

A Market Systems Approach to Savings Groups

1 Introduction

This learning brief proposes the application of the **market systems approach**¹ 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 Savings Groups. **To reach significant numbers of poor people in a sustainable manner, it is necessary to develop a vision for the future where Savings Groups are formed and operating without development agency assistance. This will require commitment from stakeholders to adopt the approach, pilot interventions, share results and together learn how best to reach scale.**

The primary audience for this learning brief is the international development community including non-governmental organizations (NGOs) and other implementing organizations, as well as funders, collectively referred to as development actors. **Development actors** currently perform three key functions: **funding, implementation and facilitation**. **Funding** for 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. Donors fund other organizations, to either implement or to facilitate. Implementers receive donor funding to form, train and, in some cases, provide additional support to Savings Groups. **Implementers** are most often local and international NGOs, faith-based organizations (FBOs) and community-based organizations (CBOs). **Market facilitators** receive donor funding to develop a sustainable market system. Market facilitators are generally local or international organizations, funded by donors to sustainably develop a particular sector to benefit a target group using the market systems

approach. Annex 1 provides a brief summary of the rationale and key elements of the market systems approach.²

The secondary audience for this learning brief is **system actors** seeking to participate in a sustainable SG system. System actors include government, private sector providers, civil society actors, and consumers.

This paper begins with a brief summary of the Savings Group sector, followed by analysis of the current system, providing an informed judgment of where and why the SG system is not performing to its full potential. The paper then considers the incentives and capacities for system actors to take on roles currently being performed or paid for by development actors, followed by suggestions for how market facilitators can support system actors to develop a sustainable system at scale. It concludes with a call to action for SG stakeholders to agree on a future vision for the sector and a note to funders on how to support the application of the market systems approach to the SG sector.

While Savings Groups are sometimes used as conduits for development programming – in health, education, or agricultural extension, for example – this learning brief addresses the provision of financial services only. Furthermore, it does not discuss the sustainability of individual Savings Groups as ongoing financial service providers. Rather, the intention of this learning brief is to help develop a common understanding of the SG system and its potential, and to encourage stakeholders to adopt a market systems approach in order to achieve scale, sustainability and impact.

Savings Groups

Savings Groups³ are an informal financial service provider (FSP) that serves, primarily, people who are excluded from or underserved by formal financial

¹The market systems 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.

²For a more comprehensive guide to the approach, see "The Operational Guide for the M4P Approach" (The Springfield Centre 2015).

³For an introduction to Savings Groups, see "Savings Groups – What are they?" (Allen and Panetta 2010).

service providers, including the rural poor, women, youth and other vulnerable populations. As with any single type of FSP, Savings Groups do not meet all the financial service needs of members. In general, Savings Groups help members meet more immediate and short-term consumption and investment needs through commitment savings, access to relatively small loans, periodic lump sums, and emergency funding. In addition, Savings Groups serve some non-financial needs, such as the development of social capital and support among members. For the most part, Savings Groups do not offer easy withdrawal of savings, long-term credit, insurance (beyond emergency funding), or payment services.

The formation and training of Savings Groups by (primarily) development organizations has been ongoing for roughly 25 years, with significant growth occurring during the 2000's when the Bill and Melinda Gates Foundation and The Mastercard Foundation provided large amounts of funding to INGOs⁴ to form Savings Groups. By 2016, development actors had trained approximately 700,000 Savings Groups, comprised of 14 million members, across 75 countries (VSL Associates 2017).

Despite the seemingly large number of Savings Groups and clear evidence of benefits to members, the reality is the SG system is underperforming in terms of its potential. Market estimates for the demand for Savings Groups by women in Sub-Saharan Africa, alone, are as high as 125 million, and the potential market for Savings Groups worldwide may be as large as 400 million (CARE International 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). However, there is simply no prospect of enough donor funding to meet the large unmet demand based on the current model of funding Implementers to form, train and support groups. 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 system to adapt and provide benefits to more people without donor funding.

2 Understanding the Savings Group System

Facilitation begins with analysis of the functions within a market system. The first step is to define the functions in the system; the second is to determine who is performing the functions, and who is paying for them to be performed. This section describes the functions within the SG system, followed by a 'who does/who pays' analysis of the current system to assess performance and bring sustainability issues to light (Table 1).

Figure 1 describes the SG system, including the core (in the centre), the support functions (in the top half) and the rules and norms that govern the system (in the lower half).

