The Role of Government in Savings Groups: Policies, Priorities and Partnerships

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SPEAKERS

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QUESTIONS

Q: What kind of financial inclusion policies did you find in the respective countries? Were these policies formulated by the National Banking policies and regulations?

We found different types of financial inclusion policies across the 22 sub-Saharan Africa countries we researched. Mostly these policies are developed by the central bank in collaboration with the Ministry of Finance and sometimes with a wider working group made up of ministry representatives. For our research we were looking specifically at which of those policies included a Savings Group component. For example, the Governments of Burundi, Kenya, Rwanda, South Sudan, Tanzania and Uganda have approved or pending microfinance policies and laws for tiered regulation, and the registration or legal recognition of Savings Groups. The Government of Malawi has launched new guidelines for reporting, registering and monitoring of groups, and Tanzania and Uganda are in the process of doing the same. These initiatives allow Savings Groups to continue to operate in the informal sector, and intend to support Savings Groups transition to – or transactions with – the formal sector.

Q: Are there are Savings for Transformation groups who have been recognized as an official economic group by a country, and can they benefit from government financial resources?

The Savings Groups that we refer to, are informal groups that operate comprised of 15-25 self-selected individual who save together and take small loans from those savings, provide members the opportunity to save frequently in small amounts, access to credit on flexible terms and access a basic form of insurance. Governments can recognize them as mentioned in the response below. We did not go in depth of how they were benefiting from governments financial resources, but we heard of some government initiatives that are looking at how Savings Groups can benefit from certain funds (e.g.: Funds for support to Women's Empowerment and Child Development (FAFE), Shea Butter Program and Multifunctional Platform Program in Mali).

Q: Are there standard operating procedures for how to establish and run savings groups? If an agency or government puts together individuals and encourages them to save up, who is responsible to ensure that those individuals return money on time? How are savings groups incorporated into economic assistance? Would an agency provide cash and then encourage savings groups? Could you provide any examples?

Non-government Savings Group implementers often have standard operating manuals and procedures, and our research showed some governments are now investing in the same. For example, in Malawi there is now the 'Savings and Loan Groups Best Practice Guidelines' which establishes national standards for the implementation of Savings Groups in Malawi. The guidelines were developed under the guidance of the Ministry of Finance, Economic Planning and Development, and the Ministry of Civic Education, Culture and Community Development, in collaboration with the main promoters of Savings Groups in Malawi. Tanzania and Uganda are in the process of doing the same.

Q: What percentage of savings groups are linked with credit from mainstream banks?

Question is beyond the scope of the research.

Q: In a country like Nepal, savings groups differ significantly in terms of their capacity. Do you use rating tools to categorize these groups and devise differential capacity development support to enable them to work properly?

Question is beyond the scope of the research.

Q: I noticed on the CARE figures that Zimbabwe was excluded – is it because there are no government initiatives or there are no studies that have been carried out?

The initiatives included in the research were those which were identified and then validated within the timeframe of the research. It is highly likely there are more government Savings Group initiatives that exist within and beyond the countries we mapped. Zimbabwe is a context where a government Savings Group initiative was identified though could not be validated within the research timeframe.

Q: Do you evaluate the policies your country promotes? What are the main lessons drawn by these evaluations?

Q: Are there any policies around financial literacy for rural women in Rwanda?

The research identified the Rwanda National Financial Education Strategy 2013. The national financial education strategy (NFES) aims at deepening and broadening the financial literacy of Rwandans. More information about the NFES, including the focus areas and how it has prioritized Savings Groups can be found on pg. 47 of the 'State of Practice: Savings Groups and the Role of Government in Sub-Saharan Africa' report.

Q: In your report, SGs include VSLA family as well as ROSCA and ASCA. I wonder what the percentage of the SGs under government initiatives belong to VSLA.

