MICROFINANCE WITH BUNDLED SERVICES FOR ORPHANS AND VULNERABLE CHILDREN

International Rescue Committee and The SEEP Network

Introduction

"Bundled services," also called "complementary programming," "non-financial services," or—in the case of savings groups—"savings groups plus," are added services that are designed to improve the impact of microfinance interventions on the target population. These complementary services are critical to boosting the impact of and/or adding value to financial interventions for orphans and vulnerable children receiving financial services.

> **A survey by the SEEP Network found that a whopping 87% of 103 agencies provide add-on services to their savings groups.**
>
> —*Savings Groups Survey: Child and Youth Wellbeing (SEEP 2013)*

This brief discusses bundled services that can be linked to community-based or institutional microfinance to benefit orphans and vulnerable children (OVC).[1]

Types of Bundled Services for Orphans and Vulnerable Children

Savings interventions for orphans and vulnerable children incorporate bundled services, such as the following, sometimes separately and sometimes in combination:

- financial education
- school-based and formal education linkages
- health and protection topics, life skills training (with a particular focus on HIV and violence prevention)
- mentoring
- enterprise development/employment/skills training
- linkages to formal finance

FINANCIAL EDUCATION

Financial education trainings aim to help young people gain a greater understanding of financial concepts and expand their abilities to apply this knowledge to improving their financial and social well-being (OECD 2014).

Offering financial education courses is one of the most common add-ons for children and youth in both institutional and community-based microfinance. In a 2013 white paper, Child & Youth Finance International (CYFI) proposes that "financial education, social education, and financial inclusion are the building blocks of empowerment and financial capability that

[1] This is a companion piece to two forthcoming ASPIRES technical guidance publications to be published on Microlinks: *Orphans and Vulnerable Children Savings Groups Technical* and *Engaging OVCs through Institutional Savings–Led Microfinance*.

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underpin economic citizenship for children and youth" (CYFI 2013, 4).

Meaux (2016) examines the evidence of the effectiveness of financial education, noting that "twenty-one experimental studies have explored the effectiveness of financial education aimed at children and youth" (p.16). His meta-analysis of these studies showed that financial education is effective in improving knowledge of financial concepts, attitudes towards planning and future outlook, and savings and financial behaviors.

For example, a Women's World Banking project with XacBank in Mongolia offered an eight-week financial education program for urban, rural, and at-risk girls. All three target groups had access to a youth-friendly savings account that XacBank developed through market research. An impact evaluation found that the girls who received financial education and opened a savings account had a significantly higher (four times) savings rate than girls who did not receive the financial training (Tower and McGuinness 2011).

SCHOOL-BASED/FORMAL EDUCATION LINKAGES

Formal savings products can be used to establish linkages to formal education, either by providing funds for schooling or by conditioning account access on school attendance, grade completion, or other school-related outcomes.

The Suubi Project in Uganda involved a Child Development Account with matched funds that could only be used to pay for secondary schooling, vocational training, and/or investing in a family-owned small business (Ssewamala and Ismayilova 2009). Targeting AIDS-orphaned youths (ages 11-17) from 15 comparable schools, the project matched deposits made to the savings account for the treatment group while all other schools received the usual counseling and education-related supplies. All families in the treatment group chose to save for the participating youth's post-primary education.

To build financial skills and confidence in teenagers, a curriculum developed by Aflatoun, called "Aflateen," teaches young people (ages 15-18) about savings, spending, credit, planning, and budgeting.[2] This is done by setting up savings groups in schools for learners and eventually planning and implementing small individual or group social projects and revenue generating enterprises. Evaluation of the Aflateen curriculum shows that it promotes positive changes in youth perceptions, skills, and behaviors relevant to the core components of the curriculum; savings and spending, planning and budgeting, and general education topic areas demonstrated the greatest change outcomes (Aflatoun 2013).

HEALTH AND LIFE SKILLS TRAINING

Microfinance interventions are often found in poorer areas that have higher disease burdens such as malaria, tuberculosis and HIV/AIDS. Often aid actors try to address health and poverty issues together by bundling health and life skills training with financial services.