The **core** of the system consists of Savings Group members (demand for financial services) and Savings Groups (supply of financial services). Performance and stability in the core are demonstrated by size and outreach – the number of members and the number of Savings Groups operating; and by depth and quality – the level of poverty of the members and the degree to which services meet member needs. In a well-functioning SG system, high-quality Savings Groups form and operate and are accessible to all who wish to participate, regardless of income level or geographic location.

Support functions and rules are necessary for the core to operate effectively. The following describes each of the support functions and rules depicted in the SG system.

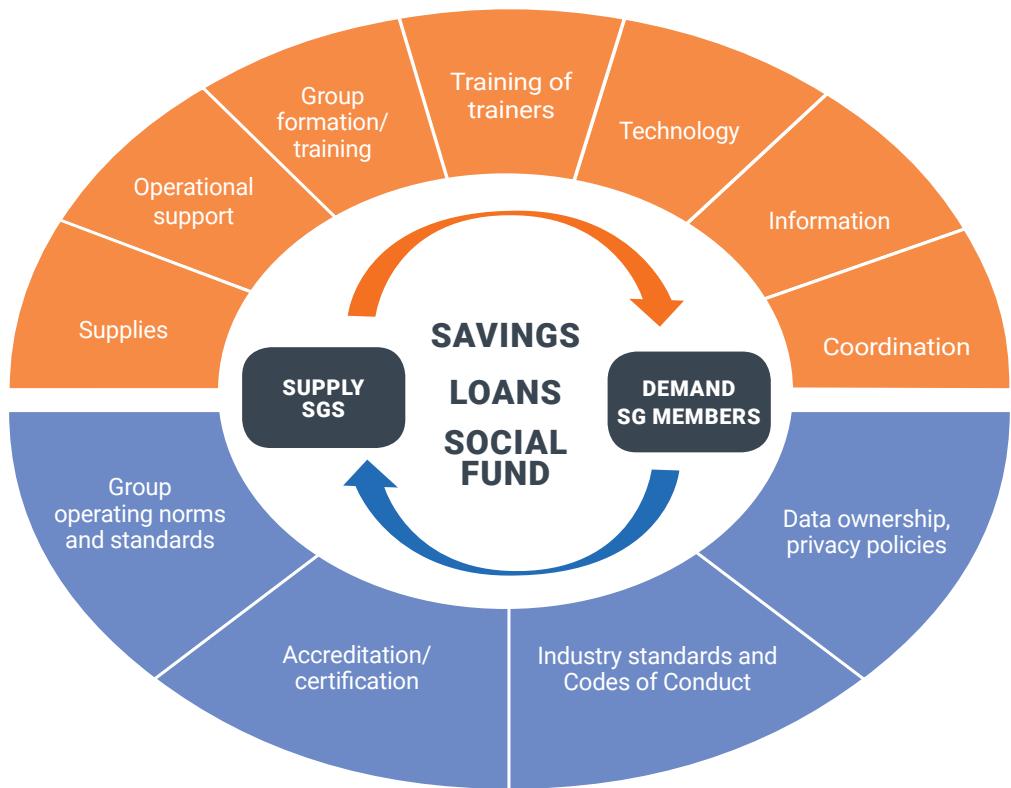
2.1 Support Functions

Group formation and training: Savings Groups require formation and capacity-building through a structured process of training which takes place over nine to 12 months. In addition, an unknown number of Savings Groups are formed through 'viral replication' or peer-to-peer training.

Training of trainers: In order to have a cadre of trainers able to form and train Savings Groups and provide support, ongoing training of trainers is required.

⁴Primarily the Aga Khan Foundation, CARE International, Catholic Relief Services, Freedom from Hunger (now the Grameen Foundation), Oxfam America, Plan International and World Vision.

Figure 1: Illustrative Savings Group System



Operational support: After groups complete the training, they become safe places for members to save, and increasingly function on their own. However, many Savings Groups require periodic ongoing support to ensure rules are understood and followed, assist with some calculations (i.e. share-out), or help resolve disputes.

Supplies: Savings Groups require passbooks, boxes, locks and other supplies such as pens, a calculator and bags for the different funds, some of which is found in local markets or custom-made.

Information: There are two primary areas of information within the SG system: data regarding Savings Groups and their operations (i.e. name, location, number of members, savings, loans outstanding, etc.); and information about external services (i.e. information on products or services such as formal financial services, health services, agricultural inputs and practices, etc.).

Sector coordination: Coordination among sector stakeholders is necessary to support development of the

system. This may include sharing training resources and technology, standardizing methodologies, and hosting databases and coverage maps.

