VSLA Linkage: Ghana Landscape Analysis
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**Acronyms**

**BoG:** Bank of Ghana  
**CICO:** Cash-in and Cash-out  
**FSD:** Financial Sector Division  
**FSP:** Financial Service Providers  
**GBV:** Gender Based-Violence  
**GSMA:** Groupe Spécial Mobile (Global Systems for Mobile Communications) Association  
**IGA:** Income Generating Activities  
**IP:** Implementing Partner  
**KPIs:** Key Performance Indicators  
**LBC:** Licensed Buying Companies  
**MFI:** Micro-Finance Institution  
**MNO:** Mobile Network Operator  
**MoFEP:** Ministry of Finance and Economic Planning  
**NBI:** Non-Bank Finance Institution  
**NFC:** Near Field Communication  
**NFIDS:** National Financial Inclusion and Development Strategy  
**NGO:** Non-Governmental Organization  
**PASL:** Pan African Savings & Loans  
**PDA:** Participatory Development Associates  
**POS:** Point of Sale  
**SG:** Savings Groups  
**UNCDF:** United Nations Capital Development Fund  
**USSD:** Unstructured Supplementary Service Data  
**VSLAs:** Village Savings and Loans Associations  
**WCF:** World Cocoa Foundation  
**WGDP:** Women’s Global Development and Prosperity Initiative
Summary of Findings

Key Findings

Objective 1: #of savings groups and their geographical spread
- 13 WCF member companies in Ghana have interventions around VSLAs
- 10 WCF member companies have collectively mobilized at least 2,561 savings groups
- 5 WCF member companies have disaggregated data for 1,348 groups with 32,794 members comprising 22,157 women and 10,637 men

Objective 2: Form of linkage in cocoa sector
- Limited to basic savings and loans product
- Limited use of mobile money and technology
- Formal account opening not a vital component of linkage
- Interest rates range from 2.5% to 4% per month

Objective 3: Stakeholders involved in linkage
- Savings and loans companies
- Community rural banks
- Savings groups
- NGO or chocolate companies

Other
- 40% of companies implement the basic form of VSLAs and 20% all three types (Classic, Plus and Plus & Linkage)
- Most companies outsource their VSLA interventions either to a supplier/trader or an NGO
- VSLAs are a catalyst for financial inclusion in rural areas
- Rate of women participation is over 70%
- VSLAs usually part of women economic empowerment and farmer income diversification interventions
- VSLA is not a key component in the National Financial Inclusion and Development Strategy (NFIDS) but a major component under the financial sector development project in Ghana
- No standardized approach to linkage in cocoa sector

Recommendations
- Adopt VSLA plus as standard form of VSLA intervention for companies
- Develop a smart linkage model and products taking into account mobile money penetration in Ghana
- Advocate for use of VSLAs as a key component of the NFIDS
- Advocate for FSPs to design products that respond to farmer needs and make linkage attractive
- Develop linkage guide for companies
  - Adopt and use WCF streamlined VSLA data collection template

Note: Not all 10 participating companies provided membership data
Introduction

Savings Groups are self-help community based financial service providers that deliver basic financial services to underserved populations worldwide. Village Savings and Loans Associations (VSLAs), a type of Savings Group, have become a foundational model for financial inclusion by connecting unbanked populations -especially in rural areas - to formal financial institutions. A Village Savings and Loans Association (VSLA) is a type of Accumulating Savings and Credit Association (ASCA) formed as a group of 15-30 people, mainly women, who choose to work together and pool their savings. The money can then be borrowed with interest (5 -10%) by members, over an agreed period¹.

Over the past four years, World Cocoa Foundation (WCF) (through its cocoa and chocolate member companies operating in Côte d’Ivoire and Ghana and in particular CocoaAction companies) has widely adopted Village Savings and Loans Associations (VSLA) as a key strategy for financial inclusion under the Empowered Communities Pillar of the WCF - Pathway to Sustainable Cocoa strategy.

Most WCF member companies’ sustainability initiatives targeting cocoa farmers have VSLAs as a key component of their women’s empowerment approach with a special focus on advancing women’s economic empowerment, building their agency and improving and diversifying farmers income by cultivating a savings culture and enhancing access to credit for Income Generating Activities (IGA) in general².

The heightened interest among stakeholders in the cocoa sector to raise incomes for cocoa farmers has made it imperative to understand the contributions of VSLAs to closing the income gap³. A research commissioned by WCF in 2019 to investigate the financial benefits of VSLAs revealed that VSLAs by themselves contribute very little to closing the income gap yet remain a catalyst for increasing income when tied with other interventions. The process of connecting VSLAs with formal financial institutions to access financial services (termed as VSLA linkage) is an important bridge to improving farmers access to financial services in the cocoa sector and enhancing the impact of VSLAs. To guide industry preparations and build a more responsive VSLA linkage ecosystem in Ghana, WCF executed between May and August 2020, a study to estimate the number of VSLAs and their geographical spread, determine the form of VSLA linkage, identify key stakeholders involved in the linkage, and identify scaling opportunities.

To compile this report, WCF relied on data from member companies implementing VSLAs, reviewed studies on savings groups and linkage and conducted virtual interviews with VSLA groups, representatives of companies, their implementing partners and other stakeholders involved in creating VSLAs and facilitating linkage. Field visits and focus group discussions were used to collect additional information from purposively selected VSLA groups.

This report begins by setting the context of VSLA activities in the cocoa sector and goes on to highlight WCF company members’ VSLA interventions and coverage. The report continues with a detailed description of the extent of different savings group’s linkage in Ghana, the different linkage models adopted by WCF member companies and profiles some linkage solutions in Ghana. Conclusion and recommendations are then provided along with potential partnership opportunities.

¹ World Cocoa Foundation ToR for VSLA Business and Income Case Study
² World Cocoa Foundation VSLA Business and Income Case Report
³ The difference in income of cocoa farmers against the estimated living income benchmark
1 VSLA Context in Ghana: Coverage and Regulation

1.1 VSLAs & National Financial Inclusion Agenda

Rural access to formal financial services is limited in Ghana. Nonetheless, access to formal financial services nearly doubled from 2011 to 2015 due to mobile money penetration and increase in other financial service points – made possible through Non-Bank Financial Institutions (NBFIs). VSLA is a critical part of the Government of Ghana (GoG)’s financial inclusion agenda as demonstrated in the World Bank-funded Financial Sector Development Project. The project seeks to link VSLAs to the formal financial sector and broaden members’ -mostly women, poor and residents in rural areas - access to financial services. Under this project, the GoG has initiated a process to recruit a consultant through the Ministry of Finance and Economic Planning to design a linkage program to promote VSLA linkages with Financial Service Providers (FSPs).

According to the Savings Groups’ Information Exchange (2019), there are 24,587 savings groups in Ghana comprised of 645,534 members (an average of 26 members per group). VSLA activities target mostly women, who constitute 76.4 percent or 493,188 members of the total membership of SGs. CARE, Plan International and World Vision together with other (local) NGOs have been key drivers of the VSLA model in Ghana with coverage concentrated in the three Northern Regions and cocoa growing regions.

VSLAs by their nature fall outside the jurisdiction of the Bank of Ghana, the highest regulatory authority in the banking sector. This implies that VSLA activities which fall under the informal sector are not currently regulated by any national law in the financial service providers unless they are already linked with any of the Financial Service Providers - Banks, MFIs and Fintech - regulated under the 2016 Act 930 - Banks and Specialized Deposit-Taking Institutions.

VSLAs are touted as a promising model for promoting financial inclusion among the financially excluded population. Yet, despite VSLA prevalence in hard-to-reach areas in Ghana, the National Financial Inclusion and Development Strategy has no mention of VSLAs or SGs, nor does it emphasize their role in promoting financial inclusion.

1.2 VSLAs in the Cocoa Sector

For close to a decade, VSLAs have been instrumental in meeting the basic financial service needs of farmers in cocoa growing areas as a key component of cocoa and chocolate companies’ community development interventions.

VSLA activities in the sector gained prominence especially over the past four years when WCF member companies operating in Côte d’Ivoire and Ghana and in particular CocoaAction companies, adopted the Village Savings and Loans Associations (VSLA) model as a key component of their women’s empowerment programming approach to build women’s agency, improve farmers’ savings culture and enhance their access to credit. Even after CocoaAction’s completion in 2019, VSLAs remain a vital component of the Empowered Communities and Prosperous Farmers Pillars of the Pathway to Sustainable Cocoa Strategy and even more vital in diversifying farmers’ income sources through additional income generation activities.

