FSDT CASE STUDY

Boresha Maisha Community-based Savings Group programme in Lindi and Mtwara

“This group has helped me be successful. We participate and compete in this group because we know the end result is worth it. I now have my own plot of land and I am building a house of bricks and with iron bars in the windows.”

Reheema Athmani (front), member of the Jiendeleze savings group in Lindi

“The programme has helped many women start businesses.”

Member of Linda's Amkeni savings group

Glossary

AKF	Aga Khan Foundation
CBSG	Community Based Savings Groups
FO	Field Officer
FSDT	Financial Sector Deepening Trust
FSP	Financial Service Providers
LoP	Level of Percentage
MSME	Micro Small and Medium Enterprises
VSLA	Village Savings and Loans Association
VA	Village Agent
US$	United States Dollar

Executive Summary

The Financial Sector Deepening Trust (FSDT) funded a near five-year programme to bring basic financial services in the form of community-based savings groups (CBSGs) to some of Tanzania's poorest people in the southern regions of Lindi and Mtwara. The decision to fund the $6 million Boresha Maisha programme was reached after FSDT conducted valuable research into the availability of and constraints to financial services in the area. Boresha Maisha was implemented by the Aga Khan Foundation (AKF) and kicked off in 2009 for 44 months. The project was then extended for another year, the programme concluded in 2015.

Lindi and Mtwara lie south of Dar es Salam and the physical infrastructure links are tenuous due to the thick coastal forest vegetation and network of rivers, which isolate the population during the heavy rains. About two million of the country's poorest live here: 41% of the area's inhabitants live below the poverty line and only 23% have any savings. The majority rely on agriculture for survival, dependent on rainfall with food security therefore unpredictable[1].

This was not going to be an easy project, which is why its success is noteworthy. The programme was part of the Coastal Rural Support Project and set out to create basic financial inclusion and financial literacy for 112,500 people in the Lindi and Mtwara regions. Despite an inauspicious start due to ineffective project management, which struggled to navigate a number of geographical and staffing challenges, the Boresha Maisha CBSG programme developed into one of the biggest success stories of the informal financial sector in Tanzania, if not the whole of East Africa.

At its conclusion in 2015, 9,043 CBSGs had been created with over 174,580 people saving and borrowing - 66% of those being women, who are now more financially empowered. By the end of the programme, total savings throughout the programme across all CBSGs amounted to 65 billion Tanzania shillings or US$ 28,626,386.

FSDT and its implementation partner AKF developed and executed the programme -- from awareness raising, encouragement of CBSG formation and the distribution of savings group "box kits"[2] to training group members to become "village agents"[3] and employing locals as field officers to supervise the programme at grass roots level.

This case study is based upon interviews with CBSG members, village agents, key FSDT and AKF programme personnel, as well as the author's own experience during an FSDT-AKF field trip to Lindi and Mtwara in June 2017. The study incorporates data from previous reports on the programme, including the "End-of-Project Review of AKF Tanzania's Boresha Maisha Project" produced in August 2016 by Hugh Allen of VSL Associates and two FSDT reports: FinScope Tanzania 2013[4] and Informal Financial Groups in Tanzania[5].

CBSGs play a major role in helping Tanzania's most financially vulnerable and marginalised access a range of financial (savings, loan, insurance (emergency social funds), etc.) and non-financial (social networks, social and financial capabilities, etc.) services that can help them improve their livelihoods. As a result of the Boresha Maisha programme, thousands of people have been able to utilize these financial and non-financial services and subsequently build houses, send children to school and start businesses and commercial farms. Many more are now on their way to holding their own formal bank accounts and benefitting from the products and services that come with these.

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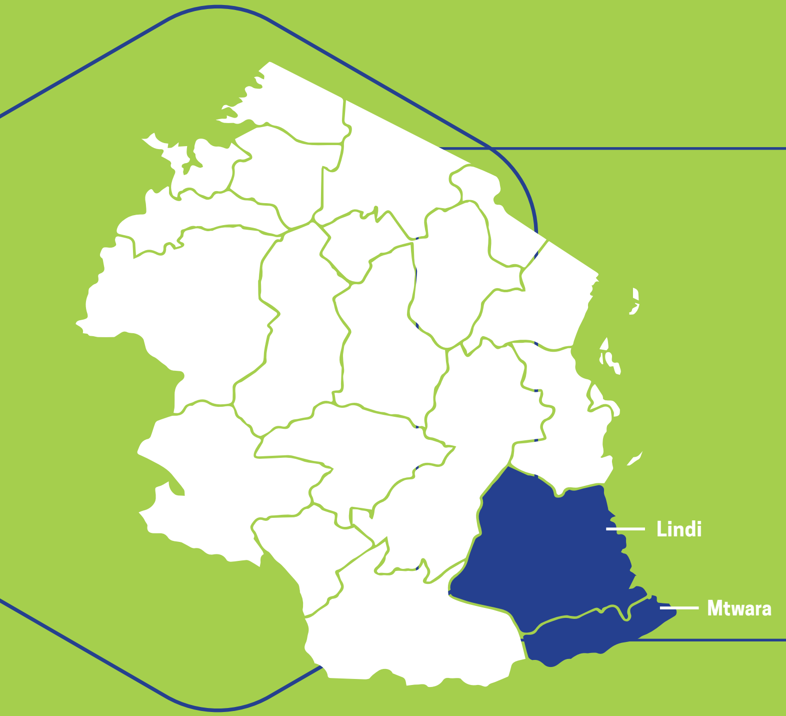
1 https://www.akf.org.uk/examples-of-our-work/agriculture/
2 The box kits comprise the physical materials necessary to operate a CBSGs. These include a metal cash box with three padlocks; two notebooks to serve as accounting ledgers within which fund balances are recorded; pens and a ruler; two bags within which cash is collected; a stamp pad and stamp with which to record share purchases; and the members' passbooks within which their share purchases, loans and loan repayments are recorded.
3 Village agents are responsible for ensuring the groups adhere to procedure. They provide support and guidance, particularly when it comes to pay-out of the final funds gathered during the group's cycle. During the programme village agents were paid by AKF but since the programme's conclusion, they work on a fee-for-service basis whereby groups pay a small fee per member in return for the village agent's support.
4 http://www.fsdt.or.tz/wp-content/uploads/2016/05/FinScope-Brochure-2013-Summary-2.pdf
5 http://www.fsdt.or.tz/wp-content/uploads/2016/06/Assessment-of-IFGs-in-Tanzania.pdf

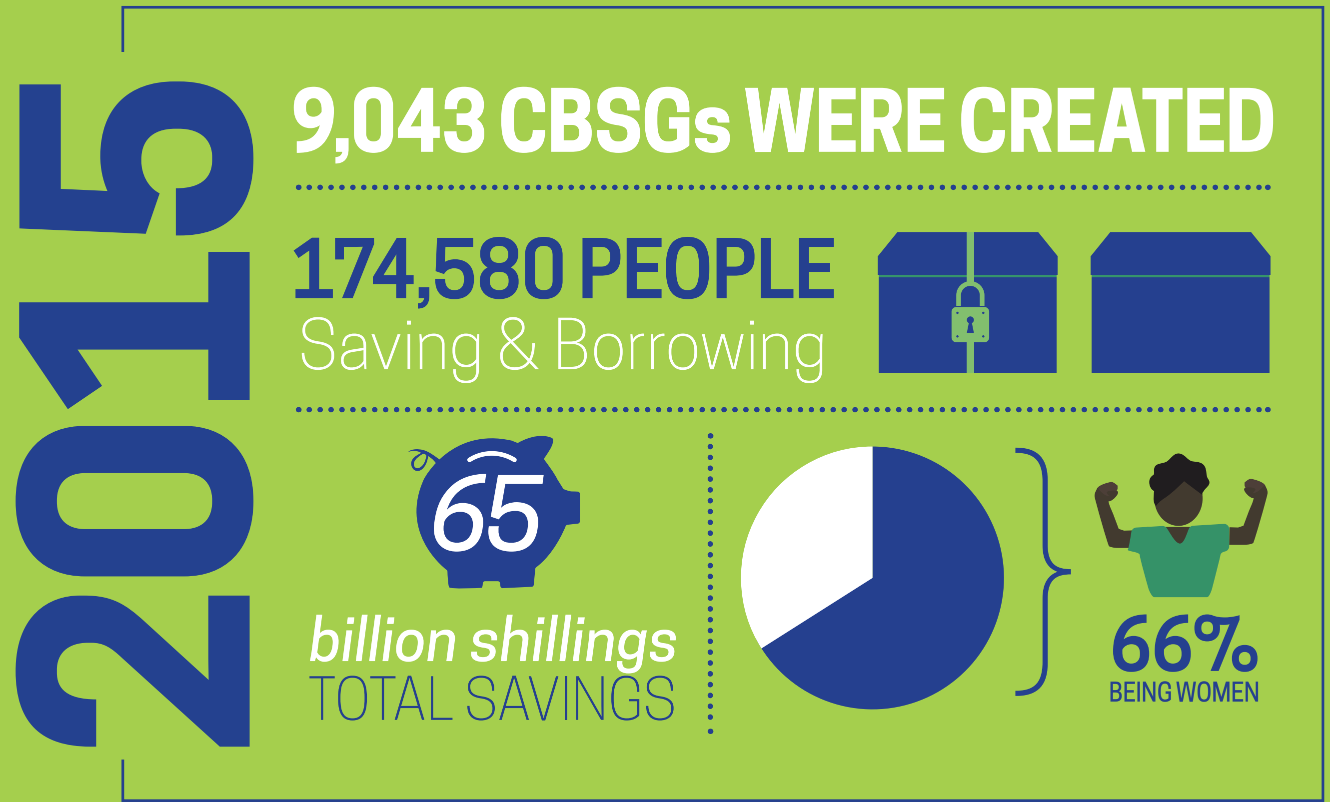


About two million of the country's poorest live here: 41% of the area's inhabitants live below the poverty line and only 23% have any savings.