Technology: Various tools reduce complexity and reinforce and supplement skills, thereby increasing efficiency of group operations. Technology applications to support record keeping serve to both improve accuracy and transparency, as well as collect data as either the primary purpose or as an ancillary benefit. For example, information regarding group and member transactions collected with SG record keeping applications can support formal FSPs to ascertain the credit worthiness of individual Savings Group members over time.

2.2 Rules

Because Savings Groups do not intermediate non-member funds, formal regulation has not been necessary. However, Savings Groups face risks related to poor group quality and, more recently, from exposure to external actors, including formal financial service

providers (Wheaton 2018).⁵ As Savings Groups are likely to remain informal and, thus, outside of direct oversight, consumer protection needs to be embedded in the SG system.

Group operating norms and standards: Groups require rules that govern operations, and members require the capacity to follow these rules to ensure no harm. Operating norms and standards are typically documented in group constitutions which govern how the group functions – including rules related to savings and credit, and the rights and responsibilities of members.⁶

In addition to formalized rules, group operations are also influenced by informal norms related to gender, age, and particularly trust among group members, between members and trainers, and members and external service providers. Groups are often connected through other affiliations (livelihoods, familial bond, faith, geography, etc.) which may influence informal rules or norms.

Accreditation/certification: Some group formation and training models include a certification process to certify trainers to ensure quality standards. Accredited institutions observe and examine trainers, who are then certified if they meet the criteria. Certification formalizes group operational standards somewhat, although quality depends on how the accreditation is done and by whom. It may support a more sustainable, long-term mechanism for group formation, training, and operational support.

Industry standards and codes of conduct: Standards and codes of conduct for sector stakeholders affect

the safety and quality of Savings Groups. At present, standards and codes of conduct relate predominantly to development actors; in a sustainable system, codes of conduct or standards for development actors are of course not necessary. Nevertheless, they are useful while development actors are active in the system, particularly if they are brokering relationships between Savings Groups and FSPs.

Data ownership and privacy policies: Policies regarding how individual and group data is gathered, used, shared and stored, as well as ownership of data and member understanding of how it is being used and by whom, are necessary to protect group members. Policies are generally enacted by government; however, data ownership and privacy standards may also be included in industry codes of conduct. While rules and policies for data ownership and digital identity may not be specific to Savings Groups, relevant standards and policies are needed to mitigate risks when member data is collected and shared externally.

2.3 'Who Does' and 'Who Pays'?

Figure 1 provides a means of organizing information related to the structure and functions of the SG system. **Table 1**, below, outlines who currently performs (does) these functions, and who currently pays for these functions, and assesses the effectiveness of current performance. This assessment allows us to identify constraints which are keeping the SG system from performing on its own at scale; that is, which functions are being performed and/or paid for by development actors and, therefore, where change needs to happen.

⁵As 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.

⁶These 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 fines to members for the infraction of group rules, how leadership is selected, maintenance and security of the box for cash or digital accounts, etc. Constitutions may also attempt to pre-empt and address issues resulting from an imbalance of power and information asymmetry within the group, and whether the group will access external services or additional support.

Table 1: The Current SG System: Who Does? Who Pays?

FUNCTION	WHO DOES?	WHO PAYS?	PERFORMANCE
CORE (Supply-Demand)			
Savings, credit, social fund	<i>Supply - Savings Groups</i> <i>Demand - Members</i>	Members	Savings Groups are reasonably sustainable themselves, but the overall system is not; and it is not reaching its potential for scale. Quality varies depending on training and support.
SUPPORT FUNCTIONS			
Group formation and training	Implementers (and partners) Fee-for-service trainers	Donors Members	Sustainable once fee-for-service trainers are trained. Not reaching full potential of scale. Quality varies. Not sustainable in the long-term if paid by donors.
Group supplies	Local suppliers	Members Donors	Members have incentive to pay depending on their capacity to do so. Not sustainable if purchased by donors.
Training of trainers	Implementers (and partners)	Donors Trainers	Donors pay for initial training of trainers to train groups and other trainers. Some sustainability issues. Not reaching scale. Quality varies.
Operational support	Implementers (and partners) Fee-for-service trainers	Donors Members	Operational support is provided by the same actors who do group formation/ training. Potential for sustainability if members perceive value and pay; not sustainable if paid by donors or if trainers leave the area. Quality varies.
Technology	Private sector developers Implementers (and partners)	Donors Private sector Members	In general, donors pay, through implementers, for development, management and maintenance. Not sustainable if implementers 'do' and donors 'pay'. Not reaching scale. Quality varies. Recent development of Digital Savings Group applications led by implementers, paid for by private investment, donor funding and user fees (paid by members/groups and institutional users).
Coordination	Implementers (and partners) Trainer networks/ associations	Donors Trainers	Potential for sustainability if trainers and/or government perceive value and pay. Not sustainable if done by implementers and paid by donors. Quality varies.
Information and data collection; linkage to external services	Implementers (and partners) Trainer networks/ associations	Donors	Some information collected by development actors is less relevant for market actors. Potential for sustainability if government or private sector perceives value and does and/or pays. Not sustainable if done by implementers and paid by donors.
RULES			
Group operating norms and standards	Trainers Savings Groups	Donors Members	Largely informal but often documented. Quality varies related to quality of group formation, training, and operational support. Essential for consumer protection.
Accreditation-certification	Implementers (and partners) Government	Donors Trainers	Certification of trainers is not necessary but may contribute to quality assurance and trust. Not sustainable if paid by donors. Quality varies depending on provider.
Industry standards and codes of conduct	Implementers (and partners) Industry bodies/ networks	Donors	Related to consumer protection. Will shift to local industry networks when development actors are not performing key support functions and rules.
Data ownership and privacy policies	Implementers (and partners) Government	Donors Government	Not exclusive to Savings Groups but necessary to protect members as groups become digitized, connect with formal FSPs. Sustainable if government 'does' and 'pays'.

