



The Impact of Savings Groups on Food Security & Nutrition:

What does the evidence show us?

TOMAK Learning & Development Platform

Think Piece 2, September 2018

Key Messages

Food security and nutrition remain challenges in Timor-Leste, with 60% of households reporting food insecurity and only 7.5% of children under two years consuming the Minimum Acceptable Diet in TOMAK implementation areas (TOMAK 2018). TOMAK aims to improve food security and nutrition through parallel interventions that establish a strong food security and nutrition foundation, while also building capacity to engage in profitable agriculture markets (TOMAK 2018). This Think Piece explores how savings groups (SGs) can create improvements in food security and nutrition, looking at current use of SGs in Timor-Leste, global evidence around pathways to achieve impact, opportunities and challenges. While SGs are common in Timor-Leste, there is no unified SG strategy; and multiple strategies may have quite different degrees of impact on food security and nutrition. Global evidence indicates that SGs have near universal positive impacts on increasing access to savings and credit. Impacts on food security and nutrition, while generally positive, are mixed. SGs alone may not impact food security and nutrition. However, the

SG platform is ideal for layering complementary activities to increase the odds of achieving related development goals, including improved food security and nutrition. SGs that include integrated components, such as behaviour change and women's empowerment, generally speed progress towards achieving related development goals of this nature. The Think Piece ends with key questions to help implementers consider how SGs can maximise impact on food security and nutrition.

Introduction

In an inclusive financial system all people can access, use and afford a range of financial services in order to manage their income productively, grow their assets, and adapt to changing circumstances to transform their lives (Mercy Corps 2017a). For households and individuals, access to assets (for example livestock, a motorcycle, or a tiller) supports their financial stability, productivity and quality of life. However, many often lack the ability to pay the full cost of an asset up front, or a safe place to store their money

as they save up to purchase an asset (FHI360 2014). In such situations access to savings and credit becomes a critical tool for economic progress. Unfortunately, access to savings and credit remains limited in many contexts. The Government of Timor-Leste (GoTL) recognises this as a challenge, noting, “Access to credit is a problem for small business people and individuals in Timor-Leste, especially those living in our rural areas. Lack of credit prevents the expansion of small businesses, limits the ability of our people to start businesses and inhibits the growth of our economy” (GoTL 2011). For those without access to a formal financial institution, such as a bank, SGs are one way they can still access vital savings and credit service.

Saving groups are not new to Timor-Leste. In 2014, one study noted 329 SGs operating in nine municipalities and in the special administrative region of Oé-Cusse Ambeno, with over 6,000 total members (Matthews, Brett Hudson

2014 in BCTL 2016). It is expected that this number has only increased with time, with several key organisations continuing to support the creation of SGs. While all of the SGs in Timor-Leste can be generally defined as community-based networks of members who gather to support one another through savings and credit, various forms of the model exist. The diverse variations of the model include Village Savings and Loan Associations (VSLA), Informal Rotating Savings and Credit Associations, Self Help Groups, and Saving and Internal Lending Communities (SILC) (Niner 2015). The external support provided to SGs (training, monitoring and in-kind) also differs. External training can range from direct implementation through project staff to private sector support through small entrepreneurs who offer demand-based training, such as CRS’s Private Service Providers (PSPs)¹, CARE’s Village Agents (FA)² or Mercy Corps’ Community Development Agents (CDA)³.

Key Characteristics of Savings Groups

In order to consider the potential of SGs to impact food security and nutrition of members, it is important to understand how such groups operate. There are 5 main aspects:

- 1. Community-managed groups with self-selected individuals** - While all members must choose to join a group, the criteria for membership can be open, such as a group of people living in the same neighborhood; or closed, with members sharing characteristics, such as vulnerable women, or a group of farmers.
- 2. Provide savings and credit services with non-traditional and social collateral** - Groups offer savings and loan options with members able to provide non-traditional collateral, such as small assets like plastic buckets, or livestock. Because members all live within the same community, there is social incentive to pay back loans in order to maintain positive relations within the community. The amount of saving allowed is decided by the group, and typically, savings are stored in a lock box that requires multiple keys held by

different members to open. This, together with the social collateral, is designed to keep savings secure in the absence of a safe.