This case study explores the drivers that may lay at the heart of the programme's success, including:

- Programme design
- Implementation and duration
- Commitment to sustainability

The programme was designed to institutionalise the CBSGs by replicating the simple group structures and meeting procedures across all savings groups, regardless of size, location or wealth. While many such intervention programmes last for 18-24 months, FSDT agreed an initial four years and then extended this to five years to ensure momentum and entrenchment. By harnessing local knowledge, culture and connections, the programme achieved a level of sustainability that added to its success.



Background and Context

IFGs as part of the portfolio of financial tools for Tanzanians

Financial inclusion is defined as the regular use of financial services by individuals and businesses through financial infrastructures to save, manage cash flows, invest in productive capacities and to mitigate shocks, which are delivered by formal providers through a range of appropriate solutions with dignity and fairness[6]. Financial inclusion is considered to be one of the key drivers of economic growth, helping to lift people out of poverty, improve their quality of life and reduce their vulnerability to economic shocks. Tanzania has acknowledged this and is committed to financial inclusion.

The Bank of Tanzania implemented a National Financial Inclusion Framework over three years from 2014 to 2016 to address the barriers that limit inclusion. The framework targeted and achieved its goal of enabling 50 percent of adults to access formal financial services by 2016. Furthermore, in its Monetary Statement of the first half of the 2015/16 fiscal year, the BoT said it is now aiming for financial inclusion of 70 percent of the adult population living within five kilometres of a formal financial access point by 2017.

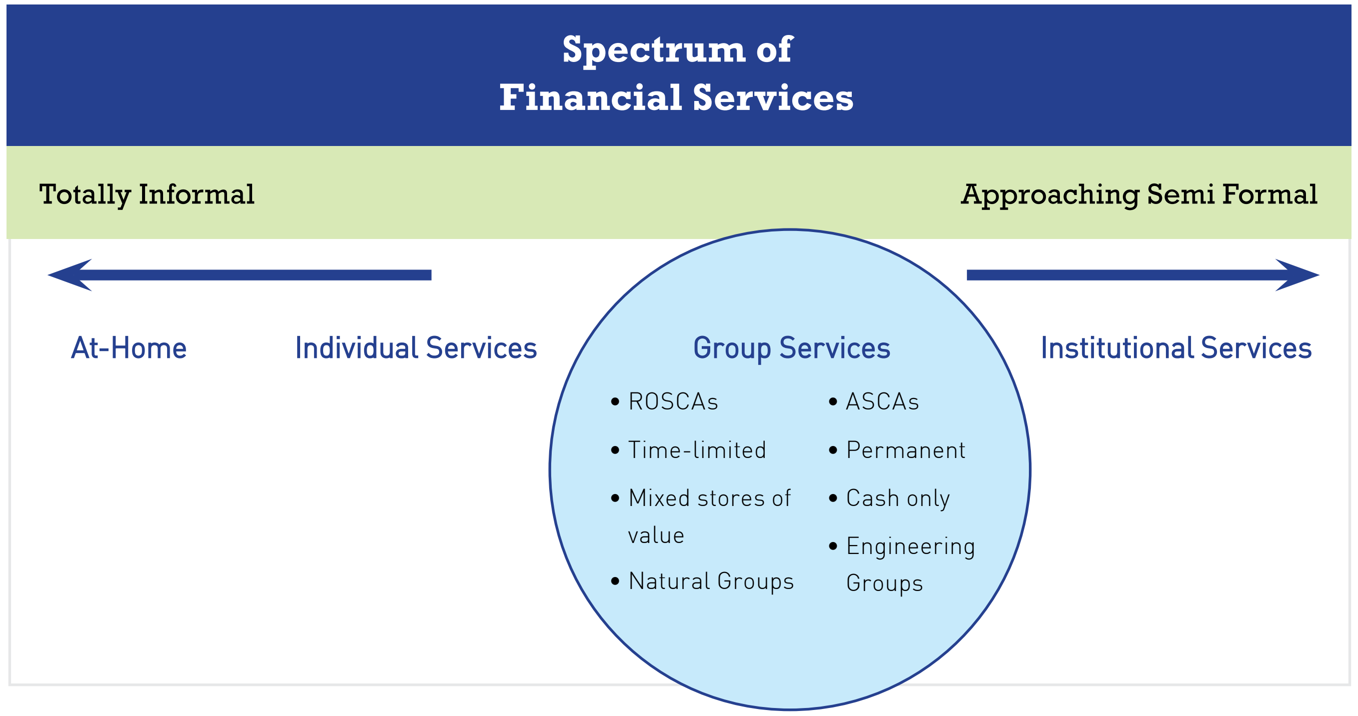
Not all Tanzanians live so close to financial access points and it is these people that continue to struggle for economic survival.

Effective financial inclusion, however, for the benefit of improving livelihoods, requires experience and empowerment of a range of formal and informal financial tools in order to more effectively select and use the existing formal financial products and services and or to address gaps in financial needs through informal financial methods and services.

Moreover, not all Tanzanians live so close to financial access points and it is these people that continue to struggle for economic survival. Formal financial institutions are not able to address the financial service needs of the very poor, particularly those living in remote areas. This is due to small transaction sizes, sparse populations and poor infrastructure.

Within the range of informal financial services, Informal Financial Groups (IFGs) are the amongst the most prevalent tools that provide financial services. "In the absence of more capable financial institutions or suitable formal financial products, informal financial groups (IFGs) are an entrepreneurial response to the diffusion of cash and ways to use it. They create enough hierarchy and coordination to partially correct some market failures in saving, lending and insurance. Informal finance relies on traditional, often unwritten norms, rules and practices," FSDT says in its report Assessment of IFGs in Tanzania[7]. It is due to this fragmented nature of practices and norms that even though informal finance is prevalent in Tanzanian communities it has not been able to offer consistent high quality financial and non-financial services and products that can assist people to improve their livelihoods. It is even estimated that about 10.6 million Tanzanian adults continue to access finance informally[8] but these IFGs vary in quality[9]. Most are promoted through local, national and international NGOs working in isolation, with little experience sharing or communication among them[10]. Given the high number of people who use informal financial services, helping to scale best practices is important to build overall improved experiences and confidence with financial tools.

6 NFIF Framework 2018 - 2022
7 Assessment of IFGs in Tanzania, FSDT, http://www.fsdt.or.tz/wp-content/uploads/2016/06/Assessment-of-IFGs-in-Tanzania.pdf
8 Assessment of IFGs in Tanzania, FSDT, http://www.fsdt.or.tz/wp-content/uploads/2016/06/Assessment-of-IFGs-in-Tanzania.pdf
9 FSDT Finscope Report 2006, http://www.fsdt.or.tz//wp-content/uploads/2016/08/Download-FinScope-Full-Report-2006.pdf
10 FSDT Finscope Report 2006, http://www.fsdt.or.tz//wp-content/uploads/2016/08/Download-FinScope-Full-Report-2006.pdf



Community-based Savings Groups (CBSGs) are a form of IFGs that are able to offer improved experience and confidence with financial services. CBSGs serve important economic and social functions in that they help disadvantaged communities to access and manage their own financial services and help to give its members, who are often female and the youth, exposure and confidence in matters of financial management. CBSGs can be summarized to operate in the following way:

i) Self-managed groups of people contribute to a shared fund on a regular basis;

ii) The accumulated group wealth offers members the opportunity to access loans at an agreed interest rate and repayment timetable and;

iii) At the end of each operating cycle, members share out the increased funds. CBSGs are particular useful for people living in poverty in very remote areas, providing them with a cost-effective, secure, convenient place to save and take small loans on flexible terms. The success of the CBSG model when it comes to financial inclusion is its simple and transparent structure and process.

Given the success of CBSG model to offer financial services to the poor and in rural or remote areas, it was the preferred model for improving the quality of informal financial services in Lindi and Mtwara and for enabling the members better quality exposure and confidence in matters of financial management.