Based on the analysis in **Table 1**, development actors currently do and/or pay for most supporting functions and rules.

3 Developing a Sustainable SG System

To facilitate the development of a functioning sustainable SG system that operates at scale, development actors must work towards a future that does not include them. This requires a realistic assessment of which system actors (private, public or civil society) have the incentives and the capacity to do and/or pay for system functions currently being performed or paid for by development actors (identified in bold in **Table 1**). That is, 'who could do' and 'who could pay' in the future, for support functions and rules currently done and/or paid for by development actors? Determining this provides a possible future vision for a sustainable SG system and helps market facilitators intervene appropriately to develop the system.⁷

3.1 Who Could Do and Who Could Pay?

When considering 'who could do' and 'who could pay' for support functions and rules, the incentives for each type of system actor must be realistically and practically assessed. For the private sector (whether firms or individuals), incentives most often relate to financial viability. For the public sector, incentives relate to developing the economy and managing risk. For civil society organizations (CSOs), their incentives are to ensure social good and benefit to their members (if relevant). Once incentives are aligned, capacity can be developed if it doesn't exist. This is an appropriate role for market facilitators.

Group Formation, Training, Operational Support, and Training of Trainers

Historically, groups were formed and trained by implementer staff, paid by the implementer with donor funding. In recent years, efforts by implementers to create a more sustainable SG system have focused on developing approaches to reduce the cost of group formation and training through a cascaded 'fee-for-service' model whereby independent trainers are paid by the groups rather than the implementer.

As this model evolved, two types of independent fee-for-service trainers have emerged: 'lead trainers' and 'community-based trainers' (CBTs)⁸. In some cases, the lead trainer begins as staff of an implementer, operating with donor funding; sometimes, they are entrepreneurial members of the community. Lead trainers identify

potential CBTs from existing Savings Groups (or another search process), whom they train and support to form and train Savings Groups. CBTs may initially receive training and a stipend from the implementer; but in a sustainable system, they: 1) pay a lead trainer for training; and 2) are compensated exclusively by the groups.

This 'cascade training' approach has worked well to expand the number of Savings Groups beyond those trained by implementer staff and has reduced the cost of group formation and training substantially. However, neither sustainability nor scale has been achieved – the model still uses donor funding to form and train the first cohort of Savings Groups within a catchment area, to develop the capacity of lead trainers, and to certify them (if relevant) to train CBTs. Thus, it is necessary to consider who has the incentives and capacity to train lead trainers and who has the incentive and capacities to become a lead trainer.

For a private training institute to offer training for lead trainers on an ongoing, sustainable basis, there must be a viable business case; that is, enough people must be willing to pay sufficient tuition to become lead trainers. For an FSP or fintech to train lead trainers, it must make commercial sense either through the provision of additional services, or the development of new market segments. Based on experience to date, it is not clear that training groups, and training of trainers can be fully commercially viable - which means it is unlikely to be just about private actors. There may be a role for the government to play in paying for their staff (or quasi staff) to become lead trainers, either by sending them to a private training institute or by developing capacity in-house. These civil servants could then be deployed to local government offices to train CBTs (non-staff), who then train and support Savings Groups.⁹

Similarly, local civil society organizations (CSOs) that promote Savings Groups may see value in having lead trainers within their organization to train and support CBTs. In particular, networks or associations may choose to provide training for lead trainers to individuals from the private or public sector, or other CSOs, for a fee. Further, local organizations may be willing to share training materials with others who want to form groups or group members who want to support new groups.

