Mid-Term Review: CARE Tanzania PkW Project

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Draft Report

PkW at glance

The Project	
Contract signed	30th April 2014
Entry into force	1st May 2014
Contract end date	31 December 2018
Project total	US$ 7.4 million
Estimated Project beneficiaries	316,300

Key components	
Goal	Improved access to financial services to 316,300 rural poor women and men
Regions	7 regions
Districts	37 districts
First group formed	October 2014
Financer	FSDT

Acronyms

CRS	–	Catholic Relief Services
CBT	–	Community Based Trainers
CBO	–	Community Based Organizations
CCT	–	Christian Council of Tanzania
CODERT	–	Community Development Trust
DSM	–	Dar es Salaam
FGD	–	Focus Group Discussion
FOs	–	Field Officer
FRA	–	Franchisee
FSDT.	–	Financial Sector Deepening Trust
GEWE	–	Gender equality and women empowerment
GNI	–	Gross National Income
HR	–	Human Resource
HUHESO	–	Foundation for Human Health Society
IGAs	–	Income Generating Activities
JECA	–	Jozani Environmental Conservation Association
JIDA	–	Jikomboe Integral Development Association
JINAMA	–	Jinsia na Maendeleo
JUMIMAKI	–	Jumuiya ya Miradi ya Maendeleo Ilala na Kisarawe
LASWA	–	Legal Aid and Social Welfare Association
LGAs	–	Local Government Authority
M&E	–	Monitoring and Evaluation
M4P	–	Making Markets Work for the Poor
MIS	–	Management Information System
MTR	–	Mid Term Review
NEC	–	National Empowerment Council
NGO	–	Non-Governmental Organizations
PESACA	–	Pemba Savings and Credit Association
PkW.	–	Pesa Kwa Wote
POs	–	Partner Organization
RCTs	–	randomized control treatments
RUCDO	–	Jumuiya ya Mikopo na Maendeleo Ruvu
SPM	–	Selection, Planning and Management
TACODO	–	Tanzania Community Development
TDFT	–	Tabora Development Foundation Trust
US$	–	United Dtates Dollars
VA	–	Village Agent
VSLA	–	Village Savings and Lending Association

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Executive Summary

Given the level of poverty and financial exclusion in rural settings[1] the informal savings groups will, for a foreseeable future, prevail as viable means to expand access to finance (savings and loans). It is a false assumption to expect formal and modern sector to penetrate such areas, some of which appear more in need of humanitarian aid than development interventions.

After so many years of donors support to the savings groups industry, this MTR exercise offers an opportunity to respond two overarching questions *(i) whether interventions, such as PkW's delivery mechanisms and activities are informed by knowledge that have accumulated overtime both in and outside the industry and; (ii) whether there are still knowledge gaps that the Project could fill*.

1.0 Progress towards intended outputs

- PkW has achieved 91% of the targets for groups formation (4,754 out of 5,253 targeted groups for phase I)

- Target for recruiting new members was achieved by 75% (97,883 out of 130,975 target). Targets for savings mobilized and loans disbursed were attained by 75% and 67% respectively. Currently 12 out of the targeted 15 POs are actively engaged (80%).

- VSL groups are improving access to savings and loans. Savings per member has increased by 31% over the 2-year period. Value of loans per member rose sharply than savings by 52%.

- Proportion of female group members is 74% surpassing the target of 70%. The ratio is higher than similar projects being financed by Aga Khan Foundation (66%) and Catholic Relief Services (CRS) (64%). However, the average savings per member as % of Gross National Income (GNI) per capita is far below that of Aga Khan and CRS groups.

- Results from FGDs were consistent with findings from the literature on other benefits from savings groups. Savings groups have upgraded and helped to smooth consumption for rural households, increasing women empowerment, reduce vulnerability in the events of social and economic shocks and enhanced access to health and education.

1.1 Design and implementation challenges

- The Project lacks a system to monitor quality aspects of its services (in particular the training component) or the quality of the beneficiary groups.

- Quality has been a grave concern well before the MTR exercise and many aspects discussed in the report give strong evidences on possible low quality of service delivery and consequently low quality of the established groups. One CBT whom we were interviewing and whose group was to share-out in five days, asked us for procedures on how to handle such events. Such request brings question marks to the quality of training she had received and the quality of training she is delivering to her community.

[1] See Finscope 2013, URT (2011) and World Bank (2015).

- Project delivery is not in line with the industry established guidelines. For instance, SEEP program guidelines advocate for savings groups projects to always 'balance quality and scale'. We did not see evidences for that. For instance, while the group formation target per PO has increased from 30 groups (Oct-Dec 2014) to 103 groups (Jan-Mar 2016), the number of POs have declined from 14 in 2014 to 12 in 2016. The pool of FOs is not expanding in line with the increasing targets.

- A VA in Kishapu is on average serving 32 groups and the number is rising. It is much higher for FOs who are also "gap fillers" in case VAs resign. The industry average is between 10 and 25 groups *formed* and *supervised* per trainer in a given year.

- Our assessment of unrepresentative 9 VSL groups shows that 68% of the VSL governance procedures are observed with three out of nine groups (33%) observing only half or less than half of the procedures.

- A number of design errors including incorrect formulation of targets. For example, the design assumed fixed saving rate of US$ 0.50 per member per week despite variation in poverty rates across locations.

2.0 Project delivery models and sustainability

- Project delivers group mobilization and formation services through (i) Partners Organizations (POs) and (ii) Franchisees (FRAs). FRA model is a pilot, whereas the PO model is a scaling initiative.

- Without creativity of the implementing partners in overcoming numerous challenges, the Project would have not achieved the stated results. Use of volunteers and interns to easy workload, motivating VAs with allowances; using reserve funds to cover for delayed transfers from CARE etc., have all sustained project activities.

- PO delivery model outperforms FRA model in all outcome based measures. For instance, POs' groups have mobilized 56% of the targeted savings, while it is 36% for FRAs. CARE's internal analysis further confirmed the differences in performances between the two models. In that analysis, the PO model scored the highest, followed by a model where CBTs are paid directly by project and the FRA model.

- Sustainability of the Project outcomes can be enhanced by engaging in three activities (i) improving the quality of the groups through delivery of good quality training (ii) deliver the VSL methodology training to wards community development officers (WCDOs). They are currently engaged in group mobilisation and LGAs have of recent received a directive from the National Economic Empowerment Council (NEC) to invest in savings groups (ii) invest in building the capacity of POs in areas associated with sourcing and managing funds and projects of similar nature in the future.

2.1 Design and implementation challenges

- The idea that VAs are not paid by the Project is incorrect and misleading. VAs, to some extent, and in an informal way are compensated by the Project.

- Implementation costs and quality of the group mobilization function and training decline when one moves from the model where CBTs are paid directly by the Project, to the PO model and lastly to the FRA model.

- Sustainability of the *"group mobilization and formation function"* is unlikely without external support. We do not find strong evidences of groups being formed by imitation. This implies that without government authorities or NGOs and CBOs (the POs) engaging in mobilization then limited or no group replication will take place. Currently, district authorities are not engaging in group formation. Moreover, organizational capacities of POs are not strengthened systematically to increase their likelihood of accessing external resources.

- The likelihood of sustaining "*employability of VAs and CBTs"* is low. None of the groups we spoke to is currently paying the VAs/CBTs. Overall, we did not see a strong commitment from the side of the groups to incur such expenses.

- *With the current level and quality of training being delivered, the likelihood of the groups to register a survival rate of 85% five years after the groups have been formed is low.* A number of indications discussed throughout the reports point towards quality concerns on the training component. The likelihood of having sustainable groups will therefore increase only if phase II concentrates on improving and monitor delivery of training services.

3.0 Financial Literacy

- Financial literacy training is delivered alongside training on VSL governance procedures (VSL+).

- Despite limited training sessions (limited manpower and insufficient motivations to VAs), PkW is appreciated by beneficiary communities for offering financial literacy training, which is either offered by few or none of the interventions by other donors.

3.1 Design and implementation challenges

- *Quality at entry (design aspects) is weak.* The intervention has a weak theory of change and indicators that cannot and are not monitored. There is no baseline information to support tracking performances.

- The intervention is unclear on what it intends to achieve. Is the Project targeting (i) financial knowledge (ii) financial behavior or (iii) financial outcomes?

- Training is classroom based and the entire delivery mechanism is unaccustomed to the recent developments in the industry that are considered more effective.

- Training delivery is based on a standard teaching module. It incorrectly assumes that the needs are the same across all regions and groups.

4.0 Monitoring and Evaluation

- The Project made up of well-established monitoring layers (CARE country office, Project team in DSM, zonal offices and POs and FRAs).

- Important documentation exists. They include M&E framework, data collection tools and accompanying instructions. Management Information System (MIS) that is compatible to SAVIX platform stores group performance data which are regularly uploaded to the global SAVIX system.

4.1 Design and implementation challenges

- M&E framework does not define specific activities that are M&E related and thus giving room for anything to be considered as M&E.

- M&E set up did not observe a number of standards, for example, external data quality reviews. No specific budget line for M&E is provided in the Project budget framework, as it is currently financed under "in country travel" budget line.

- Inadequate resources. If the Project had considered 5%[2] of project budget (phase I) for M&E, a total of US$ 207,643 would have been set aside for such purpose. If we take an assumption that the entire allocation for 'in-country travel' (US$ 115,825.20[3]) is for M&E, such allocation would still be far less than the standard 5% of the project budget for phase I. It is therefore likely that the M&E framework of the Project is under resourced in a high risk environment to which the Project is being implemented.

- The Project was designed to rely on POs and FRAs who, because of the compensation system, have incentives to inflate numbers and disregard the quality aside of the Project.

- With the current M&E framework and limited resources it is unlikely that the Project will attain its objective of "*Improving learning, monitoring & evaluation – CARE Tanzania will adapt and adopt key M&E systems that are integrated and capable of capturing project impacts, delivery channel performance and tracking outcomes to inform policy at reaching the financially excluded populations and to generate project learning*". It is a demanding objective and the current assigned resources and strategies are insufficient.

5.0 Financial Management

- Project's financial transactions are well managed with the itemized budget ceilings remaining adhered to throughout the past 2 years. The integrity of CARE's financial management system is remarkable.

- Compared to the beginning of the Project, transfer delays (from CARE to partners) have been reduced. POs are currently categorized by level of risks, with low risk POs eligible for grants even at the time when review and verification missions are ongoing.

[2] Industry standard
[3] Based on the revised budget September 2015.

- Out of the 14 POs, the Project has experienced 2 incidences of organized frauds (LASWA and SEGERA) and 1 incidence of unorganized fraud (DARAJA). The latter is currently under investigation.

- Burning rate has been improving overtime, from as low as 23% (Oct-Dec 2014 the quarter where group formation began) to 65% (Jan-Mar 2016).

- Costs per member stands at US$ 12.50. SEGERA which has been suspended for fraud and DARAJA which is currently under investigation have the highest and more than twice the overall average costs per member. Nine out of the 14 POs (64%) have costs per member less than the overall average, implying that there is still room for the costs to further decline.

- If we exclude the three frauds from the list (SEGETA, LASWA and DARAJA) the average costs decline to US$ 10.9.

- PkW's costs per member is far below that of CRS (US$ 25), Agha Khan (US$ 34) and Plan International (US$ 22). It is also far below the industry average of US$ 22.2.

5.1 Design and implementation challenges

- By June 2016 which is the mid-point of the Project's 4 years implementation timeline, only half of the contracted amount has been expended (51%). It is 68% if we consider the revised budget September 2015 (Table 8). Project set-up took more time than expected; lengthy process of recruiting POs and FRAs and the limited capacity of POs whose number has declined from 14 to 12.

6.0 Overall recommendations

- Discard the objective of mobilization and group formation and re-redirect investment into quality needs of the existing groups. Tanzania needs good quality groups in the ecosystem rather than groups that are of low quality and risk to drive rural households deeper into poverty.

- Consider investing in a learning and knowledge creation agenda. A number of ideas are raised throughout the report. For instance, differences between the two models could be investigated across four areas of (i) pace of group establishment (ii) quality of the groups (iii) cost of creating groups (iv) differences in group performances between the two models.

- Overhaul the Project document including the financial literacy intervention to make it consistent with proposed changes and trends in the industry. Revisit targets for cumulative savings. Possible option is to use current saving rates which could be progressively increased using income per capita growth rates.

- FSDT should be clear on (i) its main objectives for investing in PkW and how such objectives fit within its revised organization strategic instrument (ii) what impact FSDT wants to measure (iii) whether it is still passionate on the Project (iv) be clear which components of the Project (whether large or small) are 'pilots' and which ones are 'scaling'. Answers to these questions have serious implications, for instance, on the choice and cost of evaluation method to measure the impact being prioritized by FSDT.

- Revisit the M&E system of the Project. FSDT and CARE need to be clear on what is it that the Project is 'monitoring' what is it that the Project is 'evaluating'. M&E need to be resourced and structured consistently with good practices.

- Establish a formal compensation structure for VAs. Rates could be established based on the experience of CARE's other projects (e.g. Microlead) and could vary from one region to another.

- Choice of methodology for any evaluation whether it is MTR or end-line is influenced by the time and financial resources. To reduced response bias more time and resources are needed for such exercises. It will allow evaluators to work with large samples and apply better methods but time consuming.

1.0 Introduction

The 8th July marked the beginning of an *independent*[4] mid-term review (MTR) of CARE Tanzania's Project 'Pesa kwa Wote' (PkW) (*the* Project). The financer of the Project and MTR exercise is Financial Sector Deepening Trust (FSDT). The grant funding agreement between CARE Tanzania and FSDT envisaged MTR "after 24 months in operation[5]" whose scope was defined as "independent report on how well the Project is achieving its objectives, and ways forward for improvements[6]". The terms of references (ToRs) further elaborated on the statement by outlining specific elements to be addressed by the MTR.

FSDT extended a grant of US$ 7,354,066 to CARE Tanzania to implement the Project whose goal is to improve access to financial services to rural poor women and men in mainland Tanzania and Zanzibar. The Project's document, grant funding agreement and ToRs are the main points of reference for this MTR exercise. For simplicity we have grouped each element of the ToRs under five categories. Each of the five categories has distinct set of evaluation questions, methods, indicators and measurements.

1. Progress towards output targets
2. Project delivery channels (POs and FRA)
3. Financial literacy intervention
4. Making markets works for the poor approach (M4P)
5. Other aspects of the Project

2.0 Methodology

2.1 Overall approach

The review encompasses both *process* evaluation (ways in which the interventions work, why and how) and *outcome* evaluation (progress towards intended outputs). As such it applied a mixed methods of enquiry and analysis (qualitative and quantitative) to respond to a diverse list of evaluation questions included in the ToRs.

2.1.1 Qualitative data collection methods

Key informant interviews:
Face to face semi-structured interview was the primary method of enquiry for qualitative data. Annex 1 presents the list of interviewees.

Focus Group Discussions (FGDs)
The Review team observed the live conduct of 9 VSLA group meetings listed in table 1. Group members convened for FGDs immediately after concluding their weekly meetings. Given the limited time and resources allocated for the exercise, surveyed groups form a convenience sample, rather than statistically representative group of VSLAs.

Participant observation method

[4] By introducing independence in evaluation, "we can decrease certain types of bias …….extreme conflicts of interest…" Scriven M. (1991); and independent evaluation is "*carried out by entities and persons free of the control of those responsible for the design and implementation of the activity*" (OECD/DAC 2010)
[5] pp. 19, part E of the grant agreement (M&E). Attachment to grant agreement between FSDT and CARE Tanzania.
[6] ibid

The Review team observed the conduct (group management dynamics and members' interactions) of 9 VSL group meetings, watching from a ring-side seat. Observations from group meetings were crosschecked for reliability and consistency through ad-hoc interviews with VSL group leaders, community based trainers (CBTs), and village agents (VAs).

Telephone interviews
A total of 10 District community development officers (DCDO) and 6 partner organizations (POs) were interviewed by phone. The list is presented in annex 1.

Table 1: List of interviewees

Interviewees	No. of interviewees
POs	7
DCDOs	11
VAs	4
CBT	3
Franchisee	3
PkW team – Zonal	2
PkW team - DSM	7
FSDT	5
FOs	3
Total	**45**

2.1.2 Quantitative data collection methods

Documentation review
Reviewed documents included (i) annual and quarterly reports (ii) project document/proposal (iii) financial reports (ii) Data from CARE's earlier VSLA projects could also be used for benchmarking.

Review of the Project's MIS
The Project's MIS was utilized to extract group performance data that were used to calculate mean value of savings per member per week. POs and FRAs performance data were mainly sourced from the annual and quarterly Project's reports.

Quantification of qualitative information
As much as possible the Review has quantified some of the qualitative information using easily available tools ratings. The purpose is to summarize and draw meaningful results from a large pool of qualitative details[7].

Online resources
(i) The global SAVIX dataset was utilized to extract information from similar projects for benchmarking (ii) published literature associated with different areas that were analyzed

[7] See Abeyasekera (2005).