IFG Type	No of IFGs	Avg # of Memberships	Total Memberships
Upatu	77	17	1,345
Kuzikana	30	212	6,359
VSLA	50	24	1,215
Vicoba	17	30	510
Other	5	10	52
TOTAL	**179**	**53**	**9,481**

Lindi and Mtwara

Despite the success of CBSGs in reaching and servicing the poor, rural, and remote populations, the regions of Lindi and Mtwara were going to be a formidable challenge to deliver this promises.

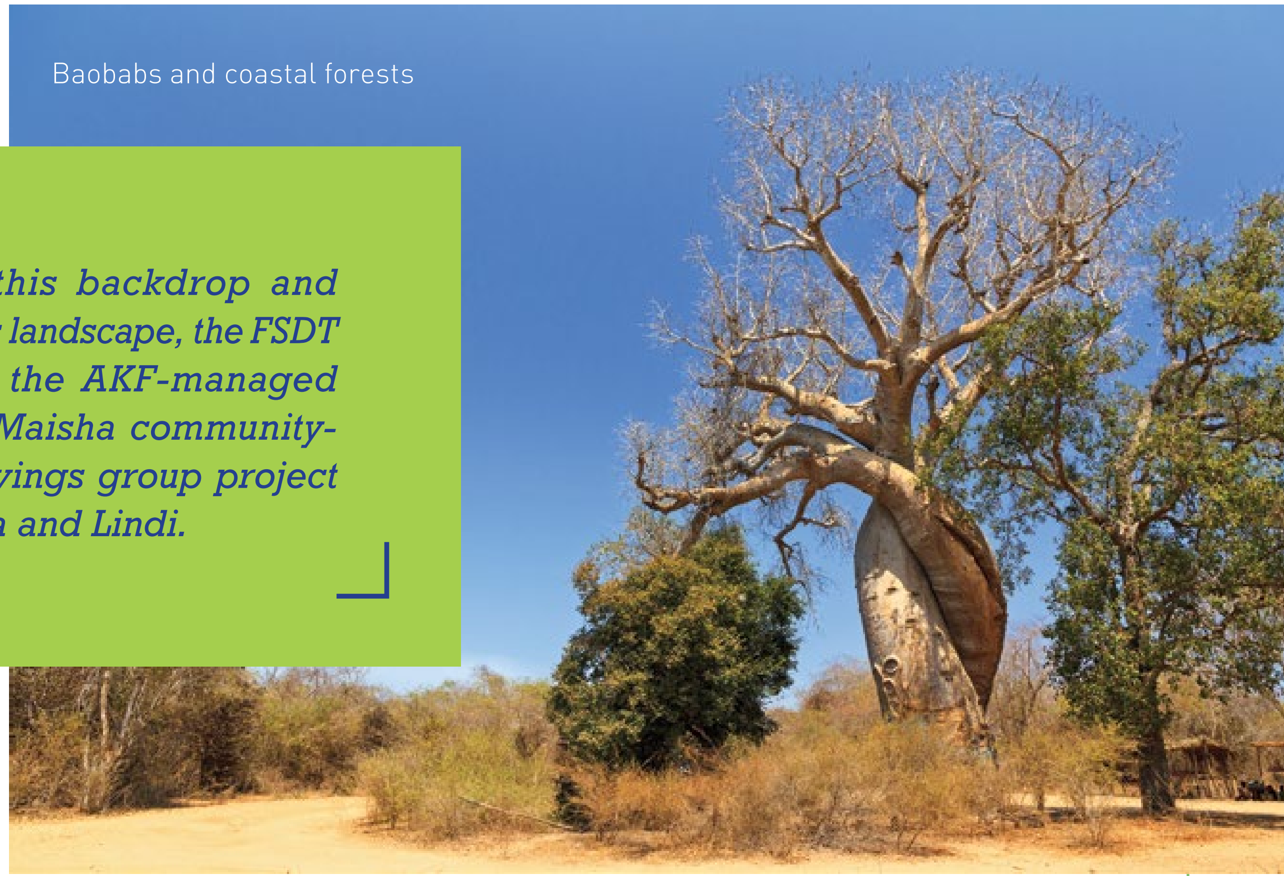
The regions exhibits a landscape of thick coastal forest and mangrove swamps, the provinces are bordered by the Ruvuma River to the south and to the north by the Rufiji River, which must be crossed to reach the more economically developed north of the country and the commercial centre of Dar es Salaam.

Prior to the 2003 opening of the Mkapa Bridge, the flooding of the river delta during the rainy season resulted in the area being almost entirely cut off for months. The bridge remains one of the few passable points when the delta floods and much more work needs to be done to improve the road conditions between Dar es Salaam and the south.

Most of the population lives along the main transport arteries and here you can see some villages straddling the roads with some small business development, mosques, churches and schools. However, deep into the forests are other settlements, significantly poorer and difficult to reach.

It is no surprise therefore, within Lindi and Mtwara only 6-7% of the adult population use formal bank products and that around 44% are totally excluded from financial services with a mere13-14 % using informal mechanisms only[11].

It was against this backdrop and within this landscape, that the FSDT financed the AKF-managed Boresha Maisha community-based savings group project in Mtwara and Lindi to deliver financial services through the CBSG model.


Baobabs and coastal forests

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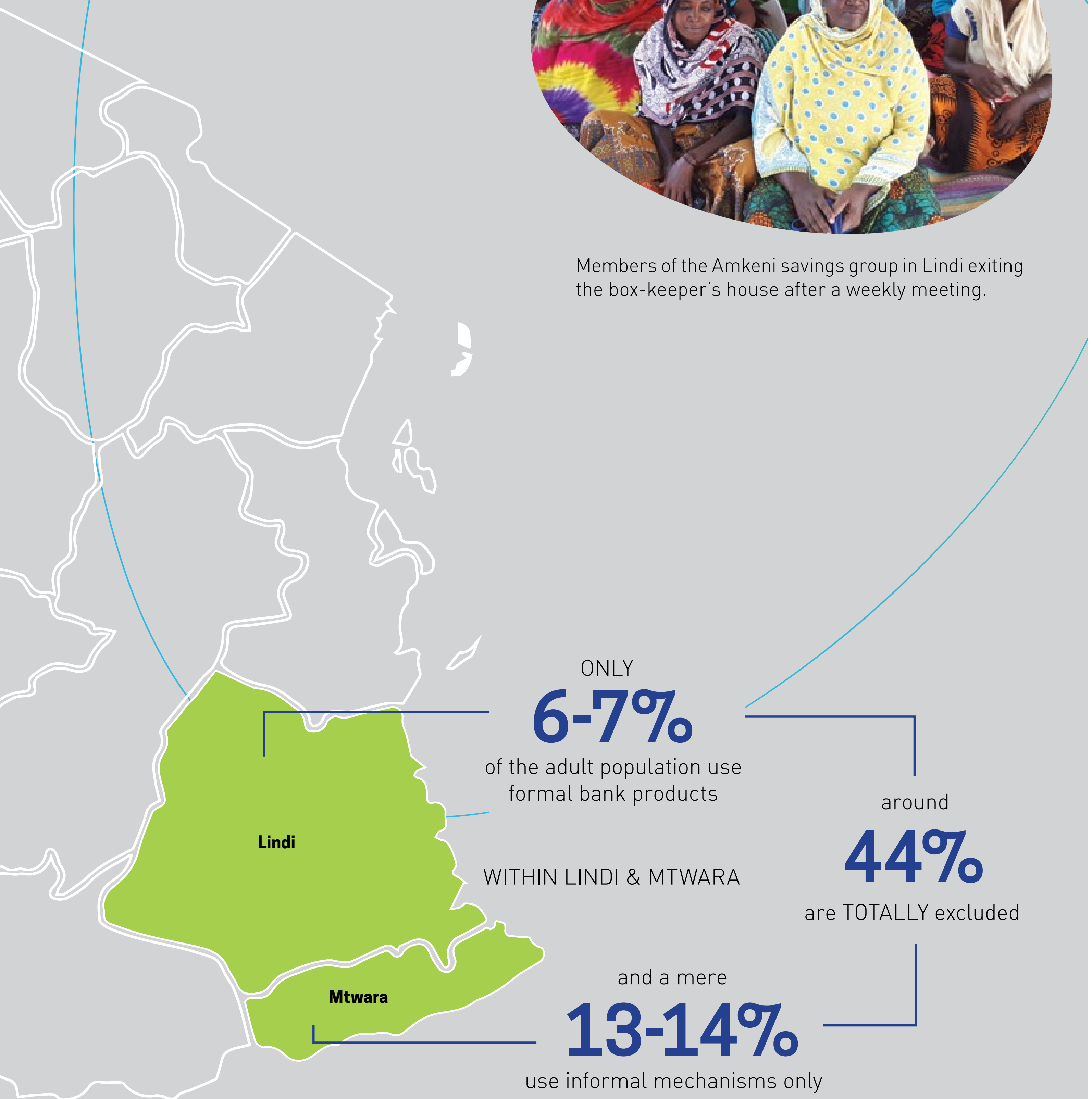
11 http://www.fsdt.or.tz/wp-content/uploads/2016/05/FinScope-Brochure-2013-Summary-2.pdf

Members of the Amkeni savings group in Lindi exiting the box-keeper's house after a weekly meeting.



