

## Leveraging cash programming to build longer-term food security and resilience in Kenya: A case study

### Key takeaways

- VLSAs' enable households to create assets, diversify livelihoods and build resilience.
- VSLAs have helped to improve education, health and livelihoods of members.
- VSLAs have enhanced economic empowerment for women.
- VSLAs encourage fair, transparent public participation, where members are empowered to voice their concerns.
- Strong partnership between public and private actors is essential for VSLAs' success.



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### Background

World Vision adopted the Village Savings and Loans Association (VSLA) model as an activity integrated into World Vision's Cash for Assets (CFA) programme in January 2013. VSLAs are local financial platforms which are set up and managed by a group of village volunteers. This new approach was piloted in Kenya within the Taita Taveta CFA and later rolled out in Kilifi and Makueni. The goal of VSLAs is to graduate vulnerable, food insecure households towards a resilient and food secure future. Savings groups enable families to create productive assets as well as diversify livelihoods and income sources.

VSLAs provide a range of financial services aimed at promoting the stability and diversification of local livelihoods. Services include saving boxes, loans, micro-insurance against loss of crops and livestock and a relief fund for community members facing emergencies. VSLAs often times offer additional services like collective purchases of agricultural inputs or storage facilities for crops. VSLAs have shown to be an effective instrument to

raise the resilience of livelihoods among families, as evidenced by the increased proliferation of VSLAs, amounts of savings registered, and access to and utilisation of other social services.

### Understanding the context

The families in the Kenyan counties of Taita Taveta, Kilifi and Makueni live predominantly on subsistence farming, livestock herding and small businesses. Because of this, villagers are vulnerable to environmental shocks, such as droughts and fires, which can result in the loss of crops and livestock. Due to their remote location, access to social and financial services is generally low. In the case of an emergency, access to social relief funds can be a lifeline for families to meet immediate needs.

### Forming a VSLA

Participation in a VSLA is a voluntary activity. The groups are self-selected and are ethnically and social-economically diverse. People from the same village or geographic area will form a group of approximately 12-25 members based

on World Vision's [VSLA guidelines and standards](#).

Once a VSLA is established, members draft a constitution that governs membership registration, election, general conduct, meeting procedures, finances, dissolution of the group and other relevant policies. Every VSLA member has the same rights and obligations to make decisions regarding transactions such as savings, lending the social fund and [loan repayments](#); this ensures transparency.

Each savings group has a five person management committee elected for a 9-12 month cycle. Each member has one vote in electing the management committee and developing the constitution. The group meets regularly, and is led by a chairperson and secretary. Regulations ensure that at least three quarters of leadership are women. There is a small membership registration fee to join and the groups often jointly practice mixed farming, subsistence farming and small-scale livestock production for food and income generation.

### **WV Kenya VSLA's stats**

#### **All VSLA programmes**

- 1,170 VSLA groups
- 24,238 total members
- 82.1 per cent women members
- KSH 93,324,152 total assets

#### **Cash for Asset VSLA programmes**

- 123 VSLA groups
- 2,554 total members
- 83.6 per cent women members
- KSH 9,586,062 total assets

### **Oversight and accountability**

In Kenya, the VSLAs are supported under the Protracted Relief and Recovery Operations' (PRRO) Cash for Assets intervention, funded by the World Food Programme and the Government of Kenya in partnership with World Vision Kenya. The model is aligned to

the Government of [Kenya's Social Protection Policy \(2011\)](#), which focuses on the provision of social assistance mechanisms, such as food assistance, cash transfers, child protection services and responses to life-threatening emergencies. Accordingly, the Kenyan Government has established a regulatory framework to facilitate the formation and registration of the self-help groups, under which VSLAs fall. The formation and registration of VSLAs under the Department of Social Services, as enshrined in the Social Services Act, allows the government to channel certain agricultural and social services to highly vulnerable rural populations — such as cash transfers from county governments, the Agricultural Sector Development Support Programme and the Kenya Coastal Development Project.

The Government of Kenya, in collaboration with World Vision Kenya, facilitates group formation and registration, capacity building, linkages to value chains, information, dissemination and funding.

Beneficiaries are provided with regular and timely information, they are consulted, and participate fully in every step of the programme, as required by [World Vision's Programme Accountability Framework](#). Complaints and response mechanisms are also in place through community [help desks](#). World Vision also supports VSLA's village agents who are trained to recruit, supervise, monitor and report on the progress of VSLA groups in their area of operation in order to enhance long-term sustainability.

### **Available financial services**

VLSAs' financial services enable households to create assets, diversify livelihoods and build resilience. Members benefit from [savings](#) and [loans](#) schemes that employ low interest rates and flexible repayment conditions. Members can save every week, but can only borrow once every four weeks. Savings are recorded as ['shares'](#) in the member's passbooks and loans are advanced to the members after undergoing a group vetting process to establish their ability to repay. The vetting process includes

assessment of the amount requested, purpose and duration of the loan, member's savings amount, attendance record and character.

