SAVINGS GROUPS FOR ORPHANS AND VULNERABLE CHILDREN AND YOUTH

*by Joan Hall**

Introduction

Community-based savings groups (SGs) offer a promising approach to address the economic circumstances of orphans and vulnerable children and youth in poor countries and improve their overall well-being. SGs, also as well as VSLA or SILC, have emerged over the past two decades and have been directed primarily towards adults. For adults, SGs have been shown to have positive household economic and health effects, including increases in savings, improved food security, protection against economic shocks, and increases in physical assets (Gash & Odell 2013, 8-19). While SGs have not yet demonstrated strong impact on health or education expenditures, they have been shown to have a positive impact on health behaviors when used as a platform for complementary health programming (Meaux 2016). Research on the impact of SGs that directly engage orphans and vulnerable children (OVC) is limited but promising, especially in the areas of savings, asset-building, health, and social empowerment (Meaux 2016).This brief is designed to provide guidance to practitioners working with orphans and vulnerable children (OVC). It illustrates the benefits of SGs for vulnerable children and youth and illuminates issues to keep in mind when piloting SGs with this target population.

Savings Group Basics

Traditional SG programs for adults have some basic standards that have been successfully applied to SGs for children and youth:

- Group sizes of no more than 25
- Self-selected members
- Elected leadership
- Democratic decision-making that determines attendance requirements, savings amounts, loan sizes, interest rates and "share-outs" (cash distributions at the end of the cycle)
- A separate emergency or social fund that can be accessed by those members who have immediate and short-term expenses (Allen & Staehle 2011)

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Additionally, several best practices have emerged for SGs with children and youth:

- Involve family and community leaders in outreach, targeting, and mentoring (Hasan 2015; Zheke 2010, 8).
- Involve children and youth as active partners in the design of the savings group initiative, such as in choosing the time and place of the meeting, establishing the bylaws, and selecting members (Zheke 2010, 9), and even in selecting any non-financial services (Nazneen 2014, 5).
- Recognize that youth may not be able to contribute the amount that adults do.
- Provide financial education.
- Ensure safety when transporting cash and when traveling to/from group meetings (especially for girls).
- Integrate vulnerable children and youth in addition to OVC to combat stigma and prejudice (Ferguson et al. 2014, 4).

Benefits of Economic Strengthening for Orphans and Vulnerable Children and Youth

Potential benefits of economic strengthening (ES) programs with vulnerable children and youth include:

- increased protection via social and financial safety nets, reducing likelihood to engage in high-risk behaviors as a means of income-generation
- decreased likelihood of engaging in exploitative labor or leaving school in order to care for dependents
- increased access to education, which improves future human development prospects (Stene et al. 2009, 7)

> "[A review of 43 impact studies] shows that economic strengthening programs can have many positive benefits for children of beneficiaries, or for children themselves when targeted directly.
>
> In several cases ES programs were also shown to increase the demand for, and/or the efficacy of, non-economic programming (health education, building social capital, etc.)."
>
> —*CPC Livelihoods and Economic Strengthening Task Force 2011, p. 1.*

Rigorous research on the impacts of SGs engaging orphans and vulnerable children and youth is still limited, but existing evidence is promising. Research from Uganda using a matched savings account intervention, along with financial management training and mentorship, demonstrated a significant decrease in depression in participating orphans and vulnerable children and youth (Ssewamala et al. 2012). The children in the treatment group received matched savings accounts, financial management workshops, and mentorship, in addition to services provided for all school-going orphaned adolescents (counseling and school supplies). Although the researchers were not able to separate the effects of the three components given to the treatment group, the comprehensive approach had significant positive effects. Another study undertaken by the same program in rural Uganda found that increasing an OVC population's economic assets led to improved intentions towards sexual risk taking (Ssewamala et al. 2010).

DIRECT ECONOMIC BENEFITS OF SGs

Savings groups help increase assets, especially savings, for youth. For example, Plan's Youth Microfinance Project in West Africa found an annualized share-out of savings to be nearly

US$31 per member. A typical youth SG in this project could expect to have a capitalization of US$1,500 over three years (Markel and Panetta 2014, 16). Moreover, there are indications that members' savings goals evolve over time. For example, in Freedom from Hunger's Advanced Integrated Microfinance for Youth (AIM) project in Mali, youth's savings goals "mov[ed] away from clothing toward more productive goals, such as saving for livestock, emergencies, and their trousseaus (for girls)" (Gash and Gray 2014, 5). The group approach seems to be key in building savings habits, because "peer group dynamics created a commitment mechanism (i.e., the group rules) that led participants to saving more than they would have without participating in the group" (Ramirez and Fleischer-Proano 2013, 9).