3.0 Findings and Discussion

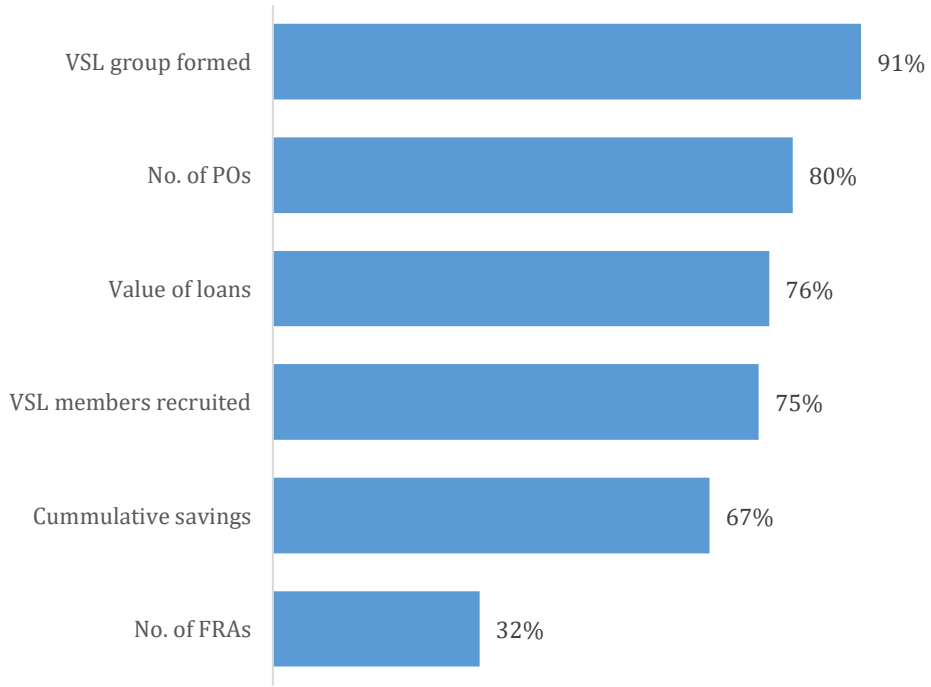
3.1 Progress towards intended outputs

3.1.1 Specific Project targets

This analysis covers the period October 2014[8] to June 2016. Below is the summary of the progress on the 7 targets of the Project: -

- Figure 1 presents the extent to which cumulative targets for Y1 and Y2 were attained. The Project achieved 91% of its cumulate targets in group formation (4,754 out of 5,254 targeted groups) and 75% of target for recruiting new members (97,883 out of 130,975 target). We observed the following aspects:
    - The lower bound of 15 members has been adhered to as it not always the case that newly formed group will be composed of the maximum set number of members (25 individuals). Ideally the target for newly recruited members could have been set using the mean value of the upper and lower bound.
    - As such the number of groups has been considered as an important indicator as far as the minimum size of 15 members is not compromised. Achievement rates for member recruitment has always be less than the achievement rates for group formation (Figure 2).

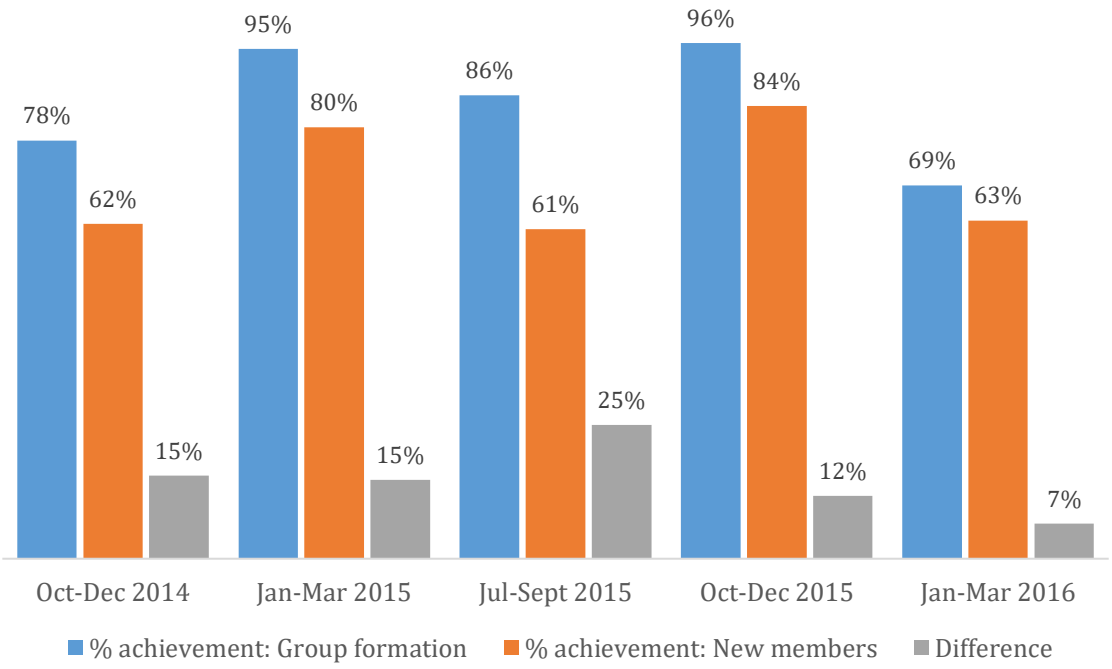
Figure 1: Achievement rates by the end of Y2



Source: PkW's annual report 2015/16; own calculation

[8] Group mobilization activities were launched in this quarter

Figure 2: Differences in achievements rates between group formation and member recruitment



Source: PkW's quarterly and annual reports; own calculation

- The initial set up of the Project was to contract 22 FRAs each with an obligation to establish 6 groups per year. To make the contract attractive, the target was scaled down to 7 FRAs. This in turn increased the number of groups per FRAs. The grant agreement was not amended to reflect such changes.

- There are both advantages and disadvantages of maintaining a small group size (in the VSL case it means group size of less than 25 members). The smaller the groups, the smaller the collective good (that is, savings which form the loan fund in each group).

- However, by being smaller, group members are less heterogeneous, less likely to experience conflicts and more likely to raise participation in group activities[9]. Difficulties in forming large groups might not directly relate to the implementation capacity of POs and FRAs but could be explained by a number of factors including:

    - Scattered households in rural areas
    - It is voluntary to join the groups
    - The Project targets individuals who have never been enrolled before
    - Competition from other projects.

- Figure 3 presents the extent to which end of the Project targets have been achieved so far. As of 30th of June 2016, the Project has recruited 80% of the POs and 38 percent and 31 percent of the targets for new groups and

[9]See for instance Alesina and La Ferrara (2000) on the effects of heterogeneity on cooperation.

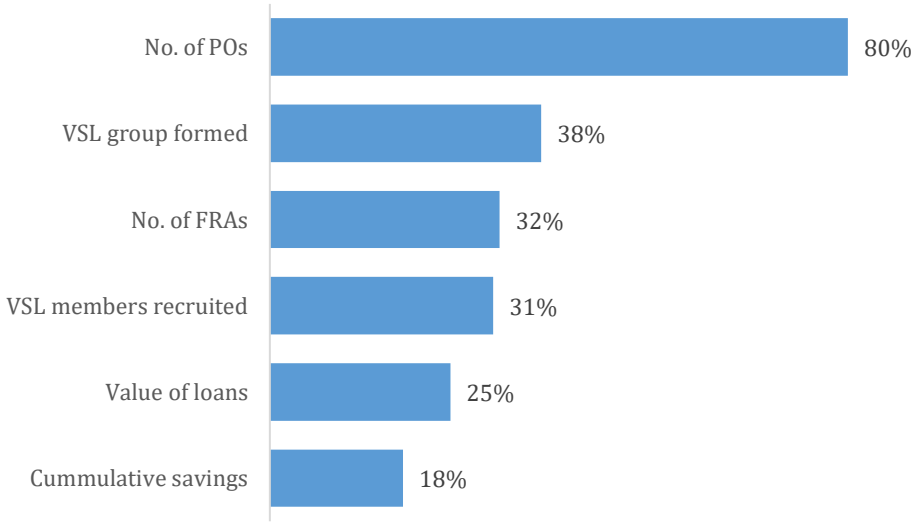
members. Cumulative values of savings and loans display the slowest progress. Further progress has been delayed by:

- Lengthy process in setting up the Project (e.g. the recruitment of POs). As a result, group mobilization and member recruitment began in October 2014 five months after the signing of the grant funding agreement.

- End of Project targets were formulated inaccurately. For instance, unrealistic assumption that groups will be composed of 25 members each which is differently from the experience of the industry.

- Saving rate was fixed US$ 0.50 per members despite poverty rates displaying geographical variations. Poverty mapping by REPOA (2011) was an ideal input to support programming and target setting.

Figure 3: Progress towards end of Project targets



Source: PkW's annual report 2015/16; own calculation

- If the Project retains the same objectives for phase II, it is unlikely that the end of Project targets will be attained. The Project is already halfway with the achievement rates for most of the end line targets yet to reach 50%.

- Targets being reported in the annual reports differ from the ones in the grant funding agreement10. The implication for such changes on the end of Project targets are yet to be discussed.

3.1.2 Financial inclusion

3.1.2.1 Access to savings

Quantitative aspects

[10] For instance, the cumulative targets for Y1 and Y2 for group formation and recruited members in the agreement are 5,060 and 126,500 respectively, the annual report Y2 reports 5,253 and 130,973.

There are no doubts that VSL groups are platforms for improving access to savings for rural households[11]. Figure 4 and 5 reveal an upward trend in both the nominal values of savings per member and per group. Over the 2-year period, saving per member has increased by 31% from TShs 39,996 (2014/15) to TShs 52,328 (2015/16) whereas savings per group nearly double (52% growth rate). It is a significant increase in real terms as well (around 25%). While we do not expect much changes in welfare over the 2-year period, the larger growth rate of savings per group than per member could imply the following:

- Over time wealthier groups are becoming part of the scheme[12].
- Significant variations in rate of change of savings per group.

Figure 4: Trends in savings per member

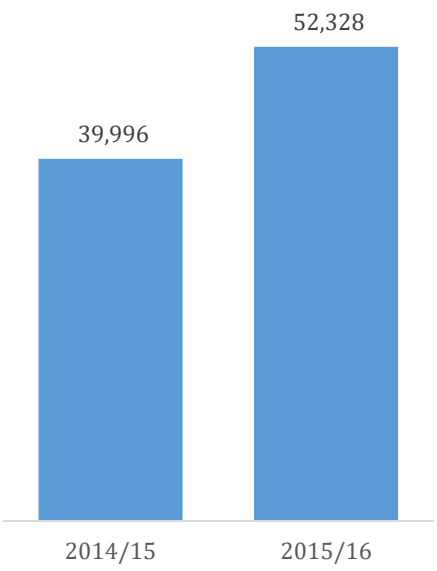
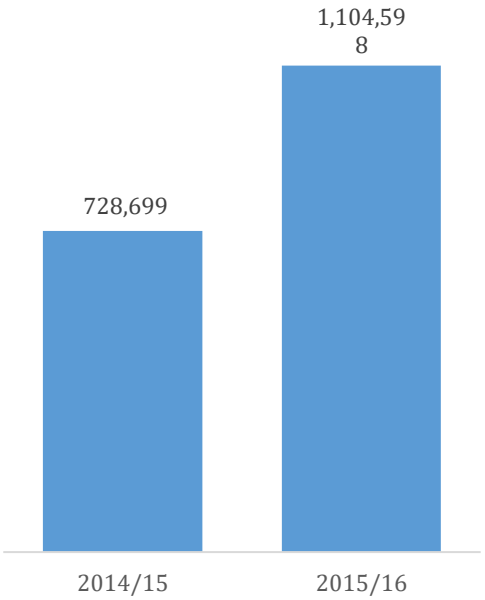


Figure 5: Trends in savings per group



Source: PkW's annual reports; own calculation

Qualitative aspects:

Results from the interviews and FGDs point to the following benefits that are associated with savings (most of which have been noted in the savings groups or collective actions literature):

- Some group members indirectly stated 'behavioral' change, that is, from consumption to savings. Savings groups are 'storage' facilities for their cash and some households have successfully curtailed temptation to consume.

- Additional benefit of pooled savings is the additional product it creates, the 'loanable' fund where members can borrow from.

[11] We consider the term 'rural households' rather than 'rural poor' because the Project does not apply objective measures of the poverty levels members willing to form groups. The Project should be referring to rural households as beneficiary of the initiative rather than the poor.
[12] Further analysis is possible if one intends to trace the source of such growth. This could be done by estimating and comparing growth rates of savings across individual PO.

- For most members, saving in the VSL groups is an 'insurance' product that can be accessed in case of adverse events.

3.1.2.2 Access to loans

Quantitative aspects

Trend in the value of loans mirrors trends observed with savings (Figure 6 and 7). The value of loans per member has rose sharply than savings (by 52% compared to 31%), whereas the value of loans per group has increased by 76% from TShs 643,662 (2015/16) to TShs 1,134,589 (2015/16). Overall, the value of loan disbursements have increased nearly 5-fold from TShs 0.78 billion to TShs 3.6 billion over the 2-year period.

Figure 6: Value of loans per member

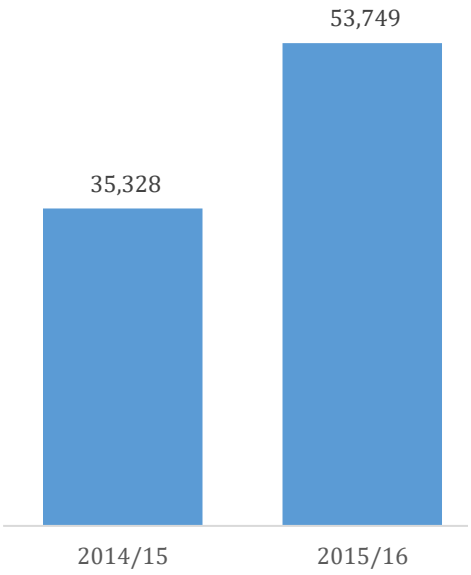
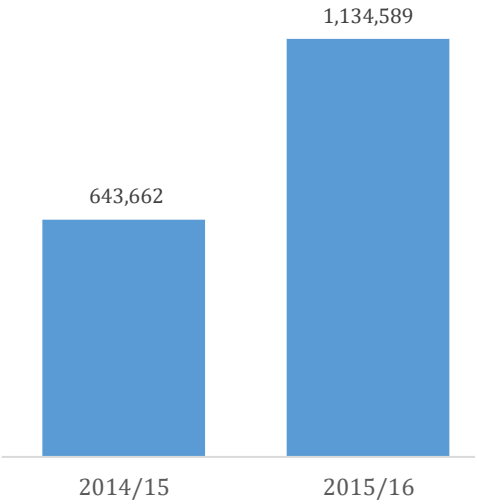


Figure 7: Value of loans per group



Source: PkW's annual reports; own calculation

Qualitative aspects

Results from interviews and FGDs also confirms the use of loans for (i) smoothing consumption (ii) start-up and working capital for individuals micro businesses (iii) pay for children schooling, emergencies and households health expenses. However, because of low saving rate, loans offered by groups do not match needs of members. Loans disbursements (for some groups) are scheduled once a month to allow savings to accumulate overtime.

A 'reliability' aspect emerged as another benefit of the established groups. VSL loans are considered "readily" available when compared to the unreliability and transaction costs associated with borrowing from social networks (friends, neighbors, relatives etc.)

3.1.2.3 Poverty reduction

Interviewed group members acknowledged positive experience in improved access to health, education and improved income through micro businesses that were capitalized by loans from VSL groups. However, these are just anecdote information and not scientific evidence to state that savings groups are transformative.

- Existing studies on savings groups do not support the poverty reducing hypothesis[13]. The notable contribution of savings groups is on smoothing consumption and reduce vulnerability as well as other aspects directly associated with activities of the groups such as increased savings[14].

- The theory of change presented in the Project document is lacking outcome indicators. This could be one of the reasons why the Project was not designed to accommodate scientific methods that could have established causality between group participation and poverty reduction[15]. Nevertheless, the 'client survey' tool proposed in the Project M&E plan is not a scientific tool to objectively test the poverty reduction hypothesis.

- Despite such limitations, the willingness of community members to form VSL groups shows that the Project has raised community awareness of the likelihood of savings groups to easy their livelihood constraints.

3.1.2.4 Women empowerment

Two established indicators of women empowerment were discussed during the FDGs (i) financial independence (ii) decision making[16]. *Empowerment* entails *change*[17] and for the surveyed female members of VSL groups, *change is* experienced by being less financially dependent on their partners. *Increasing decision* making was stated in terms of increasing authority within their respective households to decide on how to:

i. Spend money borrowed from their respective groups
ii. Spend income generated from micro businesses that were capitalized by borrowed funds.

Children have also gained from the increasing participation of women in VSL groups. Such emerging theoretical link simply suggests that future impact evaluations of savings groups could advance beyond income, poverty and vulnerability hypothesis to include child poverty and human capital hypothesis as well. The existing studies that have attempted to look at the issue are, mostly descriptive, are constrained by small 'n[18]', and lack rigorous scientific methods[19].

[13] Two years into the Project is a very short period to expect any significant changes in poverty.
[14] Karlan etc al (2012). Randomized control treatments RCTs from other microcredit programs (Bauchet et al. 2011; Banerjee, A. D. Karlan, and J. Zinman (2015) are ideal literature to advance knowledge on the subject.
[15] Reference is made to RTCs and quasi experimental methods to test the poverty reduction hypothesis.
[16] Golla, et al (2011)
[17] Kabeer (2005)
[18] Small sample size.
[19] See for instance, Andre and Kesanta (2015).

3.1.3 Benchmarking PkW performance

74% of group members are women[20], and that has surpassed the target of 70%. The ratio is higher than the averages for several projects including the ones being implemented by Aga Khan (66%) and Catholic Relief Services (CRS) (64%)[21]. The proportion is however less than the global average of 78% (Figure 8).

The size of PkW's groups is very similar to CRS's groups (an average of 21 members per group) (Figure 9). PkW's groups have 2 more members on average per group than groups established by Aga Khan Foundation[22]. However, the average savings per member as percentage of Gross National Income (GNI) per capita which reflects the proportion of one's income being saved, is far below the rates achieved by Aga Khan and CRS groups (Figure 10 and 111). Two possible explanations for the differences:

- PkW's project has been in operation for two years (young groups). Despite that, sharp growth in savings per member is an encouraging sign (section 3.1.2.1).

- We are unaware of the geographical focus of the two benchmark projects. What we are aware of is that PkW has been rolled out in rural and in some cases remote areas where we expect low level of savings.