⁷Table 1 provides a generalized analysis of the SG system. National and sub-national systems may differ, with respect to the functions performed and paid for by system actors.

⁸Independent, fee-for-service trainers are referred to in different terms depending on institutional affiliation: Private Service Providers (PSPs), Village Agents (VAs), and Community-Based Trainers (CBTs) are the most common.

PRIVATE SECTOR	GOVERNMENT*	CIVIL SOCIETY**
<ul style="list-style-type: none"> Private training institutes, formal FSPs or fintechs could see a business case to train lead trainers on a cost-recovery or profitable basis or to develop a new client base Individual social entrepreneurs could see training groups and CBTs as a viable business and be willing to pay for training to become lead trainers Individuals could see training groups as a viable endeavour (financial or social) and be willing to pay a lead trainer for training to become a CBT Lead trainers and CBTs form groups for a fee paid by groups 	<ul style="list-style-type: none"> Government could pay to embed the training of trainers internally to train staff or could pay the private sector to train government staff or volunteers as lead trainers Government entities could employ or support lead trainers to train CBTs Government-trained CBTs could form and train groups for a fee paid for by the groups 	<ul style="list-style-type: none"> CSOs could train lead trainers directly or pay for staff to be trained as lead trainers from their own budgets funded by members, donations, or government CSOs could employ or support lead trainers to train CBTs to form and train groups paid by the groups

*Government entities with a social protection or community development mandate, ideally with deep local outreach

**Local NGOs, industry associations, networks, community or faith-based organizations

Information

Currently, data on group activities is collected primarily by trainers during routine monitoring visits. This data is used by implementers to report to their funders. When training is complete, Savings Group data often ceases to be collected. However, within a sustainable SG system, information is still required. Knowing the number of groups and members and their location, as well as aggregated financial data, and in some cases, individual or transactional data, is useful for governments and others to assess how many people are 'financially included' through SGs (and in some cases, to determine the volume of savings and loans outside of the regulated financial system). This information is also useful for those forming and training new groups and for those interested in providing external services to Savings Groups and their members, such as formal FSPs, local health centers or sales representatives for other products. Who collects and manages this data

depends on who has the incentives and capacity to do so. Similarly, who pays for this depends on incentives and capacity as well.

If a private training institute provides training for lead trainers, they may be willing to collect, aggregate and manage data if they can sell the information or if it advances their business case. And while a formal FSP is unlikely to take on this role, a fintech or software firm may be willing to do so, particularly if they developed the technology, so long as someone is willing to pay them. Governments may be willing to pay for the data and national networks may be willing and able to collect it as a fee-based service. The reality, however, is that data collection is expensive and group members do not have any incentive to provide information, particularly if they believe sharing information could result in government oversight or interference.

PRIVATE SECTOR	GOVERNMENT	CIVIL SOCIETY
<ul style="list-style-type: none"> A private training institute, FSP or fintech could add data collection and information sharing either for a fee or as part of their value add to create more business FSPs and other private sector firms could be willing to pay for data to know where gaps exist and/or in order to sell other services 	<ul style="list-style-type: none"> The Ministry of Finance, central bank or other government entity with a social protection or community development mandate could conduct surveys to collect Savings Group data Governments could be willing to pay for data given their interest in increasing financial inclusion and resiliency 	<ul style="list-style-type: none"> Associations/trainer networks could perceive value in collecting and managing data for sharing with other stakeholders (including government and the private sector) for a fee CSOs could be willing to pay for data to know where gaps exist or in order to provide other services/support

⁹National social protection programs reach significant numbers in many countries; it may be useful to consider an integration of Savings Groups into national safety nets to help recipients manage their savings.

Sector Coordination

The need for information is closely connected to the need for coordination. Various stakeholders currently play a coordination role, generally funded by donors and market facilitators. Coordination of the SG sector may continue to include development actors as long as they are active; but with a market systems approach, the focus moves to sharing learning, coordinating geographic

coverage and ensuring best practice by, and amongst, system actors. Who plays this role in the future needs to be determined based on incentives and capacity; similar to the information function, a private training institute, government entity or Savings Group network may be willing to do and/or pay for sector coordination.

