Financial Inclusion: The Boresha Maisha Story

Weka Akiba, Boresha Maisha!
Save, Improve your Livelihood!

This phrase epitomises the values of the Community-Based Savings Groups (CBSGs) established by Aga Khan Foundation (AKF) in Lindi and Mtwara regions of southern Tanzania. It is uttered in greeting to initiate a group meeting, before counting the savings, and, at the end, before final announcements are made. Boresha Maisha is also, fittingly, the name of the CBSG programme in Tanzania.

AKF’s CBSG programme was established in 2009 in seven countries across Asia and Africa. Boresha Maisha was launched in 2010 in Lindi and Mtwara, two of the most underdeveloped regions in Tanzania. The project aimed at building the capacity of local communities to save and access credit, and to enhance their economic wellbeing through reliable access to basic financial services such as savings and credit.

Rationale and context
Over 70 per cent of the population of Lindi and Mtwara regions live in rural areas. Close to 87 per cent of them are engaged in subsistence agriculture. Agricultural yields in these regions tend to be poorer than those in other regions of Tanzania. Formal access to finance for savings and credit is limited and, where present, challenging to access.

In 2009, the largest proportion of those who depended on financial services relied on informal means, such as loans from neighbours and shopkeepers, or savings clubs. Banks are mostly

Coastal Rural Support Programme Tanzania
AKF’s Coastal Rural Support Programme Tanzania (CRSPT) was started in 2009 in collaboration with the Government of Tanzania with the long-term goal of improving the quality of life in Lindi and Mtwara Regions (LMR) through multi-sectoral interventions in the economic and social sectors. CRSPT started with a programme to increase financial inclusion for rural poor through the formation of community-based savings groups (CBSGs) and to support smallholder farmers to sustainably increase productivity of rice and sesame – adding horticulture in 2014, poultry and legumes in 2016 and sunflower in 2017 – and to facilitate the integration of smallholder farmers into market systems. In 2013, education and health programmes were introduced within CRSPT, as part of a growing multi-input area development (MIAD) approach across the two regions. CRSPT(T) was designed and implemented in partnership with the Government of Tanzania and is funded by the Department for International Development (DFID), the European Commission, Global Affairs Canada (GAC), GIZ, Financial Sector Deepening Trust (FSDT), Gates Foundation, Johnson and Johnson Trust and the Agriculture Market Development Trust (AMDT). Under its economic development initiative, the programme has directly benefitted over 60,000 farmers and value chain actors and organised 178,000 people (66 per cent of them women) in savings groups.
located too far to be convenient for those in remote villages, and have a negative reputation due to a perception that they levy exorbitant fees and require complex procedures to engage with.

Microfinance institutions (MFIs) also generally do not have a good reputation among most of the rural poor, not least because they tend to be focused on providing credit for a fee, rather than on assisting people to save.

Similarly, experiences with Savings and Credit Cooperatives (SACCOs) have been discouraging since these are often small, poorly managed, and unable to diversify their risk. And, even though there is a long tradition of ‘Upatu’ (Rotating Savings and Credit Associations (ROSCAs)) in southern Tanzania, very few people in these regions were members of ROSCAs in 2009, as this model is ideal for those with a steady stream of income.

Boresha Maisha is based on the Village and Saving Loan Associations (VSLA) model, which was developed by CARE Niger in the 1990s to address the lack of access to basic financial services among the rural poor. The model provides a decentralised, non-institutionalised savings-led approach to access to finance, with a unique feature of an annual share-out among group members. Since the 1990s, the model has been variously modified and implemented by a number of international NGOs including Plan International, Oxfam, Catholic Relief Services and World Vision. Numerous studies suggest that these groups have generally had a positive impact, enabling an increase in savings and access to credit, smooth household consumption expenses, and ability to acquire assets.

Programme and impact

At inception, Boresha Maisha trained village agents, drawn from the local communities, to train the groups. By the end of 2015, Boresha Maisha had reached more than 178,000 people (66 per cent of them women) in 10 districts through the establishment of over 9,200 CBSGs, and reaching 15 per cent of the adult population in Lindi and Mtwara regions. Almost 550 village agents were trained, of whom 374 were still active by late 2015. These village agents form a cadre of trainers who could potentially ensure the sustainability and further growth of the CBSGs after the end of AKF’s intervention.

The results of the programme have been very positive, with:

- An estimated total savings of at least Tsh128.3 billion ($60 million)
- Total assets (total savings, interest, social fund and property accumulated by all groups in their first cycle) of Tsh32.5 billion ($15.2 million)
- An average first-cycle profit per CBSG of Tsh1,240,000 ($581)
- Annual average first-cycle savings per member of Tsh179,250 ($84)
- 83 per cent of the groups remaining active into the third cycle

In addition, there have been increases in average loan sizes, income-generating activities, and productive investments (in education, home improvement, nutrition, and so on), and improvements in withstanding unplanned for external shocks such as illnesses in the family. CBSGs have contributed to social cohesion, networking, and confidence, especially among women.