According to UNICEF, "life skills education aims to increase positive and adaptive behaviors by assisting individuals to develop and practice psycho-social skills that minimize risk factors and maximize protective factors."[3] Specific training on reproductive health would be considered a key

[2] Aflateen is used with in-school youth (including those in vocational training) and with out-of-school youth who are reached in settings such as youth centers, clubs and churches. See: https://aflateen.org/.

[3] UNICEF Definition of Terms. http://www.unicef.org/lifeskills/index_7308.html

complementary intervention for OVC affected by HIV/AIDS.

In a meta-analysis of existing studies evaluating the integration of microfinance and health programs, Leatherman et al. (2010) found that the majority of studies reported "significant improvement in client health knowledge when microfinance services were combined with health education" across a diverse range of health areas including reproductive health, malaria and gender-based violence. Meaux (2016) cautions, however, that "literature on SGs' impact on the treatment and prevention of adolescent HIV/AIDS remains scarce."

The Tap and Reposition Youth (TRY) program offered through K-Rep Bank and the Population Council provided education on topics including HIV/AIDS prevention and reproductive health to young women living in areas of high HIV-prevalence in Kenya, delivered through savings and lending groups associated with K-REP Bank, a formal financial service provider. Through this program, girls' ability to negotiate terms of sexual encounters was improved (Erulkar et al. 2006, 41).

Youth savings programs can link to social skills training to strengthen social assets. BRAC's Empowerment and Livelihood for Adolescents (ELA) program in Uganda offers adolescent girls microfinance, life skills training sessions, and livelihood training in adolescent development clubs. The life skills training sessions provide sexual and reproductive health information. This intervention decreased measures of risky behavior and increased measures of gender empowerment among participants (Bandiera et al. 2012, 21).

MENTORING

Mentorship is a relationship between a more experienced or knowledgeable person with a less experienced one where the former provides counselling or guidance to the latter. Usually an adult or older youth is paired with a younger youth. There is little evidence from developing countries that mentoring, by itself, leads to youth development outcomes. A meta-analysis of 73 youth mentoring program evaluations in the U.S. suggests that mentoring can be effective across a wide range of outcomes, including social, behavior, academic, and emotional domains, although it cautioned that the differences with non-mentored youth were not large (Dubois et al. 2013).

The Safe and Smart Savings Products for Adolescent Girls project implemented in Kenya and Uganda by the Population Council involved a mentorship component, where each participant selected a financial mentor who gave financial guidance, as well as a social mentor who met weekly with participants. Participants stated that they valued the ability to discuss issues with their mentors and receive guidance and counseling (Austrian and Muthengi 2013, 6).

ENTERPRISE DEVELOPMENT, ENTREPRENEURSHIP, AND SKILLS TRAINING

Enterprise development, entrepreneurship skills, and vocational training help develop hard (technical) and soft (employability, market analysis) skills. These are increasingly incorporated into savings programs targeted to OVC populations to promote asset accumulation and increase access to care and support services.

But what is the evidence? A review of 26 evaluations of technical and vocational training interventions for young people in low- and middle-income countries concluded that "the overall mean effects on overall paid employment, formal employment, and monthly earnings were small, positive, and significant." The review also concluded that there was a lot of variation in training approaches and that more evidence is needed (Tripney and Hombrados 2013).

For entrepreneurship training, in a meta-analysis of 37 impact evaluations of entrepreneurship programs in developing countries, Cho and Honorati (2013) note "a wide variation in program effectiveness across different interventions depending on outcomes such as employment and poverty reduction, types of beneficiaries, and country context." They find that overall, programs that promote self-employment opportunities and small-scale entrepreneurship have significant impacts on both labor market and business outcomes, especially for youth. Providing access to credit for women creates the largest impact.

Furthermore, Cho and Honorati (2013) find that business training for entrepreneurs is a cost-effective short-term intervention for increasing business performance and growth. This does not however translate immediately into business start-up, expansion or increased income.[4] They also note the need for more evidence.

One example of a microfinance program incorporating entrepreneurship training is Plan International's Youth Microfinance Program in West Africa. This project delivered financial education, life skills training and entrepreneurship training to nearly 90,000 youth (ages 15-24) in Niger, Senegal and Sierra Leone from 2009 to 2014. The project increased participants' economic activity, savings, assets, and expenditures on health and education. While these changes cannot in their entirety be attributed solely to the entrepreneurship training, they are an indication that bundled training can achieve strong results.