Figure 8: Proportion of women

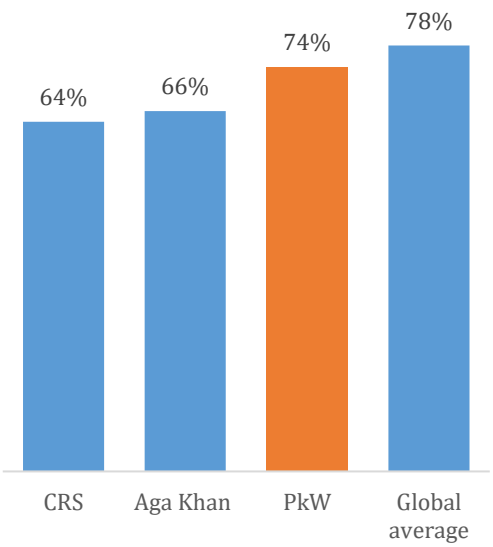
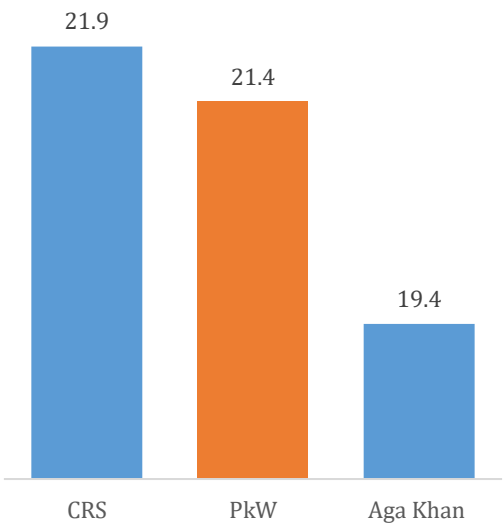


Figure 9: Average group size



[20] 2015/2016
[21] We could not establish whether the two benchmark projects had explicit gender target as PkW.
[22] Theoretically it imply that PkW's groups should be benefiting from being large in group size (that is, large savings mobilization) than Aga Khan's groups, but with higher risk of conflicts due to high level of heterogeneity that comes with being large.

Figure 10: Average savings per member as % of GNI per capita

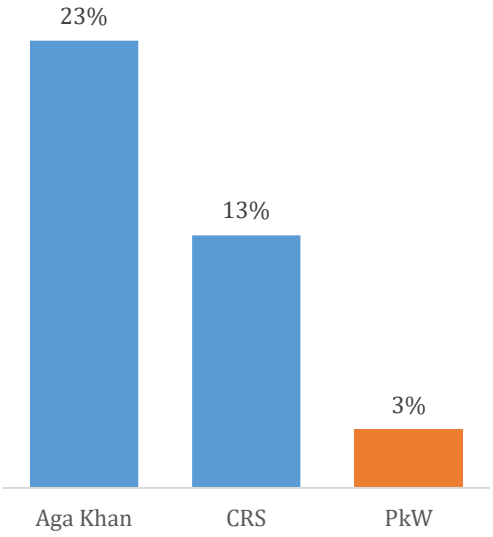
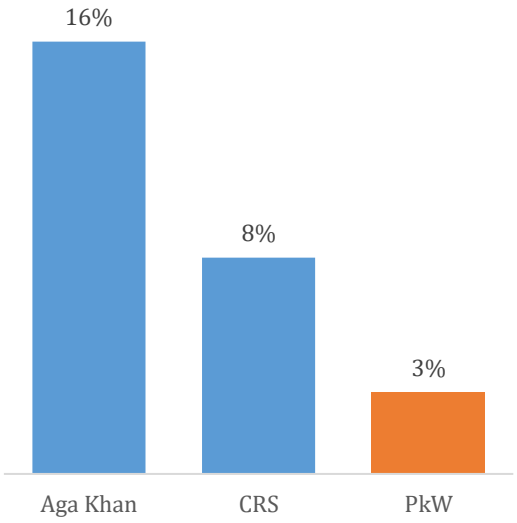


Figure 11: Average outstanding loan size as % of GNI per capita



Source: SAVIX dataset; PkW's annual report and Bank of Tanzania (BoT) for the exchange rate TShs 2,178.9/1US$ (April 2016) which used to convert savings and loans per member and thereafter relate the figure to the GNI per capita that was in US$.

3.1.4 Quality of VSL groups

SEEP program quality guideline 1[23] advocates for savings groups projects to 'balance quality and scale'. From the discussion to follow, it is clear that the design and consequently the implementation side of the Project are not in line with the industry's established guidelines.

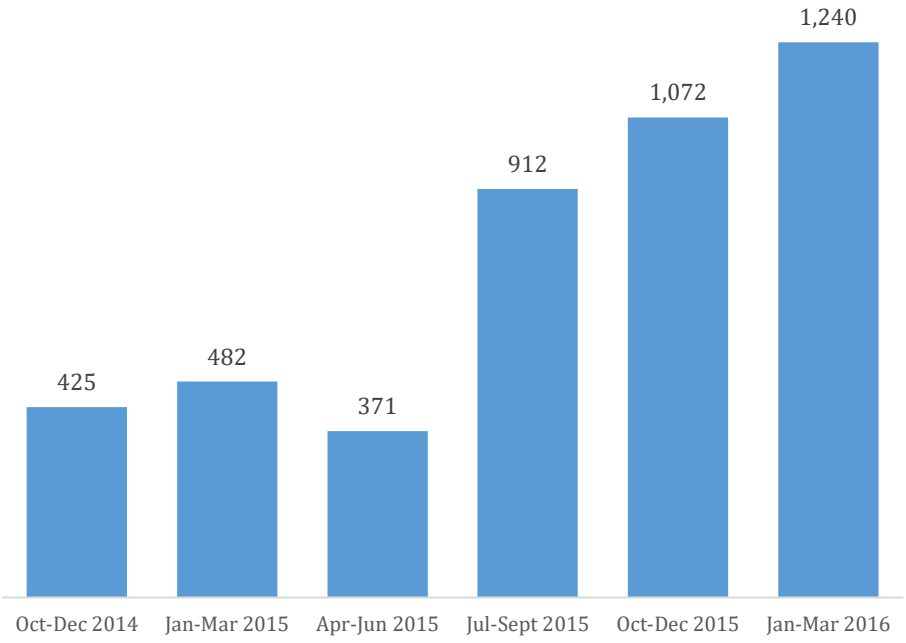
3.1.4.1 Increasing burden to POs

The rush to quantity is evidenced, for instance, by the increasing targets per POs as well as the increasing overall targets for group formation. Group formation target that was set for quarter January – March 2016 is nearly three times the set target for the quarter October – December 2014 (Figure 12). It implies that the mean target for POs has increased sharply from 30 groups per quarter per PO in 2014 to 103 groups per quarter per PO in 2016 (Figure 13).

Figure 11 shows that the increase in targets comes despite the declining number of POs from 14 in 2015 to 12 in 2016. In other words, the existing POs (who are not as strong as the Project would have preferred) are overburdened. POs have been left with the same number of FOs (on average 2 per POs) despite increasing targets. Manpower (the number of FOs and VAs) have roughly remained the same overtime, that is, an average of 2 FOs per POs.

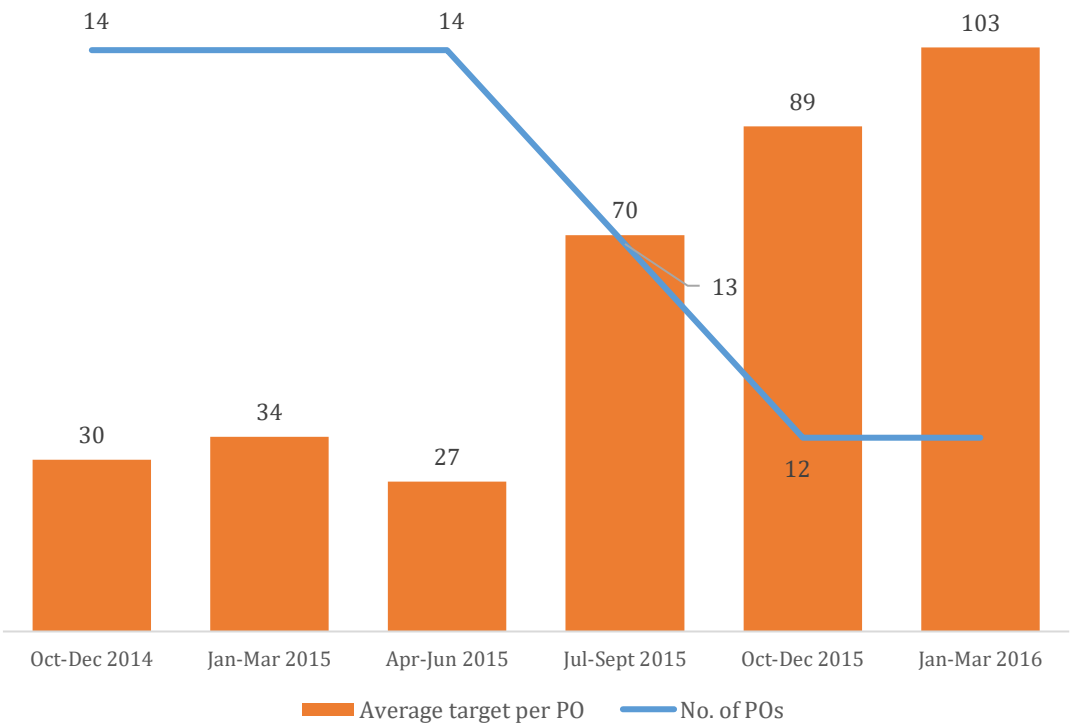
[23] SEEP (2016).

Figure 12: Increasing targets for group formation (No. of groups targeted each quarter)



Source: Various PkW's quarterly reports

Figure 13: Increasing targets for group formation per PO and the declining number of POs



Source: PkW's quarterly reports

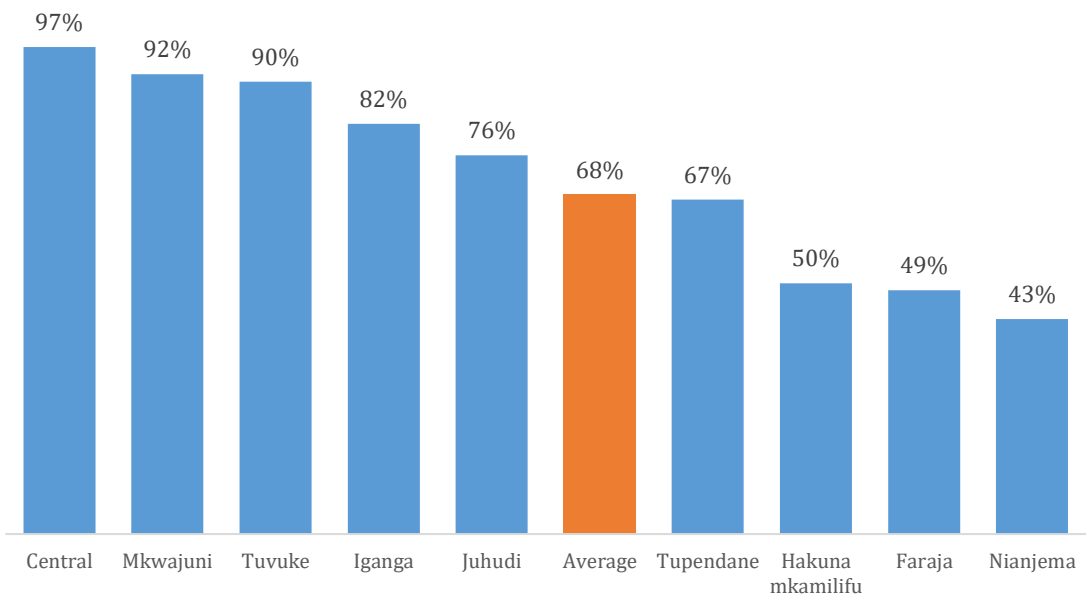
3.1.4.2 Measuring group quality

Due to time constraint, we could not apply better tools such as the group quality assessment tool by VSL Associated[24]. In steady we took advantage of the 'participant observation method' to simply observe and compute the proportion of VSL governance procedures that are being observed by group members (as a proxy to group quality).

The average score is 68%, that is, on average the surveyed groups observed 68% of the VSL governance procedures (Figure 14). Three out of the nine surveyed groups (33%) are observing only half or less than half of the procedures. Moreover, 5 out of 9 groups (or more than half of the groups (55%)) are observing less than 80% of the governance procedures. Two out of the three groups with performance ratio of less than 50% are based in Zanzibar[25]. Scores for each individual group are presented in annex 2.

Group performance varies significant as evidenced by a standard deviation of 23%. Hence, the variations signal possible regional variations in the quality of training. In some groups, VSLA procedures were not observed in the presence of a VA who did not take remedial action. Such incidences further question the quality of VAs[26] (see section 3.1.4.2).

Figure 14: Average score VSL procedures that were observed by the surveyed groups



Source: Field data; own calculation

[24] VSL Associates, 2016
[25] A separate analysis could be done with the same data to identify specific procedures that groups struggled.
[26] In some cases, groups that were visited in their natural setting (without prior information of our visits) did better than the ones who were notified of our visits.

Below is a summary of factors compromising quality of VSL groups:

Structural factors

- Absence of indicators that monitor quality and associated targets. Project performance is entirely measured against quantitative targets (group formation and member recruitment). Consequently, the reward system is based on quantitative indicators. POs and FRAs are remunerated based on the number of groups/recruited members. It is a chain of quantitative performance measurement system: FSDT measures performance of CARE in terms of group formation; in turn, CARE assesses POs, who in turn assess FOs and VAs by the same measures.

- Distance has been the foremost complaint by POs and FRAs. The requirement to enroll individuals who have never been members of savings groups, implementing partners are forced to venture in remote areas which in turn raises travelling costs. Once groups have been formed in such remote areas, it becomes irrational to invest in follow up meetings. FRAs are mostly affected as they are residing in areas that are already saturated with savings groups and are therefore forced to try remote areas.

- There are complains on low competence of some of the VAs. It is unlikely for such VAs to impart knowledge, for instance, on financial literacy. A CBT whom I was interviewing and whose group was to share-out in five days, asked for procedures on how to handle such events. It was a surprising request given that she acknowledged to have received training on VSLA methodology. It is a big question mark to the quality of the training she received as well as the quality of training she is delivering to the community.

- Differently from FOs, the VAs are not salaried employees. The difference is creating distressing scenarios. A salaried FO could be training groups in village A (free of charge), while an unpaid VA is delivering the same service in the neighboring village B but demanding payment. The latter will be suspected as trying to steal from the groups.

- Accountability mechanisms between FOs and VAs are very weak. As VAs are not salaried employees, then POs and FOs cannot coerce VAs to improve the quality of training. Moreover, we do not see any incentive for FOs to value quality in an activity that is delivered without quality based monitoring indicators.

- Limited manpower (see section 3.1.4.2). VAs scramble for support from the limited number of FOs, and groups scramble for services from the limited number of VAs.

- Some POs incentivize VAs for only one task of 'forming groups' and not for training. Quality will definitely be relegated to the least important aspect of VAs' works. One of the groups we surveyed declared limited knowledge in using the ledger book.

- Most groups meet on Thursday, Saturday and Sunday and around the same time. A VA could find himself/herself with about 5–10 groups to serve per day in each of those days; and groups are normally scattered over a wide geographical area.

- Some of the indicators in the Project log-frame are unmeasurable, for instance the ones associated with the financial literacy intervention.

- Mistrust between CBTs and FRAs with the former suspecting the latter as earning more than the 50/50 share between them.

Operational factors

- VAs turnover. Though it was difficult to access exact rate of turnover, it is possible that a significant number of VAs who were formally trained at the beginning of the Project have resigned. In one district, competent VAs left PkW and joined a competing project that offered salaried positions.

- As a result (and in the absence of refresher trainings) new VAs have ended up receiving unstructured training at the discretion of FOs. Some of the interviewed VAs claimed to have not received formal training.

- FOs and VAs spent on average 80% of their time on mobilization and group formation, with the remaining 20% in delivering training. In other words, only 2 out of 10 working hours are spent on group training. Before training sessions are concluded, FOs and VAs always find themselves with the task of mobilizing new groups. VSL methodology consists of strict procedures and timelines and we doubt whether it is observed by in its entirety by the implementing partners.

- The number of FOs is not increasing in line with the increasing number of groups. A VA in Kishapu is on average serving 32 groups and the number is rising. It is estimated between 80-100 groups for FOs who are also 'gap' filler in case VAs abandon their tasks for lack of payments. The figures sound far high than the industry average which is between 10 and 25 groups *formed* and *supervised* per trainer in a given year[27]. Filling the gaps with volunteers was useful to the quantity side of the Project (group formation), but could be detrimental on the quality side.

- With only 2 FOs per PO, the obligation that FOs train 3 groups per day cannot be fulfilled. Limited visits have demoralized some communities who have questioned the credibility of the Project.

- Delays in quarterly transfers from CARE Tanzania to POs (see section 3.5.1) could possibly have implications on the quality side. Reference is made to POs and FRAs who lack reserve fund to continue paying for costs associated with training.

- Bicycles that were offered to VAs could not last long as they could not survive harsh terrain is some of the Project areas.

- Groups meet once a week, which is equivalent to 48 meetings per year. Because of distance, scattered locations, lack of motivation, and limited manpower, groups are being attended once or twice a month. Experience shows that the quality of VSLA training in the first year, is a key determining factor for group survival and retention rates[28]. We can therefore roughly state that, for a high likelihood of surviving, groups need to be attended around 48 times per year. In the current rate (lets say once a month visit) it will take two years to meet the target of 48 visits per group.

[27] SEEP (2016).
[28] CARE Tanzania (2015). VSLA standardization. Dar es Salaam. Tanzania.

- Absence of review meetings involving VAs, CBTs, FRAs, FOs and the Project team to share experiences and address emerging challenges.

- One of the group has yet to receive the cash box it paid for four months ago. CBT stays with the cash of the group.

3.1.5 Re-designing proposals

- First, to avoid exchange rate complications, targets for cumulative savings and loans need to be set in local currency. Second, the current target of US$ 0.5 saving per member per week be replaced with regional disaggregated saving rates recorded in phase I. The current saving rates could also be adjusted progressively using the annual income per capita growth rate. Table 2 presents the proposed baseline savings rates per member per week to be used to compute targets for FY 2016/17 and thereafter.