Most cocoa and chocolate companies implement VSLA interventions through NGO partners with very few companies doing it directly themselves. In the case of companies directly involved in VSLA implementation, often their VSLA interventions start off as a pilot with an implementing partner (IP) who then builds the capacity of the company’s staff to takeover implementation and scale up depending on resource availability. VSLA IPs are often responsible for community mobilization and sensitization, group formation, training on VSLA procedures and financial literacy. Additional trainings are provided depending on the form of VSLA - Classic, Plus or Plus & Linkage - being implemented.

All three forms of VSLAs are being implemented in the cocoa sector but the model for linkage is not consistent.

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5 The project aims to promote financial sector soundness and access to finance by individuals, particularly women and farmers from the most excluded regions.
6 NFIDS was developed to address the key barriers preventing the underserved population from accessing financial products and services that would enable them to generate income, build assets, manage financial risks, and become economically empowered.
7 Community Development Interventions as used here refers to responsible sourcing related activities or interventions.
8 World Cocoa Foundation ToR for VSLA Business and Income Case Study
9 NGO partners and VSLA partners herein referred to as implementing partners (IPs)
10 Refer to Annex A for description on VSLA types.
2 WCF members’ VSLA interventions
The importance of expanding farmers’ access to financial services has gained more recognition with a heightened interest for cocoa farmers to earn a living income (including through diversifying their income source), which requires more capital and farm investment. World Cocoa Foundation therefore executed the VSLA linkage landscape study in Ghana conducted from May to August 2020 to estimate the number of VSLAs created by member companies in their supply chain, identify the nature of linkage with formal FSPs and the different stakeholders involved. For this study, the use of company refers to WCF member organizations implementing VSLAs comprising brands, traders, suppliers, Licensed Buying Companies, and farmer organization and their NGO implementing partners.

2.1 VSLA Coverage
As of August 2020, 10 WCF cocoa and chocolate member companies in Ghana have collectively created at least 2,561 groups. Five companies provided gender disaggregated data for 1,348 groups with 32,794 members comprising 22,157 women and 10,637 men with an average membership of 24 farmers per group with women being in the majority. The maximum number of groups per company is estimated at 1,034 and the minimum at 10 (which is a pilot). Yet it is interesting to note that the greater percentage of groups were created over a period of nine (9) months and two companies together account for 71% (2,030) of total groups created in the supply chain of participating companies. WCF observed that there is an uneven spread of VSLA interventions across the 9 different cocoa regions with VSLA interventions concentrated in the top cocoa producing regions of Ashanti, Western North, Eastern and Ahafo regions. Two cocoa regions-Bono and Volta- have no VSLA groups yet. All 10 companies have VSLA interventions in the Ashanti region and at least 3 companies have interventions in the 6 other cocoa regions.

2.2 VSLA Stakeholders Involved
There are 13 companies comprising brands, traders, suppliers, LBCs, and farmer organizations involved in the implementation of VSLAs interventions. 10 out of the 13 companies participated in this study. Out of the 10 responding companies, one company implements VSLA directly with technical support from a development partner, five companies outsource their implementation, and the remaining four companies outsource and implement directly at the same time. Of the companies that outsource and directly implement VSLA, 40% outsource to an NGO and another 40% outsource to either a cocoa supplier, trader, or farmer organization with the remaining 20% outsourcing to both cocoa and chocolate companies and an NGO. In the case of companies that combine outsourcing and direct implementation, the process usually begins with a pilot initiative with a third-party organization (usually an NGO) to support the mobilization of farmers into groups, provide the needed sensitization and training for both farmers and company staff and handover groups to company for continued support after about a year. CARE, Solidaridad, Participatory Development Associates and World Vision are the main NGOs contracted by companies to implement their VSLA interventions while on the supplier side, ECOM, Beyond Beans, Kooko Pa and Olam are engaged by brands to implement VSLA activities.

2.3 Type of VSLAs Implemented
VSLA’s impact is maximized when implemented together with other interventions. According to a recent VSLA in Cocoa, Business / Income case (2019) study, VSLA is an accelerator on which different interventions could be built to close the income gap. This means that, in its basic form (Classic type), VSLA’s financial benefit to farmers is minimal. The study suggests that VSLA will contribute to increasing farmer income when implemented along with additional interventions to sustain income, provide access to loans for investment and engage women. Unlike the Classic type of VSLA, the two other VSLA types (VSLA Plus and VSLA Plus & Linkage) provide the prescribed conditions for improving farmers’ income.

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11 Five companies did not submit membership data for at least 1,213 VSLAs
12 Included data from the 3 new regions – Bono, Ahafo and Western North
13 Refer to Annex B for full details.
14 Refer to Annex B for the profile of companies VSLA interventions.
Nonetheless, company data show that 5 out of 10 companies implement only VSLA Classic, 3 out of 10 implement only VSLA Plus and 3 other companies implement both types of VSLA (Classic and Plus), which could be attributed to an evolution of their practice in the course of time. The other three companies that have reached the stage of Linkage are companies supporting implementation of VSLA Plus.

3. Access to Formal Financial Services

Financial inclusion has gained momentum in the international development agenda to connect the roughly 1.7 billion ‘unbanked’ adults to formal financial services. In Ghana, over 60% of the adult population do not have a bank account despite progress made in recent times-increasing access to financial accounts from 48% in 2015 to 59% in 2017 with mobile money account holders increasing from 20% to 39% within the same period.

According to the Ghana Ministry of Finance and Economic Planning, growth recorded in the population with access to financial services was driven by nonbank formal financial services, including mobile money. The inclusion of the unbanked in the financial sector has been especially slow for rural residents, the majority of whom are farmers. The development and uptake of financial services for this market segment have been hindered by the high cost of operating a physical bank branch, the low and unpredictable income levels that are linked with poverty, and low literacy rates. Formal financial institutions continue to struggle to find a business model that justify the high transaction costs of reaching the poor, especially in rural areas.

Savings Groups like VSLA have inspired a savings revolution, especially in developing economies, and have proven to be one of the most effective first steps to financial inclusion. In rural Ghana, VSLA has been widely adopted as a simple self-managed solution to meet basic savings and loans needs of communities without access to formal financial services. However, as these groups mature and their savings in the cash box grows many begin to seek opportunities to secure their savings with a formal FSP and demand access to larger loans than what savings groups can provide. Linking these savings groups to financial service providers therefore becomes desirable.

3.1 The Need for VSLA Linkage

The resources of farmers and their families pooled together as savings through VSLAs are usually inadequate to meet the bigger financial demands of members. By virtue of the VSLA approach, savings in the cash box are given out as loans to members. However, access to loans by VSLA members is dependent on the availability of funds in the VSLA cash box which often falls short of the credit needs of members. Linking VSLAs to financial institutions is thus a positive step to enhancing VSLAs ability to meet the savings and credit needs of members while harnessing existing opportunities to equally connect members to other financial services. As part of a regional financial access initiative in Africa, documented constraints of VSLAs included the following, thus making it even more imperative to facilitate VSLA linkage:

- **Inflexible to allow larger savings:** Savings of members are pegged at buying 5 shares. However, if a member wishes to save more and desires to buy more than five shares, he/she cannot do so.
- **Savings Security:** Savings of members are currently secured in a lockable cash box requiring three keys kept with different members of the groups to avoid unauthorized movement of cash and secure records. However, there have been instances of the cash box being stolen and members lose all their savings (except for outstanding loans) as well as the corresponding records needed to retrieve loans. This therefore makes the need to digitize the operations and find a more secured solution for VSLA more urgent.
- **Inability to extend loan at the beginning of cycle and closer to the share out time:** Members are only able to access loans after three months from the start of their meetings because there will be very little money available to give out as loans. Also, when the group is nearing their period of share-out the loan needs of members cannot be met because the group need all loans to be fully paid-up to enable them to have enough funds to pay all members at share-out.

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15 World Bank (2017) Global Findex
17 World Bank (2017) Global Findex Database.
20 Prabhat Labh (2012) Facilitating linkage between VSLAs and Banks: A Practitioners Guide
- **Lack of long-term savings option:** VSLA members can only save for a maximum of one year after which total savings are shared. This limits the ability of members to accrue savings beyond 12 months for capital intensive expenses like building a house or sponsoring their children for higher education.

3.2 VSLA Linkage Definition and Rationale

3.2.1 Linkage Definition

Linkage as the term generally suggests refers to bringing two or more parties or entities together. In the context of financial inclusion, facilitating VSLA linkage therefore refers to the processes and activities that enables VSLAs and their members to develop a mutually beneficial relationship with formal financial institutions to access financial services within the confines of banking regulations. The United Nations Capital Development Fund in its linkage toolkit defined savings group linkage as the “process and activities involved that enable a regulated FSP to provide formal financial services to savings groups or directly to the members or both.” UNCDF further categorized SG linkage models practiced over time as Direct\(^{21}\) and Indirect\(^{22}\) form of linkage\(^{23}\), following further consultation with different stakeholders involved in SG linkage. It is worth noting that so far most of the documented linkage initiatives in Ghana adopted the indirect model of linkage which requires a facilitating agency to mobilize VSLAs and later link them to an FSP with the signing of a memorandum of understanding to protect and serve the interest of all parties involved in the linkage process.