Financial Sector Deepening Trust (FSDT)

The Financial Sector Deepening Trust (FSDT) aims to advance financial inclusion, thereby improving the capacity and sustainability of the financial sector in Tanzania. FSDT supports financial sector stakeholders when it comes to implementing policies, regulations and solutions which are innovative and responsive to the needs of poor people, smallholder farmers and micro, small and medium-sized enterprises (MSMEs).

Employing donor funds and using its own expertise, the FSDT conducts research, forges partnerships with key stakeholders and undertakes the adoption of new mechanisms to bring financial services to rural and urban individuals, households and enterprises.

Established in 2004, FSDT finances interventions in areas where it believes a rapid and lasting impact can be achieved – where lives can be improved and communities can benefit socially and economically. Its evidence gathering and programmes focus on four key areas of the financial sector: agricultural and rural finance, SME finance, digital finance and insurance.

FSDT's approach to promoting financial inclusion

Among the systemic constraints to achieving financial inclusion in Tanzania are gaps in the legal, policy and regulatory framework, information asymmetry between customers and Financial Service Providers (FSPs), low financial capability of customers and FSPs, lack of appropriate market infrastructure and unmet demand for financial services and relevant financial products.

FSDT adopts a market-development approach to addressing these constraints so that financial markets can work for the poor. Leveraging its position as a thought leader in financial inclusion, FSDT pushes for facilitation in the market through a combination of convening, advocacy and engagement support delivered to FSPs, industry associations, regulators, policymakers and development partners.

FSDT uses a broad range of financial instruments - including loans, guarantees and grants - to spur innovation among the country's FSPs and the development of the financial ecosystem.

Role of insights to project decision making at FSDT

Prior to arriving at the Boresha Maisha project, FSDT conducted intensive research into the Lindi and Mtwara regions to gather practical insights into the access, use and supply of financial services. The research was conducted over 24 months and focused on three core activities:

- Financial landscape study to assess, through in-depth survey work, the supply of financial services as well as household demand for services.
- Market analysis of the enabling environment and supporting functions in the financial market system that affects supply and demand.
- Financial diaries which will record in detail the financial transactions of a sample number of individuals over an extended period of time to better understand day-to-day financial management practices of households.

Through this research, FSDT identified actionable insights that enabled it to help design an intervention programme with its implementing partner AKF that would:

- Increase access to relevant, appropriate and sustainable financial services for the poor, especially those currently excluded from financial services.
- Improve capacity of target population to cope with external socio-economic shocks and income volatility.
- Increase micro enterprise activity, particularly for women.
- Increase investment in social welfare by beneficiaries.
- Define and document an approach to facilitating sustainable community-based savings groups in southern Tanzania.

FSDT experience with CBSGs

FSDT supported several initiatives in IFGs and CBSGs for the purpose of scaling best practice microfinance services in Tanzania. Given their potential to consistently offer higher quality financial services to rural and remote communities, compared to the many other fragmented IFG models, the CBSG model was a preferred model of FSDTs interventions for scaling rural financial services. The model, or a related variation of it, had been scaled in FSDT interventions that partnered with promoters, NGOs, community banks, and microfinance institutions across the country.

The main difference between the Boresha Maisha intervention and other FSDT interventions using CBSGs at the time (Tabora, Kagera, Mbinga, Mufindi, Arusha, Morogoro, etc.) was the high level of financial exclusion that the regions of Lindi and Mtwara exhibited.

The FSDT approach to CBSGs:

While MFIs in Tanzania and elsewhere provide critical services for the economically active poor, they have been less successful in addressing the financial service needs of the very poor and particularly those living in remote isolated areas. Small transaction sizes, sparse populations and poor infrastructure limit the ability of microfinance institutions to reach remote rural areas where much of the country's poorest and most marginalized populations live. In these contexts, community managed savings-led models offer a critical means to address this gap.

One of the main tenets of traditional microfinance is that credit is inherently empowering and an engine of economic growth. It may be for many growth-oriented entrepreneurs; yet for many poor individuals and households, credit may be an additional burden that increases household vulnerability and anxiety. CBSGs are savings-based, developed at the pace of their members, and have a healthy flow of entry and exit of self-selected members that includes net borrowers as well as net savers. This flexibility, as well as self-ownership and the self-management of operations, promote the empowerment of members. This contrasts with a reliance on credit provided by neighbours, moneylenders and financial institutions.

Poor households often become over-indebted in periods of low cash-flow, acquiring relatively large, long-term debt, when they really require more of a mechanism to smooth erratic cash-flows. As opposed to a relatively large loan from a financial institution for investment purposes, the small and frequent financial transactions of the CBSGs allow members to stabilize otherwise erratic household cash-flow. Smoother household cash-flow leads to smoother consumption patterns that empower households to lead a healthier lifestyle, make better financial and non-financial decisions, and exercise greater economic and social choices.

The Aga Khan Foundation (AKF)

The Aga Khan Foundation (AKF) partners with local organisations, businesses and governments to improve the quality of life for poor people. One of the foundation's key development areas is to provide financial services at the community level, often in rural and remote settings, through the formation of CBSGs.

AKF established its Community-Based Savings Programme in 2009 to respond directly to the financial needs of the remote and rural poor by providing a secure, convenient place to save and take small loans on flexible terms. This programme built on decades of experience with community-managed microfinance but offered a less cost-intensive approach.

The AKF CBSG model is simple and transparent so that even the community's least literate and confident can participate equally. The model involves self-managed groups where members save by purchasing shares in a group fund that can also be used to grant loans.

Group savings and loan activities run in cycles of about one year with profits shared out at the end of the cycle (usually 52 weeks) to all members according to the amount they saved.

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AKF CBSG Model

Programme staffing:

AKF's CBSG programmes are implemented by a team comprising a project manager, field-based area supervisors and field-based facilitators. AKF staff provide toolkits, training and guidance but give no funding to the groups. The groups are entirely owned, managed and operated by the members.

The role of the facilitator:

The AKF facilitator works to mobilise and train the group to be independent. Their training relationship only lasts for the first cycle. They support the participants; encourage group members to be active and save regularly; ensure the group management committee performs its duties; and ensure local government officials understand the CBSG model.

Group Members:

CBSGs usually comprise 15-25 self-selected members. Members need to be self-selected because this will mean the group is more likely to know and trust one another. A minimum of 15 members is usually required for sufficient capital to be mobilised. It is preferable that the group size does not exceed 25 because this could make proceedings too long and operations less efficient.

Group cycles:

Groups operate in cycles, which usually last 52 weeks. The first cycle is the training cycle to establish the structure and systems of the group. The group elects a five-person management committee and draws up its constitution. At the start of each cycle, the group elects a five-person committee and draws up a constitution. Members accumulate savings through the purchase of shares. They then receive a share-out of the accumulated savings at the end of the cycle.

Savings and borrowing:

The price of a share is decided by the group at the start of a cycle. At each meeting, members have the opportunity to buy between one and five shares. Savings are kept in a loan account from which members can borrow up to three times their savings. Loans are granted at the group's discretion once a month. Loans are repaid with a service charge calculated on a percentage of the loan borrowed. This percentage is agreed by the members and charged on a monthly basis. Borrowers can repay as much as they want but must at least pay back the service charge at each loan meeting.