Table 2: Potential targets per member per week

POs	Region	District	Savings per member per week
CCT	Mwanza	Nyamagana, Kwimba, Sengerema	1,685
CODERT	Shinyanga	Shinyanga municipal, Shinyanga district council	3,073
HUHESO	Shinyanga	Kahama town council, Ushetu	961
JECA	Unguja	Central	8,201
JIDA	Tabora	Nzega	2,441
JINAMA	TABORA	Kaliua, Urambo	675
JUMIMAKI	Pwani	Mkuranga	1,417
PESAKA	Pemba	Chake Chake	735
RUCDO	Pwani	Kibaha rural	2,242
TACODO	Iringa	Iringa municipality, Mufindi	5,145
TDFT	Tabora	Tabora municipal	2,805

- FSDT should be clear on (i) its main objectives for investing in PkW (ii) what impact FSDT wants to measure (iii) be frank on whether it is passionate on the Project. Answers to these questions have serious implications, for instance, on the choice and cost of evaluation method to measure the impact being prioritized by FSDT.

- Discard the mobilization and group formation objective and re-redirect investment to improve the quality of the existing groups. This would imply:

    - Establishing a monitoring system of quality aspects of the groups (indicators and tools to be introduced). The group quality assessment tool discussed in section is one of the several options.

    - Survey the pool of existing VSL groups to establish a reliable list of groups that continue to exist, their locations, addresses etc.

- Introduce a supervision model[29] that would guarantee the role of VAs and CBTs in delivering high quality training.

- Support POs with procedures and instruments to guide the process of vetting and selection of VAs. Introduce mechanisms where CARE Tanzania will have an oversight role in the recruitment and training of FOs.

- Manpower in particular FOs and VAs needs to consistent with the established good practices. SEEP guidelines are important benchmarks to use when estimating the number of FOs and VAs required.

- Introduce ad-hoc groups counseling sessions during the times of elections and after elections. The 2015 elections had destabilizing consequences on saving behavior and group cohesion.

- Introduce repeat training and experience sharing sessions. It is straight forward that repeat training is more successful than one-off trainings.

- VAs have additional roles beyond technical backstopping. They are both "mentors" and "external enforcer" of VSL governance procedures. These roles cannot be ignored at the programming stage. When infant groups are left unattended, they become less obedient to the governance procedures.

- The Project needs to be cautious on raising expectations and forward claims that have not been substantiated. Specifically, the Project cannot claim to be serving the poor if it does not (as it is currently the case) use the readily available tools to measure wealth levels of members in relation to non-members[30] The Project is therefore serving rural households.

- Formalize guidelines for verification missions (operational manual) by specifying the role, responsibilities and sampling procedures to follow.

- Learning opportunities could include why some VAs are successfully in delivering training while others are less successful. They can be psychological factors, family background, demographics etc. things that are not necessarily connected to trainings they get from VSL projects.

[29] Supervision and monitoring are two different processes. Supervision is mostly concerned with ensuring staff competences, effectiveness and efficiency in delivering their responsibilities.
[30] See Seep (2016).

3.2 Project delivery models (POs & FRAs)

3.2.1 Short description

The Project delivers group mobilization, formation and training services through (i) POs and (2) FRAs[31]. FRA model is a pilot, whereas the PO model is a scaling initiative. For budgeting purposes, the cost of recruiting new members has been estimated at US$ 13 per head (PO delivery model) and US$ 2.5 (FRAs model, which is shared equally (50/50) with CBTs). These payments cover POs and FRAs overhead and direct costs of mobilizing and training groups.

POs are assisted by FOs who are paid employees of POs. FOs are assisted by VAs who are supposed (by designing) to be paid by groups and NOT by POs. The purpose is to allow the beneficiary community to be the main supporter of the system, once the project ends (sustainability reasoning)[32].

3.2.2 PO model and payments to VAs

An assumption that, in the PO model, VAs are compensated by VSL groups is not correct and is misleading. First, groups have not been paying for such costs and second, VAs, to some extent, and in an informal way (and irregularly) are compensated for their efforts in group mobilization and formation. This means that PkW through POs is compensating VAs. Payment modalities include:

- Payments against reaching targets which are set based on of groups formed by VAs.
- Transport allowances, especially when travelling to remote areas.
- Some POs operate more than one project, some formally paying VAs and other such as PkW which do not specific budget line for that. Such POs would therefore use the same VAs to serve multiple projects. In such case, PkW will be free riding other projects and it will be inaccurate to claim that the Project prevailed with unpaid VAs.
- VAs are compensated TShs 50,000 (others stated TShs 60,000) per quarterly meeting which is equivalent to TShs 200,000 per annum. It is a sizable package in rural areas (it is equal to 49% of the median annual income per capital in rural Tanzania)[33]. Allowances have always been an important part of disposable income in Tanzania.

We were informed about the prevailing non-monetary rewards to be a VA. However, it is unlikely that, non-monetary incentives alone will sustain the employment market for VAs. Such non-monetary rewards and motivations include opportunities for increasing social bondage with communities, expertise in savings group methods which uplift the social status of VA in their communities and gifts offered by beneficiary communities (such as farming land). There are also cases of strong bond

[31] FRA is an 'enterprise' model meaning mobilizing, forming and training groups needs to be considered as a business like any other business being undertaken by the FRAs. In practical terms, FRAs are supposed to be 'paid' by the beneficiaries, that is, VSL groups.
[3232] Allen, 2010, p.21, 24.
[33] The annual median income in rural areas is TShs 407,136 (URT, 2012).

between VAs/CBTs and groups to which they serve, more than the bond between CBTs and FRAs who are suspicious of each other with regards to payments.

3.2.3 PO vs FRA models

3.2.3.1 Outcome based measures

Six outcome based measures were used to estimate performance differences between PO and FRA delivery models. Again we should be cautious of possible confounding factors[34] which could further explain the differences between the models. Figure 15-20 lead to the following conclusions:

- **Overall conclusion**
  PO model performs better than FRA model across all indicators (Figure 15-20).

- **Non-financial indicators**
  PO model is attaining between 64-70% of its targets for non-financial related indicators (Figure 15-16). FRA model is attaining only half of its set targets on the same indicators (group formation and member recruitment).

- **Financial indicators**
  Financial performance of groups under PO model is twice as much that of FRA's groups (Figure 17-20). Whereas PO groups mobilized 56% of the targeted savings, FRA groups managed only 36% of set targets. The gap on loans disbursements between the two models is enormous as well[35].

Figure 15: Group formation: Achievements against targets

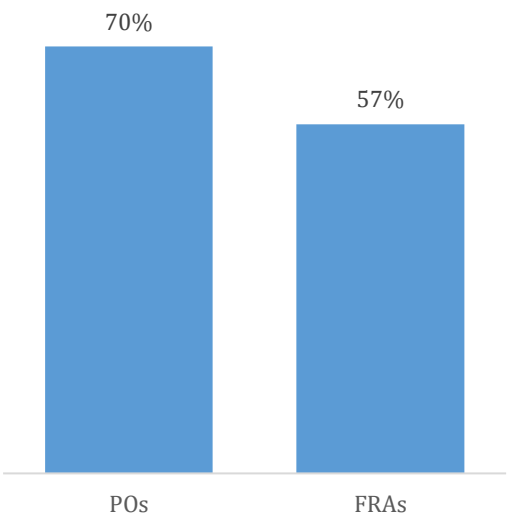
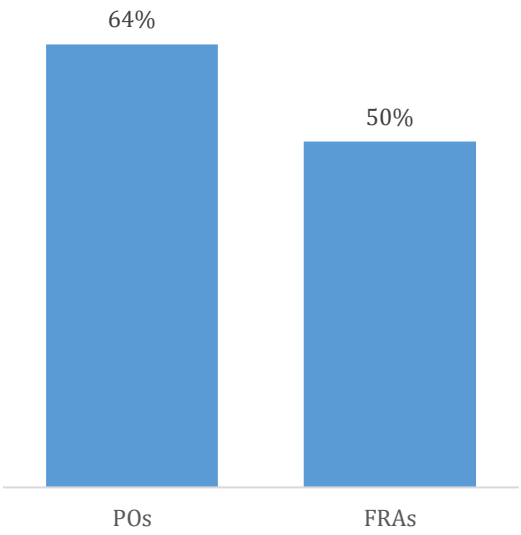


Figure 16: Members recruitment: Achievements against targets



[34] Economic status of the regions, literacy levels of training recipients etc.
[35] We acknowledge the fact that unlike PO model which is in operation since 2014, the FRA model less than a year, meaning that POs had more time to gain experience than FRAs.

Figure 17: Savings mobilisation: Achievement against targets

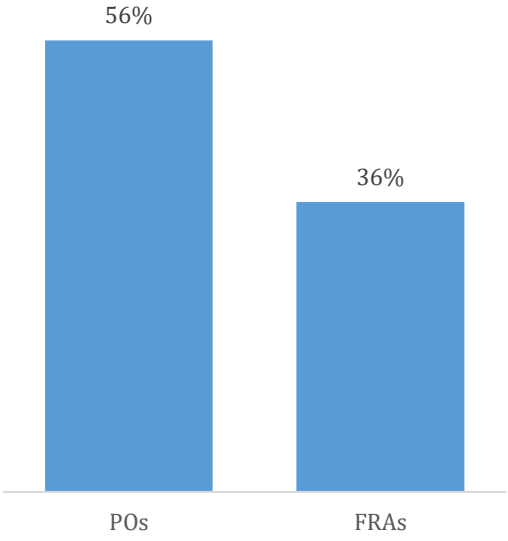


Figure 18: Loans disbursed: Achievement against targets

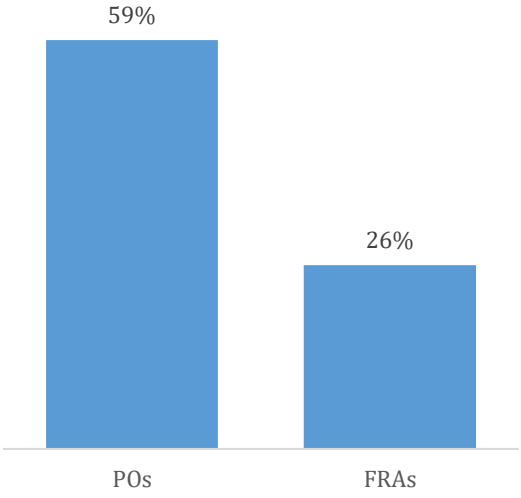


Figure 19: Savings per member (TShs)

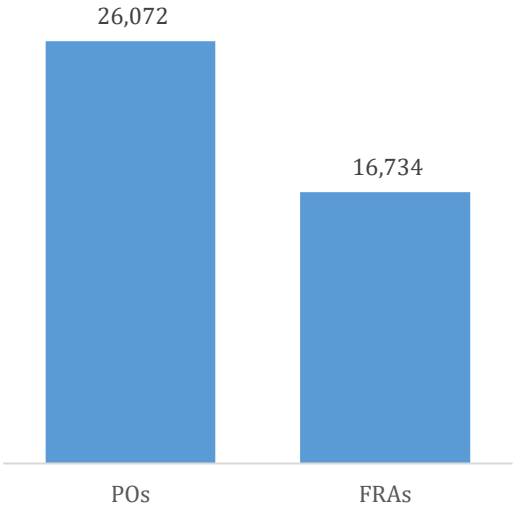
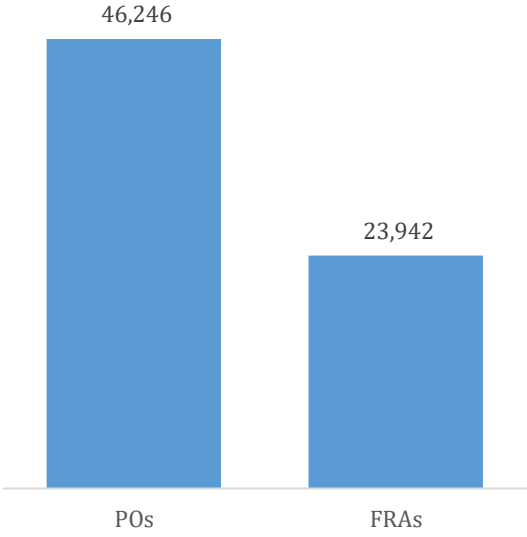


Figure 20: Loans per member (TShs)



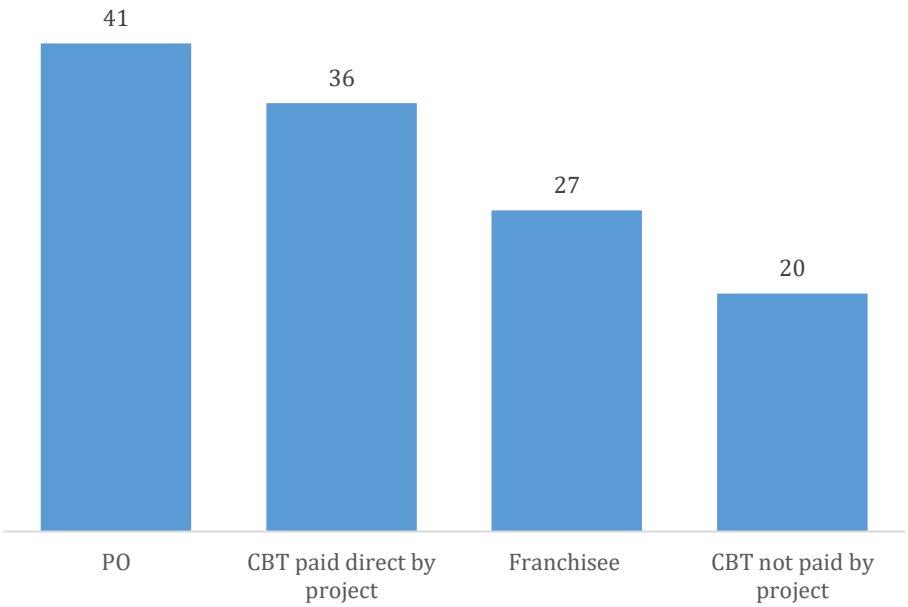
Source: 2014/15 PkW annual report; own calculation

3.2.3.2 CARE's internal assessment of the two models

CARE Tanzania carried out an assessment of different models based on the experiences of PkW, MLEP and LINK-UP. Using a total of 15 criteria[36], the PO model scored the highest, followed by a model where CBTs are paid directly by project and the FRA model. The model in which CBTs are not paid by project had the least aggregate score (Figure 21). (See annex 3 for detailed scoring).

[36] They include: group quality, financial sustainability, implementation cost, commitment, (probability of) achieving project output, (probability of) achieving project outcome, level of group supervision, data management, timely reporting, cost per member supervised, group survival rate, group drop-out rate, number of members per group, average saving per group, fund utilization rate.

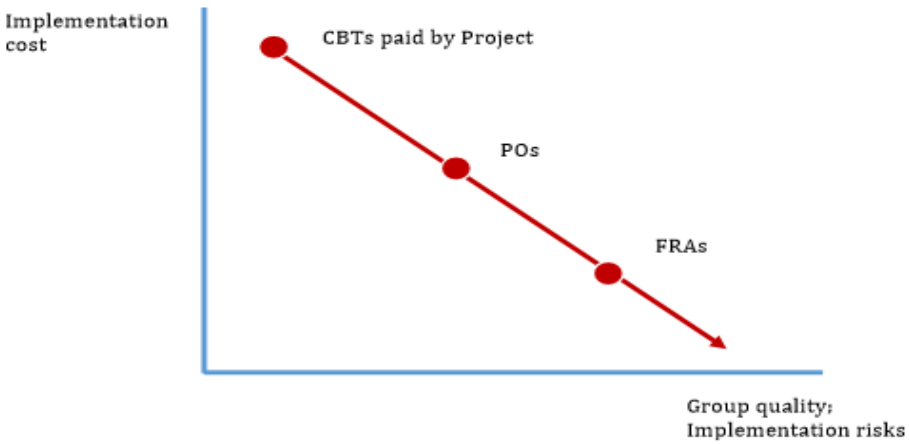
Figure 21: Aggregate scores for each model



Source: CARE Tanzania VSLA standardization document
Scores were based on the following ratings: High [3], Medium [2] and Low [1]

Figure 22 summarizes the findings from CARE's study (focusing on the relationship between cost and quality). The figure shows that the implementation cost goes down as one moves from the model where CBTs are paid directly by the Project to the FRA model. At the same time, quality of the VSL groups declines along the same movement from one model to another. Sustainability of the groups is more likely to follow the same path, that is, one moves from PO to the FRA model[37].

Figure 22: Delivery models and relative costs and group quality



[37] We added 'implementation risk' which is defined as the risk of not meeting project objectives. It is added because Figure 16-21 demonstrate that POs are more likely to achieve their targets than FRAs.

The PO model also has the following advantages:

- POs implement multiple projects allowing them to share resources across projects.
- Some of the POs are more likely to utilise reserve funds in events of delayed transfers from donors.
- POs have more experience in managing community based initiatives (experienced staff).
- Unlike POs, FRAs are individuals and they are mostly likely not to have M&E and data quality assurance expertise.
- Conflicting objectives. FRAs are entrepreneurs whose objectives and priorities will not necessarily be consistent with charitable donor organization whose interest is to serve the underserved communities.

3.2.3.3 Capacity of POs

Project team has rated the capacity of POs and FRAs between "neither bad nor good" and "somewhat good". POs and FRAs in Morogoro Project zone are considered as "somewhat good" in human and financial resources and innovations; while "neither bad nor good" in areas such as management and reporting quality (Table 3). Capacity of POs in Mwanza zone is "somewhat good" in all areas with an exception of management quality.

Table 3: Ratings: Capacity of POs

	POs		FRAs
	Mwanza	**Morogoro**	
1. Human resources	4	4	4
2. Financial resources	4	4	4
3. Management quality	3	3	3
4. Reporting quality etc.	4	3	3
5. Innovations (examples)	4	4	4

Ratings: 1-5 [1 = Extremely bad; 2 = Somewhat bad; 3 = Neither bad nor good; 4 = Somewhat good
5 = Very good]

Without the creativity of POs and FRAs in overcoming numerous challenges, the Project would have not achieved the results highlighted in section 3.1. Challenges ranged from lack of motivation to VAs, inadequate transport facilities, hash and remote environment, limited manpower, mistrust between FRAs and CBTs, low literacy levels of the targeted communities, competition from other donors' projects, ghost groups and members. Such challenges were addressed as follows:

- Use of volunteers and interns to enhance the level of workforce.
- Motivating VAs with meeting allowances and stipends.
- Distribute leaflets house by house to motivate and inform community members about VSL groups.