3.2.2 Linkage Process

**Assess Group Readiness:** The linkage process\(^{24}\) usually begins with group members’ desire to secure their savings as well as access additional financial services including larger loans, long term savings and formal account ownership to meet their changing economic and social needs. Once the group declares their interest in linkage, the facilitating agency must ensure that it meets all maturity requirements by conducting the VSLA linkage readiness assessment. This assessment covers number of savings cycles completed, group savings information, the value of funds loans and group characteristics such as quality of record keeping, member discipline, meeting procedures, decision making on loans, etc. The outcome of this assessment determines whether to continue with linkage or otherwise.

**Identify Potential Linkage Partners:** The linkage is led by a facilitating agency (in this case the cocoa or chocolate company that has supported the creation of the group or an NGO acting on its behalf) who identifies a suitable FSP with operations within VSLA intervention areas, which meets national banking regulatory requirements and has a shared interest to enhance VSLA members access to financial services. The facilitating agency would advocate for the VSLA towards the FSP and officially introduces the FSPs to VSLA groups in target communities.

**Design Suitable Products:** FSPs engages with group and designs a suitable product after which sensitization commences - on the linkage, financial literacy, and productive use of credits- and corresponding group and individual requirements.

The processes adopted by pioneering VSLA linkage organizations like CARE have been guided by practices touted as the principles of linking savings groups\(^ {25}\) and these principles are aligned with other recommended stages for linking VSLA as depicted in the diagram below.

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\(^{21}\) This model involves FSPs (bank, non-bank and fintechs) using their banking and technological systems, structures, and staff to mobilize, acquire, and provide formal financial services sustainably to groups or individual members of savings groups. This model allows FSPs to track transaction data of groups and group members.

\(^{22}\) An FSP works with a facilitating agency to form groups, train leaders, train members on group dynamics and savings groups operations. Facilitating agencies can include an NGO, a credit-only MFI, an MNO, a fintech, among others. Typically, the FSP enters an MoU with such agencies to collaborate and facilitate access to formal services to the savings groups.

\(^{23}\) UNCDF (2020) MICROLEAD Program Savings Group Linkage Toolkit: A guide for Financial Service Providers in the era of digitization

\(^{24}\) The process here refers to the indirect linkage process which is common in the cocoa sector and in Ghana.

\(^{25}\) Refer to annex E for the list of principles for linking savings groups.
3.2.3 Stakeholders Involved

Analysis of the different linkage initiatives implemented over the years in both East and West Africa reveal the involvement of NGOs, Savings Groups, development partners (donors/investors), FSPs, MNOs, fintechs, governments, and their regulatory agencies. The involvement of cocoa and chocolate companies often place them in the category of development partners or facilitating agencies (depending on their direct or indirect involvement in the mobilization of groups). All these stakeholders are expected to be present but some VSLA pilots in the past have at least one of these stakeholders not involved depending on the model of linkage adopted. The responsibilities of all stakeholders can be categorized under five themes namely: Mobilization, Training, Financing, Digital Solution/Platform and Enabling Environment (Regulatory Framework). The expected roles of each stakeholder are explained under the five theme descriptions and depicted in the table below.

- **Mobilization**: Facilitating agencies (NGOs, CBOs and others) often lead the process of sensitizing community members about VSLA and mobilize them into groups. In the cocoa sector, some cocoa and chocolate companies

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**Infographic 2: Recommended process for VSLA linkage**

**Infographic 3: Stakeholders Involved in the VSLA linkage process.**
play this role as well. In the context of linkage, facilitators extend their mobilization to include being the mediator or enabler of the linkage process by mapping out potential linkage partners, cultivate relationship between groups and linkage parties and prepare groups to initiate the linkage process.

- **Training:** This responsibility is usually performed by NGOs and other facilitating agencies, FSPs, fintechs and MNOs at the different stages in the VSLA linkage process. NGOs and facilitating agencies lead in the general capacity building of VSLAs at the mobilization and formation stage and facilitate other financial literacy training by working closely with FSPs. FSPs in this case play a double role in the design of the financial literacy component of the training curriculum and may lead in delivering the training. On the other hand, FSPs scope of work includes training groups on their products, onboarding procedures, and requirements for VSLAs. In cases where facilitating agencies have the internal capacity to train groups on financial literacy, there is minimal involvement of FSPs in discharging this responsibility. Additionally, FSPs and MNOs are equally expected to educate VSLA members on the utilization of mobile applications and any other digital solution being used to facilitate transactions among groups and FSPs. This is to enable group members to be familiar with their operation and to encourage usage of digital solutions.

- **Financing:** Donor agencies, investors and chocolate companies mostly fund the activities of the VSLA linkage process - ranging from member mobilization/group formation to training and other support based on the composition of interventions being implemented together with other interested parties.

- **Digital Solution/Platform:** FSPs and MNOs are noted to discharge this role depending on the model of linkage and the nature of their involvement. The responsibility of MNOs in this activity is mostly limited to the provision of telecommunication services (they provide network connectivity and a mobile money platform). But in the case where the linkage ends with the MNO without the involvement of a bank, MNOs take full responsibility of this activity. Also, the involvement of a fintech may be minimal in the situation where the bank or microfinance institution involved in the linkage has its own digital solution for enabling linkage and facilitating client to business transactions. In this case, the bank/microfinance company still relies on the services of an MNO to operate a mobile based application.

- **Enabling Environment:** Government and its allied agencies make provisions for the policy and regulatory framework to facilitate the operation and guard the interest and rights of all parties involved in the financial services.

**Table 1:** Stakeholders Involved Indirect Savings Groups Linkage and their roles.

<table>
<thead>
<tr>
<th>Stakeholders</th>
<th>Mobilization</th>
<th>Training</th>
<th>Financing</th>
<th>Digital Platform/Solution</th>
<th>Enabling Environment (Regulatory Framework)</th>
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</thead>
<tbody>
<tr>
<td>VSLA</td>
<td>✓</td>
<td></td>
<td></td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Facilitating Agencies (NGOs)</td>
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<td>✓</td>
<td></td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td>FSPs</td>
<td>✓</td>
<td></td>
<td></td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td>MNOs</td>
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<td>✓</td>
<td></td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td>Donors and Investors</td>
<td>×</td>
<td>×</td>
<td>✓</td>
<td>×</td>
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<tr>
<td>Government and Regulators</td>
<td>×</td>
<td></td>
<td>✓</td>
<td>×</td>
<td>✓</td>
</tr>
</tbody>
</table>

Source: ©UNCDF
3.2.4 Linkage Benefit to VSLAs and FSPs
Increasing access to formal financial services through linkage interventions presents VSLAs and financial institutions with enough and diverse benefits to support the case of establishing a business relationship.\textsuperscript{26}

\textbf{Infographic 4: Linkage Benefit to VSLAs and FSPs}

3.3 VSLA Linkage Experience in Ghana
VSLA and other types of savings groups are the basic step of the financial inclusion ladder\textsuperscript{27}. It is, however, unclear how many VSLA members now have access to formal financial services. The same can be said of the extent to which the penetration of mobile money has been leveraged to connect cocoa farmers involved in VSLAs to the formal financial sector. The Savings Group Information Exchange provides data on existing groups in Ghana, yet there is very little information about the number of groups that have been linked to financial institutions.

3.3.1 Overview of past & ongoing linkage initiatives
VSLA linkage to financial institutions is picking up slowly with very few NGOs and other development partners involved. The Ministry of Finance through its Financial Sector Development project with the World Bank seeks to design a VSLA linkage program to increase the rate at which groups are linked to the formal financial sector and by extension, to enhance financial inclusion among the poor and unbanked population. It is evident from the FSD project that the savings group linkage ecosystem in Ghana is still in its formative stage and would require an extensive industry collaboration to finalize a roadmap.

Regardless of the barriers to linkage there have been some initiatives in the past years to link VSLAs to formal FSPs with some success. The State of Linkage Report (2016) provides a summary of the different linkage models in Ghana as described in the table below\textsuperscript{28}.

\textsuperscript{26} Delivering Formal Financial Services to Savings Groups: A Handbook for Formal Financial Service Providers. SEEP, 2017

\textsuperscript{27} Refer to annex D for the financial inclusion ladder.