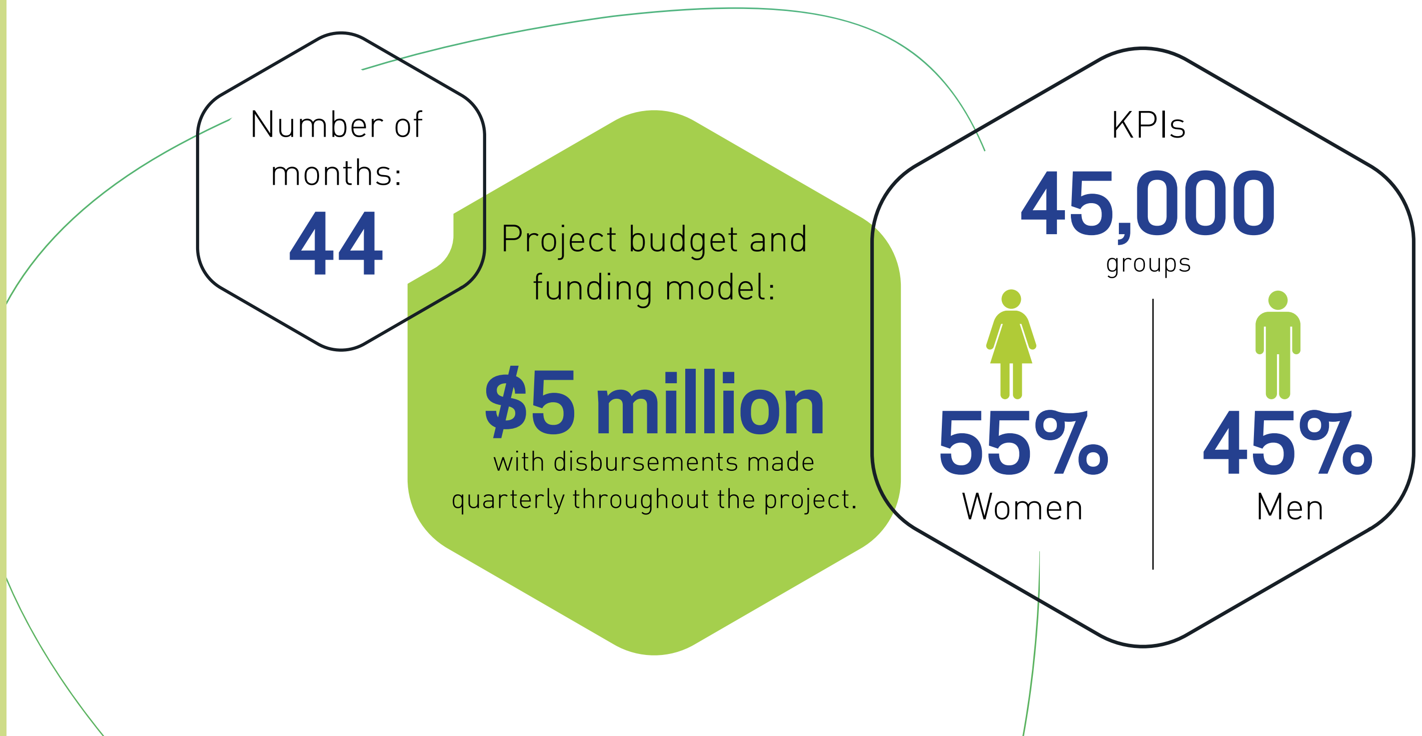
All transactions are performed in front of all members for transparency. All share purchases and all loan repayments are recorded in the same pass book, which is kept under lock and key between meetings to ensure transactions only occur within the group's presence.

Members also contribute to a social fund at the start of each cycle. This fund is available for emergency or community use and grows if members pay a fine because of not attending meetings.

The intervention to introduce and to scale CBSGs in the Lindi and Mtwara regions, otherwise known as the Boresha Maisha community-based savings programme in Lindi and Mtwara, was a project lead by FSDT's agriculture and rural finance theme. The project was designed as follows:

- **Number of months:** 44
- **Project budget and funding model:** $5 million with disbursements made quarterly throughout the project.
- **Objective:** to create access to basic financial services and literacy to 112,500 people in the 12 districts of Lindi and Mtwara.
- **Main activities:** AKF was responsible for employing staff, and procuring equipment and tools, as well as training staff and mobilizing savings groups. AKF focused on recruiting local community members and training them in the role of agents. FSDT played the role of market facilitator.
- **Monitoring and evaluation:** Key Performance Indicators (KPIs) were established at the start. The project aimed to form 4,500 groups, with 112,500 members of which 61,875 were supposed to be women members which is 55% of the total members and 45% being men, covering 12 districts in Lindi and Mtwara.

  Project monitoring was done through quarterly reports from AKF submitted to FSDT, plus some field visits done by FSDT project staff. The average savings group size targeted was 25 but the achieved size was 19.3 members, leading to greater workloads for staff but better functioning groups. The target for total savings was US$ 37.6million and US$ 50.7 million and was mobilised with total current assets across the portfolio US$ 24.9 million.
- **Project adaptation:** After three years the intended geographical coverage was not reached. Instead the project reached in 10 districts rather than 12 districts but later on the targets were revised to 9,709 groups and 182,500 individuals to be recruited as savings groups members. These changes in targets were accompanied with additional budget of $1 million and a year's extension making the total project cost $6 million.



AKF CBSG Training

AKF implements a strict training timetable as part of its model to ensure that knowledge is shared and embedded in the community. The first CBSG cycle is a training and supervision cycle of nine modules conducted over four phases: preparatory, intensive, development and maturity. Facilitators visit groups regularly (about every two weeks) during this cycle. The training explains how the savings and loan process works and how the groups should operate.

Preparatory phase (about 3 weeks): AKF staff meet with local government officials and interested community members to raise awareness and understanding of the CBSG system.

Intensive phase (about 15 weeks): Most of the training modules occur. At the start, four training meetings are conducted over a two-week period with each module delivered separately. This phase serves as an important filter, giving members a deeper understanding before financial activity begins. The group self-selects its members and leaders; establishes its constitution, rules and procedures; initiates its financial activities; and learns to manage its funds and keep records.

Development phase (17 weeks): The group conducts its financial activities and the facilitator visits less often.

Maturity phase (18 weeks): This is the winding down phase and involves three crucial visits by the facilitator. The facilitator visits about three months before share-out to ensure the group is still operating smoothly and to help begin preparations for the share-out. They then visit again about two weeks before the share-out to resolve any issues. Lastly, they visit at the share-out.

Hitting turbulence

Arguably the greatest challenges to the success of the Boresha Maisha CBSG programme were geography and environment. "This project was in a very marginalised region. For six months of the year there are districts completely cut off because of the rains. Business wouldn't go there, there were no medical facilities and savings groups were put off by the very high cost of reaching target 'clients'," says Ms. Kataru.

To be successful any large-scale project would require an efficient network of staff communicating regularly across the region. The lack of infrastructure – both physical and technological – posed a severe problem that needed to be overcome. With certain areas isolated for months at a time, the risk of losing any established interaction with new groups was high.

Lack of skills

The programme initially stipulated that only degree-holders need apply for positions. Given the rudimentary nature of the education in these marginalised, poor regions, it was unlikely many qualified people could be sourced from there. So, in the early stages, AKF hired qualified graduates from Dar es Salaam to implement, monitor and supervise the roll-out of the CBSG programme.

However, these highly-educated individuals, comfortable with city life, were unable to withstand the sheer physical and mental challenges imposed by living in Lindi and Mtwara. Turnover was around 75% in the first 18 months of the programme[12]. "Simply put, they hated it and quickly quit," says Ms. Kataru.

High cost of reach

One of the key reasons why financial inclusion programmes struggled to succeed in the region was that the cost of effectively reaching the target population was double the accepted cost. Generally speaking, those involved in the community savings market consider $25 per capita to be ideal, although some argue it should even be as low as $10-15. In the poorer segments of savings, $30 per capita is considered a good reach cost. The starting per capita cost in Lindi and Mtwara was at least $60[13].

Included in this high cost was the expense of relocating qualified staff from Dar es Salaam. As more and more staff quit in the early stages, costs soared while little success was achieved.

Low attendance

The rains in Lindi and Mtwara usually last from mid-December to end-April with peak rainfall around January[14]. During this period, most working adults in these rural areas need to migrate to earn a living elsewhere or risk being trapped without income.

In the first stages of the programme, this migration resulted in a severe drop in attendance at CBSG meetings, hampering progress and the groups' ability to accumulate savings and receive loan repayments. Furthermore, those who remained at home and were able to attend meetings lacked group supervision because programme agents and officials were cut off from the most rural areas.

12 Interview with former AKF Boresha Maisha savings group programme manager Revealed Kataru, May 2017.
13 By the close of the programme this was around $32, according to former AKF Boresha Maisha savings group programme manager Revealed Kataru.
14 www.worldweatheronline.com

Members of savings groups

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Turnaround and factors for success

The following factors were key in enabling the project to overcome turbulence

1. Flexibility in project design guided by a long-term view
2. Putting staff that were able to deal with difficult environment
3. Leadership that was more hand's on
4. Investing on mobilizers
5. Quality delivery of trainings

The Boresha Maisha CBSG programme in Lindi and Mtwara can be considered one of the financial inclusion sector's biggest successes. The key to this success could be distilled to three core drivers: duration, design and commitment.

Duration

As already mentioned, FSDT took a long-term approach to the Boresha Maisha CBSG programme in Lindi and Mtwara, designing it to be implemented over 44 months and then extending its life by another year. So, when FSDT reviewed the implementation after the first 18 months and established that it was struggling, there was time to turn things around.

FSDT conducted a field visit and review in early 2011. FSDT's recommendations included:

- Management must maintain more close supervision of the operations, especially at the field level.
- Management must standardise the methodology and procedures across all groups.
- Management should hold regular meetings with field officers, as a platform to share experience among themselves and with the management.
- The project should strive to cut down unnecessary bureaucracy.

AKF was able to implement the changes effectively, thanks to the longer time-frame. The time-frame also gave AKF management the latitude needed to address seasonal challenges due to heavy rains.

Another benefit of the lengthier duration was that the AKF CBSG training element could be completed over the first year, ensuring that those participating in Lindi and Mtwara could properly learn how to operate a successful CBSG and become independent. Once a group completed its first cycle (52 weeks), members witnessed the success in the form of cash from their share purchase pay-out. Other members of the community also saw how the group benefitted and asked to join, leading to the growth of the group in its Design second and subsequent years – further entrenching the success.