- Inviting LGAs community development officers in Project meetings which has encouraged information sharing between VAs and district officials.

- Motivate ward development officers and village chairpersons to increase outreach (paying for their participation in mobilization campaigns). Targeting primary school teachers to increase outreach.

- Using reserve cash to cover for the delayed transfers from CARE.

- Sharing resources (e.g. transport) with other projects financed by other donors.

- FOs have been assisting VAs to reach remote areas (sharing motorcycles).

- Cross learning visits have been organized in some of the Project areas.

Major capacity issues

All POs went through an extensive and mandatory due diligence processes. Capacity challenges are more with CBOs than NGOs, and therefore it is more challenging in Zanzibar where the two POs are CBOs[38]. POs and FRAs have received a 5-day training which covered VSL governance procedures and financial literacy modules. Results from our interviews points towards the following capacity gaps associated with the overall organisational capacity of POs:

- Weak internal control systems which constrained POs' ability, for instance, to estimate financial and management risks.

- POs lack management instruments such as human resource, operational and procurement manuals. They rely on MS excel which is prone to errors. None of the PO use accounting packages. Absence of job description is critical challenge as well. Their recruitment process is not based on competitive selection process. It is purposely that was to avoid costs associated with recruitment (advertising, interviews etc.).

- Implementing partners are lacking M&E resources and quality assurance systems, more so for FRAs than POs. There are also limited opportunities for cross learning opportunities and refresher courses.

- Project design did not envisaged capacity building for POs as a priority activity and consequently no resources were set aside for that. Current effort by the Project is mostly 'gap filling' as it targets areas with direct implication on POs responsibilities to the Project.

Measures taken to address capacity challenges include the use of verification missions (project and financial) and Project's technical coordinators based in Mwanza and Morogoro to deliver technical backstopping to POs and FRAs. However, technical coordinators cannot be relied upon as their core tasks are project management, monitoring, guidance, crisis management[39] and not equipped to offer management training.

There are two reasons to justify capacity building to POs.

- Savings groups are attractive proposition to donors. It is therefore necessary for POs to be strong enough to access donor resources through, for instance, in drafting competent

[38] Some of partners in Tanzania Mainland are CBOs and they are therefore considered weaker than NGOs.
[39] In an event of POs failing to form groups or incidences of frauds and/or suspicion of inflated number of recruited members.

funding proposals, building relationships and credible management and quality service systems[40].

- CBOs and NGOs have been operational before the Project and will certainly continue to function after the Project ends. Through PkW they have sustain a strong base in VSL methodology and most likely use that for future activities associated to savings groups. Some of the POs are maintaining a registry of existing groups to 'sell' to donors who might not be interested in forming new groups but rather in capacity building of groups that are up and running.

3.2.4 Re-designing proposals

- Introduce capacity building to POs as an addition objective of the Project. Differently from phase I, related activities have to be:
    - Structured systematically (e.g. outsourcing some of the activities).
    - Undertake needs assessment as organisational strengths and weaknesses will vary across POs (target tailor made trainings).
    - The Project will need to track if it is making valuable contribution to POs' organization capacity.
- Establish a formal compensating structure for VAs. Rates could be based on CARE's experience with Microlead and could vary from one region to another. Good practices in the industry do not prohibit formal compensation for VAs. The third principle of SEEP guidelines advocates for 'Appropriate incentives for trainer performance'.
- As a pilot, the FRAs model needs a complementary research intervention to trace its performance overtime in comparison to the PO model. Results from the comparison analysis in section 3.2.6.1 beg for both qualitative and quantitative reasons that would explain differences in performances between the two models.
- CARE's comparative analysis of different model was a valuable exercise for the industry as a whole. It could be further improved in the following areas:
    - Differences in 'group quality' between the two models could be assessed objectively using the group quality assessment tool discussed in section 3.1.4.2.
    - Sustainability dimensions have to be clearly separated. This is because, assessment criteria differ from one sustainability dimensions to another.
    - Distinct characteristics of the models need to be separated from interventions that could be applied across models.

[40] We don't consider NGOs dependency on donor resources as a bad thing. It is even a false hope to think that they will have other means of funding. "*NGOs without grants struggle to survive*" (Owens (2007), and therefore, their sustainability will largely depend on their ability to secure grants.

3.3 Financial Literacy

The financial literacy training is delivered *alongside* training on VSL methodology. It is well known as VSL+ and a change from the Project's earlier design which proposed the introduction of the financial literacy intervention after groups have shared out.

Seven out of the 9 surveyed groups confirmed to have received financial literacy training (Table 4). Despite limited visits from VAs and CBTs, PkW Project delivers more training relative to other donors with similar initiatives. It appears as if PkW is the only one or one of few donor projects to offer financial literacy training. The key challenge identified by group members was limited visits from VAs, FOs and CBTs. Our advice is for future assessment of financial literacy to use better assessment tools rather than relying on subjective messages from beneficiaries.

Table 4: Results from Focus Group Discussions (FGDs)

	Unguja		**Kishapu**			**Mland.**		**Mvom.**	
Groups	**1**	**2**	**1**	**2**	**3**	**1**	**2**	**1**	**2**
Delivery and content: Financial literacy									
▪ Was the training delivered?	✓	✓	✓	✓	✓	✓	✓	×	×
▪ Unmet needs from the training	×	×	×	×	×	×	×	-	-
Delivery and content: VSLA governance									
▪ Quality of training	G	B	M	G	G	G	G	G	G
▪ Unmet needs from the training	×	✓	✓	×	×	×	×	×	×

B=Bad; M=Moderate; G= Good

✓=YES and ×=NO

3.3.1 Quality at entry

Quality at entry (design aspects) is weak. Its theory of change remains weak and does not follow outcome based programming. Its monitoring indicators (same with some of the indicators from the other project's objectives) are difficult to measure and are currently not monitored. Three questions need to be responded to and contribute to re-designing the intervention:

i. **Is the Project implementing financial literacy, financial education or financial capability intervention?**

The three are '*distinct pieces of a puzzle*[41]'. Literacy is the possession of basic knowledge or competence, and education is the means to build that capacity[42]. Financial capability is a broader concept and includes the 'behavior' and 'use' factors – the ability and opportunity to use the knowledge and skills implied in financial literacy[43],[44],[45].

Apart from broad statements in the Project documents and periodic reporting, there seems to be limited understanding of the conceptual and operational differences between the concepts. For instance, the Project is silent on what is to be financial literate. The

[41] Cohen, M. and Nelson, C. (2011)
[42] McCormic, M. (2009)
[4343] Cohen, M. and Nelson, C. (2011).
[44] World Bank (2013).
[45] Johnson and Sherraden (2007)

industry is currently replacing financial literacy with financial capability as a dominant approach[46].

***ii.* Is there a clear demarcation between financial literacy and training on VSL governance procedures?**

Quarterly reporting do not reveal a clear demarcation between the two. Some of the reports present the content of 'financial education' as a mix of literacy and VSL governance procedures (for example: social fund, share-purchase and credit policies, setting priorities for money, making savings plans, where to save, loan disbursement, saving and borrowing, good loans and bad loans)[47].

***iii.* What is the primary objectives of the financial literacy intervention?**

Both the design and implementation remain unclear on target outcomes; is the Project targeting (i) financial knowledge, skills, attitudes (ii) financial behaviors; or (iii) financial outcomes. They all entail different training modules, monitoring and evaluation indicators as well as timing for post-testing of status of beneficiaries. In the absence of measurable monitoring indicators and a baseline, it is very difficult to make any claim on progress or achievements made so far. As a result, quarterly reports are struggling on reporting progress on the intervention. Important information are thus missing from quarterly and annual reporting. Information such as the relevance of the teaching content, level of exposure of target audience, or how much training is being delivered.

3.3.2 Delivery Approach

3.3.2.1 Financial Literacy

Key issues on delivery

Using a standard teaching module assumes that knowledge needs are the same across all regions and all groups. In the absence of baseline information, the Project areas or groups are not segmented according to their varying needs. With significant manpower constraints as earlier, the quality of financial literacy training will always be questionable.

Training is classroom based and delivered during the weekly group meetings. However, other delivery mechanisms are emerging as more effective and generate more excitement with clients. They include:

- Use of brochures, flyers, posters, or training videos/DVDs

[46] See several CGAP's policy notes
[47] Quarterly report Jan-Mar 2015.

- Use of 'edutainment', or educational entertainment, to engage audiences is commonly applied in many financial education programs[48],[49].

- Offering information only without assistance do not have effect on advancing financial capability[50]. It is a question of how financial education is delivered to targeted audience that has important implications for its effectiveness in achieving outcomes and impacts[51].

- 'Rule of thumb' approach[52] works better than traditional numeracy-based financial education[53].

- Integrating 'just-in-time' or 'teachable moments' raises the effect of financial capability messages[54],[55].

- When information is presented through storytelling and narrative, it is far more accessible and impactful than straight information delivery.[56].

3.3.2.2 Selection, Planning and Management (SPM) on IGAs

Key issues

This intervention is yet to be rolled, as it was agreed to wait for the outcome of MTR. Even without such training, some groups have advanced in establishing IGA. They involve use of money from their respective groups to retail food items (e.g. rice), washing soap and clothes (especially women items such as khanga and deras) among each others. Other IGAs involved joint tomatoes, vegetables and beans farming.

Information from FGDs revealed high demand for IGAs training and groups are earger to establish such collective business ventures. The following needs to be considered when rolling out the initiative:

- Follow good practices in delivering the knowledge and skills. Learning theories and experiences from similar initatives elsewhere are good source of programming informations.

- The design of the IGA intervention can avoid the challenges with the financial literacy by proposing theory of change, with measurable monitoring indicators.
- Collective IGA is not only about the business side but also the socialogy side, in particular the challenges around social dilemma

[48] MasterCard Foundation, Microfinance Opportunities, and Genesis Analytics (2011).
[49] Berg and Zia, 2013; Carpena et al., 2011
[50] Bettinger, E. et al (2012)
[51] J. Sebstad M. Cohen K. Stack (2006).
[52] Simplified approach to determine profit, for example, writing down every transaction rather than comprehensive financial lessons.
[53] Drexler (2014)
[54] MasterCard Foundation, Microfinance Opportunities, and Genesis Analytics (2011)
[55] Hogarth, M. (2010).
[56] See summarized researches from Miller, M. (2011). Financial Capability at the Base of the Pyramid. CGAP.

which could cripple not only the business side but also the social cohesion of the groups. What is needed is for the training package also raise awareness to groups on how social dilemma could be mitigated in the course of undertaking collective IGAs.

3.3.3 Re-designing proposals

- Apply a 'learner-centered approach' to the process of re-designing financial literacy intervention. The approach begins with market research to identify literacy needs of the targeted groups. The market research could also serve as a baseline.

- It is more likely that needs will vary from one area to another and possibly from one group to another. The same goes for training on IGA. It is likely that the intervention will consist of diverse training modules.

- We are not certain that the current pool of VAs and CBTs can deliver a high quality financial literacy intervention. One possible approach is for the intervention to be directly managed by CARE Tanzania.

- Revisit the theory of change of the financial literacy intervention and its monitoring and evaluation framework. The Project needs to track its contribution to financial literacy.

3.4 Making Markets Work for the Poor (M4P)

3.4.1 Quality at entry

ToRs call on the MTR exercise to respond to the following questions (i) analyze the project design to establish the extent, if any, it fits M4P approach, in that it is implementing a systemic intervention that targets a market failure(s) (ii) comment on whether and how the design can be improved to fit a M4P approach. These two questions clearly attempt to relate the Project to the M4P approach.

It is clear from the documentation review and interviews that the Project was not, from the beginning, designed to follow M4P approach. In the absence of any FSDT's instructions, then CARE Tanzania cannot be held accountable on benchmarking Project's activities against M4P.

We are however responding to the other parts of the questions (that is; if the Project fits M4P approach) by using specific M4P criteria (systemic change and sustainability, and their respective indicators) to test whether the Project, by coincidence, is implementing M4P.

3.4.2 Systemic change

The MTR exercise assessed 7 M4P related indicators[57] to respond to the question on whether markets and geographical areas to which the Project operates show signs of systemic change. Systemic change refers to transformation in the structure or dynamics of a system[58] that lead to impacts on large numbers of people, either in their material conditions or in their behavior[59]. Findings are presented in Table 5: -

Table 5: Results from field interviews (interviewees: VAs, CBTs, LGAs, and local businesses)

	Unguja	Mvomero	Kishapu	Kibaha/ Mlandizi
Crowding in indicators:				
▪ LGAs mobilizing communities to establish VSLAs	×	×	×	×
▪ VAs/CBTs ready to join the industry	✓✓	✓	✓✓	✓✓✓
Copying indicators:				
▪ Non-PKW VSLAs imitating PkW practices	××	✓	××	××✓
▪ Other donor copying PkW's methodology	××	×	××	×✓×
Sector growth indicators:				
VSLAs being established by imitation	××	×	××	✓××
Backward and forward linkages indicators:				
▪ VSLAs accessing commercial banks' products	××	×	××	✓×✓
▪ Local businesses experiencing growing market*	××	✓✓×	NA	✓✓

The cross refers to NO and tick refers to YES. The number of ticks or cross refers to the number of interviewees. For instance ✓✓ **state that** two VAs were interviewed and they both said YES.
* Shop keepers were the interviewees

Crowding In

[57] Ruffer and Wach (2013)
[58] Financial market system in this case
[59] ibid

Even in the absence specific use of M4P terminology in the Project document, the Project has 'crowding in' objectives[60]. The Project was introduced to district authorities and has extensively collaborated with district and ward community development officers (DCDOs and WCDOs). LGAs have been supportive of collective action movements (whether VSL or non-VSL groups) by:

- Inviting groups to attend public events (e.g. trade fair)
- Letting POs use village assemblies to sensitive communities on possibilities of forming VSL groups.
- Sensitizing communities to form collective actions. However, this is done without the LGAs going directly into mobilizing and training community members specifically on VSL methodologies (Table 4).

Recent developments offer an opportunity for PkW to transfer VSLA knowledge to LGAs:

- We were informed by DCDOs of a recent directive from the state's national economic empowerment council (NEC) to all LGAs to engage in group mobilization and training.
- Our interviews have confirmed a close working collaboration between POs and district and wards community development officers. 8 out 10 interviewed DCDOs have confirmed close interactions with PkW (LGAs receive quarterly reports, chairing project quarterly meeting etc.). In some districts, the WCDOs have been supporting mobilization activities.
- LGAs are considering using WCDOs to deliver actual training to savings groups if the Project can provide training on the methodology. The Project can therefore invest in delivering VSL skills to WCDOs hoping that they will carry on the training and mobilization after the Project ends.

Findings from the other crowding in indicator show that here is no scarcity of people who are ready to join the rank of VAs and CBTs. Their availability is mostly because of seasonality in the agriculture sector, low opportunity cost, high unemployment and underemployment rates in rural areas[61]. For rural community, being a VSL trainer is an employment opportunity plus other motivations discussed in section 3.2.2.

Sector growth

With an exception of one of the VAs in Kibaha, the ones in Mvomero, Unguja and Kishapu districts indicated the absence of group replications without external support. It is more unlikely that the sector will not expand in the absence of external interventions.

Imitation is a very common and straight forward human behavior[62]. However it is peculiar that such behavior do not occur in the wake of publicized success stories of savings groups. One hypothesis is the presence of both successful and unsuccessful groups (disagreements, theft etc.) and the potential difference is that humans tend to remember negative things more strongly and in more detail than positive things[63]. It is will therefore be interesting to research on reasons behind lack of imitations especially in the wake of a claim that the average survival rate of mobilized VSL groups is 89%.

[60] See page 6 of the Project document
[61] 73.5% of the underemployed individuals in Tanzania are residing in rural areas (URT, 2014)
[62] See for instance Gigerenzer and Goldstein (1996)
[63] Baumeister and Bratslavsky (2001)

Copying

Our interviews did not reveal much on non-PkW groups copying VSL methods and other donors replicating PkW methods. In fact PkW is diverging from practices of other donors who make free distribution of kits and formal compensating the efforts of VAs. It is worth mentioning that there is a tendency for international donors in Tanzania to stick to their methods, and we are unaware of major efforts to establish guiding principles for the industry in Tanzania. Despite delivering the kits at a cost, the Project is surviving in the industry for the following reasons:

- Its training component is valued by communities. There are reported incidences of other donors' projects distributing for free and disappear thereafter.
- Intensive marketing of VSL idea. PkW is perceived to be doing a good marketing of the VSL ideas.
- Targeting the unserved communities by penetrating remote areas.
- Indirectly motivating VAs (see section 3.2.2).
- Re-programing some of the challenging experiences. For example, increasing the number of groups (and hence potential revenue to FRAs) by revising the number of FRAs from 22 to 7[64].
- Close cooperation and interactions between the Project team and POs/FRAs.
- Linking matured groups to banks through LINK-UP project. Groups are enticed by such possibility.

Backward and forward linkages

Five groups in Kibaha are reported to be depositing at bank. A total of 23 PkW groups in Tabora and 2 in Kahama are now part to the LINK-UP project. Similar progress is reported in Coast, Iringa and Mwanza[65]. Two banks (Access Bank and NMB) have introduced specialized products for savings groups (Vikundi and Pamoja accounts respectively). The former delivers savings and loan products while the latter offers saving facility only. Main challenges include:

- Groups are scared off by bank and mobile money charges. This is more serious in Zanzibar where the volume of savings per group is relatively low than in Tanzania mainland.
- Because of low savings rate and high demand for loans, instant financial intermediation takes place leaving the cash boxes with no or very small amount of cash. The need for Bank's saving facility do not exist in such situations.

Another way of evaluating result/impact of an M4P project is to look at the growth or expansion of non-Project related sectors. For that, we conducted ad-hoc interviews with shops (shop keepers) located close to where VSL groups exist.

[64] Earlier design was for each of the 22 FRAs to form 6 groups, which was deemed too small and unattractive to lure FRAs into the Project.

[65] The 'link up' development theory goes like this: VSL groups would benefit from increased security, earn interest on their savings, establish a credit history, and access other bank products and services. At the end such groups will be able to make bigger gains in their economic status.