- 3. Small regular contributions and controlled loans system**- Members contribute on a regularly scheduled basis and determine the rules for interest rates, payment, default, and reclaiming of loans. Groups determine whether only members can take loans (internal lending) or if non-members can also take loans (external lending).
- 4. Transparent and democratic governance system** - Members go through a process to set their own rules, transparently electing their leadership, deciding by majority on group rules, and managing funds transparently. The election process occurs at every saving cycle.
- 5. Time bound** - Savings and loans have a fixed time for share outs (distribution or allocation of profits). This allows individuals to save towards a fixed goal and change membership and/or leadership if desired.

1 Private Service Providers (PSP) are entrepreneurs that aim to expand savings group services on a fee-for-service basis anywhere there is demand. The PSPs are paid directly by the savings groups. PSPs earn an income as they help create and support groups, and groups

2 Village Agents are experienced VSLA members, trained by CARE’s local partners to establish and train new VSLAs for a fee paid by the members of the groups they serve. CARE’s fee-for-service model, the Village Agent approach, enhances sustainability of group support beyond short-term projects (CARE 2017).

3 Community Development Agents (CDA) are created based on the principle that in remote villages, last-mile agricultural services can be best served by a single, multi-market agent located in, or close to, the community (Mercy Corps 2017b). The CDAs’ primary objective is to respond to demand from groups in communities to establish VSLAs, and once the groups are consolidated start loading different agriculture services according to their needs.



Savings are typically stored in a lock box requiring multiple keys held by different members to open (Photo: Mercy Corps)



Savings groups set their own rules, elect their own leadership and manage funds transparently (Photo: Mercy Corps)

Results and Global Evidence: Links between Savings Groups and Food Security & Nutrition

Unsurprisingly, the evidence is strong that SGs almost universally increase use of savings and credit (Gash 2017). Less frequently, they have also been shown to reduce poverty (BARA and IPA 2013; Gash and Odell 2013), and increase income (Gash 2017). Improved access to savings and credit also has the potential to contribute to food security directly; ensuring households have adequate access to food either through investments in home production and storage or through market purchase of food when needed. This was seen in Mozambique, where SG participation increased the months of food sufficiency in the household (Brunei et al 2014) as well as in Zambia, where groups used loans to cover expenditures, with significant spending on food (Noggle 2016). On the whole however, the evidence is mixed, indicating that while SGs have some potential to improve food security, increased access to savings and credit alone is not enough to consistently result in improved food security outcomes (Gash 2017).

Savings groups can also create transformational change through less direct pathways, such as funding for education (Miller et al. 2011), improving group solidarity, providing a safety net in the case of an emergency, etc. (Gash 2017). How an individual chooses to use the savings, loan, or share out profit has a profound effect on the potential for positive impacts. SG loans are used by households in many different ways. Loans are often used for business investments, food purchases, health expenses and cultural events; share outs, on the other hand, are more often used for education, business investments, livestock investment, agricultural inputs, and housing improvements (FHI360 2015). The choice of investment can help explain some of the variation in global evidence. The majority of data notes positive impacts on assets, with one study also noting a 14% reduction in poverty among participants (Budervoet et al. 2012). However, such benefits are not guaranteed, with some studies showing little or no impact on household

asset ownership (Karlan et al. 2012).

The process by which a group is formed, and timing of the share out, can influence whether the share out is used for a productive asset that is able to create long-term growth, or simply treated as a short-term windfall. In order to address this, some SGs time their share outs to seasons when high investment is needed, such as the planting season when a family might invest in seed or a tiller, rather than seasons when money may get redirected to consumption-related needs (such as holiday celebrations). To further emphasise productive investments, members plan their productive asset needs and costs to purchase at the start of the cycle, ensuring they have a realistic goal they are working towards, and holding one another accountable to their goal.

However, the pathway for SGs to improve nutrition is arguably less direct. Even when food is plentiful, adequate nutrition is often absent. More money has the potential to lead to more food for the household, but it does not necessarily lead to adequate *nutritious* food for *all* members of the household. Nutritious food choices may be influenced by a range of factors including food taboos, household dynamics and choices in crop production. So, while SGs can be an important contributor to nutrition, participation in SGs alone is not enough to ensure improved nutrition. Accordingly, we see mixed results when it comes to the impact of SGs on nutrition. Most evidence supports a positive change in food consumption or food security among SG household members (Gash 2017). SGs have been shown to lead to an increase in the number of meals per day (Ksoll et al. 2016), improved food insecurity index scores (Bara and IPA 2013), and higher child dietary diversity scores (Brunei et al. 2014), albeit inconsistently. They have also been shown to increase overall food consumption, including consumption of protein rich meat and fish as well as vegetables (Boyle, 2009). However, some studies also indicate little to no impact on food consumption