Design

AKF CBSG model combined with the research conducted and objectives set by FSDT resulted in a programme that would target the specific needs of the people in these regions. For example, attendance at CBSG meetings dropped severely during the rainy season, slowing the momentum of the savings groups and jeopardising their viability.

AKF restructured the programme in three key ways to improve attendance[15]:

- Meeting schedules would be adapted to ensure they occurred during the months before and after the heavy rains;
- During the rainy seasons meetings would occur at times of the day when it was most convenient for the majority;
- Older children would be allowed to represent parents who had migrated to earn a living during the rainy season.

AKF also allowed their field staff to live in the villages for weeks at a time to help supervise the CBSGs and ensure that they continued operating despite the rains.

> "We had to devise mechanisms to build capacity time during the dry season. By providing support, these local groups would be more or less self-sufficient during the rainy season."
>
> ~ AKF's Revealed Kataru

Commitment

FSDT's AKF-implemented Boresha Maisha CBSG programme benefitted considerably from sustainability brought about by sharing and embedding knowledge within the communities. The training provided by AKF to village or field agents and the training these agents give to the CBSGs ensured people understood what belonging to a savings group entailed and how they could contribute to make it work.

AKF trained local people from CBSGs to become village agents – often promoting them to become supervisors or field agents. This meant that the knowledge would remain long after the funded programme ended. In fact, the training of village agents has been so successful that local government community development officers are still benefitting from their knowledge and skills.

"We use AKF agents to train agents from other groups because they are so well trained. AKF is definitely the best. Most of the groups are trying to copy AKF," says Iddi Naketa, Lindi community development officer and economic empowerment officer.

15 Interview with former AKF Boresha Maisha savings group programme manager Revealed Kataru, 17th May 2017.

- **Village agents**

Village agents are the facilitators of the CBSGs. Groups invite them to attend meetings. Under the programme, AKF paid these agents but since the close of the programme they have become self-employed, offering a service for a fee paid by the groups themselves US$ 0.15 - US$ 0.39 per member.

Village agents manage a number of groups and the task isn't easy: they have to travel long distances between groups. They help groups when it comes to pay-out but also arrange for new box-kit materials at the start of each cycle. To ensure the credibility and market-attractiveness of VAs, those that reach the end of their supervision period and pass an examination are provided with laminated certificates that attest to their competence and their recognition by AKF. This was useful in convincing sceptical prospective CBSGs that something of value is available from VAs that is worth paying for[16].

"Village agents need to be self-motivated and selected from within the groups. Over time we would find excellent village agents and we would formally hire these as field officers. They would work well with the communities," says AKF's Revealed Kataru[17].

- **Handbooks**

During the programme, AKF provided village agents with hard copies of the training handbook to help ensure consistency of delivery. The pages are laminated, to ensure long life and survival in rucksacks and on motor-cycles, which is a very practical step. Project management has ensured that it is the key document that is used everywhere in both training and supervision and that all trainers must have it on hand and follow the steps to the letter. The manual in and of itself has limited value, but in the context of a highly organised and disciplined supervision system it is the key tool that has led to the project's very high quality and CBSG-level procedural consistency[18].

According to Hugh Allen, author of VSL Associates' End-of Project Review of AKF Tanzania's Boresha Maisha Project, it is the simple things that make a difference. "Among many (most) Savings Group programmes it is rare to find a trainer using a manual in the field. FOs and VAs become so confident of their knowledge that they quickly cease to make use of printed materials and, unsurprisingly, it is these programmes where there is a general divergence in practice and group quality. Boresha Maisha's simple but determined application of this tool is probably why its CBSGs are so impressive[19]."

16 End-of Project Review of AKF Tanzania's Boresha Maisha Project, 9th August 2015, VSL Associates.
17 Interview with former AKF Boresha Maisha savings group programme manager Revealed Kataru, 17th May 2017.
18 End-of Project Review of AKF Tanzania's Boresha Maisha Project, 9th August 2015, VSL Associates.
19 End-of Project Review of AKF Tanzania's Boresha Maisha Project, 9th August 2015, VSL Associates.

Project Achievements

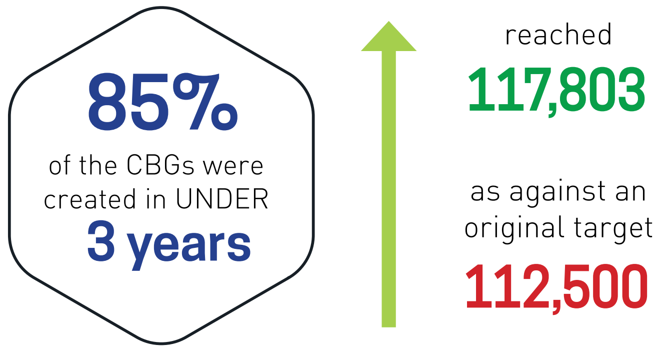
The Boresha Maisha CBSG programme set ambitious goals from the start. While considerable data exists on quantitative targets and achievements, we will also examine the qualitative successes of Boresha Maisha, such as the heightened sense of self-esteem people, particularly women, gain when they attain financial empowerment. The sustainability of the programme, its promotion of entrepreneurship and its community job opportunities (for example, village agents) had a knock-on positive impact on these communities.

6.1 Quantitative Achievements

The following results were achieved the project's review in 2015[20]:

- 174,580 people were members in CBSGs. This is less than the final combined target of 182,500, but more than sufficient to achieve critical mass and spontaneous replication, which is being witnessed on the ground in both Lindi and Mtwara[21]
- 9,043 CBSGs were created against a combined target of 9,709[22]
- 66% female membership against a target of 55%
- Average CBSG size of 19.3 members against a target of 25, leading to greater workloads but better CBSGs (experience has shown that 15-20 members tend to produce the best CBSGs)
- A target of total savings was set at US$ 37.6 million. An imputed total LoP savings of about US$ 50.7million has been achieved
- Attendance averages 94%[23]
- Total assets across the portfolio are US$ 25.4million
- Total savings are US$ 19.3million
- With a 22.7% imputed return on assets, yields are estimated at $3.8 million, which is a 63% return on the Financial Sector Deepening Trust (FSDTs) total investment, <u>per annum</u>[24]
- <u>At the time of share out</u> at the end of the first cycle the average CBSG has:
    - Shared out an average of US$ 4,017 equivalent to US$ 208 per member
    - Provided a 24.1% return on assets at an average current profit per CBSG of US$ 967
    - Delivered a 32.1% return on savings
    - Yielded a 48.2% return on average assets
- The cost per member is $34.2, against an initial project estimate of $44.44, but $10 higher than the Tanzanian average. This is largely due to the first 18 months of the project being badly implemented prior to the replacement of the Project Manager.

Looking at the project's original targets, it is clear that projections were generally exceeded and that more than 85% of the CBSGs were created in under three years. At the end of the original project period in October 2014 the project had reached 117,803, as against an original target of 112,500.



20 End-of Project Review of AKF Tanzania's Boresha Maisha Project, 9th August 2015, VSL Associates.
21 Interviews with Erasto Lameck, AKF Programme Manager for Lindi and Mtwara, 2-4 June 2017.
22 This includes supervised groups as at the time of the report not all had yet achieved independence.
23 This could be an over-estimate, since data is collected only during credit meetings. End-of Project Review of AKF Tanzania's Boresha Maisha Project, 9th August 2015, VSL Associates.
24 This excludes CBSGs that have collapsed.

6.2 Qualitative Achievements

Programmes that seek to improve people's overall quality of life should be measured on a qualitative basis in addition to being measured on whether numerical targets have been met. In other words, the target number of CBSGs may have been reached but what kind of impact has this had on the lives of individuals or their communities?

This case study bases this kind of qualitative measurement on anecdotal evidence from group members, village agents, programme personnel and the author's own experience during the field trip in June 2017.

Entrepreneurship

FSDT undertook the Boresha Maisha programme with an emphasis on the importance of promoting entrepreneurship.

CBSG members were encouraged to borrow money from the loan fund to start or expand their own micro businesses, such as fishing, farming, transport etc. The very fact that members need to earn more money to pay back their loans encourages them to become more entrepreneurial. It is not only individuals that become entrepreneurial. Whole groups advance themselves, making their community wealthier.

Take for instance the Upendo savings group in Mandawa, a small town that lies on the Mtwara – Dar highway, characterized by small businesses. The group is in its fourth cycle and has 25 members. It now has a bank account with National Microfinance Bank and has recently taken a loan as a group for 1.5 million shillings to purchase a plot of land to farm collectively, growing sesame seeds.

"There is a close correlation between being a group member and being engaged in entrepreneurial activities. Members make their own decisions and are in charge of their own lives," says Athimini Omary, community development office in Mtwara.