The impact is now felt in Kibaha and Mvomero but not in Zanzibar. Interviewed shop keepers in Kibaha and Mvomero are experiencing increasing demand for food items and other materials, as well as increasing number of customers being served on credit (they repay by borrowing from their respective groups). However, an interviewed shopkeeper in Zanzibar is losing business as some of the VSL groups are utilizing group funds to purchase items from wholesalers (food items, women dresses e.g. Khanga) and retailing among themselves. Profit form such activities is reinvested back to the groups.

In summary, we can indicate that there are mild signs of systemic change. It is however very unrealistic to expect major transformation to occur within two years of project interventions. What is clear is that the Project remains a good candidate for M4P approach with transformation as an ideal evaluation indicator at endline.

3.4.3 Sustainability

Sustainability is also at the center of M4P approach and most of the development projects including PkW. However, phase I of PkW has been characterized by unsystematic use of the term 'sustainability' and that led into unclear understanding of specific outcomes to which the Project intend to sustain. We see PkW as a Project which intends to sustain three outcomes (i) sustainability of group mobilization function (ii) sustainability of the employment market for VAs and CBTs (iii) sustainability of the financial intermediation function (group survival).

3.4.3.1 Mobilization and groups formation

Sustainability of *"mobilization and group formation"* is unlikely without external support. There are no concrete evidence of groups being formed by imitation (see the preceding discussion under sector growth). That implies in the absence of external intervention limited group replication will take place (external interventions could be donors, central or local government authorities)

POs (NGOs and CBOs) are the main drivers of group mobilization and formation, and they have always been surviving on donor funding[66]. The implication is that if POs do not access donor resources, then the function of group mobilization and formation will be dormant. In turn, for POs to have high likelihood of accessing donor support they need to have a certain level of capacity. Such capacity issues are currently not addressed systematically and therefore decrease the likelihood of POs accessing external resources which in turn reduce the sustainability of group formation and training.

Table 6 shows low participation rate of POs in group mobilization outside the grantee relationship with PkW (Table 6). They are however innovative and make useful contributions once they receive support in the mobilization and group formation and training activities.

[66] By 'donor' we refer to funds donated to NGOs irrespective of sources. Donors are therefore not restricted to money from developed world to NGOs but can also include, for instance, corporate entities funding Corporate Social Responsibility initiatives (CRS) through NGOs.

Table 6: Sustainability of market structures

	Unguja	Mvom.	Kishapu	Kibaha
Product, process, service innovation POs and FRAs[67]	✓[1]	✓[4]	✓[2]	✓[5]
POs contribution to the Project	✓[3]	×	✓[3]	✓
Participation rate outside Project support	×	×	×	×

[1] Pay 10,000 to selected community members to assist I looking for potential individuals to form groups.
[2] Use interns to easy their manpower constraints; motivate VAs with stipends, district community development officers invited to quarterly meetings.
[3] Use of reserve funds to cover for delayed funding from PkW.
[4] Give entrepreneurship skills to CBTs who transfer the same to their respective VSL groups. Some collective IGAs were established out of that chain of knowledge transfer.
[5] Introducing some of the groups to NMB (to access 'Pamoja account')

So far the sustainability of mobilization and group formation function by FRA seems unlikely.

- Despite claims that the US$ 2.5 is insufficient to cover their costs, the 7 FRAs contracted to support the Project continue to operate. It is possible that the US$ 2.5 per head is sizeable amount as none of the FRAs dropped the 'business line' for being a loss making.

- The basic idea around FRA model is (i) group formation and training is managed by FRAs as an "enterprise" (some literature termed the operations of the model as "business-like face" (ii) Revenue from "enterprise" should come from groups paying for the services being delivered by FRAs. This is not happening because:

    - Groups are not willing to pay for the training services being offered by FRAs/CBTs

    - As a result, FRAs are just 'grant beneficiary', a status that is contrary to basic characteristics of an enterprise based activity.

- Despite these dynamics, we see the continuing implementation of the FRA model as an opportunity to further learn about the model. For instance, more knowledge is needed on the differences between the two models across four areas of (i) pace of group establishment (ii) quality of the groups (iii) cost of creating groups (iv) differences in group performances between the two models.

3.4.3.2 Employment market for VAs and CBTs

The likelihood of sustaining employability of VAs and CBTs is low. Reasons include:

[67] 'New' is a key word. Reference is made to new services, products and processes differently from the ones advocated by CARE Tanzania.

- There were mixed answers from the surveyed groups. Some clearly stated unwillingness to compensate VAs now or in the future. Other groups stated their willingness to incur the costs ONLY after their respective groups have thrived. None of the groups is currently paying the VAs. Overall, we did not see a strong commitment from groups to incur such expenses[68].

- VAs were also an integral part of previous interventions. Our ad-hoc interviews show that they ceased to operate after the project ended[69].

If one of the objectives of the Project was to test the sustainability of employment market for VAs, then by investing in research[70] would have been a cost-effective decision than investing in a field project. What we are saying here is that, the POs model can and rightly so being considered as a scaling initiative rather than mixing up with objectives which could require a completely different treatment.

3.4.3.3 Financial intermediation function (VSL groups)

With the current level and quality of training being delivered, the likelihood of the groups to register a survival rate of 89%[71] five years after the groups have been formed is low. This conclusion is based on the discussion on quality aspects in section 3.1.4.

3.4.4 Re-designing proposals

- Some of the integral aspects of M4P are currently not part of the Project. Even outside the M4P framework, they remain relevant to the Project:

  - Research and knowledge creation. Many unknowns have been stated in various parts of this report, where PkW can be an ideal platform for knowledge creation. In addition to the research idea discussed in section 3.4.3.1, further interesting areas include: the future of informal mechanisms in financial inclusion; better understanding of the demographics of group members; consumer protection; extent to which the model fits the needs, social dilemma in VSL groups and collective IGAs etc.

  - Risk taking behavior: Innovations, product and service experimentation could be based on recent developments in financial

[68] It is trick to interpret responses such as "we are willing to pay in the future only if after our group has stabilize economically". Groups that have survived beyond the first share-out must have accumulated knowledge and skills over time. Their knowledge and skills would probably be superior to that of VAs/CBTs. For such groups, the training from VAs is of no value and more so in a situation where CBTs/VAs have questionable level of competences. This argument also implies that, the training is most important and has value high at the early stage of group operation. Unfortunately at that stage (early stage of group life cycle) unwillingness to pay is at the highest level.
[69] Stated by interviewed VAs in Zanzibar.
[70] To respond to a question whether VAs from past projects lasted beyond the end date of their projects
[71] The industry standard (VSL Associates, 2016).

inclusion which cover areas such as digital financing (see CARE's proposal); financial capability and financial health[72].

- Introduce a VSLA training program to DCDOs and WCDOs as an important sustainability initiative. Consult NEC to better understand the recent directive to LGAs in savings groups.

- It is unrealistic to target the 3 aspects of sustainability concurrently. As such the Project needs to focus on the sustainability of financial intermediation function (groups) and group mobilization and training function (through LGAs and POs capacity building initiative). Sustainability of the employment market for VAs should be discarded as it is a distraction to the realities on the ground.

3.5 Other Project areas

3.5.1 Financial Management

Financial transactions of the Project are under CARE's overall financial management system[73]. The integrity of CARE's financial management system is remarkable. Itemized budget ceilings have been adhered to during the past 2 years of implementing the Project. The Project experienced a single budget amendment that did not affected the overall budget of US$7,354,066 (phase I and II).

The amendment introduced new positions of a project administrator and accountant to support Morogoro zonal office. Funds were also shifted between expenditure lines to enhance areas that were believed to be under budgeted. The main concerned of POs is the transfer delays from CARE Tanzania. POs lacking reserve funds are thought to be the most affected. Reasons for the delays include:

- Late submission of quarterly reports from the side of POs. Cutoff date of the 10th day of the month following the quarters end is rarely met. On-job trainings to POs and FRAs on filling the financial template have reduced the delays. Delays that are currently occurring are the results of limited organizational capacity in reporting.

- Incidences of POs submitting reports that do not meet the required standards and/or missing vital details. Such incidences result into several back and forth exchanges between CARE and POs which have been time consuming and delayed funds transfer.

The attempt to address the delays by disbursing funds prior to completion of verification missions, succeeded in reducing delays but at the same time raised financial risks (emerged incidences of frauds)[74]. The Project had no choice but to revert to the old practice of disbursing funds after the review and verification exercises have been concluded. However, low risk POs could still receive funding prior to the conclusion of verification process.

[72] See for instance, Villasenor, J. et al. (2016).
[73] By system I am referring to transfers, payments, internal controls, accounting and auditing. The Project does not operate under a separate system of its own.
[74] In the old system, POs accounted for 75% of the spending followed by report review and physical verification mission prior to the next transfer.

3.5.1.1 Fraud incidences

It should be well acknowledged that the Project is operating in a high financial and project risk environment where cases of fraud involving NGOs have been widely in the past. Out of the 14 POs, the Project has experienced only two incidences of organized fraud (LASWA and SEGERA) and one incidence of unorganized fraud (DARAJA).

So far a total of TShs 4.3 million was recovered out of the TShs 7.3 million from LASWA and the Project is following up on assets that were purchased using Project's funds (motorcycle and laptops). Legal action would have been costlier than the amount being sought after. Table 7 summarizes the status of the three incidences.

Table 7: Incidences of fraud

POs	Qualification	Current status
LASWA	▪ **Organized fraud** TShs 4.3 million recovered out of estimated TShs 7.3 million. The Project is following up on motor cycle and laptops.	Suspended from the Project during quarter July-Sept 2015.
SAGETA	▪ **Organized fraud** They have closed offices and the officials cannot be traced.	Suspended from the Project during quarter Apr-Jun 2015.
DARAJA	▪ **Not an organized fraud** The accountant disappeared with the Project money. DARAJA remains responsible for the loss.	Ongoing verification and negotiations.

Source: Interviews with PkW's team

To meet the overall quantitative targets, the Project reassigned LASWA and SEGERA targets to the remaining POs. The move further stretched the capacity of the existing POs whose number of FOs did not change despite the increasing targets. The use of interns eased the workload (group formation), but by increasing the risks to the quality side (training).

Incidences of ghost groups/members are challenges associated with engaging partners who are compensated against quantitative measures and limited allocation of resources for close monitoring field activities. Of recent the Project suspected a total of 100 ghost groups from DARAJA. An internal investigation is ongoing.

It is worth highlighting that not all ghost workers are outcomes of, for instance, forged names. In some incidences, they emerged because VAs have registered groups to the system contrary to the requirement of only registering groups that are 3 months old. If groups are never followed after mobilization and ensure that they hold regular meetings, they are most likely to appear as ghost workers (they are difficult to locate during verification missions). Such incidences are consequences of demoralized and overstretched VAs and FOs.

3.5.1.2 Execution rate

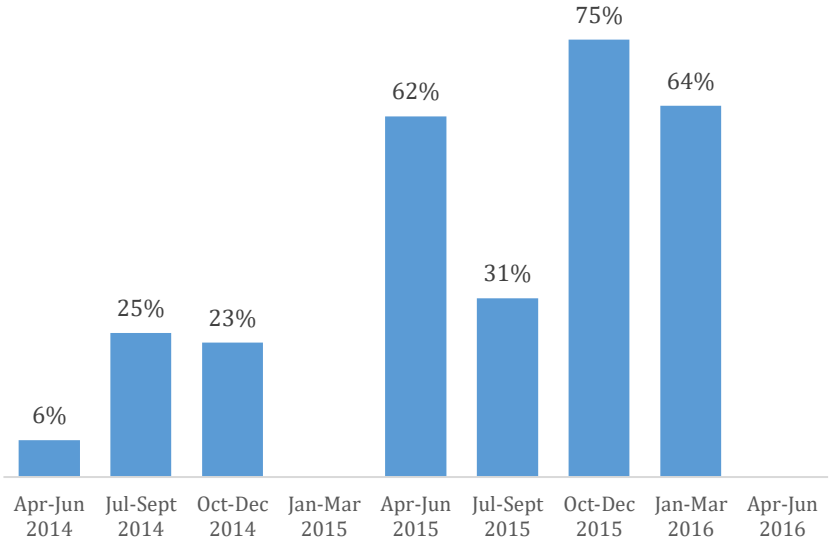
Figure 23 displays quarterly trends on execution of funds that have been received from FSDT. Note that the empty spaces refer to quarters that FSDT did not disbursed funds – also implying that the Project was utilizing balances from the previous quarters. Figure 26 presents the following:

- Execution rate has been improving overtime, from as low as 23% (Oct-Dec 2014 the quarter where group formation began) to 65% (Jan-Mar 2016).

- Less than 50% of the disbursed funds were executed in 4 out of 7 quarters. Execution rate did not go beyond 75%.

- A sharp decline in execution rate during quarter Jul-Sep 2015 (31% from 62% recorded in the previous quarter). It is the first quarter of a new financial year where POs and FRAs compelled to conclude all activities (financial and field) of the previous year before they are eligible for new disbursements. The liquidation process takes time, leaving the new quarter with few weeks before it closes. It is most likely every quarter of July- September to experience low execution rates.

Figure 23: Execution rate of FSDT disbursements: Quarterly trend



Source: CARE Tanzania's Finance department; own calculation

Table 8 presents additional financial messages:

- By June 2016 which is the mid-point of the Project's 4 years implementation timeline, only half of the contracted amount has been expended (51%). It is 68% if we consider the revised budget September 2015 (Table 8).

- Cumulative unused balance amounts to US$ 1.03 million which is equivalent to 33% of the FSDT cumulative transfer of US$ 3.16 million. The Project has therefore managed to spend 67% of the FSDT transfers.

- In any case, the unused balances should have not accumulated since June 2014 without follow up from FSDT. Whether balances are rolled out or any other procedures to be followed, the two organizations would need to agree.

Table 8: Financial details and ratios (as at June 2016)

		Original budget	Revised budget[1]
1. Budget		4,152,855	3,141,960
▪ Actual spending	2,130,042		
▪ FSDT transfers	3,163,317		
▪ Cumulative balance	1,033,275		
2. Actual spending % of budget		51%	68%
3. Actual spending % of FSDT transfers		67%	67%
4. Remaining balance % of FSDT transfers		33%	33%

Source: CARE Tanzania's Finance department; own calculation
[1] Revised budget September 2015

Reasons for low absorption rate include:

- Project set-up took more time than expected. Group mobilization commenced in October 2015 which was 5 months after signing the grant funding agreement.

- Time consuming process of recruiting POs and FRAs. The process involved time assigned to POs to prepare grant proposals, and CARE internal processes in selection, due diligence etc.

- Limited capacity of POs to meet targets (See section 3.2.4.3).

- Declining number of POs from 14 to 12 due to fraud incidences (see section 3.5.1.1).

3.5.1.3 Cost per member

For budgeting purposes, the Project allocated US$ 13 as cost per each recruited member[75]. Before we calculate the actual cost incurred in the past two years, let see how this particular unit cost implies when related to actual spending. With a total of 96,126 recruited members by end of June 2016, the Project would have spent US$ 1.3 million (TShs 2.8 billion). By end of June 2015 POs had spent a total of TShs 2,620,326,491. The Project has therefore made savings of TShs 152.28 million (Table 9).

Table 9: Cost estimates based on the estimated US$ 13 per head

	Y1	Y2	Total
Recruited members (no.)	21,918	74,208	96,126
Total cost (US$)	284,934	987,545	1,272,479

[75] The grant funding agreement did not specify cost categories that the US$ 13 per head is composed of (whether is a combination of direct cost, that is, group mobilization, formation and training and overheads or direct costs alone).

Total cost (TShs)	2,772,604,493
Actual expenditure by POs	2,620,326,491
Savings	152,278,002

Source: Grant funding agreement, annual reports; own calculation
Exchange rate TShs 2,178.9/1 US$ as of end of April 2016

CARE International (2011) presents two formulas for estimating costs per member. We opted for the one stating "total costs to date per member assisted", which is given as "Total project costs to date end of period + total FA overhead costs to date end of period)/total number of members assisted"[76]. Results are presented in Figure 27:

- Costs per member stands at US$ 12.50, the lowest when compared to other projects by CRS, Plan International, Oxfarm and Aga Khan. It is nearly half of the industry average of US$ 22.

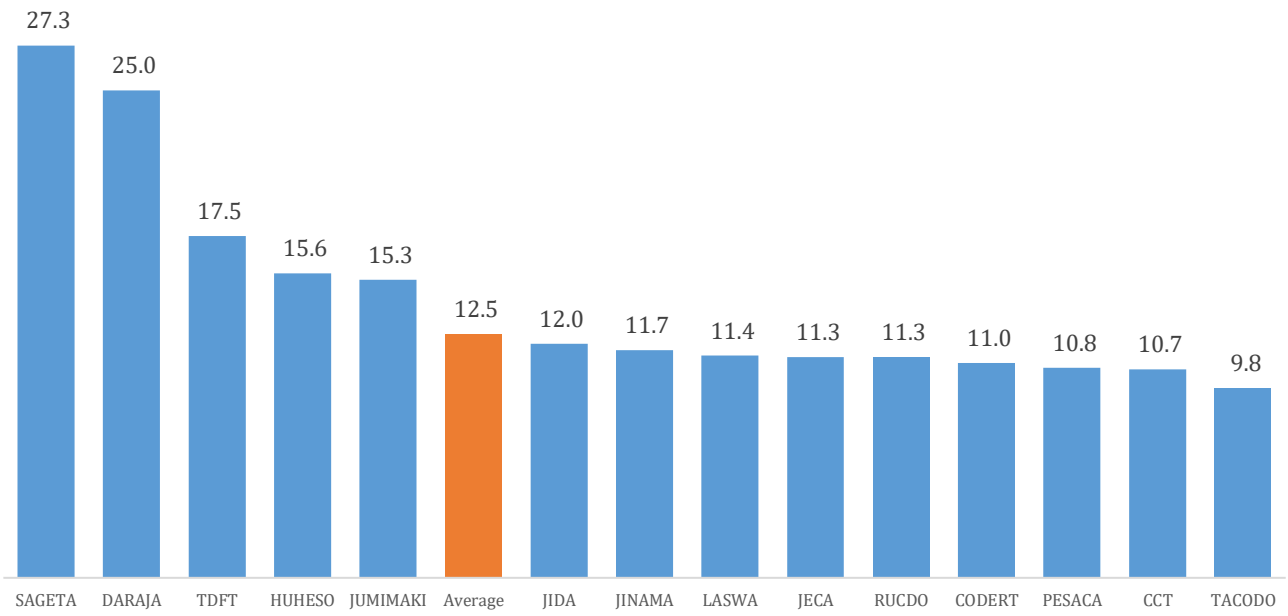
- The average costs vary between POs from as high as US$ 27.3 (SAGETA) to as low as US$ 9.8 (TACODO). SAGETA which was suspended for organized fraud had more than twice as much the overall average costs per member. The same with DARAJA which is currently under investigation.