scores (IPA 2012), child underweight status (Brunei et al. 2014) and no progress on some nutrition-related food security indicators (Karlan et al. 2012). Two large scale literature reviews of the evidence around SGs found no link between SGs and reduced rates of chronic undernutrition (GSD et al, 2016, FHI360 2015, Gash 2017), which is particularly relevant to a country such as Timor-Leste where 45.6% of children under five are chronically undernourished (DHS 2016). Globally, stunting has decreased at approximately 1.8% per year in the last 10 years (Hossain et al 2017, Oni et al 2013) indicating that it will take more than 10 years to make significant progress reducing stunting levels in Timor-Leste. Data suggest that scaling up existing nutrition-specific and nutrition sensitive interventions would accelerate stunting reduction (Oni et al 2013, WHO 2014).

Savings groups also have the potential to address gender norms, a key nutrition-sensitive factor, which can in turn positively impact food security and nutrition. There is some evidence that SGs stand-alone activities have the potential to increase women's decision-making control at household level (Gash 2017). However, overall impacts are not consistent and improvements in control over decisions are largely still limited to smaller financial amounts or assets, with men still controlling the larger

financial transactions. However, when programs actively integrated women's empowerment elements, often through gender-related dialogues, the results were consistently positive with greater male engagement in traditionally female activities, improved partner communication, support for family planning, shared finances, and reduced intimate partner violence (Gash 2017).

The method of training delivery can also impact sustainability, efficiency and behaviour of groups. Two studies that compared different models found that SG training through fee-for-service staff was more efficient than training through NGO staff (Karlan et al. 2017, Greaney et al. 2016 in Karlan et al. 2017). Delivery mechanism also seems to have some impact on group behaviour. Across a three-country study with more than 350,000 SG members, groups led by fee-for-service trainers were more entrepreneurial and more likely to engage in higher risk investments. SG members led by non-fee agents were found to be more conservative, with a focus on subsistence farming. As a result, the SGs led by fee-for-service trainers experienced more business-related losses, but also had less difficulty than the non-fee SG groups in managing health and life shocks (Ferguson 2012).

Lessons Learned

- **Savings groups are a powerful entry point to engage members and can be maximised by layering complementary interventions.** SGs motivate people to come to meetings, ensuring a platform for continuous interaction. As a stand-alone activity, they have potential to create change but complementary interventions can direct gains to a specific development goal. For example, SGs with health education sessions are more likely to result in the practice of healthy behaviours (Gash 2017). While the evidence is less robust, interventions designed to improve nutrition or increase agricultural productivity can also be beneficial. Similarly, SGs with complementary interventions in women's empowerment programming are more likely to result in empowerment gains (Gash 2017).
- **Start up and share out are critical windows of opportunity for making sure potential food security benefits from savings groups are realised** (Ksoll et al. 2016). Start up is an important time when members set expectations and goals for SG impacts, and provide an opportunity to target food security and nutrition-related investments. Share out timing can be tailored to seasonal events, helping groups' access money when they need it the most or when demand for productive assets is highest.
- **Savings groups can contribute to women's economic empowerment; however, women's empowerment needs to be a strategic objective of the group for this to occur.** Stand-alone SGs are not likely to significantly change gender norms. However, the evidence is strong that SGs with integrated women's empowerment programming can result in empowerment gains.
- **Social inclusion needs to be included as a part of the set-up strategy to ensure that savings groups address inequality.** SG activities often must strike a balance between influencing selection (e.g. only farmers, only women, etc.) and providing agency to members to form their own groups. Depending on the context and objective, programs can consider a range of interventions, from sensitisation to restricted membership, to influence groups to be more inclusive. If this is not explicitly addressed there is a risk that self-selecting groups will form in ways that reinforce inequality rather than reduce it.
- **Savings group delivery mechanisms can influence group performance and sustainability.** There are two main delivery mechanisms for SGs - NGO paid staff or facilitators, or fee-for-service providers. Each approach can lead to different impacts in efficiency, quality of delivery and sustainability.
- **Adolescents have unique priorities and constraints, and youth centered savings may offer one platform to improve their wellbeing.** A literature review of youth-focused SGs indicates they have the potential to increase economic activity as well as social benefits, such as increased status in the household and community and leadership capacity (Gash 2017).



