CASE STUDY

Savings Groups and Consumer Protection: Risk Mitigation through Community-Based Structures

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This case study was developed by the SEEP Network in partnership with FSD Africa and Catholic Relief Services.

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Acknowledgements

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

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1 Introduction

Over the last two decades, Catholic Relief Services (CRS) has promoted Savings Groups – referred to as *Savings and Internal Lending* Communities, or SILCs – reaching about 3.8 million members across 58 countries. The program model is based on an innovative fee-for-service delivery channel that trains and certifies *Private Service Providers* (PSPs), local social entrepreneurs who form and train Savings Groups for a fee paid by the group. The fees charged by the PSP are negotiated with each group, in exchange for standardized group training as well as ongoing support services that may include assistance with end-of-cycle share-outs, loan recovery, conflict resolution and supplemental training offered by development organizations.

As the portfolio of a PSP grows, it can be challenging for them to provide adequate support to an ever-increasing number of groups. Several of the 39 PSPs certified by a CRS project in Togo found that, given their time limitations and travel distances between groups, their portfolios required more support than they could provide. To allow them to devote more time to supporting new Savings Groups – and to further foster the independence and autonomy of the more mature groups in their portfolio – some PSPs have facilitated the establishment of SILC Committees, representative bodies composed of multiple groups in a given area.

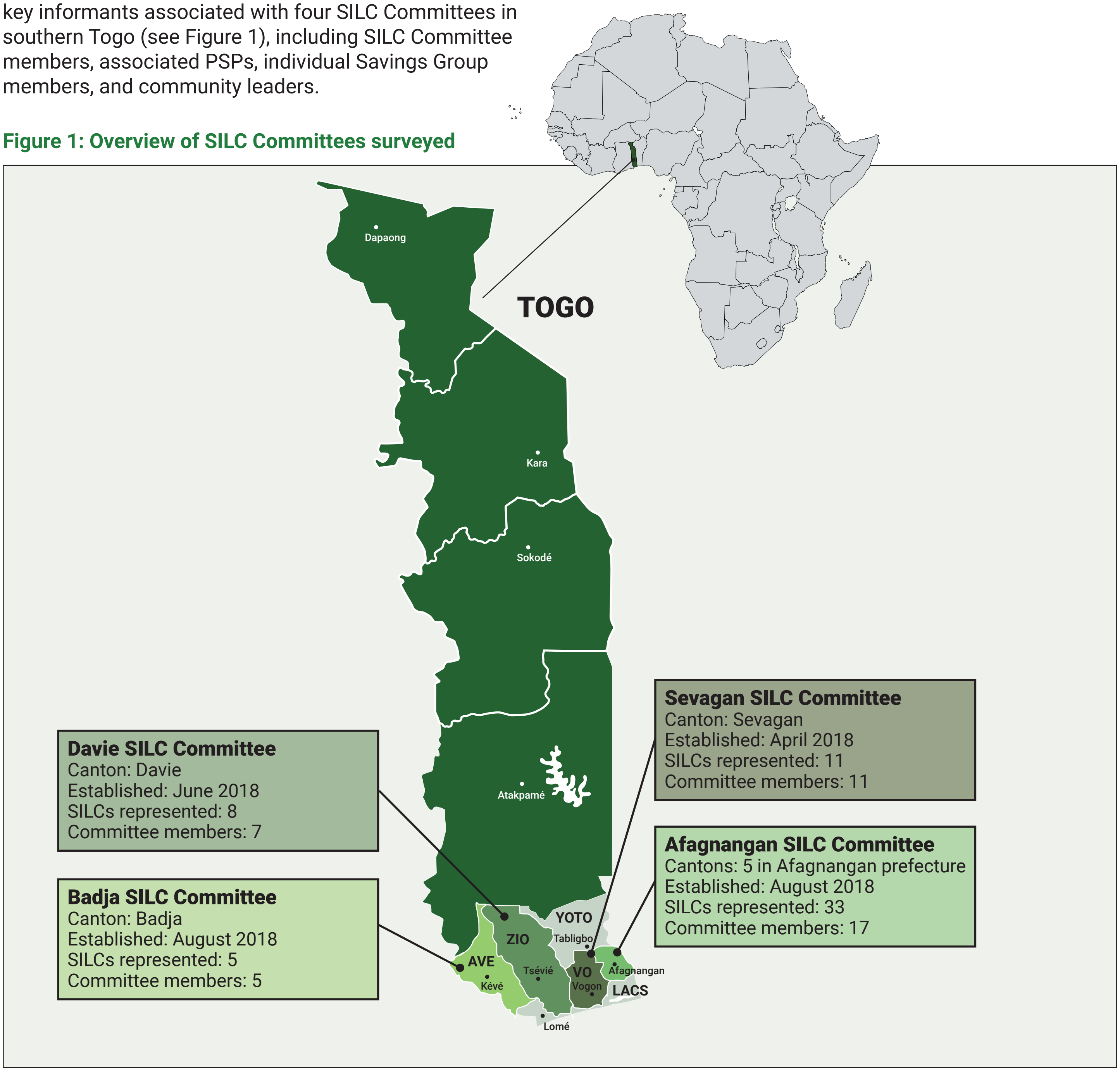
A recent risk assessment of Savings Groups in Burkina Faso, Madagascar, Rwanda and Tanzania (Wheaton 2018) identifies the main risks to which Savings Groups are exposed, including group dissolution, multiple membership, conflict between members, inadequate training and support services, governance, savings and lending policies, and the security of members and group assets. This case study explores the role that SILC Committees in Togo play in mitigating some of these identified risks.