PRIVATE SECTOR	GOVERNMENT	CIVIL SOCIETY
<ul style="list-style-type: none"> A private organization could take on the coordination role for a fee or to strengthen their offer 	<ul style="list-style-type: none"> The government could take on the coordination role as a public good or pay someone else to do it given their interest in increasing financial inclusion and resiliency 	<ul style="list-style-type: none"> Networks/associations could see value in the 'offer' to members to coordinate the sector in order to share updated materials, information, advanced training, new technologies, bulk purchasing, etc.

Technology

Historically, the development and maintenance of technology for Savings Groups has been led by implementers funded by donors and developed by the private sector. More recently, investments in 'Digital Savings Groups' have been led by fintechs. Going forward, there will be a continued need for technology applications to be developed, managed and paid for

by system actors. Private and public sector actors may have the incentives to develop, manage or pay for technology applications, and while civil society actors may support development, (i.e. convene their members to test or provide input), it is unlikely they would have the capacity to manage, develop or pay for such technology.

PRIVATE SECTOR	GOVERNMENT	CIVIL SOCIETY
<ul style="list-style-type: none"> Private sector software developers, fintechs and others could see the business case to develop and maintain technology applications FSPs or other private sector service providers may be willing to pay for technology applications that provide information on members' financial history, or allow them to sell other products 	<ul style="list-style-type: none"> Government could be willing to invest in technology (i.e. pay the private sector or develop and maintain it themselves) to improve the efficiency of Savings Groups and enable improved sector coordination and data collection 	<ul style="list-style-type: none"> CSOs could see value in supporting development and maintenance of technology applications to better serve their members and, if applicable, associated trainers

Accreditation/Certification

A robust process of trainer certification helps ensure continued group formation, quality group training and operational support and, ultimately, high group quality and consumer protection. Currently, trainer certification

is undertaken by implementers and trainer networks. As development actors exit, it is imperative that the process be performed and paid for by market actors.

PRIVATE SECTOR	GOVERNMENT	CIVIL SOCIETY
<ul style="list-style-type: none"> Private sector training institutions offering training to lead trainers could see business value in accreditation and invest in certifying lead trainers Social entrepreneurs could see value in paying for certification 	<ul style="list-style-type: none"> The Ministry of Education or other government entities could recognize the value of Savings Groups in increasing employment and financial inclusion and accredit a CSO, public or private training institute to certify lead trainers Government could be willing to pay to certify trainers to reduce risk in the SG system 	<ul style="list-style-type: none"> Associations/networks of trainers could see value in having a robust certification process and invest in becoming accredited to certify lead trainers for a fee CSOs could be willing to pay to have their lead trainers certified

Industry Standards, Codes of Conduct, Data Ownership and Privacy Policies

Industry standards and codes of conduct are required to protect group members and to ensure quality groups continue to operate and provide value to members. In particular, as groups become digitized, measures are required to protect against online theft of funds and to protect member data, privacy and digital identity. Currently, the ownership of group and individual member

data is not clear. Without development actors present, it is ever more critical that stakeholders agree and adhere to standards and codes of conduct that ensure the safety of Savings Groups and their members. Who develops, monitors and enforces these standards and codes of conduct in a sustainable system needs to be determined.

PRIVATE SECTOR	GOVERNMENT	CIVIL SOCIETY
<ul style="list-style-type: none">Trainers want group quality to be high to ensure continued demand for their services so could be willing to ensure standards and codes of conduct exist and are adhered to by those who train groups and those who provide external servicesExternal service providers could recognize and adhere to industry standards based on the desire for a long-term relationship with Savings Groups and their members	<ul style="list-style-type: none">Government entities with a social protection or community development mandate could recognize the potential systemic risk that poor-quality groups pose to the informal sector, and as a result invest in the development and oversight of effective standards and codes of conduct for group formation and training, the provision of external services, as well as data ownership and privacy policies	<ul style="list-style-type: none">Associations/networks of trainers see value in having high-quality groups and the need for external services to benefit group members so could invest in developing standards and codes of conduct that ensure group members are protectedCSOs may also play an advocacy role to ensure policies exist, for example, regarding data ownership and privacy, to protect Savings Groups and their members

3.2 The Role of Market Facilitators

The role of facilitators is to work with system actors to align incentives and to develop their capacity to do and to pay for support functions and rules currently performed by development actors. This paper advocates implementing organizations shift their focus from implementation to facilitation. The following suggests ways in which facilitators can support system actors to take over functions within the SG system such that long-term sustainability is achieved making scale possible. In all cases, the facilitator must develop a vision for the future ensuring they have a clear exit plan as system actors take over.