- More than half of POs are on the lower side of the average (that is 9 out of the 14 POs). It implies that, there is a possibility of the average costs to further decline.

- If we conclude that the highest two average costs per head (SAGETA and DARAJA and the other fraud case LASWA) are not representing true costs and are excluded from the list, then the average costs per head go down to US$ 10.9.

Figure 24: Overall costs per head (US$)

[76] The formula makes the results comparable to other projects whose costs were presented in the same report from CARE International.



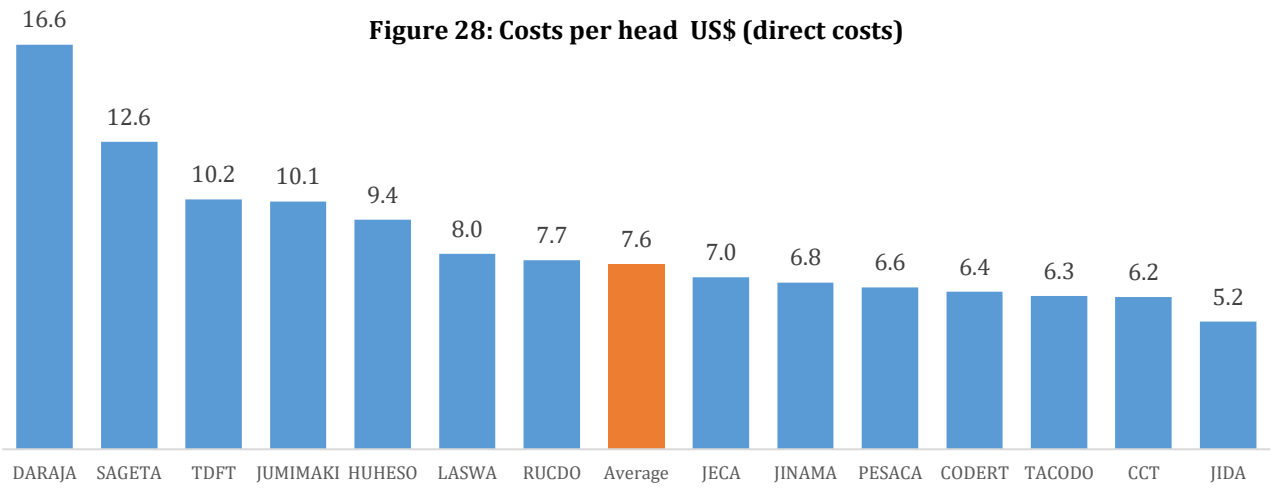
Source: Annual reports, Project's financial reports; own calculation

We further disaggregated the total costs between overheads and the direct costs[77] to extract the following messages:

- DARAJA, SEGETA are the leading spenders in both categories.
- Roughly half of the POs are on the each side of overall average.
- The overall cost per head is largely contributed by direct costs (US$ 7.6) than overhead costs (US$ 4.9).
- An interesting swing occurred when the share of direct costs in the overall costs per head sharply increased from 44% (2014/15) to 66% (2015/16).

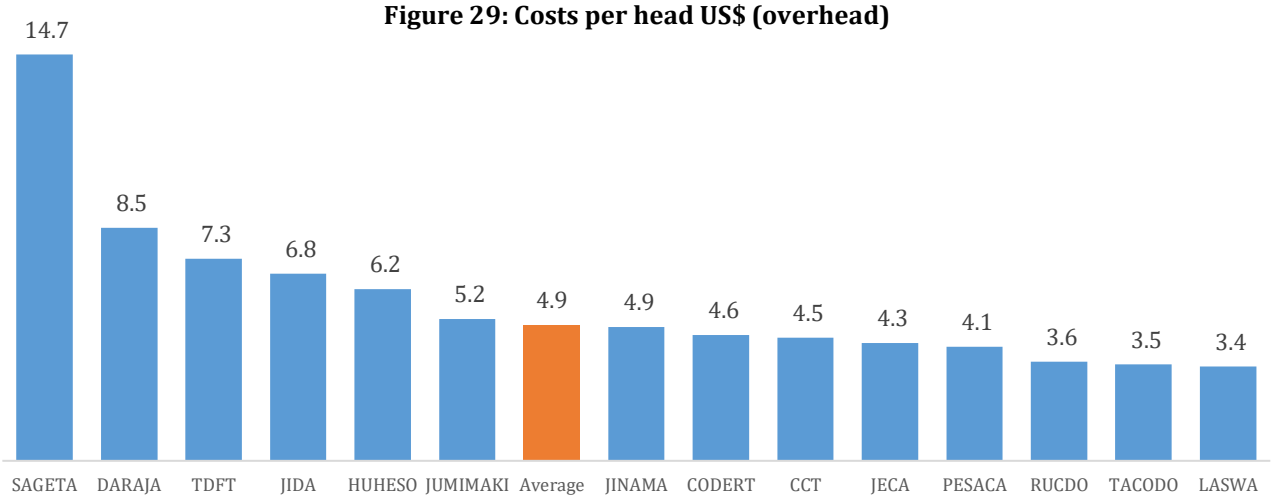
[77] Direct costs = costs of group mobilization, formation and training.

Figure 28: Costs per head US$ (direct costs)



Source: Annual reports, Project's financial reports; own calculation

Figure 29: Costs per head US$ (overhead)



Source: Annual reports, Project's financial reports; own calculation

Figure 30: Cost per head: Cross projects comparison (US$)

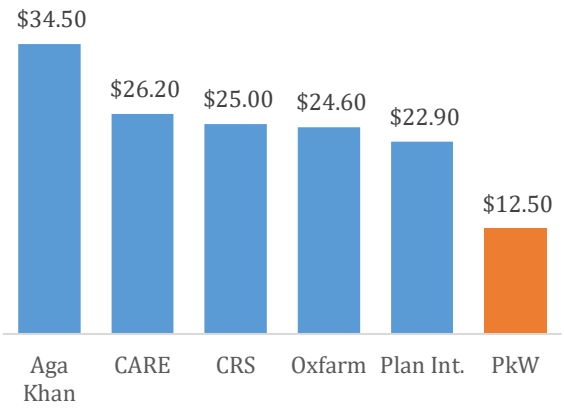
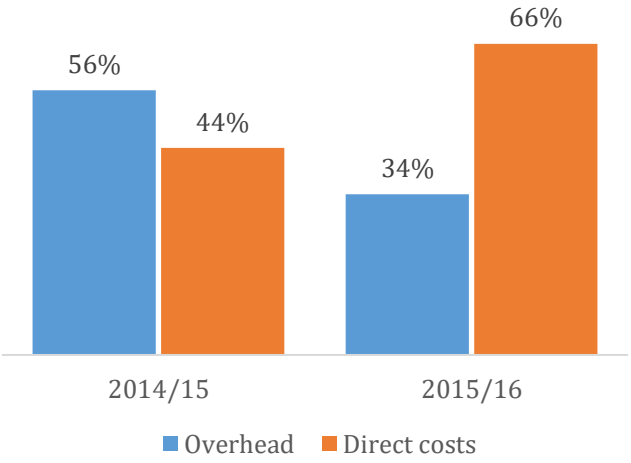


Figure 31: Weights of overhead and direct costs in the total costs per head



Source: Annual reports, Project's financial reports and CARE (2011); own calculation

3.5.1.4 Re-designing proposals

- Re-budgeting is needed but cannot be carried out until changes are agreed upon and the Project document is redesigned.

- FSDT needs to be familiar with CARE's financial governance procedures including rules governing management of unused balances. FSDT internal financial rules should also give guidance on such incidences. By leaving large balances FSDT has been losing potential interest income but also the purchasing power of its own funds.

- A learning agenda is emerging from the significant variations in costs per head between POs. A number of hypothesis could be established on the phenomenon and investigated upon.

3.5.2 Monitoring & Evaluation (M&E)

The Project's M&E system is made up of three layers (i) The Project team at CARE head office in Dar es Salaam (ii) Zonal offices in Morogoro and Mwanza (iii) POs and FRAs responsible for monitoring and supervising VAs and CBTs respectively.

The quality of the Project's M&E system was based on a modified[78] version of a tool by Merrigan (2013). By answering specific questions, each criteria receives a score between 0 (standards are not met) and 2 (standards are fully met). Table 10 presents the scores for each criteria. The overall performance is 6 scores out of potential 16 which is equivalent to 37.5%

Table 10: Scores across the 8 criteria

	Criteria	Score (0 – 2)	
1	Resources and capacity building	1	Medium
2	Documentation	1	Medium
3	Data collection and management	2	High
4	Data quality systems	0	Low
5	Data verification	0	Low
6	Data analysis and use	1	Medium
7	Evaluation	1	Medium
8	Alignment and leadership	1	Medium
	Total score	6 out of the maximum of 16	
		37.5%	

Definition of the scores
0 [low] = standard is not met
1 [medium] = standard is partially met
2 [high] = standard is fully met

Criteria 1: Resource and capacity building

The standard is for projects to allocate financial resources to M&E in the order of 5% to 10% of the project budgets[79]. Other emerging standards include ring-fencing/separating the M&E budget from other lines such as administration[80]. The current budget structure makes it difficult to estimate actual allocations to M&E for three reasons:

- There is no separate budget line for M&E. Instead, M&E is financed from a budget line 'in-country travel' which could result to a number of expenses unrelated to M&E.
- The Project's M&E plan do not define specific activities that are M&E related and thus giving room for anything to be considered as M&E.

If the Project had considered 5% of project budget (phase I), a total of US$ 207,643 would have been set aside for M&E. If we take an assumption that the entire allocation for 'in-country travel' (US$ 115,825.20[81]) is for M&E, such allocation would still be far less than the standard 5% of the

[78] We made some adjustments and convert the scores to high [2]; medium [1] and low [0].
[7979] Twersky and Arbreton (2014). Other studies and reports consider the range of 3% to 5%. Note that these ranges typically apply to monitoring side of M&E only as specific evaluation approaches such as the scientific impact evaluations will require additional allocations above these ranges.
[80] Projects from a number of agencies such as Millennium Challenge Corporation (MCC) apply such standards.
[81] Based on the revised budget September 2015.

project budget for phase I. It is therefore likely that the M&E framework of the Project is under resourced in a high risk environment to which the Project is being implemented.

On the capacity building side, the M&E component had one day slot in a week long training for POs and FRAs (at the beginning of the Project). POs and FRAs are also trained on job during data collection exercise in the field. Key challenges includes:

- Insufficient resources for refresher sessions and exchanges of experience.

- POs are visited once bi-annual for M&E on-job data collection training, while the standard for the other CARE projects is a minimum of two visits per quarter. Frequent monitoring visits would reduce, for instance, incidences of FOs collecting relevant information in a wrong way (e.g. recording group savings in place of social fund).

Criteria 2: Documentation

Standards for M&E documentation include: (i) M&E plan/framework (ii) data collection and recording tools (iii) data dictionary. These documents exist and have been used for instance by VAs and FOs to collect group performance data. Group performance data are stored in SAVIX compatible platform and also shared with the global SAVIX system. The Project is also developing a simplified checklist that will outlined procedures to be followed by FRAs and POs in fulfilling data management tasks. An Excel file is also being developed to simplify data recording process at the PO/FRA level prior to uploading the same data to SAVIX.

CARE Tanzania has of recent introduced 'data centralized system[82]' which will accommodate data from all CARE projects. The platform will replace an MS excel based file being used to document Project performance data. The main concern is on the content side of some of the documentation:

- The Project consists of distinct interventions (financial inclusion, financial literacy, SPM for IGA) all of which need distinct theories of change and M&E indicators. Such differences are not clearly ironed out in the M&E documents.

- As has been mentioned earlier, the Project's M&E framework does not define specific aspects of M&E including objectives of monitoring activities and expected evaluation exercises.

Criteria 3: Data collection and management

Tools for collecting groups data are in place and VAs have been trained to apply the tools. The main challenges are turnover of VAs and CBTs and limited budget for on-job training and refresher sessions (see the previous discussions). Client survey is budgeted at US$ 10,000 which is insufficient for the survey to be credible and representative. However, the entire "evaluation" side (leave alone the monitoring side) needs to be reconsidered. CARE is recommending to introduce Geographical Information System (GIS) coordinates for VSL groups (PkW and non-PkW groups). A strong proposal on how the system will add value to the industry needs to be produced in advance.

Criteria 4: Data quality systems

The industry standard is for projects to undertake periodic external quality data reviews. The Project has yet to commission such exercises. The Project conducts internal data quality review system through the verification missions (the monitoring side of the verification missions which

[82] For transparency and accountability purposes, donors will be given access to this system.

involved trained enumerators[83]). Report from external data quality review could be an interesting input to the proposed information sharing meetings involving POs, VAs, FRAs, CBTs, CARE Tanzania and FSDT.

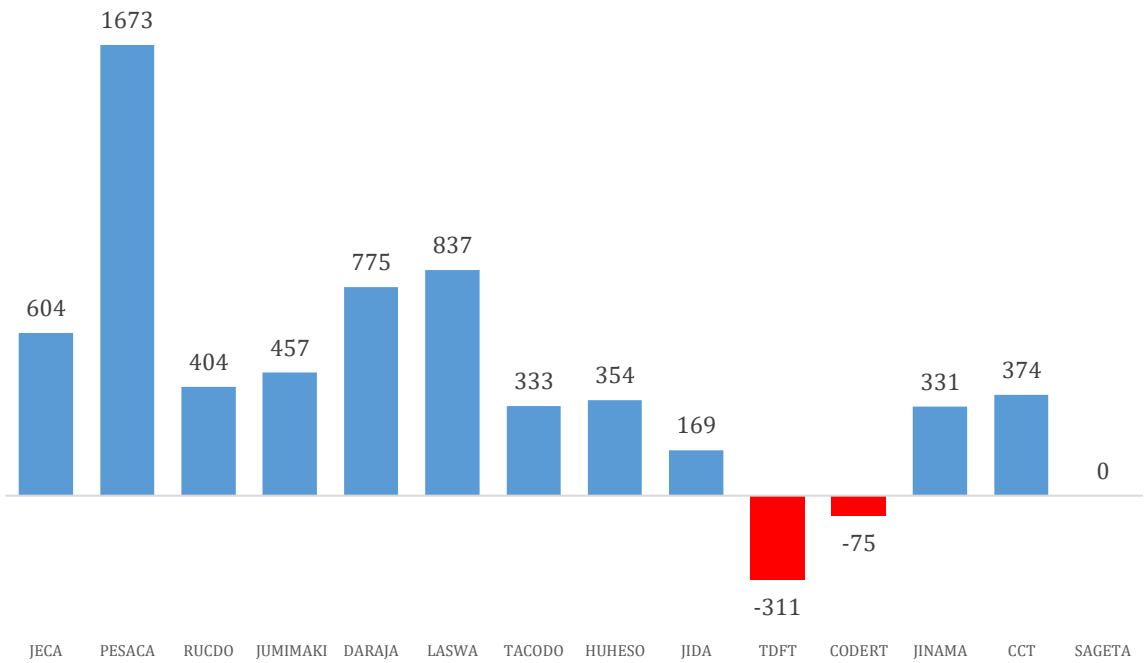
Criteria 5: Data verification

This criteria primarily asks the question 'Are results reported accurate and can they be substantiated?' The answer is no. Two main reasons:

- In the absence of at least one external data review exercise, it is difficult to have confidence on the accuracy of the data. The Project is operating in an environment where the incentive to inflate data is so high as payments are pegged on the number of recruited groups/members.

- We tested credibility of the data by simply calculating group performance data for the quarter April-June 2015, from data from the other three quarters and annual cumulative data. The data were obtained by simply subtracting cumulative data of the first three quarters from the annual data to get the data for the fourth quarter (April – June). Results are presented in Figure 32.

Figure 25: Total member recruited: April-June 2015



Source: PkW annual and quarterly reports; own calculation

The contentious parts of Figure 32 are the red colored bars. They are negative because the annual total number of recruited members was less than the cumulative number of new members for the three quarters of the year. This should not be the case if reported data from POs were accurate.

[83] The other side is financial verifications.

Criteria 6: Data analysis and use

Group performance data are well presented in the annual and quarterly reports. The M&E manager normally get a slot to present progress against targets during CARE's Executive Team Management and Senior Management Team meetings (SMT). As resources for research remain insufficient, data analysis do not go beyond presenting cumulative data in the quarterly and annual reporting. The Project's research agenda remains unclear, undocumented and not elaborated in the M&E framework.

Criteria 7: Evaluation

The Project fulfills the minimum standard which requires a plan for MTR and final evaluation. The two exercises are elaborated in the grant funding agreement. The main concern is on the design, structure and resources of the Project which appear to be inconsistent with the phrasing of the Project's 4th component "Improve learning, monitoring & evaluation – CARE Tanzania will adapt and adopt key M&E systems that are integrated and capable of capturing project impacts, delivery channel performance and tracking outcomes to inform policy at reaching the financially excluded populations and to generate project learning". We do not see concrete evidence on the Project fulfilling this very demanding objective.

Criteria 8: Alignment and leadership

The M&E was not aligned to what used to be the MKUKUTA monitoring system (2010-2015). CARE has however participated in the committee responsible for developing the national health information management system. Participation in such exercises has informed the development of the upcoming CARE centralized system. As discussed previously, data from the mobilized groups collected in line with the global SAVIX indicators and metrics.

Re-designing proposals

- Revisit the M&E framework to incorporate critical missing items, some of which have been highlighted above.