Approach to Bundled Services

CHOOSING THE RIGHT INTERVENTION

How should designers of savings group (SG) interventions select the appropriate bundled service? In choosing an activity, it is important to ask the following questions:

- Does it meet the needs and desires of the target group ("demand-driven")?
- Is there evidence of its effectiveness?
- Is the target group involved in the choice of the activity?
- Does the activity distort markets in any way?
- Is there an exit strategy?
- Are there any risks to adding on this activity, and if so, has the target group been informed and allowed to weigh in?
- What will happen in case of failure of the activity? Who will "repair" any damages? (Rippey and Fowler 2011, 29)

Concerning the last point about potential "damages," Nelson (2014) notes that the selection of complementary services offered to SG members should "do no harm". Add-ons should respond to members' needs and wishes as opposed to the priorities of the program managers or donors, and fit with the core SG functions (ibid.).

When multi-year bundled projects that include savings group activities are designed by NGOs or financial service providers, they are often done so in advance as part of the planning and funding process, and without an in-depth and participatory needs assessment. In this case, the mid-term evaluation, or assessment for planning a second project phase, provides an opportunity for

[4] The programs analyzed were not necessarily linked to financial services, however the specific focus on programs targeting youth provide insight on the mechanisms through which entrepreneurship programs can deliver desired outcomes.

revisiting the usefulness, appropriateness, and desirability of the add-on services provided (ibid.).

Also important is the complementarity of services to the SG activities (ibid.). Do the services improve the functioning of the SG, such as conflict resolution training, or its impact on orphans and vulnerable children (such as nutrition, health, and/or life skills education)?

What criteria should formal financial service providers (FSPs) use in deciding which bundled services to offer? Formal FSPs should use the same criteria as those listed above. In addition, they must consider the financial and marketing implications of providing these services. Bundled services can be costly for an FSP to provide, and should be rooted in its business model.

These considerations could include:

- What is the cost of providing the bundled service, and how will it be paid for?[5]
- Which of our clients can benefit the most from these services?[6]
- Will these services help attract youth clients?
- Will these services help retain clients?
- Will these services improve repayment rates?

Agencies working with orphans and vulnerable children have developed tools for designing interventions that include non-financial services, such as the Population Council's Girl-Centered Program Design Toolkit (Austrian and Ghati 2010), the Child Status Index (MEASURE Evaluation 2014), and the World Bank's Child Needs Assessment (World Bank, 2002). These tools are useful resources for designers of SGs and formal FSPs looking to include bundled services to their core product and service offering.

DELIVERY OF BUNDLED SERVICES

With community-based microfinance, the group venue provides an opportunity to deliver extra services (Dunford 2001). The extra services can be delivered by the implementing agency, either using the same staff as those responsible for the SGs ("unified"), or using staff from a different department ("parallel"). A third possibility is to partner with a specialized organization ("linked"). Nelson (2014) offers a useful table (Table 1) that describes the different approaches to delivery.

Table 1. Approaches to Delivery of Bundled Services

Type	Description	Context
Linked	Two or more institutions provide services; one may organize groups for the purposes of saving and credit, while the other delivers a non-financial service.	When the additional service requires technical expertise beyond the capacity of the SG implementing agency.
Parallel	Distinct staff within the same institution provide different services to the groups.	This approach is most appropriate for organizations that maintain functional departments and capacity in distinct technical areas, such as financial services, health, education, and agriculture.
Unified	All services are provided by the same staff of the same institution.	This model is often used by smaller organizations operating in areas with limited partnership possibilities.

[5] Bundled services could be subsidized by revenue from other activities (e.g., loan interest), by charging fees for service, and/or by donor support.

[6] Targeting or segmentation of clientele, and identification of which clients will benefit most, can reduce costs of delivery.

FSPs can use the same models. The information available suggests that most FSPs opt for the linked approach. This helps them to avoid diluting or compromising their key competencies. Whether an FSP enters into a partnership and the type of organization it partners with will both have significant implications for the scale and scope of non-financial services that may be offered.