The emerging experience in Togo suggests that community-based approaches are a promising consumer protection mechanism for Savings Groups. While the sustainability of SILC Committees is not yet clear, they have demonstrated the potential for Savings Groups to come together to make decisions, solve problems, and take collective action.

2 Field research

To better understand the origins, mandate, successes and challenges of SILC Committees, researchers from CRS Togo conducted individual in-depth interviews with 38 key informants associated with four SILC Committees in southern Togo (see Figure 1), including SILC Committee members, associated PSPs, individual Savings Group members, and community leaders.

Figure 1: Overview of SILC Committees surveyed



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3 SILC Committees: An overview

3.1 Origins

The idea for SILC Committees emerged from discussions within PSP Networks, local associations of PSPs. Originally, PSPs conceived of such committees as a way to support their work, and to assist with group mobilization. Quickly, PSPs began to envision a broader role for SILC Committees, to include problem-solving and sharing information across groups. In 2018, at least three PSP Networks in Togo – comprised of 39 PSPs – voted to establish SILC Committees. As of March 2019, PSPs have established 32 SILC Committees in their respective areas. At the time of this study, all remain operational.

3.2 Governance

Each SILC Committee represents all the Savings Groups in a PSP's coverage area of one or more *cantons* – traditional administrative units covering a fairly large number of villages.

The management structure of each SILC Committee includes:

- President
- Secretary
- Treasurer
- Members at large
- Other optional positions:
    - Vice President/Secretary/Treasurer
    - Organizer for SILC promotion days
    - Meeting facilitator

SILC Committee management positions are elected democratically, by a show of hands or paper ballot, by a general assembly of delegates from each member Savings Group. Each SILC Committee includes at least one member from every village with a Savings Group. Once established, each SILC Committee creates its by-laws – although, at the time of this study, none of the Committees surveyed had yet completed and approved written by-laws.

SILC Committees are elected by and represent all groups in a given area. When a new Savings Group is formed within a Committee's coverage area, the Committee sends a representative to the group to explain their mandate and encourage the Savings Group to become a member. Although membership is voluntary, all SILC Committees surveyed in this study report that there is no Savings Group within its jurisdiction that has refused to join. According to the CRS Savings Groups project manager in Togo:

> "EACH [SAVINGS GROUP] RECOGNIZES ITSELF IN THE COMMITTEE, AS [THE SAVINGS GROUP MEMBERS] THEMSELVES HAVE ELECTED THEIR REPRESENTATIVES TO THE COMMITTEE IN A TRANSPARENT MANNER. THERE IS NOT A GROUP [IN A SILC COMMITTEE COVERAGE AREA] THAT WILL SAY IT IS NOT REPRESENTED BY THE COMMITTEE. THEY ARE ALL OF THE COMMITTEE, EVEN IF THEY DO NOT HAVE A MEMBER OF THEIR OWN GROUP ON THE COMMITTEE'S MANAGEMENT."