Group formation, training, and training of trainers: As a first step, market facilitators need to determine if there are interested private sector organizations, potentially appropriate government entities, and CSOs with the incentive to train trainers. The second step is to determine the viability of each of the organizations to provide training of trainers and oversee CBTs. Once viable options have been determined, facilitators can support the development/refinement of training materials and processes and support capacity development. These steps are relatively the same whether working with the private sector, government or CSOs.

For the **private sector**, facilitators can provide support to determine the business case to train lead trainers.

This could involve developing a business model based on various assumptions about costs and revenues to determine the number of trainees required for viability. This analysis, in turn, needs to be based on assumptions that there is enough revenue for trainers to have the incentive to train and supervise CBTs (and/or form and train groups), and enough revenue for CBTs to have the incentive to form Savings Groups and provide a portion of their fees to the lead trainer.

Clearly, a private sector approach requires a fair amount of revenue, which ultimately must come from Savings Group members; it is difficult to determine how robust demand will be in order to sustain this structure. A facilitator thus might conduct research to test the business case for lead trainers in order to provide evidence to the training institute and potential participants. Given there are already lead trainers and CBTs presumed to be earning a livelihood (full- or part-time) by charging for their services, market research could be conducted to explore the revenue streams of these trainers to further understand the potential for this model. Such research would reveal, for example: the rates charged for a range of services (forming groups, training CBTs, group support); trainer expenses or the costs of operation; the number of groups needed for 'break-even'; and the type and level of group training, supervision and support. In addition, it will be necessary

to consider an appropriate timeframe for which CBTs continue to compensate the lead trainer. At some point, the added value of the trainer becomes minimal. This, in turn, affects the business model(s). As well, lead trainers' income can be limited by the finite number of groups within their geographic catchment area, so consideration of other services they can provide may be useful as well.

Government entities with financial inclusion, social protection, economic development, or women's economic empowerment mandates and, ideally, a national field-presence, are good candidates to take on group formation and training. A market facilitator's role is to jointly (and honestly) assess the identified government agency's willingness and ability to 'do' and, importantly, to 'pay' for the activities required for the model to work (i.e. training and certifying lead trainers, overseeing the development of CBTs, updating training materials, etc.). To identify potential government agencies, looking beyond federal agencies may be useful. For example, traditional structures based on tribal affiliation could provide training of lead trainers or, at a minimum, be leveraged, to form, train and support groups, and potentially provide local consumer protection measures. There may also be existing government-owned technical or vocational training institutes where training of lead trainers could be added.

Similarly, market facilitators can work with identified local CSOs to assess their willingness and capacity to provide training of lead trainers and support training of CBTs, and then develop their capacity to do so.

In all cases, a market facilitator can either provide – or support the development of – training curricula, program design, capacity-building and other start-up costs. It is of paramount importance, however, that internal capacity be built to maintain and update training materials and to develop new lead trainers in the long-term without ongoing support of the facilitator –whether in government, private sector or civil society.

These are appropriate interventions for a market facilitator given that development funding is only

required in the initial stages to establish the training mechanism and demonstrate its viability. By supporting a private, public or civil society organization to offer training on an ongoing basis to produce lead trainers, create and support CBTs, and maintain and update the training materials, facilitators have a clear exit plan.

Information, coordination and technology: Market facilitators could work with various system actors to determine the viability of taking on the information and/or coordination role, and also determine which system actors would be willing to pay for information, coordination or the development and maintenance of new technology. For any private sector organization to do this on an ongoing basis, the business case via willingness of others to pay needs to be confirmed. For government, it is necessary to determine which agencies, if any, have the incentives to do and/or pay for information and sector coordination, and to fund the development and management of technology, similarly for CSOs. Once organizations are identified, the facilitator can support them to develop their capacity to provide these functions, so long as it is clear there is a demand from and willingness to pay by other system actors. Determining the breadth and depth of information to be collected and the frequency of collection may be an appropriate role for a market facilitator given their neutrality and ability to ensure all stakeholders' needs and demands are considered. In all instances, whoever performs and whoever pays for the functions needs to be sustainable in the long-term without ongoing development assistance.

Consumer protection: Market facilitators could support private sector firms or CSOs (as relevant) who provide training of lead trainers to develop a certification process and seek accreditation from the government to ensure the certificates are meaningful and support quality control. Similarly, market facilitators can support CSOs such as trainer networks or industry associations to develop effective standards and codes of conduct, and work with the government to ensure policies are in place to protect SG data and privacy and capacity exists within government to enforce these policies.

