

# Panel Discussion on Savings for Resilience

Saving for a Rainless Day

Salome Mhango - CARE Malawi Pathways Programme  
Manager

Wilson Center

Washington, June 29, 2016



# Presentation Outline

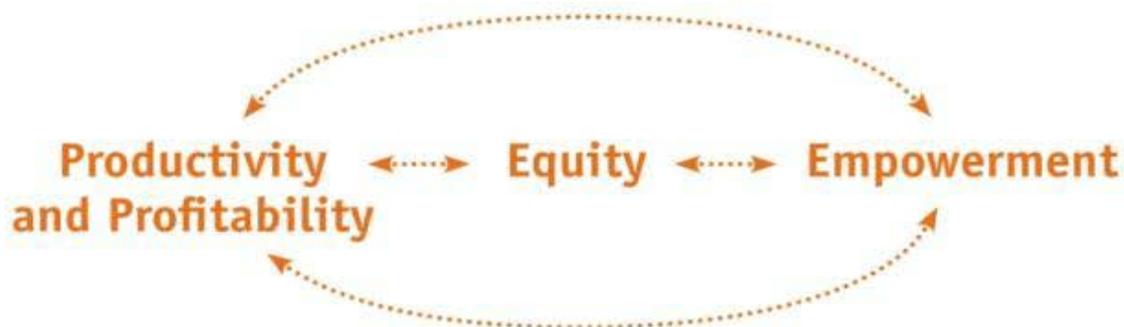
- Pathways TOC and the FFBS approach
- About VSLAs, Resilience
- Resilience and the VSLA model
- How VSLA increase Resilience
- Modifications to the VSLAs to increase Resilience

# Pathways Theory of Change

## CARE PATHWAYS THEORY OF CHANGE

### More Secure and Resilient Livelihoods

Food and Nutrition Security, Coping and Adapting Ability



#### 1 Capacity

CHANGE LEVER

Knowledge, skills and relationships  
Self-confidence and conviction of power

#### 2 Access

CHANGE LEVER

Access to productive resources, assets and markets appropriate and reliable services and input

#### 3 Productivity

CHANGE LEVER

Improved yields and income through the adoption of sustainable agriculture and value addition

#### 4 Household Influence

CHANGE LEVER

Contribution to and influence over income and decision-making

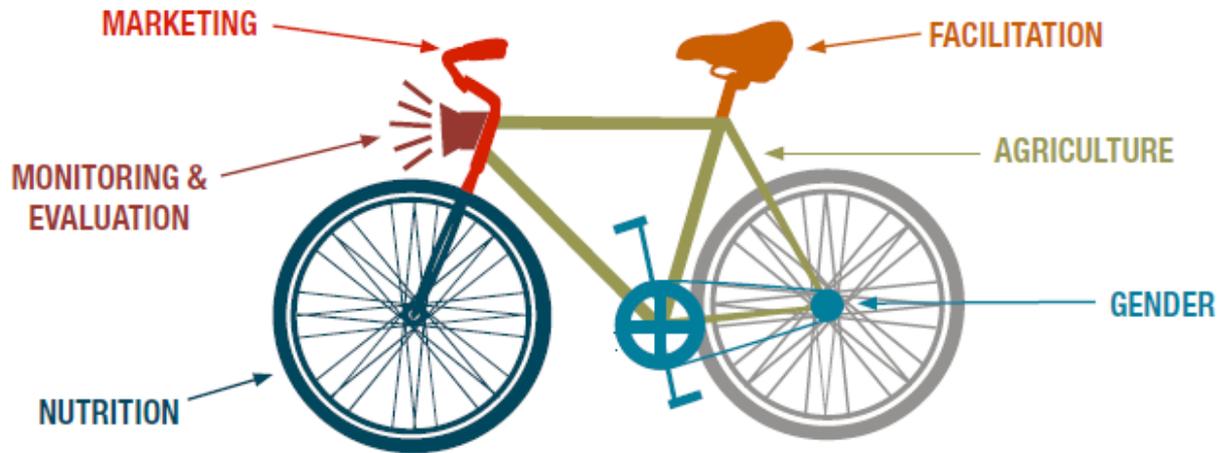
#### Enabling Environment

More positive and enabling attitudes, behaviors, social norms, policies and institutions

CHANGE LEVER

5

# Farmer Field and Business School: An integrated approach



How Pathways participants visualized the importance of integration of the FFBS components