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SILC Committees hold regular monthly or quarterly meetings to share updates on the experience of member groups, discuss resolutions to common problems, and plan SILC promotion activities. Meeting agendas vary by members' needs and interests. A recent meeting of the Davie SILC Committee, for instance, discussed how to deal with loan delinquency, keep group funds secure, train group members on income-generating activities, and encourage groups to mobilize funds to pay the PSP regularly.

In addition to regular meetings, SILC Committees convene extraordinary meetings as needed, at the request of the PSP or a member group. When member groups request support from the SILC Committee to resolve internal issues, the SILC Committees send representatives to the groups. Two of the four SILC Committees in this study charge fees to their member groups to cover travel expenses.

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3.3 Mandate, role and activities

SILC Committees have multiple mandates. First, they monitor groups and help address issues as they arise. This ensures that groups have access to support beyond project staff and PSPs, and relieves the PSP of the burden of being the only recourse to solve problems or arbitrate intra-group disputes. The fact that SILC Committees have been democratically elected and consist of representatives from the member Savings Groups gives them legitimacy to act with, or in lieu of, the PSP when problems arise. Some SILC Committees even work proactively to prevent problems – for instance, by visiting member groups three months before the end of the cycle to remind them of the importance of collecting outstanding loans before share-out.

Second, by coordinating Savings Groups from multiple villages (and in one case, multiple *cantons*), the SILC Committees share pertinent information with, and across, member groups. This may include reminders about important aspects of group operations, or the experience and lessons learned by other groups.

Third, SILC Committees help their PSPs to organize SILC promotion days, designed to encourage the formation of new groups. In addition to these SILC-related mandates, some key informants interviewed expressed hope that the SILC Committees would aid more broadly with local development, supplementing the current cantonal development committees.

4 Risk mitigation: prevention, responses and redress

SILC Committees can mitigate risk by reinforcing good practices among member groups, including the importance of attendance, punctuality and discretion regarding group finances and share-outs. SILC Committees can also reinforce cohesion, which affects group survival, by addressing conflicts between individual group members. Most importantly, SILC Committees can play a role in addressing two key risks identified in the SEEP risk assessment: loan default, and membership in multiple groups.

4.1 Loan default

The risk assessment (Wheaton 2018) identified loan default as one of the main risks affecting Savings Groups: 52 percent of Savings Groups surveyed had experienced at least one unrecoverable loan, and loan default is one of the primary concerns of members. Loan default was cited as a reason for group dissolution by 20 percent of inactive groups, and it was the primary cause of instances of negative group returns.

SILC Committees are a promising community-based approach for resolving issues related to loan delinquency and default. In instances where loan repayment issues are beyond the capacity of individual groups to resolve internally, the PSP is generally the next point of recourse. If the PSP is not available, unable to resolve the issue, or prefers that the SILC Committee handle the situation, they may refer the issue to the Committee, or seek the Committee's support in recovering outstanding funds. Savings Groups may also appeal directly to a SILC Committee, which it is anticipated they will do more frequently as the SILC Committees mature and gain experience.

Once tasked with resolving a delinquent loan, a SILC Committee generally requests to meet with the borrower individually. During the visit, the member and SILC Committee representatives come to an agreement on a repayment plan in the presence of one or more witnesses. One PSP reported that a SILC Committee in Davie canton dealt with one case in the following manner:

> "A GROUP MEMBER TOOK A LOAN OF 45,000 FCFA (~$90). WHEN THE LOAN CAME DUE AND SHE COULD NOT REPAY, THE GROUP CONTACTED THE SILC COMMITTEE, WHO REQUESTED A MEETING WITH HER. THE MEMBER DID NOT ANSWER THIS REQUEST, SO THE COMMITTEE SENT TWO REPRESENTATIVES TO MEET HER AT HER HOME. IN THE PRESENCE OF THE MEMBER'S FATHER [AS WITNESS], SHE MADE A COMMITMENT TO REPAY. CURRENTLY, 20,000 FCFA (~$40) REMAINS OUTSTANDING."

