Case Study

Community-based savings and loans: Save for School programme in Côte d'Ivoire

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Introduction

In 2013, Educate A Child (EAC) and the International Rescue Committee (IRC) implemented a project called Save for School in Côte d'Ivoire. The project aimed to improve access to education for out-of-school children by using community-based savings and loans to increase funding for education. By 2014, the initiative formed 492 community-based associations to offer loans to families which resulted in the enrolment of 8,365 out-of-school children. Overall, access to education improved and according to EAC's evaluations of the student financing mechanism, the performance was satisfactory despite limitations and shortcomings (Results for Development, 2015).

The problem

Access to and quality of education in Côte d'Ivoire are less than satisfactory and fall below the averages of other African countries. In 2012, a UNESCO report revealed that 37% of Côte d'Ivoire's primary school-aged children were out-of-school with the main barriers to education being: 1) high costs of schooling; 2) political and inter-ethnic violence; and 3) shortage of trained teachers (Educate a Child, n.d.).

Since the launch of the Millennial Development Goals (MDGs) in 2000, there had been some progress in access to education, mainly due to the development of an official action plan on education. However, because of national instability and conflict, there was an under-investment in education infrastructure and thus, progress was slow. Although primary education enrolment increased by 20% from 2000 to 2012, serious challenges remained. Both access and quality (especially for marginalised groups, such as girls and children with disabilities) needed to be improved and early childhood education programmes needed to be developed (Educate a Child, n.d.).

Nonetheless, some improvements have been made in terms of access and quality education. According to UNESCO reports, the consistent prioritisation of education in government budgets since 2011 led to concrete improvements at both the primary and secondary levels. The percentage of out-of-school children at primary school age declined significantly, from 43.3% in 2009 to 20.7% in 2015. Moreover, the total net enrolment rate in primary schools increased from 56.7% to 79.3% over the same period and the primary education completion rate rose from 41.7% in 2012 to 59.6% in 2015 (Oxford Business Group, 2018).

Village Savings and Loan Associations as a student financing mechanism

Aiming to address the issues around access to education in Côte d'Ivoire, EAC and IRC introduced the student financing mechanism of local saving groups which aim to break down financial barriers to education. Village

Savings and Loan Associations (VSLAs) are a specific form of savings group called “Accumulating Savings and Credit Associations (ASCAs)”.

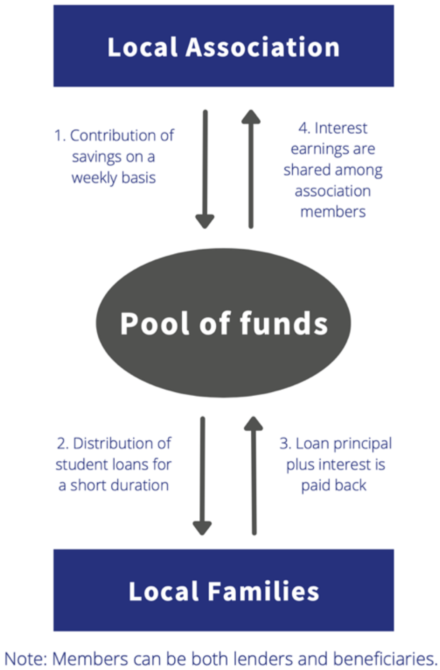

Figure 1 Flow of finance within VSLAs. Source: Authors

The VSLAs consist of local associations where village residents provide the capital for loans to families who struggle to pay their children’s school fees. The VSLAs aim to increase access to education through increasing family funds so they can send their children to school (Educate a Child, n.d.). Non-profits, with the help of local school management committees, coordinate the efforts to initially set up a local association and supervise its activities. Ideally, local community-based supervisors are then trained, so they can directly oversee the associations activities and make it completely self-sufficient. Figure 1 illustrates the flow of finance within the VSLAs.

Members of the association, who act as both lenders and beneficiaries, contribute savings at regular intervals to constitute a pool from which interest-bearing student loans can be provided to members for a short duration. Capital is borrowed on an interest basis, meaning after a loan is taken, the net value of the loan plus the interest has to be paid back. However, contrary to normal bank loans, the interest earnings are shared among the association members, whereby the members who lend the most capital receive the highest rates. Therefore, the borrowing of capital is profitable for all members of the association (Results for Development, 2015).

On average, fully operating VSLAs are composed of 25 members (mostly women with at least one child out of school) that autonomously organise themselves. The members define their own rules and regulations and do not receive any external financing. To ensure transparency, members elect a chairperson, secretary, treasurer and two money-counters to form an executive committee. Additionally, money transactions occur in front of all the members.

The association facilitates the loans to local families as well as ensuring that they pay it back at a later stage. VSLAs collect savings from their members on a weekly basis in the form of shares, at a price agreed by the group. Once sufficient savings have accumulated over 4-5 weeks, loans are offered to members, usually at a 10% interest rate. At the end of the year, members receive a return on their savings as the group distributes its earnings and closes its books. Moreover, it enables members to leave and others to join before a new cycle begins. To ensure safety, most savings groups use a cashbox with several locks whose keys are held by different members. The fact that the cashbox does not leave the village allows for a high level of confidence.

Despite its potential, the evidence around these groups is still somewhat inconclusive because “the impacts of savings groups on education appear to be quite diverse across countries and projects, but in at least some cases appear to be positive and significant, and are in no cases negative” (Plan, 2013).

The Save for School programme

By 2014, the organisation Educate A Child (EAC) together with the International Rescue Committee (IRC) had set up 492 VSLAs in different regions of Côte d’Ivoire. The villages selected to implement the VSLAs had over 25,000 out-of-school children. The IRC worked closely with school committees, school directors and community leaders to identify the number of children who were out of school and to identify their families, who might want to participate as members of the VSLAs. Due to time restraints, the IRC opted to initially oversee the activities of the VSLAs and gradually transition to local oversight by training more than 60 community facilitators to guide the activities of the associations. The IRC also organised 12 discussion groups, in collaboration with local authorities, to help families improve their budgeting to finance education. The EAC's takeaways from the student financing initiative were (Results for Development, 2015):

- The operational performance of EAC's VSLAs were on par with other savings groups in Africa and West Africa on the Savings Group Information Exchange (SAVIX). The total savings per group, the funds available at share out, and the average earnings per member were higher for EAC's VSLAs than for the other regional SAVIX VSLAs. However, the annualised return on savings was, on average, 20% compared to the 30% regional SAVIX average.
- The spontaneous replication of VSLA groups – those created without any involvement from IRC – is a promising characteristic for cost-effective scaling in both Côte d'Ivoire and elsewhere. However, there are three critical preconditions: 1) community interest in education and savings; 2) ensuring that the supply of schools and teachers was sufficient to absorb the resulting increased enrolment; and 3) guaranteeing a capable implementing organisation with a methodology simple enough to be utilised by illiterate populations.

References

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