations of Malian and Cambodian anthropologists/rural sociologists who are studying villages in depth to understand the nuances of the change process. These studies will be available later this year.

- 3) **What are the outcomes?** How quickly do these programs grow, and at what cost? What is the quality of the groups in terms of saving and lending, loan repayment, and meeting attendance? How are loans used? Have businesses been started and how do they fare? Have existing businesses expanded? Are livelihoods improving through the adoption of new practices? Are health outcomes improving because of preventative health measures and improved knowledge? Are these groups accessing other locally based services that can contribute to improved welfare?
- 4) **What is the impact on participant's lives?** Over three to five years, have assets grown? Has food security improved? Has participants' vulnerability to shocks decreased? Has women's roles in household decision-making increased? Are more children, especially female children, going to school? Has the rate of incidence of key preventable diseases decreased? Have new practices improved the long-term sustainability of these villages? Are women more empowered to participate in issues that affect their lives? The answers depend on many factors, not only SfC -- but we want to have some measure of understanding the broader impact, both direct and indirect.
- 5) **How do these efforts interface with policy at the national level?** Do the members of these groups have any legal rights or protection? Can formal financial institutions lend to these informal groups legally if they need to top up their loan funds? Currently SfC falls under the policy radar in most countries, but if research shows that there is regulation or threat of regulation that would harm SfC groups, appropriate advocacy strategies will be developed. Where necessary, we will pursue enabling legislation for SfC groups.