Borrowing once every four weeks ensures record-keeping is simplified, as providing loans during every weekly meeting can make records complicated, particularly when many members are illiterate. The maximum loan duration is 3 months, which helps to stimulate repayments and ensure constant liquidity so other members can borrow. The service charge is usually set between 5 – 10 per cent, a rate that discourages members from taking out excessively large loans, but does not completely discourage borrowing.

In order to encourage members to only take out loans that they are easily able to repay, the amount borrowed by a member cannot be more than three times their savings. The members repay the loans during group meetings through a service charge. The service charge is added to the group profits that are shared at the end of the 9-12 month cycle. Timely repayment enables members to borrow subsequent loans and late repayment is discouraged with a penalty.

Members can also access micro-insurance schemes that protect agricultural crops against adverse weather events or pests, and insure pastoralists against livestock deaths. The micro-insurance schemes ensure that families do not lose their assets and incomes in case of shocks affecting their crops. Similarly, storage facilities and warehouse receipt systems protect associated farmers against the risk of price fluctuations in market.

Finally, the groups benefit from trainings and capacity building initiatives by World Vision Kenya staff who facilitate the process of linking VSLA members to markets and financial institutions. The trainings cover topics such as group leadership and election, social funds, share purchase and credit policies, development of a group constitution, the first savings meeting, the first loan meeting, the first loan

repayment and action audit/share-out and graduation.



*A savings meeting for Ngangani VSLA. The group of 21 members began savings in December, 2015 and currently has a loan fund of KSH 13,000.*

## Collective assets

VSLAs run collective purchase of agricultural inputs, food and assets such as dip tanks for livestock. Procuring goods and services collectively enhances purchasing power and stimulates more favourable economic conditions than individual purchases. VSLAs also provide access to communal infrastructures such as storage facilities and warehouse receipt systems. These collective assets cushion against post-harvest losses, which in turn improve member's returns, especially when selling during "lean seasons". Together, the groups can also undertake collective commercial activities, such as rabbit rearing, bee keeping, water vending, poultry keeping, rain water harvesting, tree nursery establishment and more. Men often will work on labour intensive tasks, while women support the business activities.

## Social funds

A [social fund](#) is an optional fund which the group can decide to establish. If a fund is created, it establishes that a fixed percentage should be allocated for this purpose. The social fund is kept separately from the loan fund and is used as a grant not a loan. These grants help families in the case of emergencies and help to pay for hospital bills, funerals, fire damage, house damage and loss of livestock. In some cases, VSLA's social funds also directly support

food security through in-kind food distributions, and protect agricultural activities through provision of agricultural inputs and assets.



### VSLA Member Snapshot: Jacinta

Jacinta from the Changamka group in Mwanega has seen first-hand the value of the VSLA loans. With three loans of KSH 1,000 each from her VSLA, Jacinta started a successful vegetable kiosk and a small scale poultry farm. Jacinta's income now sustains her whole family, including her elderly grandmother. The vegetable kiosk that Jacinta runs is only one of nearly 40 small business that have been established as a results of the VSLA. Truly, the VSLA has been the source of transformational development for the whole community of Mwanega.

### Encouraging results

Connecting the VSLA approach with CFA has ensured a mutual reinforcement of both humanitarian and social protection objectives. The establishment of the VSLA model and its institutional support has not only helped to establish new groups, but also prompted the revival of previously dormant groups. This revitalisation helped to grow the CFA group portfolio total savings from KSH 214,550 to KSH 6.4 million and membership from 670 to 2,554 members from May, 2015 to December, 2016, according to the [Savings Group Management Information System](#) – a worldwide reporting system that enables savings group

implementers to monitor and assess the performance of groups and projects.

### Final CFA VSLA's Results

- **89.5 per cent** attendance rate
- **4.1 per cent** membership growth rate
- **KSH 6,487,844** savings
- **KSH 2,620,630** net profit
- **40.4 per cent** return on savings
- **27.3 per cent** return on assets

*MIS reporting December 2016*

### Community impact

The VSLAs embed and inspire a savings culture, which has a strong effect on the livelihood security of rural families. Collective schemes allow for more flexible disbursement and repayment routines that result in cumulated returns that are shared across the group. The loan and security fund, despite its limited size, has helped many families to overcome seasons without work and food. These mechanisms witness and reinforce a sense of solidarity in the communities where they are practiced.

The model encourages fair, transparent and public participation. VSLA members are empowered to voice their concerns and improve programme implementation. Furthermore, some VSLA members also serve as community help desk representatives and are responsible for collecting and handling feedback on a range of projects that operated under the broader CFA programme. In addition, village agents are trained to ease operations, support ownership and share knowledge with others. The access of rural families to loans has led them to invest more substantially in agricultural activities, particularly those presenting higher risks and returns. Loans have also encouraged families to invest in complementary agricultural and non-agricultural enterprises, diversifying their livelihood and improving diets. The flexibility of loan sizes has allowed women to invest in their preferred activities – predominately the rearing of small-scale animals. In this way, women experience increased

economic empowerment and involvement in their family and the community.