The group is in its

4th *cycle*

has

25

members

It now has a bank account with National Microfinance Bank and has recently taken a loan as a group for ***1.5 million shillings*** *to purchase a plot of land to farm collectively, growing sesame seeds.*

"These women make their own decisions and are in charge of their own lives." *~ Mtwara Community Development Officer Athimini Omary*

It is not only the participation in the CBSGs that has empowered women in these communities. They use the funds they access

savings from end-of-cycle pay-out or loans

finance farming

business activities

Women's empowerment

By the end of the programme around 66% of CBSG members were women. Clearly, therefore the economic empowerment of women has been a positive achievement of the Boresha Maisha programme. Where once these women had no voice in their families or communities – due to cultural and religious norms – now, by contributing financially via their increased savings and ability to access loans, they have attained a status within their society.

"The programme increased recognition and respect for women in their families and communities. Women are now contributors in the family and this gives them the standing to enter into discussions on family and community matters," says Revealed Kataru, former AKF Boresha Maisha CBSG programme manager[25].

Of the six CBSG meetings attended by this author between 2 June 2017 and 4 June 2017, the membership was about 80% female.

However, it is not only the participation in the CBSGs that has empowered women in these communities. They use the funds they access – whether by savings from the end-of-cycle pay-out or loans – to finance farming and business activities. There is a very clear link between CBSG participation and heightened entrepreneurial activities. Where once these women were entirely dependent on their fathers, husbands and sons for economic survival, now they are more independent.

Perhaps it is best summarised in the words of Mtwara Community Development Officer Athimini Omary: "Women who are not CBSG members wait for their husbands to support them. Group members do it themselves. These women make their own decisions and are in charge of their own lives[26]." She says that in Mtwara, women make up 70% of CBSG membership.

Lindi community development officer for women Rukia Jafu adds: "Women are now empowered and they are outdoing the men. Women are building their own homes and starting their own businesses."

25 Interview with former AKF Boresha Maisha savings group programme manager Revealed Kataru, 17th May 2017.
26 Interview with Mtwara Community Development Officer Athimini Omary, 4th June 2017.

Confidence and aspiration

But it is not only the women of Lindi and Mtwara who are benefitting. There has been an overall increase in self-esteem and confidence for men and women who belong to a CBSG. This came across clearly at the group meetings attended by the author. Members controlled their meeting, moving efficiently through the AKF-prescribed proceedings and congratulating each other on share purchases and savings increases. The executive committee roles were executed effectively and it was clear from what was observed that responsibilities were taken seriously.

This confidence appears to have arisen not only from heightened responsibility and group solidarity but also from satisfaction with personal achievement. Prior to group membership these people were impoverished and accepted their lot in life: they would be poor, they would live from hand-to-mouth, they were relegated to living in a mud hut and their children would face the same future.

Now, this has changed and not only have group members achieved what they never thought they could but their ambitions continue to rise. This author met with people who had started their own businesses and were expanding, who had bought land to farm commercially and built their own brick houses. People who were paying higher school fees so their children and grandchildren could have a better education[27].

"In Lindi particularly, people have always had a very low self-esteem. This was a big issue for us to overcome. They just seemed to accept their lot in life. Now, they have come to the realisation that they can guide their own destiny," says Erasto Lameck, current AKF Programme Manager for Lindi and Mtwara.

The growth of group membership in general is indicative of how people see the benefits and then want to join because they have ambition.

"This is my first year and I am really excited. I'm working very hard to make it a success. I'd like to buy a big field to grow crops on and then have vegetables that I can sell." ~ Moana Misi Faraj, member of the Amkeni group in Lindi

Community advancement

It's obvious that greater financial empowerment for women and heightened aspirations of individuals will benefit these remote and marginalised communities in a number of ways. Increased wealth will bring an increased demand for services that in turn offer employment and income opportunities.

Regularly at the meetings attended by this author, the question posed to FSDT and AKF personnel was: "What next?" This indicates ever higher levels of ambition and the desire of those for more economic success. One of the key challenges facing these groups, AKF and the community development officers, is how to encourage groups to maximise their earnings through diversification[28] and how to move to the next level of financial inclusion by accessing formal banking services and bigger loans.

27 FSDT field trip to Lindi and Mtwara, 1-5 June 2017.
28 With agriculture so dependent on unpredictable rainfall, diversification into other economic activities is vital.

Aspirational Tales

The highlight of the FSDT field trip to visit CBSGs in Lindi and Mtwara (1-5 June, 2017) was the "human face" of the Boresha Maisha programme's success.

Salma Abbas

"Girls should join groups and build businesses"

A member of the Nguvumali savings group in Kilwa, Salma Abbas – who buys fish to cook and sell -- has built her own house and is paying her children and grandchildren's school fees. The Nguvumali group has been going for three cycles. Shares now cost US$ 3.12 and in the 14th week of its 52-week cycle, the group has US$ 420 in its social fund and US$660 in its loan fund.

"I am living and eating well because of this group. I would advise any girl to come to a Boresha Maisha group and start by buying two shares each meeting. Slowly she can ask for a loan and build a business because by the end of a cycle she would have enough capital. I am ambitious for my grandchildren. They must go to school not become fishermen."

Hamis Hassan

"Successful groups need unity, high attendance and strong village agents"

Hamis Hassan is a village agent in Lindi. He farms rice and has a primary school education. Hamis joined a savings group in 2009 and was trained by AKF as a village agent. He learned how to organise and mobilise groups. Today, he manages 40 groups in the Lindi district and has seen these groups grow in membership and increase their funds. Hamis says the key ingredients for a successful savings group are: unity, high attendance and strong guidance from a trained village agent.

"A village agent must work hard and believe in what they are doing and the methodology being implemented. Other organisations have tried to mobilise groups and failed. The AKF methodology works," says Hamis. He wants AKF to hold more meetings for village agents so that they can share their experiences and learn from each other.

He is also very excited about the community voice these groups give women: "The groups give women more strength in the communities and families. It's great to see grandmothers as important members of the groups."

Maulid Nandaje

"Laughed at the idea of joining until he saw the money others had made"

Maulid Nandaje is the secretary of the Amkeni savings group in Lindi. After joining the group, he has been able to build a four-room house that is almost complete. He has also paid school fees for his two younger children. Maulid said his sister had encouraged him to join the savings group. At first, he laughed at her but when he saw the money she had made at the first pay-out, he quickly asked to join.

For Maulid, the training provided by AKF empowered the group and ensured its success. "At first people were unsure what was going to happen. The training and education is the best part of these groups and it should be ongoing. We've received proper training and directions. We were shown how to do it in our group; how to start at the beginning and advance," he says.

Strong group management is also essential, he adds: "Other groups don't seem to have aim or focus or direction and so they fall apart. They don't go very far because they're not properly trained."

His advice to other groups? "Carefully assess new members before allowing them to join the group and also ensure that the constitution is strong and clear on rules."

In 2016, the Amkeni group closed its third cycle with 22 million shillings in its loan fund.

Maria Augustina

"Listen to your members and help solve their problems"

Maria Augustina is the chairperson of the Maendeleo group in Mtwara. She heard about the CBSG programme from her neighbours and so decided to mobilise people to form a savings group. The group began with 16 and now has 37 members in its fourth cycle. Once the group reaches 40 members, they are going to split into two groups.

"The key to success of any group is a strong chairperson. They reflect the character and progress of the group. You've got to listen to all the members and solve their problems for them. You need to deliver solutions at the right time," she says. "Members have learned how to save and the importance of contributing money each week. We help them to plan properly and think carefully about how to use their lump sum when pay-out comes."

Asha Mnengo

"It's a hard job travelling from group to group – the journeys are hard"

Asha Mnengo (34) is the village agent for the Mailli group in Msimbati. She manages more than 100 groups in the area. The Mailli group has 19 members and is in its third cycle. "The best thing about this particular group is that they have grown up and raised their share price from US$1.5 to US$ 2.3."

She says that strong leadership and the training provided by village agents is crucial to the success of a savings group. "It's a hard job when you're starting up the groups because you have to physically go from group to group to teach them and the journeys are hard. But now that they are up and running, I only go when I am requested and when it is time to do the pay-out. I usually get paid US$0.15 per person at a meeting but if they can't pay me then I just volunteer."

Asha also belongs to a savings group. She farms millet and cashews, while also keeping bees and running a fried fish business. According to Asha, there are three key benefits of belonging to a savings group: the unity among members which make them closer and able to help each other out; access to capital or a loan from a well-run group instead of from an individual; the support of the social fund whenever there are emergencies.

Lessons Learned and Moving Forward

FSDT regularly publishes its FinScope Tanzania report and these in-depth analyses of the financial sector in Tanzania show that traditional financial services are still not responding to the needs of those in the poorer, rural sector. Formal services would find it very difficult to reach these people because they have no proper identification, no proper address, and no proper financial records.

This case study shows the enormous demand for these services and prove that the gap in financial services provision is still very big. The AKF-implemented Boresha Maisha CBSG programme was an indisputable success. It reached its targets within budget and embedded a certain level of sustainability that is today, in 2017, still having a positive impact on lives.

However, if there is one key constructive criticism that could be made it would be to question whether the programme extension's budget was used as wisely as possible. Despite its halting start, the programme had more or less reached its objectives by its established conclusion.