Table 2: Summary of Linkage Initiatives in Ghana

<table>
<thead>
<tr>
<th>Main Distribution Network/s</th>
<th>Financial Service Providers</th>
<th>Type(s) of FSP</th>
<th>Other partner(s)</th>
<th>Product description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bank</td>
<td>Barclays/Abisa</td>
<td>Commercial Bank</td>
<td>CARE, Plan</td>
<td>The Dwetri Current Account requires an opening balance of GHS 100 and charges GHS 1.5 per month in maintenance fees. There are no fees for account opening, deposits or withdrawals. To open an account groups must have an introductory letter from an NGO partner and three group signatories must be present.</td>
</tr>
<tr>
<td>Bank, MFI with MNO</td>
<td>Fidelity Bank</td>
<td>Commercial Bank, MNO</td>
<td>CARE</td>
<td>Transaction and savings account accessible via MTN Mobile Money agents, chip/PIN ATM card, or through internet banking. ‘Smart Agents’ located in pharmacies, convenience stores and utility vendors can open accounts as well as accept deposits and offer cash out.</td>
</tr>
<tr>
<td>Bank</td>
<td>GN Bank</td>
<td>Commercial Bank</td>
<td>CARE, UNCDF/ Microlead</td>
<td>Offering a formal group savings account and individual accounts to savings group members using a mobile banking platform, with MFI staff serving as mobile agents.</td>
</tr>
<tr>
<td>MFI</td>
<td>Hopeline Institute</td>
<td>MFI</td>
<td>-</td>
<td>Basic savings and loans products.</td>
</tr>
<tr>
<td>Bank</td>
<td>LAMUSSIE Community Credit Union</td>
<td>Rural/Community Bank</td>
<td>CARE, Plan</td>
<td>Basic group savings account.</td>
</tr>
<tr>
<td>Bank</td>
<td>MicroFin Rural Bank</td>
<td>Rural/Community Bank</td>
<td>Plan</td>
<td>Group savings account with no monthly deposit or withdrawal fees. Requires groups to have a passbook, which can be bought for GHS 2. MicroFin field officers can collect and deposit money on behalf of the group. Groups can request credit during their second savings cycle, which is given 7-8 months before share-out. The maximum loan amount is GHS 5,000 and the interest rate is 4% per month (flat). Term of loan and repayment schedule is decided by the group. There is no collateral or security - risks are managed by the fact that MicroFin Plus officers interact with the groups throughout the loan cycle.</td>
</tr>
<tr>
<td>MFI</td>
<td>SASL.</td>
<td>MFI</td>
<td>CARE, UNCDF/ Microlead</td>
<td>Offering a formal savings account to savings groups using a mobile banking platform, with MFI staff serving as mobile agents.</td>
</tr>
<tr>
<td>Bank</td>
<td>Sissala Rural Bank</td>
<td>Rural/Community Bank</td>
<td>CARE, Plan</td>
<td>Basic group savings account.</td>
</tr>
</tbody>
</table>


As depicted in Table 2, the different documented linkage initiatives in Ghana are consistent with the UNCDF linkage definition ascribed to the indirect linkage model, but the stakeholders involved in the linkage process varied. From the summary table above, it can be observed that for initiatives with the linkage model limited to basic group savings account and loan products, there was no Mobile Network Operator (MNO) involved. Initiatives that provided additional services beyond a group savings account and loan products rather leveraged mobile technology and the services of an MNO to overcome the ‘no close physical bank branch’ barrier to accessing financial services. So far, the linkage model that employs the services of an MNO and uses mobile technology/ agency banking is reported to produce the best linkage outcomes. Of the eight linkage initiatives tabled above, Fidelity Bank’s model -which addresses issues of proximity and equally presents an opportunity for VSLAs to become agents of the bank - seem to be the most promising solution. Of all these models, there is still the challenge of finding the most appropriate and cost-effective way to connect VSLAs to financial institutions.

3.3.2 Overcoming Barriers to VSLA Linkage

Documentation from past linkage initiatives suggests that three main barriers- last mile service delivery, limited understanding of SG operations and opportunity cost to FSPs- hinder the provision of formal financial services to the segment of the market engaged in savings group activities. Over the years, different organizations have devised ways of overcoming these barriers.

- **Last mile service delivery:** Conventionally, VSLA members do not fall within the market segment of customers of most FSPs due to their location in remote areas. It is mostly challenging for FSPs to reach this target of the market segment due to the cost of operating physical bank branch offices. Yet, leveraging technology and using agency banking, mobile banking and mobile money agents provides a promising approach for easy transactional access to rural customers while reducing the cost of services. To better serve
this market segment, parties involved in expanding VSLA access to formal financial services should consider the underlisted characteristics of VSLA in their design of tailored services.

- **Understanding VSLAs:** VSLAs are often comprised of people with low income who pool their savings together in the form of shares and loan it to themselves. Members’ access to loans is therefore limited to the availability of funds in the cash box which is also dependent on members ability to save. Parties involved in VSLA linkage with FSPs are therefore presented with the challenge of ensuring that products and services are tailored to meet the demand of VSLAs due to their unique features and needs. This may present another barrier for FSPs and can thus be resolved by working closely with facilitating agencies in the design of VSLA linkage products. Low literacy levels and the limited familiarity of populations with VSLA makes it difficult for FSPs to serve this market segment. Facilitating agencies should therefore be prepared to work with FSPs to make additional investments in educating this target market in the underlisted areas which has the potential to influence the effectiveness of the linkage experience.

  - **Low literacy in rural areas:** Low functional and digital literacy among VSLA members may hinder their ability to access any digital platform, and to read and understand documentation, pricing, and necessary procedures for transacting business with financial institutions. As part of the linkage design, parties involved should be prepared to invest in improving literacy and digital skills (when mobile application/digital solution is used) and adapting marketing strategies and materials to the members’ level of comprehension.

  - **Language barriers:** In areas where VSLA members speak only a local dialect, parties involved in the linkage process should make provisions to use multilingual staff and translate necessary documents for easy communication.

  - **Lack of familiarity with formal financial services:** The rural poor commonly believe that banks are a preserve for the rich and have limited experience with their products and services. To address the uneasiness and fear of these potential customers, facilitating agencies (NGOs, chocolate companies, etc.) should ensure that a) they lead the process of introducing FSPs to VSLAs to enhance their acceptance; b) work closely with FSPs to design products that respond to specific SG needs and mimic valued features of SG operations; c) together with FSPs invest in financial education to enhance the overall financial literacy and understanding of specific products available to SGs. These strategies once adopted will help build VSLA and FSP trust, reduce account dormancy, and improve clients’ product usage and management.

  - **Sensitive to fees:** VSLA members tend to be sensitive to fees and other account related charges. Facilitating agencies should work with FSPs to ensure that all transactional and operational fees are affordable and clearly explained to VSLA members and that an agreement is reached. It is the responsibility of facilitating agencies to protect the interest of VSLA members from exploitation by third parties. In cases where fees are deducted without prior knowledge, VSLA members’ confidence in FSP is affected.

  - **Product alignment and security:** The unique operating procedures and features of VSLA have fostered trust and transparency among members. For easy product acceptance, facilitating agencies must ensure that FSPs adapt their existing products or develop new ones to mimic group features such as the three-person verification system (whether branch or mobile based) for withdrawals and group decision-making on loans.

- **Business Value for FSPs:** One common concern of FSPs is the return on investment to serve remote rural populations. Given the challenges enumerated above, the potential product, delivery channels, partnerships and strategies are diverse as well as the policy and regulatory context may vary. The business value to FSPs would thus have to be contextualized. However, VSLA presents a single entry to FSPs to reach group customers and multiple new individual customers and provides a reduced risk through group savings and loans products delivered under clearly defined procedures.30

- **Enabling Environment:** Some linkage models depend on mobile network availability and technology. A poor telecom infrastructural development system coupled with an underdeveloped road network is a barrier of ensuring that providers/suppliers of linkage models thrive. It is therefore worth it for service providers to consider the use of Unstructured Supplementary Service Data (USSD)-which is universal and supported by all mobile networks- in areas that have limited network availability.

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3.3.3 Challenges associated with linkage interventions of Companies.

In addition to the challenges outlined above, WCF observed that the existing linkage interventions of chocolate and cocoa companies encountered the following peculiar challenges which can be addressed during the product design stage.

- **Delay in loan disbursement:** There were reported cases of delayed disbursement of loan requested by groups. In one case, the delay was attributed to the service provider exceeding the lending amount in the month of the request, forcing them to defer loan disbursement to the group to the ensuing month.

- **High risk of loan amount to theft:** Group leaders are tasked with the responsibility of cashing out cheques issued in the names of the groups from service providers’ partner banks and carrying them to be shared amongst members. This is where a further step in the digitization of the cash transfer to the group would help.

- **Increased interest from unused funds:** Unused loans disbursed to groups that are kept in the VSLA boxes attract interest. Financial linkage is more needed and more effective when the business dynamics of VSLA is strong (Well working Income Generating Activities).

- **Farmer mobilization:** The cost of mobilizing farmers into VSLA groups is relatively high and providing the needed training and sustaining their management could be challenging. However, some companies have used the community facilitator, agent, or animator approach to sustain group formation and management when projects end.