According to another PSP, the SILC Committee in Afagnangan required that one member who defaulted provide collateral to guarantee the outstanding balance until they were able to repay, based on a revised schedule:

> "A GROUP MEMBER BORROWED 20,000 FCFA (~$40) AND COULD NOT REPAY BEFORE THE LOAN MATURED. THE SAVINGS GROUP SEIZED THE MEMBER'S SAVINGS AND APPLIED IT TO THE DEBT, LEAVING 7,800 FCFA (~$15.60) OUTSTANDING. THE SUPPORT OF THE SILC COMMITTEE WAS REQUESTED AND THEY CONTACTED THE MEMBER. THE COMMITTEE ASKED THE MEMBER TO PROVIDE COLLATERAL TO GUARANTEE THE OUTSTANDING AMOUNT, WHICH HE DID. AT THE END OF THE CYCLE, THE COMMITTEE ONCE AGAIN SUMMONED HIM, HE REPAID THE REMAINING DEBT, AND THE COLLATERAL WAS RETURNED."

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When addressing loan default, SILC Committees benefit from two distinct advantages. First, SILC Committees are effectively empowered to secure loan repayment as a result of the legitimacy afforded by their collective membership. Second, their broad representation of numerous Savings Groups in one or more cantons means that Committees can support multiple groups struggling with loan recovery.

4.2 Borrowing from multiple Savings Groups

The SEEP risk assessment also revealed that membership in multiple groups is common: on average, in any given group, more than three members also belong to another group. Multi-group membership enables members to save and borrow more, stagger share-outs from multiple groups to smooth cash flow, access needed credit more quickly, and expand support networks. However, membership in multiple Savings Groups exposes both members and groups to increased risk, namely over-indebtedness, loan default, lower portfolio quality and, ultimately, reduced and possibly negative returns.

Such risks have manifested themselves in Togo. The Davie SILC Committee dealt with a Savings Group member who borrowed from one group to repay another. In this case, the affected groups appealed to the SILC Committee for help. According to the PSP for Davie canton:

"IN ONE VILLAGE, A GENTLEMAN TOOK A LOAN OF 100,000 FCFA (~$200) FROM ONE GROUP AND COULD NOT REPAY. AS HE IS ALSO PRESIDENT OF A SECOND GROUP, WHEN THE FIRST LOAN MATURED HE TOOK ANOTHER LOAN OF 100,000 FCFA FROM THE SECOND GROUP. WITH THIS LOAN, HE REPAID ONLY HALF OF THE AMOUNT OWED TO THE FIRST GROUP.

I WAS CALLED IN BY THE FIRST GROUP AND ASKED TO INFORM THE PRESIDENT OF THE SILC COMMITTEE OF THE PROBLEM. THE SILC COMMITTEE MEMBERS SUMMONED THE GENTLEMAN TO ANSWER FOR THE DEFAULT. AFTER THAT MEETING, THE MAN REPAID THE REMAINING 50,000 FCFA TO THE FIRST GROUP. BUT THE SECOND GROUP STILL GOT NOTHING. FOLLOWING ANOTHER MEETING WITH THE MEMBER AND THE SILC COMMITTEE, HE COMMITTED TO REPAYING 10,000 FCFA PER MONTH TO THE SILC COMMITTEE, WHICH WILL HAND THE FUNDS OVER TO THE SECOND GROUP."