# About VSLA



**Primary purpose of VSLAs is to provide simple savings and loan facilities to communities that don't have access to financial services**

**VSLAs do mobilize savings primarily to increase household security ;provide loans for investment needs and other needs; to create a social fund for relief of group members in case of emergencies; to build capacity of women to engage in IGAs**



# VSLAs in Malawi



1. CARE introduced VSLAs in Malawi in 1999
2. As of 2014, 67 organizations were involved in VSLA
3. Government of Malawi have now included VSLA as a fifth pillar in its National safety net program
4. CARE Malawi projects are currently working with approximately 18000 VSLA in its FNS, AGE Programme
5. In Pathways alone, over 98% of its beneficiaries participate in VSL activities. VSL groups shared an equivalent of USD 871,178.21 in 2016 representing 62% from 2015
6. Pathways has signed MOU with Airtel and OBM Bank to create products for VSLAs



## Resilience:

connotes building capacities by which communities can manage shocks and adapt to change now and in the future and these interrelated capacities are anticipatory, absorptive, adaptive and transformative



## Capacities

Building asset base for adaptation

Institutions and Entitlements

Knowledge and Information eg on climate change, market info

Innovation for adaptation and decision making

Related to Resilience, the VSLA model through:-

- **Social fund contributes to absorptive capacities** by providing resources after a shock to avoid negative coping mechanisms
- Savings is a way to **manage and financially plan** for predictable costs and likely ad hoc costs based on risk landscape
- Loans offer potential to **invest in action and activities that make them adapt** to emerging conditions and generate benefits that will help them pay back the loans
- Group membership provide the ability to **transform systems** by challenging negative gender norms and build women economically.

## Components of the VSLA

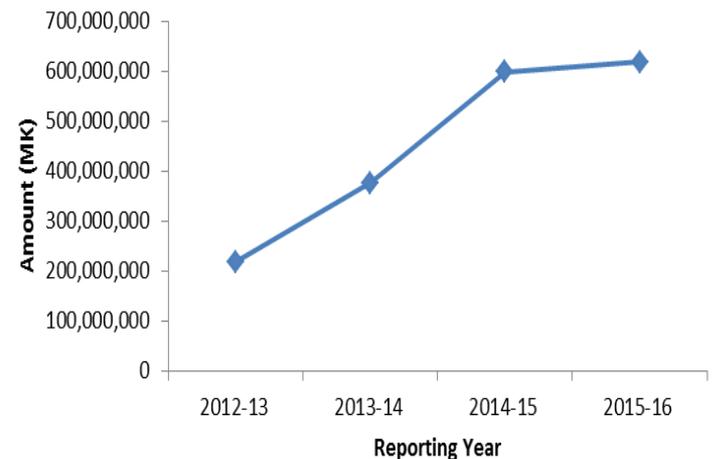
Social Fund

Savings

Loans

Group membership

## Share Out Progress



## ***VSLAs are a potential tool for Resilience Programming***

- **Providing access to savings.** Create a buffer to draw from to manage predictable and unpredictable needs and protect productive resources
- **Consumption smoothing** - reduce chances of using negative coping strategies; make lump sum payments etc.
- **Reaching the vulnerable** - VSLA target those not reached by financial services, inclusive share value and flexibility to saving
- **Managing financial risks**
- **Social Fund** – pooling resources for difficulty times - anticipation of unexpected shocks and an effective strategy for absorbing & not undermine long-term wellbeing.
- **Sustainability** – self sustaining entities beyond project funding that help people thrive within their risk landscape leading to increased resilience.

# Modifications to the VSLAs to increase Resilience



- **Set VSLA goals around resilience** - Incorporate risk analysis into process of establishing VSLAs ; frame VSLA savings, loan and social fund goals around real , multifaceted and interrelated risks.
- **Include risk management investments into VSLAs loans** - formalize taking loans for risk management practices as well as for productive investments. These may make IGAs or productive assets more secure or more able to be relied upon
- **Extend the social fund usage** beyond funeral and health costs to a local level risk insurance
- **Minimize risks to cash** by developing risk management plan - include monitoring of risk factors and pre-agreed triggers to take actions when there is imminent danger to the cash.

# Modifications to the VSLAs to increase Resilience



- Ensure that **the vulnerable are reached** eg make share value affordable
- Ensure that **financial risks are kept at manageable levels** so as not to expose the vulnerable into more risks.
- Adopt an **integrated systems approach** into resilience building



- Thank you for listening