3.3.4 VSLA Linkage and Developments in Ghana’s Cocoa Sector

Unlike microfinance, VSLAs are savings-led and the maturity of these groups often grow with members desire to access additional financial products, secure savings, and more so to increase the amount of credit they can access. Linking VSLAs is thus in response to meeting savings group beneficiaries demand for additional financial services. In Ghana, the first reported case of VSLA linkage was a partnership between CARE, VISA Inc, MTN and Fidelity and implemented in some cocoa growing areas in Ashanti, Brong Ahafo and in Upper West and Upper East regions through local NGOs. Under this partnership, VSLAs could open and operate a Fidelity Bank Smart Account without having to visit a physical bank branch. With authorization from the Central Bank of Ghana, VSLAs could easily open an account with any Fidelity Smart agent in nearby convenience shops, pharmacies, utility payment vendors and markets. The Smart account was customized to mimic the group dynamics of VSLAs, and members could transfer, withdraw, and deposit money, make payments, and earn interest.

Beyond this model, there have been other VSLA linkage scale up interventions funded by UNCDF, Mastercard Foundation, Barclays Bank UK etc. and implemented by CARE, Plan and other local NGOs in Ghana with varied degrees of success. Aside from this linkage model, connecting VSLAs with financial institutions to access credit is a common practice in the cocoa sector due to the growing demand for farmers to increase their loan amount to invest in their farming business and/or start an additional business. Common to this model is the granting of loans to VSLA members using the group as collateral without necessarily requiring individual group members to own bank accounts with the financial service provider involved in this form of VSLA linkage. Although this practice has potential for modification and growth, it limits VSLA members access to only credits.

A close observation of developments in the sector reveals that VSLA linkage is still in its early stages. Though there have been few piloted projects implemented in the past by NGOs in the cocoa sector and elsewhere, there is not a clearly designed national ecosystem to facilitate VSLA linkage unlike in Côte d’Ivoire where there is a nationally accepted model for linkage. The design of a national VSLA linkage program for Ghana is in the offing under the ongoing Financial Sector Development project with funding from the World Bank. So far, a consultant has been recruited to lead the design of a VSLA linkage program to promote group linkage with FSPs. In the absence of a nationally adopted linkage model, several companies in the cocoa sector have found ways of facilitating farmers access to credit and other services with financial institutions.

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31 Connecting Ghana’s Community Savings Groups with Banks using Mobile Phones. CARE, FIDELITY & VISA Inc,2014
32 Refer to session 4.2 for detailed explanation on the fidelity linkage account-smart account
33 Refer to table 2 for the different linkage models in Ghana
34 ToR for Ghana national Linkage Program
3.3.4.1 WCF Companies’ VSLA Linkage Initiatives

It was observed that 30% of companies participating in this study had linked some of their groups to rural/community banks, savings and loans institutions and Vision Fund Ghana. The linkage model for companies in this category mainly centered on providing loans to groups and individuals without introducing any digital means of transaction.

In some cases, groups had to repay their loans via mobile money though not as part of the linkage design. Also, interactions with randomly selected beneficiary groups in operational areas of companies implementing this form of linkage revealed that opening an account with the selected service providers is optional and not necessarily a part of the linkage model. For instance, in a community in the Ahafo Ano South District in the Ashanti Region, some farmers wish to have a formal account with the service provider offering them credit; however, they are constrained by distance because the closest branch of the said bank is about two and half hours’ drive away.

Additionally, one company NGO partner offers a linkage product designed in collaboration with four selected savings and loans institutions to respond to the needs of farmers. The product of this NGO considers the cash generation capacity of farmers either through cocoa production/other IGA, history of credit worthiness and saved for a minimum of 3 to 6 months with a VSLA. The NGO, as part of the product design, has reduced prevailing monthly interest rates to farmers from 4.5% to 2.5% and is currently exploring other opportunities to profile all farmers, generate corresponding credit scores and further reduce the interest on loans. Although this product is part of a broader access to finance strategy to work with small and medium enterprise service providers, farmers and VSLAs, it is still at the initial stage with prospects for scaling.

3.3.4.2 Linkage Process

In the case of WCF companies, the linkage process is initiated following VSLA members requests for large amounts of credit to meet members increasing demand for loans. Facilitating agencies (in this case a cocoa or chocolate company or an NGO) identifies a suitable FSP interested in meeting the credit needs of VSLA members bearing in mind that the form of linkage practiced by WCF companies is more of a facilitated access to credit. The introduced FSP engages with the VSLA members and designs a tailored service based on group needs.

3.3.4.2.1 Stakeholders Involved

The model of linkage facilitated by WCF companies in Ghana involves NGOs, community/rural banks, Savings and Loans Companies, non-bank financial institutions and VSLA groups. This is slightly different from Côte d’Ivoire where the involvement of mobile network operators is well structured as part of the VSLA linkage design.

![Infographic 5: Stakeholders in company VSLA linkage intervention](source)
3.3.4.2.2 Actual Linkage Benefits to Members

From the interactions held with VSLA group members, the following benefits were enumerated.

- **Increased amount in credit:** VSLA groups with facilitated access to FSPs could access additional loans besides what they received from the group.

- **Increased group interest:** All linked groups interviewed for this study earned commission on interest payments from loans disbursed to groups by an FSP. For instance, if an FSP offered interest on loans to group was at 4% per annum, the group could decide to peg the repayment interest on loan at the group’s original rate for loans, which usually ranges from 5% to 10%. The additional interest earned on loan repayment becomes revenue for the group. This raises the group’s interest earned from loans.

- **Formal Account Opening:** Members of linked groups can open an individual bank account with the FSP involved in the linkage. But in instances where the FSP had no physical bank branch close to the VSLA community and there is no mobile/agency banking or fintech solution involved in the linkage, this benefit is always hindered.

- **Enhanced financial literacy:** Historical trends show that linked groups need to be taken through a series of sensitizations on financial literacy, FSP products and services and other linkage processes. These trainings in the end improve the understanding of VSLA members in financial literacy and build their confidence in engaging with formal financial institutions.

4 The Digital Wave: Existing Linkage Solutions

Mobile phone ownership has improved access to financial services. According to GSMA, Ghana has the highest mobile penetration in West Africa and already outperforms many of its regional peers. By the end of 2019 mobile phone adoption stood at 55%, higher than the regional average of 44.8%. This means that a huge number of people can be served through digital services, positively impacting the growth of the digital economy. Fintechs and banks have leveraged mobile phone proliferation and access to develop solutions that can be used to integrate savings groups into the formal banking sector to ensure inclusion of the unbanked. Below is a description of several service providers’ solution and their corresponding products for linking VSLAs and other savings groups to financial institutions.

4.1 192G solution

The 192G solution consists of a fintech application that digitizes the entire operations of the VSLA, including linking them to financial institutions, and a dashboard that assists stakeholders to monitor VSLA operations. The solution as described in the infographic operates on a Point of Sale (POS) device and works online and offline, and is supported by several features of smart phones as listed below:

- Unstructured Supplementary Service Data (USSD)
- Near Field Communication (NFC)
- Biometric Login

The system mimics the security feature of the VSLA boxes (boxes are replaced by mobile money accounts which is added to security), and the records keeping nature of the groups. An NFC tag with imbedded security features is issued to five key holders (three primary and two substitutes, in case one or more of the key holders is not available). When the NFC tag is swiped on a POS device, it triggers the start of the meeting. Added to this, a biometric and pin code could also be used. Each member of the group

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35 Gregory Omondi, GSMA Ecosystem Accelerator (February 2020)
according to their numbering is issued an NFC tag/pin code which is used for registering (biometric is also an option) and keeping records of their savings.

The model of the setup also involves disbursing loans to members via mobile money. To add value, one of the members will be setup as an agent in the community from where group members and non VSLA members can undertake Cash-in and Cash-out (CICO) transactions. This venture is also to generate some revenue for group members. Money from weekly savings can be deposited in group mobile wallet accounts. Funds can be pushed into and pulled from their bank accounts.

4.2 **Maximus Solution**
Emergent Payments’ solution -Maximus- is a mobile money-based group funding and savings platform utilized by savings groups. Maximus enables financial institutions to digitize VSLA transactions, where group members can save and repay loans through a dedicated USSD code. The USSD code is only accessible by VSLAs linked to a partner financial institution. The infographics below shows the flow of funds from VSLA to FSPs.

*Infographic 7: Emergent Payments’ solution -Maximus infographic*

Each group member is given a unique number (which they can easily remember) to access a range of financial products. This feature also enables members without a mobile phone or mobile money wallet to equally use the platform for their transactions- where a member who has a mobile phone can perform a transaction on his or her behalf. For security reasons, however, withdrawals cannot be done on behalf of another member.