When considering the most appropriate type of model to use, it is important for the FSP to consider the following factors (Hopkins and Perdomo 2011, 16):

- capacity and availability of staff within FSP to deliver bundled services to youth
- capacity of the partner institution to provide quality services at large scales
- geographic coverage in relation to target group location
- availability of financial resources or potential for outside funding
- mechanisms that are most appropriate for reaching clients (e.g., groups, youth clubs, or mobile offices)

SEQUENCING

When should the add-on service(s) start in relation to the core financial activities? A frequent recommendation from savings group practitioners is that SGs should have a chance to coalesce before other activities are added on. In other words, the members should have learned how an SG functions and how to resolve any difficulties that occur before adding in other services. This is ordinarily one cycle of SG activity, but it may vary depending on the context.

However, in thinking through sequencing, practitioners should consider how they think the SGs and bundled services will interact. If the bundled services would build trust and cohesion among SG members, for example, starting with bundled services might be the most effective.

If the potential benefits of starting with SG activities vs. one or more bundled services is unclear, then the next-best consideration should probably be feasibility: what will be most efficient for the organization(s) delivering both services.

An additional best practice is that the add-on activity should occur in meetings *after* the SG core activities have taken place. This ensures that people do not leave before the SG activities have occurred, which is typically their main reason to continue with the bundled activity.

Finally, it is important not to overload the SG members with too many additional activities, which should always be voluntary.

For formal FSPs, the issue of sequencing is equally important if the delivery method is via groups, and perhaps less important if the delivery method is individual financial services. In this latter case, non-financial services can be offered before the financial services begin, and may be used to promote the financial services and even as a condition for obtaining them.

Linking SGs to Formal Finance

Savings groups can be sustained as informal institutions; however, they also can be one step on a pathway to greater financial access, with inclusion in the formal financial sector being the ultimate goal. This is because the formal financial sector can provide more products and more choices to its clientele. It is also regulated, which protects people from fraud and unfair practices, at least in theory.

There are several ways to link youth and child SGs with formal financial service providers. One approach is when the FSP itself establishes the SG. In this model, the savings of the group are deposited, individually or as a group, in an account held with the institution. For children under 18 years old, a parent or guardian's written permission is typically needed to open the account in line with applicable laws and regulations. Since youth tend to deposit small amounts of money, and in irregular frequencies, this type of model needs to be subsidized by the institution until it reaches a certain scale. Barclays, Plan and Care are currently developing a youth savings group model to contribute to financial inclusion and economic empowerment of young people (Barclays, Plan and Care 2014). Another example of an FSP-led model is the Advancing Integrated Microfinance for Youth Initiative (AIM Youth) project in Mali that linked youth savings groups to cooperatives (Ramírez and Nelson 2014, 7). A group-based approach was implemented through a credit union federation in Mali, with the model designed to enable youth to save in a formal savings account. The federation's member credit unions organized youth groups of five to 15 members who would share the cost of opening a group savings account (the account opening and annual maintenance fees). Over 2,600 youth participated. With this approach, youth increased their total savings.

Another approach could be implementing agencies, where the SG promoters encourage their SGs to open accounts in nearby financial institutions. The amount of accumulated savings and the possibility of theft may be incentives for opening a formal account. SG implementing agencies can provide financial education training that educates savings group members about the benefits of formal financial institutions. Opening a formal account in the name of the group can result in lower costs for the group members (such as transporting the funds to the financial institution, or the cost of opening the account), while also benefiting the financial institution with a lump sum of savings.

Conclusions

Bundled services are critical to boosting the impact of and/or adding value to financial interventions for OVC. The most frequently provided bundled services include financial education, linking members with formal education, health and life skills training, mentoring, entrepreneurship development training, and linking members to formal finance.

The choice of which bundled service(s) to provide should be based on the results of a participatory needs assessment and a good understanding of the costs involved, the exit strategy (when will the services end, or how will they be continued at the end of the project), the risks, and other factors.

Bundled services can be delivered by the NGO or FSP itself or by an outside agency specializing in the service. By choosing the right bundled service intervention, and ensuring that risks are mitigated, the impact of the SG and FSP model on OVC can be enhanced as outlined in examples around increased savings, changes in behavior and expenditures on things such as health and education.

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