- Resource for M&E needs to be disentangled from the other budgetary items and guided by established standards and specific objectives that are relevant for monitoring and evaluation activities.

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Annexes

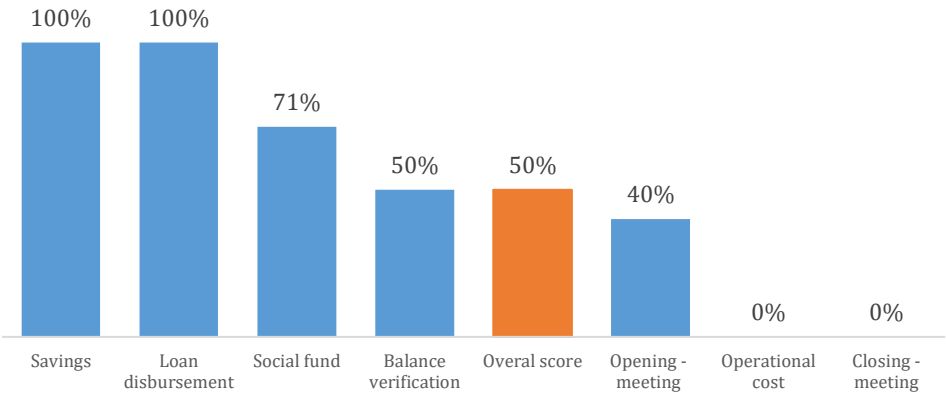
Annex 1: List of Interviews

	Name	Location	Position
2	Emiliana Pangalas	Ifakara	CBT
3	Amina Mustafa	Kilosa	CBT
4	Zuhura Rajabu	Mvomero	CBT
5	Joyce White	Mvomero	Franchisee
6	Fadhili. R.Chitembedja	Kilosa	Franchisee
7	Bonaventura Tumbi	Mvomero	Franchisee
8	Juma Mwesiga	HUHESO	PO
9	Diana Mwizarubi	CODERT	PO
10	Fredrick Malaso	TDFT	PO
11	Ishak Abdulwakil	JECA	PO
12	Yahaya Mtonda	RUCDO	PO
13	Rose Matovu	TACODO	PO
14	Faida Khamis Ali	Wete Kusini	DCDO
15	Salum Ngawile	Kisarawe	DCDO
16	Hatibu Bwashea	Mufindi	DCDO
17	Mrs Mangosongo	Kibaha	DCDO
18	David Malebeto	Mvomero	DCDO
19	Grace Chogogwe	Kilosa	DCDO
20	Edna Ndezi	Tabora MC	DCDO
21	Flanael Rubein	Kahama TC	DCDO
22	Justina Jackson	Uyui	DCDO
23	Mr. Ntulila	Igunga	DCDO
24	Elamu Kayange	Morogoro	PkW team – zonal officer
25	Frida Moshi	Mwanza	PkW team – zonal officer
26	Zenais Matemu,	DSM	PkW Coordinator
28	Shadrack Mwakitalu	DSM	MIS officer
29	Oliver Kinabo	DSM	
30	Paul Daniels	DSM	CARE country director
31	Said Khalid	DSM	Finance manager
32	Meba Msuya	DSM	M&E expert CARE Tanzania
33	Musa Ndunguru	DSM	Sub-grant coordinator
34	Christian Pennot	DSM	Access Africa
35	Sosthenes Kewe	DSM	FSDT Executive Director
36	Irene Mlola	DSM	FSDT Operations Manager
37	Mwombeki Baregu	DSM	FSDT Head of Agriculture and Rural Finance
38	Samora Lupala	DSM	FSDT Agriculture and Rural Finance Advisor
39	Sophia Kessy	DSM	FSDT M&E Advisor
40	Abdul la Said Ahmad	Unguja	Vice chairperson - JECA
41	Simai Ame Simai	Unguja	Cons. Officer - JECA
42	Awesu Ramadhan	Unguja	Deputy Secretary – JECA
43	Haji Ali Hai	Unguja	Field officer PkW

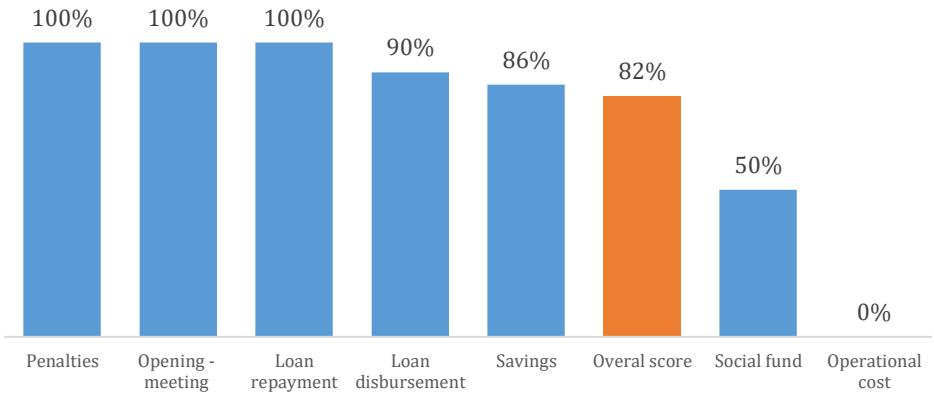
44	Haji Madari Makame	Unguja	Field officer – JECA
45	Arabia Zuberi Haji	Unguja	Accountant – JECA
46	Ishak M Abdulwakil	Unguja	Project Manager
47	Mohid Juma Mbwana	Unguja	Treasurer– JECA
48	Mgeni Sheha Ali	Unguja	VA
49	Susana Nassor Mohd	Unguja	VA
50	Ahui Abdi Miraji	Unguja	Empowerment officer – Central District
51	Martha Emmanuel	Kishapu	VA
52	Margret Ngeleja	Kishapu	VA
53	Beatrice Vitalis	Kishapu	FO

Annex 2: Group quality assessment results

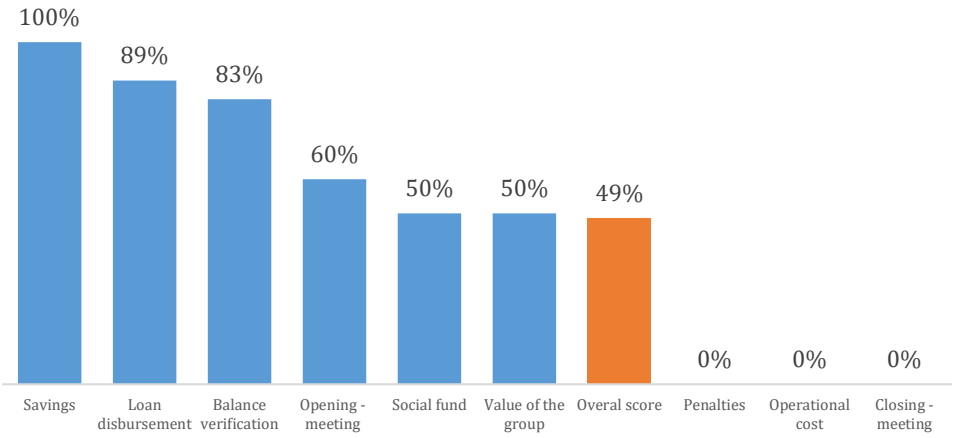
Hakuna mkamilifu group Unguja



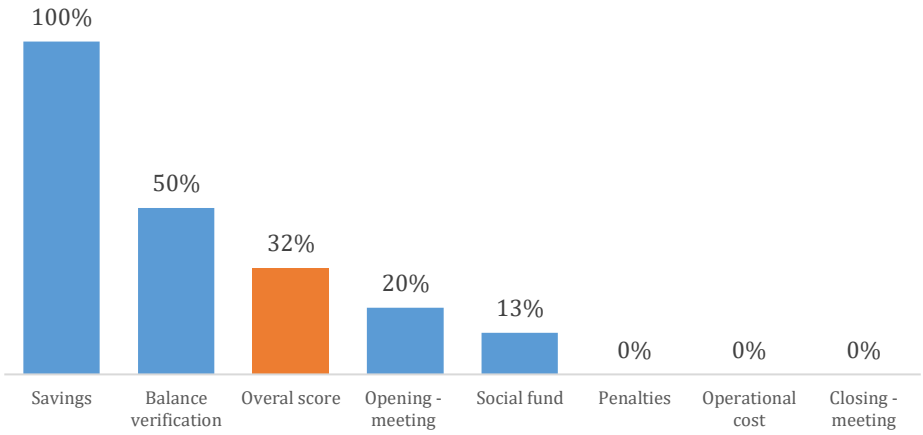
Maendeleo Iganga B



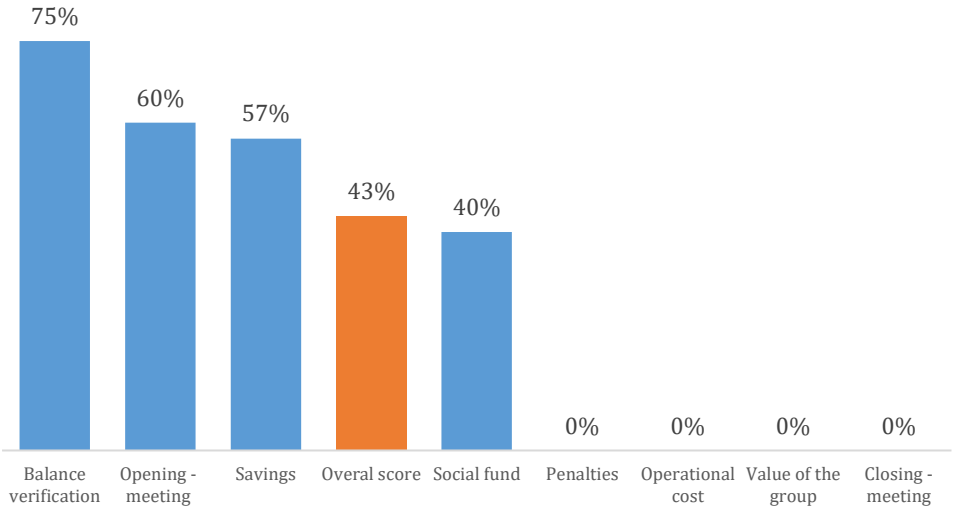
Faraja group



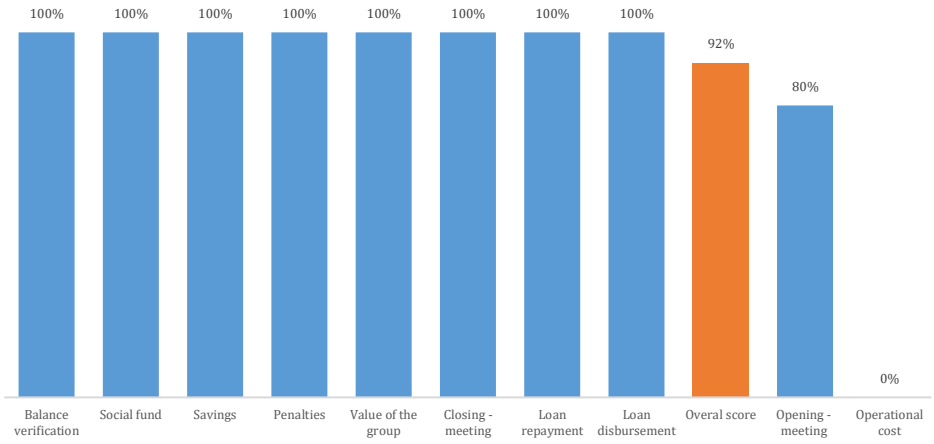
Tuwe Makini



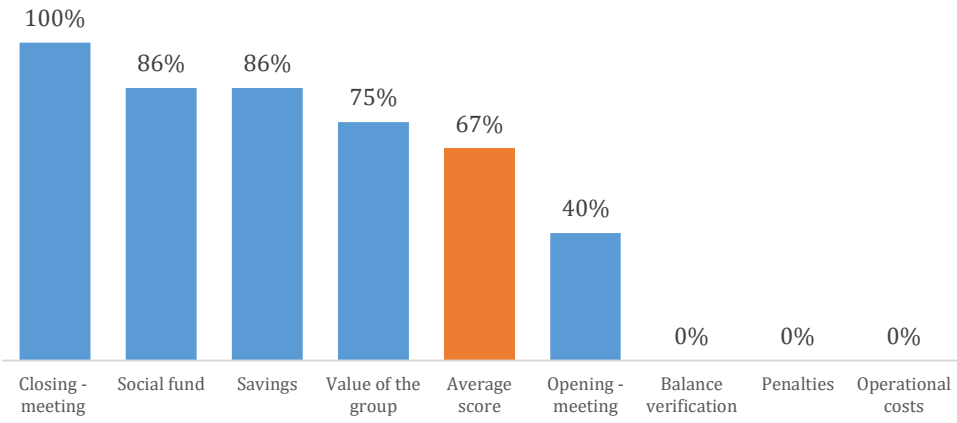
Nia Njema



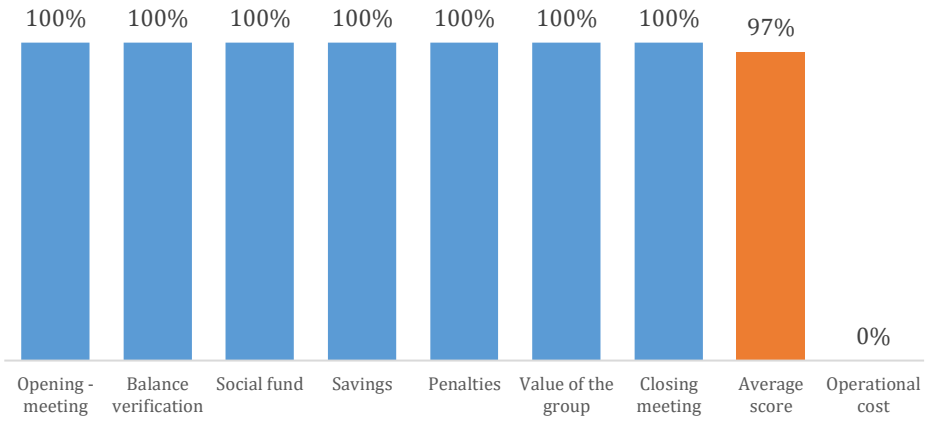
Mkwajuni group



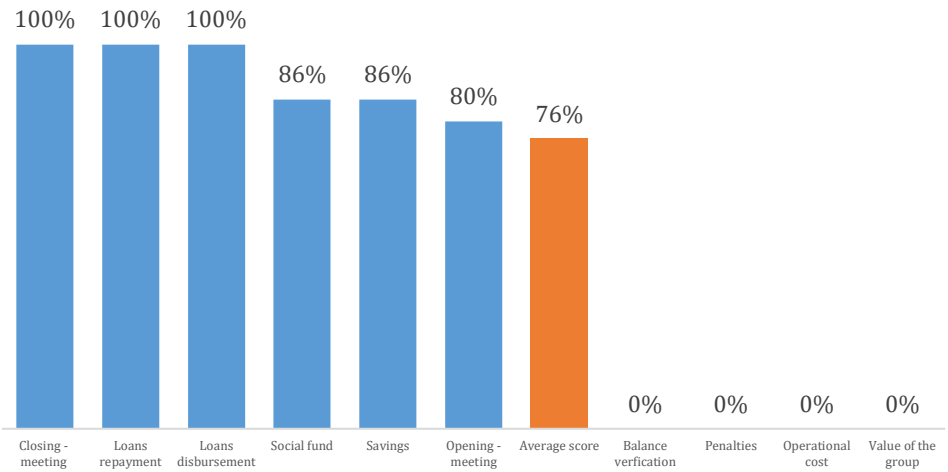
Tupendane Mlandizi



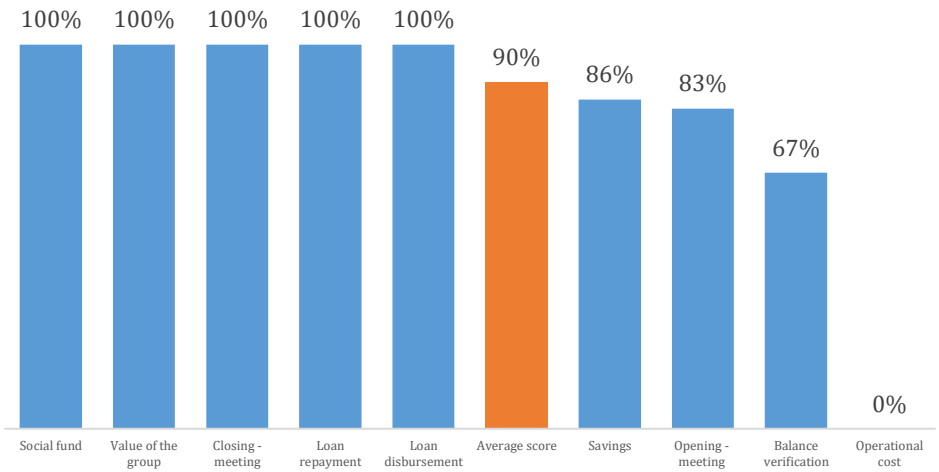
Central group - Kibaha



Juhudi - Mvomero



Tuvuke - Mvomero



Annex 3: Results of CARE comparative analysis of different models

CRITERIA	MODELS			
	Partner organization model	Community Based Trainer (CBT) paid direct by the project	CBT not paid by the project	Franchisee model
Group quality	High	High	Low	Medium
Financial sustainability	Low	Low	High	Medium
Implementation cost	High	Medium	Low	Low
Commitment	High	High	Low	Medium
(Probability of) Achieving project output	High	High	Low	Medium
(Probability of) Achieving project outcome	High	High	Medium	Medium
Level of Group supervision	High	Medium	Low	Low
Data management	High	Medium	Low	Medium
Timely reporting	High	Medium	Low	High*
Cost per member supervised	High	Medium	Low	Low
Group survival rate	High	High	Low	Low
Group drop-out rate	Low	Low	High	Medium
Number of members per group	High	High	Low	Medium
Average saving per group	High	High	Low	Medium
Fund utilization rate	High	High	Low	Medium
SUMMARY TOTAL**	41	36	20	27

Source: CARE Tanzania