The cash-in (loan repayment & savings) process involves members using the services of mobile money agents to deposit e-cash into their mobile money wallets and transferring same into the group account for the required loan amount needed to be repaid within the period to be deducted. For cash-out transactions (withdrawals), members make a withdrawal request through the USSD code and two out of three group leads must approve.

Group leads have the capability to pay loans on-behalf of group members, check group account balance, view member transactions, and approve withdrawal requests. FSPs have access to a reporting system with secure end-to-end encryption, and their linked VSLAs have access to their transaction statements.

This digitization model does not only work for VSLAs, but also for other informal savings mechanisms (ISM) or informal groups that need financial services and products such as loans and savings.
4.3 **Fidelity Smart Account**

The Fidelity Bank provides an opportunity for informal savings groups such as VSLAs to have access to financial services and products using their agency banking. The product referred to as the **Fidelity Smart Account** is powered by a technology developed internally. Members within the savings groups are identified, trained, and set up as agents to serve a cluster of savings groups in an identified location. This is to ensure that the liquidity needs of clients are met.

Groups are provided with point of sales device connected to the groups account with the bank. Access of the account needs a 3-tier level of Personal Identification Numbers (PIN Code). This is to mimic the security feature of the VSLA model. These PIN codes are given to the chairperson/chairman, secretary, and treasurer.

The system runs on a USSD code irrespective of the mobile network used by members who wants to contribute digitally. As part of this product, Fidelity has negotiated service fee on the different transactions referred to in the accompanying infographic- the agency tariff guide. Printed receipts are given as evidence of the payments made by the members.

Staff of Fidelity Bank engage with group members to develop other financial products based on the needs of VSLA members. Some of these financial services are delivered digitally in partnership with MTN such as yello save.

![Infographic 8: Fidelity tariff guide for smart account](image)

4.4 **Vision Fund Ghana**

The Vision Fund module is not powered by any technology. This requires in-person transactions. This linkage model leverages the solidarity of group members to meet the credit demand of groups and ensure low rate of loan default. Vision Fund does not accept savings because they are not licensed by the central bank (BoG) to accept deposits. However, there is some unofficial use of mobile money to make repayments of group loans when Vision Fund field staff are not readily available.

5 **Partnership Opportunities**

Linking VSLAs to formal financial institutions is core to all three pillars of the WCF Pathway to Sustainable Cocoa. One core aim of the pathway is to improve farmer livelihoods and build their income resilience through diversification and creation of additional income generation activities, leveraging VSLAs abilities to increase farmer’s access to credit and other financial services. There are prospects for WCF to explore possible partnerships to augment individual company efforts using VSLAs as a catalyst and fast track the pace to improving farmers income, financial literacy and access to financial services. Below are some partnership opportunities for consideration and further discussion.

![Enhancing Financial Inclusion](image)
**World Bank:** The World Bank (2019), in its fourth economic update on Ghana, discussed the viability of the GoG reaching universal access to financial services provided innovation and technology is at the core of reaching the unbanked. In its five-point recommendation, three clearly align with the initiative to link informal savings groups to formal finance institutions. This process will largely be successful if stakeholders employ the agent banking approach considering the cost of building financial access points especially in rural and peri-urban areas coupled with structured financial literacy programs that would accelerate consumer demand for financial products. With funding from the World Bank, the GoG through the Ministry of Finance and Economic Planning, under the Financial Sector Development Project, will create, identify and link new VSLAs to formal financial institutions. WCF can take advantage of this opportunity to partner with the Ministry to leverage the close to 3,000 identifiable VSLAs in the cocoa supply chain of members to address two twin national issues: increasing cocoa farmers’ access to financial services and advancing the national financial inclusion agenda through the FSD project of linking VSLAs to the formal financial sector.

**Women Connect Challenge (WCC):** As part of its White House-led Women's Global Development and Prosperity Initiative (WGDP), USAID launched the Women Connect Challenge on International Women’s Day in 2018. WCC allocates funding each year to scale and replicate effective practices to close the gender digital gap through private sector partnership and investment. Realizing the use of technology in some identified linkage solutions and the promotion of digital payments in the cocoa sector, this opportunity therefore aligns with WCF Pathway priority activities to professionalize farming, digitize payments, and create more economic opportunities for women by leveraging established VSLAs and other digital payments solutions. Additionally, the broader initiative has received consistent funding from the US government and an announced $122 million in progress and partnerships to drive all three goals. It is worth noting that all three goals are closely aligned to the Pathway core interventions for sustained livelihoods and women and youth economic empowerment.

**Mastercard Foundation** has in the past awarded funding to companies in Africa, including Ghana, under its fund for rural prosperity. Though there is no open funding opportunity, the Foundation’s work is guided by its mission to advance learn and promote financial inclusion for people living in poverty. With most farmers living in poverty and industry’s efforts to ensure farmer prosperity and promote financial inclusion through VSLA programming, Mastercard Foundation’s mission therefore make it a potential partner for future initiative around financial inclusion.

**Conclusion & Next Steps**

VSLA programs underpin many of the core activities of the WCF Pathway to sustainable cocoa such as diversification, income opportunities, child labour remediations and financial inclusion. However, this report demonstrates that for VSLA programs to realize their full potential to improve farmer prosperity by closing the income gap and to empower women and communities, VSLA Linkage must be improved.

This could be achieved if company VSLA interventions are designed beyond the basic form of VSLAs (which are the most common VSLAs in the cocoa sector) to make VSLA Plus and Linkage the standard form of VSLAs implemented by companies and their partners. To make this change, companies will need to invest in additional interventions, with technical guidance from WCF, to maximize the potential of VSLAs and to deliver the expected financial and social benefits to farming communities.

In addition to providing this technical guidance, WCF should lead an inclusive high-level advocacy program working closely with the Financial Sector Development Unit under the Ministry of Finance and Economic Planning (MoFEP) and the Bank of Ghana to act upon the World Bank’s recommendation that organized informal savings groups play a critical role in financial inclusion and facilitating their linkage with formal financial institutions will increase financial inclusion especially among the poor. The advocacy program would also seek to encourage FSPs to design products that respond to farmer needs and make linkage attractive.

WCF therefore recommends the establishment of a collaborative partnership – the VSLA Linkage Initiative - involving the private sector, governments and other inclusive finance driven organizations. WCF would lead the initiative, the

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36 W-GDP seeks to reach 50 million women in the developing world by 2025 through focusing on three pillars: women prospering in the workforce, women succeeding as entrepreneurs, and women enabled in the economy.
advocacy efforts and provide tailored technical support to companies in order to take VSLA programming to the next level of the financial inclusion ladder (refer to annex D). WCF would also develop a linkage guide for companies and streamline VSLA data collection procedures.

This initiative would contribute to achieving the national VSLA linkage objective under component two of the FSD project leveraging companies’ existing VSLA programming and promoting the inclusion of VSLA formation and training, and access to formal financial services as a core financial inclusion activity in the National Financial Inclusion and Development Strategy.

In order for a VSLA Linkage Initiative PPP in Ghana to be launched, cocoa and chocolate companies and their implementing partners need to decide the extent to which VSLA linkage interventions should be scaled up and how soon and how much they would want to invest in a PPP. Companies would need to commit to:

- Adopting VSLA Plus as the standard form of VSLA intervention and work with WCF to guide their progression to include a linkage package.
- Contributing to the development of a smart linkage model and products leveraging mobile money penetration in Ghana.
- Ensuring that products designed by FSPs respond to and address the needs of farmers thereby making the linkage attractive.
- Working with WCF to strengthen advocacy around the inclusion of VSLAs as a key component of the NFIDs.
- Aligning their VSLA indicators with WCF recommended indicators to streamline and ensure consistency in VSLA data collection across companies.