Benefits VSLA members experience go beyond increased savings and access to loans to include increased security, welfare and access to essential social services. Thanks to the participation in the broader CFA, members were linked to more stable local value chains and markets for their products. World Vision Kenya also found that education, health and livelihoods were improved. For example, parents were able to pay for their children's school fees, healthcare bills and livelihood training expenses.



*A savings meeting at Kiluluni VSLA. The group began its savings in November, 2015 and already has 17 members and a loan fund of KSH 17,500*

## Challenges

### **Delays in cash transfers**

Cash transfers are incentives beneficiaries could get upon completion of the stipulated work norms on their farms during certain months for household expenses. Beneficiaries were allowed to apportion part of the transfer to savings at their VSLAs. In the initial phases of the initiative, delays in external cash transfers resulted in lower savings deposits and poor loan repayment by group members. This delay limited social cohesion within some groups.

### **Resolution**

*A shift in the financial institutions utilised, from over the counter transactions to ATM and mobile money services (Mpesa), resulted in faster processing*

*times. Once these problems were identified, the cash transfer system was updated and improved to ensure beneficiaries received their transfers on time.*

### **Negative perceptions of savings and loans**

Before joining the VSLA, communities often had negative perceptions about savings and loans, which slowed down the rate of adoption and replication of the VSLA model. Negative perceptions included the misunderstanding that saving was only for “excess money,” and thus an activity that could not be attempted by the poor. Loans were perceived as high risk and borrowers worried about losing their property at auction. Finally, traditional financial institutions often had many requirements that intimidated low income earners.

### **Resolution**

*World Vision Kenya worked to enhance community members understanding and acceptance of savings and loans through visiting other well-functioning VSLAs. Members with these misperceptions were able to share their concerns and receive feedback directly from VSLA participants.*

### **Economic context**

The socio-economic situation in Kenya as a whole negatively impacted the regularity of income for some rural families. Due to this irregularity of funds, several VSLA member decided to withdraw from groups.

### **Resolution**

*To combat this issue, groups worked to establish joint projects and risk mitigation measures, such the social fund to cushion members' income and fears and thus reduce dropout rates.*

## Replicability and scale-up

The VSLA programme continues to be a powerful model to help develop financial services at a local-level. In order for this model to be successfully replicated, adequate a security, favourable political will, mutual trust, shared vision and goals and social cohesion must exist. World Vision Kenya found that groups formed at the village level are most effective, as members are already familiar with

each other and are more likely to exercise positive and constructive social control.

In addition, the establishment of proper legal structures within the group help to facilitate smooth registration and operation of VSLA groups. This includes the development of a members' constitution and registration certificate, which help to safeguard members' against any form of manipulation, leading to greater trust, transparency and accountability among members.

Strong partnership between public and private actors needs to be promoted in order to strengthen the group's operation, promote pooling of resources and capacity building initiatives. Linking VSLAs to value chains and markets is critical to promoting economic growth, establishing viable local enterprises and building household resilience. This, accompanied by strong networking of the groups with key stakeholders, is vital for a VSLA's success. Throughout this process, World Vision Kenya was strategic to establish stable and systematic

local offices to support the process at the local-level. Thanks to this work, the number of beneficiaries has significantly increased, with groups reporting increased rates of established business enterprises. Moving forward, monitoring both the achievement of individual objectives of existing members and the collective accumulation of dividends has been the most effective monitoring model.

World Vision Kenya has found VSLAs to be a powerful tool in improving savings culture, providing small scale loans and informal insurance systems at a local level. Savings groups have both economic impacts, as members are more resilient to cope with emergencies and economic shocks, as well as social empowerment, as group solidarity builds social capital for longer-lasting empowerment. World Vision hopes VSLAs and CFA will continue to create positive lasting change.

#### Additional resources

- [How do savings groups work – Philippines](#)
- [World Vision's Savings Groups](#)



#### VSLA Member Snapshot: Grace

Grace from Dungicha is a widow and mother of six whose life has been transformed by VSLAs. Prior to her enrolment in the CFA programme, Grace's income was unstable. The CFA programme taught her about rain water harvesting, and the VSLA model.

Grace makes local snacks called chapatis to sell to workers on their breaks. Through this business she makes an average of KSH 960 weekly, of which KSH 250 goes to Mshale Self Help Group as her weekly savings. Additionally, the loans she has taken out from the Mshale Self Help Group have supported her endeavour to begin selling silver cyprinid and coconuts in the local market.

Through this income she can support her family. Specifically, Grace is able to take special care of her physically handicapped daughter as well as pay school fees for her other children – three of whom are in primary school and a fourth in technical school.