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SILC Committees show promise in mitigating risks associated with multiple group membership. As one PSP observed, "it is easy for the SILC Committee to acquire information on who is in multiple groups, since they know each other." In addition to identifying such cases through group visits, SILC Committees can consolidate and review membership lists for their groups and identify individuals in multiple groups. Because SILC Committees represent all Savings Groups in an area and have an elected management, groups may be more willing to share borrower information with their SILC Committee than they might be with a PSP or project staff. As explained by one PSP:

> "MEMBERS OF MULTIPLE GROUPS SOMETIMES TAKE OUT SIMULTANEOUS LOANS [FROM MORE THAN ONE GROUP], WITHOUT MY KNOWLEDGE. I'VE REALIZED THIS AND ASKED THE GROUPS TO TELL ME IF A MEMBER OF MULTIPLE GROUPS WANTS TO TAKE OUT A LOAN. BUT I HAVE NOTICED THAT SOMETIMES THE GROUPS DO NOT INFORM ME, BECAUSE OF THEIR GROUP SOLIDARITY. AND THEY [ISSUE THE SIMULTANEOUS LOANS] WITHOUT UNDERSTANDING THE RISKS OF DEFAULT."

Access to information about multi-group membership, particularly borrowing from multiple groups, can allow SILC Committees to inform affected groups of the implicated members and associated risks. This ensures that Savings Groups have the knowledge they require to act. Most interviewees – PSPs, SILC Committee members and Savings Group members – agreed that the SILC Committees could inform groups and PSPs of cases of members belonging to and/or borrowing from multiple groups, and educate groups on the risks to borrowers and the group. At the time of the study, however, only one of the SILC Committees surveyed had taken actions to prevent or discourage membership in multiple groups. While information sharing across groups raises concerns about the privacy of member information, one SILC Committee member shared this perspective: "members of multiple groups should understand that losing privacy is the price you pay to join more than one Savings Group."

The legitimacy, mandate and knowledge afforded by their broad representation mean that SILC Committees are well placed to act in cases of membership in multiple Savings Groups. Given that they are relatively new entitites, however, their effectiveness in doing so remains to be determined.

5 Conclusions and next steps

5.1 Summary of findings on SILC Committees

Origins	Promoted by PSPs in Togo in response to the needs and challenges of the Savings Groups they support
Governance	Representatives are democratically elected by delegates of member Savings Groups at a general assembly (similar to the process undertaken by individual groups when electing a management committee)
	Elected representatives manage SILC Committee operations
	Membership is comprised of all Savings Groups in the Committee's coverage area
Activities	Monitoring and supporting member Savings Groups
	Sharing pertinent information with member groups
	Resolving issues that cannot be resolved internally by member groups or the PSP
	Helping PSPs organize SILC promotion days
Outcomes	SILC Committees have demonstrated the potential to resolve loan repayment problems, and mitigate the risks of multiple group membership
	SILC Committees have successfully organized SILC promotion days, leading to the formation of new Savings Groups
Sustainability	The sustainability of SILC Committees - and whether operations can be sustained, in the long term, through the voluntary contributions of Committee members and/or fees paid by member groups - is not yet known

SILC Committees leverage their democratic legitimacy and broad endorsement from the community to resolve problems that affect multiple groups, or that groups themselves cannot resolve internally. While only in their first year of operations, SILC Committees already provide demonstrable benefits for Savings Groups and PSPs. Originally established to support the growing portfolios of PSPs, SILC Committees now represent a community-based approach to conflict resolution, portfolio quality management and risk mitigation.

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5.2 Looking ahead

Based on the initial experience of SILC Committees in Togo, CRS will continue to monitor the activities and outcomes of the Committees for another year prior to any replication in other countries. Specific areas for strengthening and continued monitoring include:

- Ensuring new groups are effectively 'onboarded' into the purview of SILC Committees
  - As the number and density of Savings Groups grow, it may be optimal to limit the catchment area of each SILC Committee in order to minimize travel and operating costs
- Testing an approach for Savings Groups and SILC Committees to develop risk mitigation strategies and integrate consumer protection more explicitly in the mandate of SILC Committees
- Evaluating the sustainability of the Committees, particularly with respect to the voluntary contributions of Committee members and the fees paid by member groups

While the impact and sustainability of SILC Committees remains to be determined, they have proven to be a community-based approach to consumer protection for Savings Groups worth further observation and evaluation.

References

Wheaton, A. An Empirical Risk Assessment of Savings Groups. The SEEP Network, 2018.
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