Table 4 below outlines the roles and responsibilities of each of the actors required in a VSLA Linkage Initiative PPP.
## Cont... Next Steps

**Table 3: Recommended Pathway for a VSLA Linkage initiative PPP in Ghana’s Cocoa Sector**

<table>
<thead>
<tr>
<th>Stakeholder</th>
<th>Roles and requirements</th>
<th>Status in Ghana</th>
<th>Needed action</th>
</tr>
</thead>
</table>
| VSLAs       | Have strong savings and credit activities, have strong collective and individual IGAs, are mature and Linkage-ready, are at least Gender Sensitive (VSLA Plus) | a) Mobilized mostly by NGOs-approach differs per organization  
b) Self-sustaining after project ends  
c) Majority of members are women  
d) Varied literacy levels with members with low literacy level in the majority  
e) Classic VSLAs in the majority  
f) Maturity Status unknown  
g) Linkage process initiated after 1st cycle (companies) and 2nd cycle (NGOs) | a) Maintain good record keeping mechanism  
b) Must consent to linkage and avail group for assessment  
c) Participate actively in the product design process  
d) Must have collective /individual IGA |
| Facilitator (NGO, cocoa & chocolate company, etc.) | a) Negotiate / Advocate for appropriate (tailored) products and services at reasonable fees, build the capacity of VSLAs, etc.  
b) Train FSP staff on VSLA methodology  
c) Facilitate effective financial and functional literacy for group  
d) Conduct VSLA linkage readiness assessment | a) Lead the mobilization and training of VSLAs  
b) Facilitate the linkage process by identifying and introducing FSPs  
c) Negotiate for tailored services - mostly credit related-on behalf of group  
d) No standardized curriculum for building capacity at formation and Linkage stage  
e) Readiness assessment not based on a standardized assessment tool  
f) Facilitate VSLA capacity building on selected financial literacy topics and FSP requirements based on MoU | a) Standardize VSLA formation and curriculum for training (both at formation and linkage stage);  
b) Adopt VSLA plus as the standard form for implementation with functional literacy as a key component;  
c) Develop/adapt VSLA linkage readiness assessment tool;  
d) Standardize stage for initiating linkage and develop modalities aligned with national guidelines-if available.  
e) Group/individual IGAs should be need based;  
f) Facilitate the expansion of financial services available to VSLAs  
g) Advocate for maximum capping amount to be charged as transaction fees and interest on loans |
<table>
<thead>
<tr>
<th><strong>Formal Finance Services Providers (FSP)</strong></th>
<th><strong>Mobile Network Operators</strong></th>
<th><strong>Cocoa &amp; chocolate companies and Sustainability IPs</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>a) Partner with Facilitator with known VSLA methodology</td>
<td>a) Offer accessible technology to bridge the gap between FSP and VSLAs by considering (delivery platform, affordability, user friendly, etc.)</td>
<td>a) Partner with Facilitator with known VSLA methodology to promote the formation and training of VSLAs using VSLA Plus as the standard, with a strong capacity building curriculum</td>
</tr>
<tr>
<td>b) Link only matured groups</td>
<td>b) MNOs involvement in VSLA Linkage unstructured</td>
<td>b) Classic VSLAs in the majority</td>
</tr>
<tr>
<td>c) Work with whole group and not just leaders</td>
<td>c) MNOs were involved in some Pilot interventions</td>
<td>b) Maturity Status unknown</td>
</tr>
<tr>
<td>d) Open and manage groups (and individual) tailored savings accounts, grant loans, expand services beyond savings and loans as soon as possible, offer reasonable fees, find a way to offer an expanded and accessible network of point of services.</td>
<td>c) VSLAs use MNO platforms as and when necessary</td>
<td>c) No standardized curriculum to build VSLA capacity for Linkage</td>
</tr>
<tr>
<td>e) Ensure loan repayment due date is before share out month</td>
<td>d) Different negotiated transaction fees based on stakeholder agreement</td>
<td>d) VSLA linkage at formative stage</td>
</tr>
<tr>
<td>f) Mode for loan repayment suits group</td>
<td>a) MNOs involvement in VSLA Linkage unstructured</td>
<td>a) Design tailored mobile money products for VSLAs</td>
</tr>
<tr>
<td>g) Ensure efficient loan and withdrawal turnaround time without delays</td>
<td>b) MNOs were involved in some Pilot interventions</td>
<td>b) Tailor fees, platform access and documentation to suit the conditions of VSLAs and their members</td>
</tr>
<tr>
<td>h) Interest rates allow group to make a return</td>
<td>c) VSLAs use MNO platforms as and when necessary</td>
<td>c) Liaise with FSPs to design the most suitable and affordable product for VSLAs</td>
</tr>
<tr>
<td>i) Collaborate with Facilitators to build VSLA capacity in financial &amp; digital literacy and other necessary linkage documentation and transactions details</td>
<td>d) Different negotiated transaction fees based on stakeholder agreement</td>
<td>a) Improve record keeping at group level by introducing digital keeping of records;</td>
</tr>
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<td>a) MNOs involvement in VSLA Linkage unstructured</td>
</tr>
</tbody>
</table>

MNOs involvement in VSLA Linkage unstructured

MNOs were involved in some Pilot interventions

VSLAs use MNO platforms as and when necessary

Different negotiated transaction fees based on stakeholder agreement

Design tailored mobile money products for VSLAs

Tailor fees, platform access and documentation to suit the conditions of VSLAs and their members

Liaise with FSPs to design the most suitable and affordable product for VSLAs

Improve record keeping at group level by introducing digital keeping of records;
| **World Cocoa Foundation (WCF)** | | **WCF** to establish a VSLA Linkage Initiative PPP to provide technical guidance and lead a high-level advocacy program.

b) Facilitate the scaling of VSLA linkage intervention in Ghana’s cocoa sector
c) Advocate for inclusive regulatory and policy environment to accommodate VSLA linkage as part of NFIDS
d) Enhance company capacity in VSLA linkage through trainings and on-demand webinar
e) Promote effective implementation of VSLA linkage interventions in cocoa sector | a) Assessed the VSLA Linkage ecosystem in Ghana’s cocoa sector

b) Mapped companies VSLA interventions and identified opportunities for scale
c) Developed financial inclusion road map
d) Convened financial inclusion working group | a) Convene and Coordinate companies, donors, GoG and FSPs in the design and implementation of a VSLA linkage PPP

b) Assess companies VSLA linkage capacity
c) Advocate for the design and adoption of VSLA linkage protocols and guidelines to guide FSPs, VSLAs and cocoa and chocolate companies’ VSLA-linkage interventions
d) Build company capacity in VSLA linkage modalities and best practices
e) Facilitate the design of a VSLA linkage monitoring and evaluation framework in alignment with WCF pathway KPIs |
<table>
<thead>
<tr>
<th>Government Finance Regulatory body; Ministry of Finance and Economic Planning, Bank of Ghana</th>
</tr>
</thead>
<tbody>
<tr>
<td>Provide a conducive environment to recognize, promote and integrate VSLAs in the National Financial Inclusion strategy and develop the necessary regulatory framework to streamline the activities of all stakeholders to facilitate VSLA linkage</td>
</tr>
</tbody>
</table>
| a) Absence of nationally adopted linkage model  
b) No clear provision on VSLA contributions to FI in the NFIDS  
c) No clear provision on VSLA contributions DFS in the DFS policy  
d) No existing guideline to regulate FSPs and Facilitator activities on VSLA linkage and protect VSLA members |
| a) lead the process to identify and adopt a National VSLA linkage model based on best practices  
b) lead the review of the National Financial Inclusion and Development Strategy to include VSLA linkage as a key strategy to financial inclusion  
c) convene a multi-sectorial working group to develop protocols and guidelines for VSLA linkage to regulate the activities of all stakeholders (FSPs & Facilitators) involved in the linkage process and protect the interest of VSLA members  
d) Review national Digital Financial Services Policy and spell out modalities for Fintechs and Banks for VSLA linkage |
### Annexes