Group leaders count member deposits in a savings and loans group supported by World Vision in Baucau, Timor-Leste.

Savings Groups and Food Security & Nutrition in Timor-Leste: Key Considerations

Given that food security and nutrition remain significant challenges in Timor-Leste, what can be done to help ensure SGs are leading to improvements? The evidence indicates it may be challenging, if not impossible, to rely on SGs as a stand-alone mechanism for creating improvements in food security or nutrition. However, we have also seen that they can be part of a solution, offering several pathways in which the groups can be leveraged to also address food security and nutrition, or nutrition-related challenges such as gender inequality. Implementers looking to increase food security and nutrition related impacts of SGs need to consider the following:

- Stand-alone SGs are probably not sufficient to create improvements in food security and nutrition. **What complementary activities should be integrated to improve food security and nutrition in Timor-Leste?**
- **What complementary interventions can also strengthen women's empowerment?** SGs offer a means to open up discussion within households on family dynamics, control and access to resources, workload allocation and more.
- **How can members continue to access financial services once a program ends?** Private sector provider options (fee-for-service trainers or formal bank institutions) should be considered from the beginning to ensure the intervention is appropriate for the community as well as sustainable.
- **How can share out be timed to increase food security or nutrition-sensitive investments in the Timor-Leste context, and how might the timing differ by community?** Communities will need to decide for themselves on the savings cycle, however, they can be encouraged to share out during seasons when investments are more likely to be productively utilised.
- **What are the best ways to integrate and promote key nutrition practices that are appropriately targeted to the audience?** Many positive behaviours for nutrition are specific to a life cycle stage (such as infants under six months, two years, adolescents, pregnant women) but SG membership is fixed, with only minimal changes each cycle. Implementers may need to consider group membership, tailored trainings and other efforts to ensure the targeted behaviors match SG group dynamics.
- **How do we build socially inclusive savings groups while also providing agency to members to self-select their groups?** Programs are challenged to engage communities in a participatory way but also ensure that interventions contribute to social equality.
- **Can savings groups be a nutrition-sensitive intervention for adolescents in Timor-Leste?** SGs offer one potential pathway to engaging and empowering youth. Most evidence indicates that youth-focused groups have the potential to result in improvements in self-esteem, asset accumulation and financial access but there has been little exploration of links between youth-focused groups and food security and nutrition outcomes (Gash, 2017).