As Hugh Allen writes in his End-of-Project Review, it was unrealistic to expect that in just over a year the programme could add a further 62% to the target with only a year's extension. Allen adds: It was also unnecessary since the project had reached a penetration rate of about 40% of all households and servicing the balance of the potential households can be better achieved through more intensive investment in ensuring the sustainability of the village agent model.

Invest in Village Agents

The FSDT field trip repeatedly heard requests for more training and more support for village agents. Group members emphasised how valuable they found the supervision and support of these agents. Government community development officers praised the high standard of training and efficiency of these agents and said they were using them to train other groups.

Given the fact that training up local community members from savings groups brings with it a vital sustainable economic element, investing in training and supporting a wider network of village agents would bring with it the possibility of creating a network that could organically result in more CBSGs.

Harness Technology

The biggest threat facing CBSGs is theft. While groups take stringent precautions to protect their cash box, theft remains rampant. Clearly, the way forward is to encourage groups to open bank accounts as soon as possible and make their deposits via mobile phone – e-money.

However, technology should never replace the simply and strict meeting procedures that have made these groups so successful. Technology is only a tool and if it replaces the cash deposits and pass books, then new ways of ensuring groups adhere to procedures must be found.

"Technology is just the infrastructure, not the financial service. You still need an institutionalised approach to reach these people. Explain why they need three padlocks and why the box must be kept separate from the keys. Once they understand why then they can transfer this understanding to other situations like bank accounts or mobile money. As long as they understand the whys they will stick to the underlying principles," says Renatus Mushi, former FSDT specialist for agriculture and rural finance[29].

29 Renatus Mushi, former FSDT specialist for agriculture and rural finance, interview 14th June 2017.

Market-driven Approach

While this programme has been a resounding success, the risk is that the number of groups could shrink significantly without continued donor funding. Already, village agents are being paid by group members on a fee-for-service basis and this market-driven, sustainable model needs to be encouraged. CBSGs must continue to target the extremely poor and marginalised, but as each groups' members increase in wealth and advance their livelihoods, they must be encouraged to step up to the next level of financial inclusion and open formal bank accounts that will enable them to access more financial services.

Much more needs to be done on the part of the community government to raise awareness about the need of these groups to formally register to obtain a certificate that will allow them to open bank accounts. Although the process is underway in Mtwara and Lindi, we came across groups and village agents who were unaware of this process that will help them enter the formal financial sector.

"We need continuity and this demands more of a market approach. **We need to make the market work for the poor.** Unless, it is market-driven people will struggle to replicate it beyond the programme's life," says Renatus Mushi, former FSDT specialist for agriculture and rural finance[30].

CBSG structural framework

FSDT, AKF and community development officers say the simple and enforced CBSG structure and meeting process has enabled the programme to take root quickly and firmly. During the field trip, this author witnessed how all groups – regardless of whether they were urban or rural -- followed an identical process at meetings. These simple rules can be easily taught and replicated across thousands of groups.

Meeting procedure is scripted and groups adhere to this, right down to members sitting in numbered order for an easier roll call. This protocol ensures a sense of responsibility and buy-in. When in attendance, village agents and field officers ensure that corners aren't cut so that the group is run like a business.

Group formation and constitution

When a group wants to form, it approaches AKF – via a known village agent or a field supervisor – and requests assistance in writing a constitution and obtaining a box-kit (see below).
At its formation, each group develops its own constitution based on a template provided by AKF. The constitution sets out:

- the price of shares (see below)
- the interest rate for loans
- loan repayment timelines
- fines for missing repayments
- what the social fund (see below) can be used for e.g. funeral costs, medical treatment.

30 Renatus Mushi, former FSDT specialist for agriculture and rural finance, interview 14th June 2017.

Group leadership

Each group has an executive committee comprising a chairperson, a secretary, a box-keeper (the person who keeps the cash box safe) and two money counters. The chairperson is the head of the group, overseeing its operation, supervising the others and dispensing advice to members on request. The secretary runs the meetings, ensuring everything moves ahead. The box keeper safeguards the cash box. Meetings almost always take place at the box-keeper's house to avoid security risk of transporting money.

Each group also has three key-holders who hold the keys to the three locks on the cash box.

Keyholders and executive committee members are elected by secret ballot at the start of each cycle. Regardless of how many shares are held by a member, each member has one vote. Members also exercise their vote when it comes to deciding whether to grant a loan or access to the social fund.

From observing group meetings, it is clear that holding one of these core positions bestows a certain level of prestige on the individuals. It is also clear that groups need a strong, well-trained chairperson who can guide and control the group by advising and solving their problems[31].

Box Kit

During the programme, AKF provided each of the Boresha Maisha groups with all the materials needed to operate. The cost of a box kits was US$ 58.5. Box kits comprised:

- a metal cash box, used to hold all the other items including all cash safely;
- two money bags with ties (one is for the social fund and one for the loan fund);
- two ledgers to record social fund and loan fund entries (share purchases and loan repayments grow these funds throughout the cycle);
- members' passbooks, in which their attendance, share purchases, loans and loan repayments are recorded;
- stamp and pad, used to record share purchases;
- ruler and pens, used to record attendance, balance of funds and loans.
- Calculator

Meeting procedure

Roll call and social fund balance check

Members (or their nominated representatives) gather at the box-keeper's house. The secretary begins roll call and members call out their number.

After roll call, the three keyholders are called upon to open the cash and the check the balance of the social fund. Once the keyholders have checked the balance, the secretary asks members to remember what the previous balance was. In certain groups, a member's inability to recall the previous balance results in a fine payment, which goes into the social fund. Then the previous meeting's social fund balance is announced and the meeting moves forward.

Passbooks and attendance deposits

The secretary begins handing out the passbooks to each of the members by calling their assigned rollcall numbers. If present, they stand up and take their passbook. If they agree with the balance

31 FSDT field trip to Lindi and Mtwara, 1-5 June 2017.

of shares recorded in it, they hand over an attendance fee which goes into the social fund, take their book and sit down again. If absent they can nominate someone to pay their fee (in essence a fine for absenteeism) and obtain their book in their stead. This continues until all group members present have their passbooks.

Then the secretary asks whether anyone has a problem that requires them to request access to the social fund. The money paid into the social fund is then counted twice by the money counters in front of the group. If the two money counters do not reach the same total, the funds are counted again until they do.

Share purchases

The group then moves to the **savings and loan fund**. This is the growth fund. Members buy shares in it and reap the rewards (equivalent to dividends) at the end of the cycle. The fund also enables members to borrow on agreed terms throughout the cycle. Once again, the secretary asks members to remember the final balance from the previous meeting of this fund and then it is announced to the group.

Those who are present have a choice of buying new shares in the group's funds or not. The secretary calls their number and they approach the committee. If they choose to purchase shares, they hand their money to the money counters. The money counters approve the amount and the secretary stamps the member's passbook with the number of new shares purchased. The secretary calls out the number of new shares purchased and the member approves the entry. The secretary then retains the passbook. The group shows support by praising the buyer of new shares.

A key indicator of a group's success is how the price of a single share has increased from US$ 0,23 to US$2.34 over three years in some groups[32]. Each member has one, equal vote regardless of how many shares they own.

Loan repayment and pay-out

Loan meetings are held once a month. If a member cannot make their monthly repayment, the loan period is extended. Interest is recalculated after each repayment. Requests for new loans are also made during these monthly meetings.

The secretary asks each meeting if there is anyone who needs to access the social fund. The fund cannot be accessed outside of a meeting. If funds are needed before the next meeting, members borrow from each other and use the weekly meeting to get funds to reimburse their creditors.

At the end of the cycle, members share out the savings and loan fund. Payment is based on the number of shares they have purchased over the cycle. Any money left in the social fund is used for a celebration.

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32 FSDT field trip to Lindi and Mtwara, 1-5 June 2017.

Linking Informal Practices with Formal Financial Norms

Financial Norms	Rules	Observable IFG Practices
• time-value of money	• consistent, regular meeting dates • penalties for late contributions • interest is charged by fixed time periods	• effective enforcement of rules • use of a abstract calendar • time sensitive collections practices
• capital invested is protected and returned	• limits and methods of cash storage • diversification of loan risk	• effective enforcement of rules • reputation-based loan underwriting • use of bank accounts
• returns are proportional to capital invested	• profit-sharing proportional to capital invested	• effective enforcement of rules • unavoidable mid-cycle exit is treated fairly
• free access to financial markets	• membership open to all • regular free elections	• effective enforcement of rules • multiple memberships across groups
• distinctive personal financial reputations	• provision for expulsion • provision for declining loans	• effective enforcement of rules • reputation-based member selection, leader selection and loan underwriting

"There is a close correlation between being a group member and being engaged in entrepreneurial activities. Members make their own decisions and are in charge of their own lives,"
Athimini Omary, community development office in Mtwara.

Recommended reading

Human Development Index Trends, 2008-2012 - http://hdr.undp.org/en/data

Multidimensional Poverty Index - http://hdr.undp.org/en/content/multidimensional-poverty-index-mpi

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