While all promoters of the VSLA model follow the same overall structure, AKF’s programme holds the distinction of establishing unique groups in terms of governance, procedures, member participation and transparency. According to the project’s final external evaluation by VSL Associates in 2015, Boresha Maisha achieved the highest group quality score of all projects evaluated by VSL Associates and is, therefore, a model “worth studying”.

In 2015, there was a growing demand among groups for formal bank linkages, primarily due to a lack of security for the groups’ savings, which accumulate in cash boxes, especially towards the end of the cycle. Consequently, partnerships have been established with the Bank of Africa, National Microfinance Bank, Diamond Trust Bank, and Tanzania Postal Bank and more than 80 groups save with these institutions. However, progress is slow, due to the unavailability of banking agents in rural areas.

In order to deal with the risk of theft in a manner that can be replicated in other VSLAs anywhere, AKF has partnered with
FSDT, Selcom Tanzania, and Bankable Frontier Associates to develop a fully digital CSBG platform. This approach may be more scalable than bank linkage for groups as high volume, digital micro-payments between members and their groups may create a stronger incentive for telcos and their agents than aggregate amounts from cash-based savings groups.

Challenges

In the first stages of Boresha Maisha, some groups faced high drop-out rates due to an inability of some members to maintain their payments. The drop-outs were partly a result of unrealistic and wrong initial expectations, such as that of direct financial support from AKF.

In the later phases of the project, one of the main difficulties was the theft of the cash boxes. Across 10 districts between 2012 and 2015, 75 cash box thefts were recorded with thefts occurring within 90 days before the share-out.

Sustainable supply of box kits for new groups has also been a challenge. Although the groups are willing to pay for the box kits post project, establishing a sustainable supply chain for these essential materials is dependent on its profitability for existing suppliers. Having reached saturation and given the sparseness of the population in most of the regions, the evolution of a supply mechanism that is efficient and profitable will be determined by the demand for new savings groups.

Lessons learned and recommendations

Based on CRSP(T)’s experience in Boresha Maisha, the following have been extracted as lessons learned, and based on these, recommendations can be made for further interventions to form and support CBSGs:

Sustainability

• The success of Boresha Maisha is largely a result of the village-agent model along with rigorous training, refresher training, and mentorship for the agents to ensure that the procedures and facilitation are performed effectively. Further, the village-agent model is integral to scaling up and replication, as well as to the sustainability of CBSGs.
• Village agents should be supported by local field officers as opposed to field officers from other regions, due to the need for overall understanding of the context and communities, as well as the higher levels of commitment and dedication to these communities. This also leads to higher field officer retention rates.
• Training procedures should be rigorous and highly standardised, and training manuals should be issued to all staff and village agents.
• There should be clearly defined sustainability measures from the onset. AKF realised the importance of this early in the programme and introduced a service fee for village agents as one such measure.
• There is also a need to develop supply chains for box kits for savings as lack of box kits can be a problem.

Target Members

• Analysis of the characteristics of drop-out members suggests that the current CBSG model may be best suited to the needs of the socially and financially ‘active’ poor, rather than the ‘extremely’ poor, as the latter lack sufficient cash flow to be able to save regularly. To respond to this and ensure optimal impact, mobilisation should target the ‘active poor’ from the onset. To better respond to the needs of the ‘extremely’ poor,

“Before Aga Khan Foundation’s project, I didn’t know how to save, let alone understand how to go about getting a loan. Now, all those who took part in the trainings know. I personally have been able to save with my savings group up to Tsh 380,000/- a year. I have a higher target for the future. In addition, before joining my group, I didn’t have a set of plans for the future whatsoever. But now I set future plans and work studiously towards achieving them.”

Mwanahamis Saidi, CBSG member in Milola, Lindi
deliberate targeting of poorer households is needed and multiple interventions may be required to enable them to save regularly, for example, by developing pathways to savings group membership for the extremely poor through existing social safety net programmes like the Tanzania Social Action Fund (TASAF).

- Development and effective use of the group constitutions by CBSGs is critical to the sustained functioning of the groups. This enforces good leadership and empowers members to manage ineffective leaders and disruptive members.

**Savings Model**

- To simplify calculations of savings and loans, minimise errors, and improve record-keeping, flat interest rates were used by the CBSGs. This is recommended over a declining balance interest.
- Clear and comprehensive record-keeping procedures should be in place and maintained throughout the life of any such project.

**Impact**

- Generally, little is known in the field about how savings groups fare after the first year, since interventions, including AKF’s programme in Tanzania, do not systematically track these groups. It is important to highlight and expand on programme impact, particularly on gathering and analysing data on the connection between increased asset accumulation and business development, changes to social capital, women’s empowerment, and the functioning of savings groups. This requires resources (human and financial) to allocate to carrying out an evaluation of this nature, which will feed into future programming and capture the multi-faceted impact of the programme.

Overall, Boresha Maisha provides a strong example of how to effectively mobilise and manage savings groups. The impact has unleashed the potential for thousands of smallholder farmers to expand their production and businesses. Based on the above recommendations, such a program can be scaled up and implemented in other areas to achieve similar results.

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