References and Readings

- Banco Central de Timor-Leste (BCTL) 2016 Financial Inclusion Report 2016.
- Brunie A., L. Fumagalli, T. Martin, S. Field, D. Rutherford. 2014. Can village savings and loan groups be a potential tool in the malnutrition fight? Mixed method findings from Mozambique. *Children and Youth Services Review* 47 (2014) 113–120. Available from: <http://dx.doi.org/10.1016/j.chilyouth.2014.07.010>.
- Bureau of Applied Research in Anthropology (BARA) and Innovation for Poverty (IPA) 2013. Final Impact Evaluation of the Saving for Change Program in Mali. 2009-2012.
- Boyle P. 2009 Evaluation of impact of the Tougouri Pilot Project and Establishment of Baseline data for Phase II. Plan, Burkina Faso.
- Budervoet T., Annan J. & Armstrong, M. 2012. Urwaruka Rushasha: A randomized Impact Evaluation of Village Savings and Loan Association and Family-Base Interventions in Burundi. New York, International Rescue Committee
- CARE 2017. VSLA Outreach Report 2017. An overview of the global reach of care's village savings and loans association programing. Cooperative for Assistance and Relief Everywhere, Inc. (CARE).
- CRS 2011. Savings & Internal Lending Communities (SILC). Field Agent Guide. Catholic Relief Services.
- CRS 2013. Private Service Provider: Implementation Manual. Catholic Relief Services.
- De Onis M., K. G. Dewey, E. Borghi, A. W. Onyango, M. Blössner, B. Daelmans, E. Piwoz and F. Branca 2013. The World Health Organization's global target for reducing childhood stunting by 2025: rationale and proposed actions. *Maternal and Child Nutrition* (2013), 9 (Suppl. 2), pp. 6–26. John Wiley & Sons Ltd. DOI: 10.1111/mcn.12075.
- FHI360. June 2014. Assessment of Financial Services for Agribusiness and Rural Farmers in Timor-Leste.
- FHI360 2015. The Impact of Savings Groups on Children's Wellbeing: A Review of the Literature. FHI360.
- Ferguson M. 2012. An Evaluation of Household Impact among Fee-for-Service Savings Groups. SILC Innovations Research Brief 5. September 2012. Catholic Relief Service.
- Gash M. 2017. Understanding the impact of saving groups. The SEEP Network and FSD Africa.
- Gash M. and K. Odell 2013. The Evidence-Based Story of Savings Groups: A Synthesis of Seven Randomized Control Trials. The SEEP Network. The Bill and Melinda Gates Foundation.
- General Directorate of Statistics (GSD), Ministry of Health of Timor-Leste and ICF 2018. Timor-Leste Demographic and Health Survey 2016. Dili, Timor-Leste and Rockville, Maryland USA: GDS and ICF.
- Government of Timor-Leste 2011. Timor-Leste Strategic Development Plan 2011-2030. RDTL
- Hossain M., N. Choudhury, K. Adib Binte Abdullah, P. Mondal, A. A. Jackson, J. Walson, T. Ahmed 2017. Evidence-based approaches to childhood stunting in low and middle income countries: a systematic review. *Arch Dis Child* 2017; 102:903 - 909.
- Innovation for Poverty Action (IPA) 2012. Evaluation Summary, Impact Assessment of Saving Groups in Ghana. IPA.
- Karlana K., B. Savonitto, B. Thuysbaertb, and C. Udrya 2017. Impact of savings groups on the lives of the poor. Available from: www.pnas.org/cgi/doi/10.1073/pnas.1611520114.
- Ksoll C, H. Bie Lilleør, J. Helth Lønberg and O. Dahl Rasmussen 2016. Impact of Village Savings and Loan Associations: Evidence from a cluster randomized trial. *Journal of Development Economics* 12(2016) 70-85.
- Mercy Corps 2017a. Financial Inclusion: Capacity Statement 2016.
- Mercy Corps 2017b. Community Development Agent: A new business model for last-mile services in villages in Timor-Leste September 2017.
- Miller C., Sawyer M. and Rowe W. 2011. My Skills, My Money My Brighter Future in Zimbabwe: An Assessment of Economic Strengthening Interventions for Adolescent Girls. Catholic Relief Services.
- Niner S. 2015. Gender Analysis of Oxfam Savings and Loans groups in Timor-Leste: research report. Oxfam-Monash Partnership.
- TOMAK 2018. Tomak Baseline Study Report Component 1 : Food Security and Nutrition.
- WHO 2014. WHA Global Nutrition Targets 2025: Stunting Policy Brief. The World Food Organisation and Bill & Melissa Gates Foundation.



A savings group supported by Mercy Corps conducts a regular meeting in Bobonaro, Timor-Leste (Photo: Mercy Corps)

About TOMAK

TOMAK (*To'os ba Moris Di'ak*, or Farming for Prosperity), a 5-10 year agricultural livelihoods program supported by the Australian Government in Timor-Leste.

TOMAK works with and through government, NGO and private sector partners to help farmers grow more and better food, improve family nutrition, and increase household income. Working together to improve the systems which support farmers to do this has the potential to enhance livelihoods and bring long-term change.



The target area for the first phase of TOMAK is 66 suku (villages) located in the inland, irrigable zones in Timor-Leste. These suku are located in 3 municipalities - Bobonaro, Baucau and Viqueque.

About the Learning & Development Platform

To consolidate learnings in the sector, TOMAK has established a dedicated Learning and Development Platform (L&DP). The platform aims to facilitate cross-program learning by capturing and sharing lessons related to nutrition-sensitive agriculture (NSA) and social behaviour change (SBC), and by highlighting appropriate international examples.

Annually, the TOMAK L&DP releases four think pieces – a series of articles that analyse a range of evidence around key trends, best practices and lessons in NSA and SBC relevant for Timor-Leste. This evidence comes from Timor-Leste as well as the larger global discourse. These think pieces aim to move beyond data and recommendations in order to stimulate new ideas, discussion and innovation. Partners are encouraged to use the information or ideas presented here to further their individual and agencies' own ideas, trials, and practices.

The views, information, or opinions expressed in this document do not necessarily represent those of TOMAK Program, the Australian Government, or any of the lead or local partner organisations.