The research did not identify how many of the government initiatives identified were specifically the Village Savings and Loan Association model. However, the researchers do note that in many cases there are explicitly Village Savings and Loan Associations (VSLA) promoted through government policies, programmes or strategies. For example, Ethiopia's National Productive Safety Net Program, Ghana's Financial Sector Development Project, Rwanda National Financial Inclusion Strategy are a few of the examples where VSLA were identified or prioritized.

Q: Was there any evidence generated from the angle of SG promoters and members regarding policy? Particularly regarding the capacity to analyze, advocate and influence policy?

In different countries, Savings Promoters have been organizing themselves in Platforms of Savings Groups implementers. These groups include both international and national implementers and in some cases include the private sector. They are the interface with governments on public policies in the sector and enabled improved coordination with Government. On page 13 of the report you can find a concrete example from Mali.

The research also identified 2 governments led networks for sector coordination in Uganda and Rwanda. Details are also available on page 13 of the report.

Zambia has also a very example a network called SaveNet Zambia that seeks to work with development agencies, private sector organizations, and government to promote financial inclusion of Savings Groups. The overall goal of SaveNet is to promote financial inclusion of economically marginalized communities through scaling up of innovation and best practices that arise out of promoter intervention of SGs using different methodologies. This groups is the key interface with governments institutions in particular the Ministry of finance and helps them to identify groups, and in the design of policies and programs.

Q: Was there any indication from the findings that sufficient consideration was made on the potential implications (both positive and negative) of guidelines on reporting, registering and monitoring of SGs on the performance (financial and operations) of groups?

The report did identify the various government policies or laws which required registration, reporting or monitoring of Savings Groups. The Governments of Burundi, Kenya, Rwanda, South Sudan, Tanzania and Uganda have approved or pending microfinance policies and laws for tiered regulation, and the registration or legal recognition of Savings Groups. The Government of Malawi has launched new guidelines for reporting, registering and monitoring of groups, and Tanzania and Uganda are in the process of doing the same. These initiatives allow Savings Groups to continue to operate in the informal sector, and intend to support Savings Groups transition to – or transactions with – the formal sector. In Rwanda and Madagascar, group registration is not required; instead groups can seek legal recognition from a local government office, which facilitates access to extension services, financial institutions and additional government support.

The purpose and intended outcomes of these policies are discussed under each initiative in the report.

Analyzing the implications was beyond the scope of the research. However, the author's did include reflections from policy makers in relation to reporting, registering and monitoring Savings Groups. These reflections can be found on page 17 of the report.

Q: Did you identify similarities across countries in policies and strategies on SGs?

Though every context is unique there were indeed some similarities in the way that Savings Groups were leveraged by governments in their policies, programs or strategies.

For example, to promote financial inclusion, Savings Groups were commonly integrated into national financial inclusion strategies with the objectives to: extend financial services to mostly rural, low income populations and other underserved markets; as a pathway to financial institutions; for the promotion of a savings culture and the mobilization of domestic savings; and improved access to finance for smallholder farmers and micro-entrepreneurs to strengthen the base of value chains.

Savings Groups were also commonly integrated into national social safety net plans and programs, as a route for the most vulnerable to build resilience so some may 'graduate' from the safety net.

Q: How can government policy help VSLA? What should be included in that policy to facilitate mobile financial services in VSLA?

Governments serve an important role in the promotion of Savings Groups. Regulators set rules that affect how groups operate and transact with formal service providers; national policies influence and direct investments from development actors; and diverse ministries are beginning to prioritize Savings Groups in their strategies and programs – and, in some instances, allocating technical and financial resources to group formation and training, with direct impacts on scale and sustainability in national markets. The enactment of public policies related to Savings Groups contributes to both national financial inclusion and development goals, including economic development, health and gender equality

Resource Links

State of Practice: Savings Groups and the Role of Government in Sub-Saharan Africa

https://mangotree.org/Resource/State-of-Practice-Savings-Groups-and-the-Role-of-Government-in-Sub-Saharan-Africa