Table 2: A Future Sustainable SG System: Who Could Do? Who Could Pay?

SUPPORT FUNCTION	WHO DOES?	WHO PAYS?	WHO COULD DO?	WHO COULD PAY?
Group formation and training	Implementers Fee-for-service trainers	Donors Members	Lead trainers and CBTs from: FSPs, fintechs; government; CSOs	Group members; FSPs; fintechs; government; CSOs
Group supplies	Local suppliers	Members Donors	Local suppliers	Members
Training of trainers	Implementers	Donors CBTs	Private training institutes; FSPs; fintechs; government; trainer networks; associations; other CSOs	Social entrepreneurs; FSPs; fintechs; government; CSOs
Operational support	Implementers Fee-for-service trainers	Donors Members	Lead trainers and CBTs	Group members
Technology	Technology companies Implementers	Donors Members	Technology companies	FSPs; fintechs; government; CSOs
Sector coordination	Implementers Trainer networks associations	Donors Trainers	Trainer networks; associations; government	Lead trainers; government
Information - data collection; information regarding external services	Implementers Trainer networks associations	Donors	Lead trainers; CBTs; private training institutes; trainer networks; associations; other CSOs	FSPs; fintechs; other service providers; government; CSOs
RULES	WHO DOES?	WHO PAYS?	WHO COULD DO?	WHO COULD PAY?
Group operating norms and standards	Trainers	Members	Lead trainers and CBTs	SG members
Accreditation-certification	Implementers Government	Donors Trainers	Private training institute; government; trainer networks; industry associations	Lead trainers; private training institute; government; CSOs
Industry standards and codes of conduct	Implementers Industry bodies	Donors	Trainer networks; associations; government	Government; trainer networks; associations
Data ownership and privacy policies	Implementers Government	Donors Government	Government	Government

4 A Shared Vision and Agenda

This learning brief advocates for informed experimentation and documentation within the framework of the market systems approach. 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 with quality financial services.

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. Continued experimentation and learning will be critical. Development actors must be supported to pilot a series of parallel interventions consistent with the market systems approach and commit to documenting, sharing learning and leveraging each other's interventions.

A Note to Funders

Committing to a market systems approach shifts the focus of implementers from achieving predefined targets to a shared commitment to experimentation and learning. This affects the relationship between funders, implementers, market 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 system 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 market facilitators. This different accountability model requires more flexibility in funding 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 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 system actors taking over, recognizing the reality that facilitators cannot force market actors to behave within a certain timeframe or 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 other development actors.

Annex 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 the target group. A **market system** consists of a range of **system functions** as well as the **system actors** that perform these functions. Around the core transaction between supply and demand are:

- i. **Supporting functions:** functions that shape, inform and enable transactions; and
- ii. **Rules:** formal rules shape the market, and informal norms and practices that shape the behavior of market actors

System actors are permanent players in the market system and include the private sector, public sector and civil society. A combination of different types of actors are required for a system to function well, at scale, and to be inclusive. Changes in the core of the market are a consequence of changes in the wider market functions (supporting functions and rules) 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** to catalyze **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 temporary interventions that catalyze market actors, encouraging and assisting them to assume responsibility to take on, and pay for, key market functions in order to better serve the poor; in the long term, facilitators do not have a continuing role in the market system. Facilitating change requires a clear vision of how the market system will function in the future without development actors - that is, who will 'do' 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) them. When *development actors* are performing or paying for market functions, it is necessary to identify which *market actors* have the incentives and capacity to do so in the future.

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 market actors' capacity (i.e. *how to change*) or incentives (i.e. *want to change*). 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.

When determining how best to intervene, facilitators must acknowledge incentives of different market actors. For private sector actors, their incentive 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, community-based trainers (discussed above) are private sector 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 need to ensure their role is temporary. If any role the facilitator is playing is needed in the long-term for the system to function well (i.e. market research to regularly inform market players, sector coordination, advocacy, etc.), the facilitator must be able to articulate how the role will be taken on by market actors. That is, as a key part of their intervention or strategy, facilitators need to clarify 'who will do and pay' for this function in the future, without donor funding – and how this is expected to be achieved.

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In memory of Alan Gibson (1961 – 2018)

This learning brief is dedicated to Alan Gibson. From its inception, Alan inspired and guided its structure and content and I am deeply grateful for his invaluable contributions and guidance. Alan’s thinking and vision for a market systems approach to poverty alleviation and economic development was transformative and far-reaching. He left an indelible legacy and is deeply missed by many. Rest in peace Alan.

– Joanna Ledgerwood

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