INDIRECT SOCIAL AND HEALTH BENEFITS OF SGs

Importantly, there is evidence that social and health benefits can be boosted by combining the basic SG model with additional services related to young people's social and health needs, such as financial literacy, life skills, cultural education, and legal advice (Sebstad 2011, 45). This is especially important for girls, as these additional services may reduce their participation in risky sexual behavior such as transactional sex (Sebstad 2011, 51). For example, in CARE's Ishaka project in Burundi, "the knowledge and support acquired in the sexual and reproductive health component of the [savings group] project has resulted in a sharp increase in contraceptive use, some decrease in unwanted pregnancies, and willingness to undertake regular voluntary HIV/AIDS and sexually transmitted disease testing and to seek medical care as required" (Rushdy 2012, vi).

Age-Appropriateness

For younger children, practitioners should focus on increasing their access to a safe place to save money—even in tiny amounts—and on building saving behaviors through financial education and peer support. Child and Youth Finance International (CYFI) recommends individual savings accounts for children as young as six years old. Aflatoun works with children of that age and above. Children from six to approximately ten years can benefit from savings activities. The Aflatoun model has been shown to help mitigate these risks but donors and implementing agencies need to examine the trade-offs in working with young children, including the need for child protection and the potential impact on familial well-being. Older children and youth, on the other hand, are more appropriate for SG membership, as they are more independent and may be engaged in income-earning activities. CARE's Ishaka project, for example, worked with girls from the age of 14 years and up, and Catholic Relief Services' Savings and Internal Lending Communities (SILC) include youth aged 13 to 24.

Mitigating Risks for Orphans and Vulnerable Children and Youth

Children are not adults, so the designers and implementers of SG programs must be aware of the potential for unanticipated negative consequences. This is critically important in both the design of SG programs and in their monitoring. In the following sections, we discuss some of the potential for harm.

LOANS AND CREDIT

Many practitioners agree that credit is most appropriate for SG programs with older children and youth who are accustomed to using money in the context of business. Vulnerable children can be negatively affected by social pressure to repay loans.

VIOLENCE OR ABUSE

Children and young people—especially girls and young women—may experience harassment or violence from family members or peers due to increased access to money. They can be subject to exploitation and theft. Girls who receive social support, health and financial education, are less likely to experience this (Austrian and Muthengi 2014).

Orphans and vulnerable children and youth sometimes face stigma related to their situation, such as having an HIV-affected family member, being HIV-positive themselves, or heading a household. This stigma increases their vulnerability to abuse. A recommended practice to avoid this is to include non-vulnerable members from outside the target population when forming savings groups.

GENDER ISSUES

Gender issues should be taken into account to ensure boys/young men and girls have equitable access to the opportunities that SG programs offer. This is especially important when selecting a meeting place and time for the group, as some areas may be unsafe or considered inappropriate for a girl or young woman traveling unaccompanied.

SOCIAL PRESSURE

Orphans and vulnerable children and youth who have a lower capacity to save due to added expenses associated with caregiving, health needs, or heading a household should not be subjected to save more than is comfortable for them. The pressure to repay loans taken from SGs can cause drop-out from groups (Hall 2006, 5).

TIME AVAILABILITY

Orphans and vulnerable children and youth may have lower time availability due to caring for younger siblings or sick adults in the family. Pressure to attend meetings may cause stress and adversely affect this population. Children and youth are also vulnerable to negative impacts on school attendance, school performance, and a reduction in the amount of playtime. Children and youth will sometimes choose to engage in economic activities in lieu of participating in these activities (Gennetian et al. 2014).

Protection Strategies for Orphans and Vulnerable Children and Youth SGs

The table below shows some potential negative effects of SGs on orphans and vulnerable children and youth and suggested mitigation or prevention strategies to avoid them.

Table 1: Risk and Mitigation Strategies for OVC Membership in SGs

	Mitigation Strategies						
Risks	Involve and educate community	Involve non-vulnerable children and youth	Form girl-only groups	Adjust methodology to avoid pressure to attend, save, and repay loans	Hold meetings in safe places	Incorporate financial education	Monitor child-specific indicators*
Violence, abuse, exploitation or theft	X				X	X	X
Less participation from girls	X		X		X		
Stigma	X	X					X
Dropout	X			X	X		X
Negative impact due to poor money management						X	X

* For examples of child-specific indicators, see Sinclair et al. 2014.

Conclusion

Early indications from research on asset-building activities for youth and children, including SGs, are that these programs can have a positive effect on economic well-being by building financial assets, and on social and health well-being by improving good health practices and reducing risk-taking ones. While SGs pose potential risks to orphans and vulnerable children and youth, these risks can be minimized with a child- and youth-friendly methodology and with adequate monitoring and evaluation components.

Additional Resources

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