#### Annex A: Classification of VSLA Types

<table>
<thead>
<tr>
<th>VSLA Classic</th>
<th>VSLA Plus</th>
<th>VSLA+ connected to formal financial services</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Key Steps</strong></td>
<td><strong>Key Steps</strong></td>
<td><strong>Key Steps</strong></td>
</tr>
<tr>
<td><strong>Preparatory phase:</strong> Introduction of the VSLA model to target groups. Sharing general information about the model</td>
<td><strong>Preparatory phase:</strong> Introduction of the VSLA model to target groups. Sharing general information about the model</td>
<td>• Have mature and qualified VSLAs linked to micro financial institutions (VSLAs should have a minimum 1.5 years of existence)</td>
</tr>
<tr>
<td><strong>Intensive Phase:</strong> Mobilizing target groups</td>
<td><strong>Intensive Phase:</strong> Mobilizing target groups</td>
<td>• Evaluate groups organizational and financial health</td>
</tr>
<tr>
<td><strong>Development Phase:</strong> Creating a culture of savings and access to credit</td>
<td><strong>Development Phase:</strong> strengthening the culture of savings and credit and building capacity in entrepreneurship, gender and combating gender-based violence (GBV)</td>
<td>• Entrepreneurship support</td>
</tr>
<tr>
<td><strong>Maturity Phase:</strong> Group observation and refresher training as needed</td>
<td><strong>Maturity Phase:</strong> Group observation and refresher training as needed</td>
<td>• Refresher training in financial education</td>
</tr>
<tr>
<td><strong>Key Activities:</strong></td>
<td><strong>Key Activities:</strong></td>
<td>• Financial linkage training</td>
</tr>
<tr>
<td>• Introduction of VSLA approach to local authorities (administrative, traditional and communities)</td>
<td>• Evaluation of phase change</td>
<td>• Preparation of financial products with FIs</td>
</tr>
<tr>
<td>• selection of members</td>
<td>• Savings and credit activities</td>
<td>• product validation with savings group members and FIs</td>
</tr>
<tr>
<td>• Group constitution</td>
<td>• Development phase: 5 months</td>
<td>• Sign an MoU with FIs and savings group members and FIs</td>
</tr>
<tr>
<td>• Selection of Group Promoter</td>
<td>• Maturity Phase: 3 months</td>
<td>• Start linkage with savings products and later credit products</td>
</tr>
<tr>
<td>• Development of group constitution/rules</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Training on VSLA module</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• - Savings</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Estimated time for preparatory and intensive phase:</strong> 1 – 4 months.</td>
<td><strong>Estimated time for development and maturity phase:</strong> 6 – 12 months.</td>
<td><strong>Estimated time to link VSLAs and accompany them with formal financial services:</strong> 24 months and over.</td>
</tr>
<tr>
<td><strong>Key Activities:</strong></td>
<td><strong>Key Activities:</strong></td>
<td><strong>Key Activities:</strong></td>
</tr>
<tr>
<td>• Creation of VSLA group</td>
<td>• Training on Gender and GBV</td>
<td>• Creation of VSLA group</td>
</tr>
<tr>
<td>• Training on Gender and GBV</td>
<td></td>
<td>• Training on Gender and GBV</td>
</tr>
<tr>
<td><strong>Focus</strong></td>
<td><strong>Focus</strong></td>
<td><strong>Focus</strong></td>
</tr>
<tr>
<td>Creation of VSLA groups</td>
<td>Creation of groups and training on savings and credit is carried out by VSLA group promoters</td>
<td>VSLA accompanying creation of Gender Committees, creation of commercial networks, value chains</td>
</tr>
<tr>
<td><strong>Standards</strong></td>
<td><strong>Standards</strong></td>
<td><strong>Standards</strong></td>
</tr>
<tr>
<td>Transparency, annual sharing of group’s funds (share out), internal lending during 1st phase, building a solidarity fund, phase change evaluation, monthly data collection</td>
<td></td>
<td>Linking VSLAs with MFI, opening account for each VSLA coached for accounts use by members</td>
</tr>
</tbody>
</table>

**Estimated time for the creation of VSLA+: Gender, entrepreneurship and GBV training:** 12 – 24 months. **Estimated time to support the creation of IGA and Gender committees:** 12 – 30 months.

**Key Activities:**
- Creation of VSLA group
- Training on Gender and GBV
- Training on entrepreneurship
- Identification and work on value chains
- Regular monitoring of use of the new financial products
### Annex B: Features of Linkage Savings Products that Mimic VSLAs

<table>
<thead>
<tr>
<th>Savings Account</th>
<th>Account name, institution, country</th>
<th>Procedure</th>
</tr>
</thead>
</table>
| **Group Savings** | Vision Finance Company (Rwanda) | • Photos and national IDs of the president, secretary and treasurer of the savings group;  
• Copy of the group’s internal regulations;  
• 1,200 Rwandan francs (approximately $2) for a passbook and bankcard |
| **Group Account** | Barclays (Uganda) | • Weekly/Monthly Depositing/Withdrawal depending on the groups’ decision  
• Documentation needed: Group resolution, letter from local council and copy of certificate of group registration Application form; certified copy of group constitution, Passport photos and valid IDs for 3 nominated signatories |
| **Group Savings** | Kasupe Opportunity Int'l Bank (Malawi) | • Bank staff visit communities and open accounts  
• Biometric data of group signatories taken at kiosks |
| **Mobile Equity Account** | (Kenya) | • Group registration certificate from relevant government ministry or agency  
• Original group officials identification documents; national ID  
• Minutes of the group/association specifying the signatories and mandates  
• Certified copy of group constitution  
• Recommendation letter from the local CARE office |
| **Akiba Mwanga Community Bank** | – (Tanzania) | • Identification letter from local/village office; signed by respective leaders  
• Group meeting minutes, stating the agreement of opening bank account  
• Passport size picture of the signatories (3 to 4 people)  
• Minimum deposit of $6.33 |
| **Group Savings** | Uwezo Barclays Kenya | • Proof of member agreement for linkage;  
• Copy of group’s constitution for registration certificate (Ministry of Social Services and Development);  
• Original identification documents; National ID or passport and Minutes of the groups specifying the signatories and mandates.  
• 100 Ksh stamp duty (around $1) |

Source: CARE
Annex C: Graphical Display of the Financial Inclusion Ladder

Source: CARE
Annex D: Principles for Linking Savings Groups

01 Link groups, not individuals
Groups should be linked to financial institutions rather than individuals. The purpose of the relationship is to complement the group’s existing activities. The result should be a strengthening of group cohesion and should benefit all members. Individual linkages that rely on the group as a guarantee is not recommended for savings groups. If a group is not ready for linkage, but there are some individuals within the group seeking linkage, then they should proceed independent of their membership in the group.

02 Link only mature groups
No group should be linked before they complete at least one cycle and share-out. In some exceptional cases, it may be necessary to begin a savings linkage during the first cycle, but no exceptions should be permitted for credit linkage. All groups who have completed at least one complete cycle of savings and share-out and express a desire to link to a financial institution should be rated using the Linkage Readiness Assessment Tool (or similar). Groups that attain a satisfactory rating should be linked.

03 Focus on demand rather than supply
Linkage relationship should be based on the needs and demands of the groups rather than being thrust upon the groups. Because linkage creates additional liabilities for the group, it is important that the groups are ready for such liabilities. Groups should be provided with all information necessary to understand the products and services on offer.

04 Prepare groups before linking them
Groups must be provided with training prior to linkage. This should cover any basic financial literacy modules not already provided as part of the process of forming the group, as well as specific information about the proposed institution they will be linked with, the products the institution is offering, account opening requirements, and any other relevant information.

05 Protect core savings group principles
The linkage relationship should not alter the fundamental operating principles of the savings group methodology. The group should maintain its governance structures and procedures, record-keeping and internal controls, and regular meetings with a focus on savings. Linkage decisions should be made by consensus as much as possible rather than by majority.

06 Start with savings
VSLA is a savings-led approach and linkage should not alter this focus. Savings linkage should precede credit linkage, and access to credit should not undermine the overall group emphasis on savings.

07 Maintain a conservative savings to credit ratio
To prevent groups from becoming over-indebted, it is important that a conservative savings to credit ratio is maintained. Using the group’s previous cycle share out amount as a measure of savings (rather than the current savings amount, which is an unreliable indicator of the group’s capacity), the amount of the group’s first loan should be no greater than twice the previous year’s share-out, i.e. a savings to credit ratio of 1:2. For subsequent loans, it can be increased, but should never exceed a ratio of 1:5.

08 Minimize the use of savings as collateral
The flexibility and accessibility of savings is considered an important attribute by group members. Thus, where possible, group savings should not be held as collateral by financial institutions. It is recognized that financial institutions seek to secure their loans, so this principle must be applied in a way that balances the priorities of the savings group and financial institution. The principle does not mean that no collateral should be provided to the financial institution, but that collateral should be kept to a minimum.
Annex E: Contacts for the report

<table>
<thead>
<tr>
<th>S/N</th>
<th>Name of Interviewee</th>
<th>Organization</th>
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<tbody>
<tr>
<td>1.</td>
<td>Matilda Broni</td>
<td>Mondelēz</td>
</tr>
<tr>
<td>2.</td>
<td>Joyce Maboah-Opoku</td>
<td>Kooko Pa</td>
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<tr>
<td>3.</td>
<td>Anna Van Rokel</td>
<td>Beyond Beans</td>
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<tr>
<td>4.</td>
<td>Tawiah Agyarko-Kwarteng</td>
<td>Hershey</td>
</tr>
<tr>
<td>5.</td>
<td>Samuel Amissah</td>
<td>PBC</td>
</tr>
<tr>
<td>6.</td>
<td>Solomon Boateng</td>
<td>Kuapa Kooko</td>
</tr>
<tr>
<td>7.</td>
<td>Frank Asiedu</td>
<td>Touton</td>
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<tr>
<td>8.</td>
<td>Ellen Sedziafa</td>
<td>CARE (on behalf of Cargill)</td>
</tr>
<tr>
<td>9.</td>
<td>Hamidu Issaka</td>
<td>Barry Callebaut</td>
</tr>
<tr>
<td>10.</td>
<td>Daniel Nyarko</td>
<td>Nestlé</td>
</tr>
<tr>
<td>11.</td>
<td>Mohsin Pirbhai</td>
<td>192G (Transform)</td>
</tr>
<tr>
<td>12.</td>
<td>Saqib Nazir, Davy Roland Nouebissi, Alva Adjin and George Yankey</td>
<td>Emergent Payments Africa (Maximus)</td>
</tr>
<tr>
<td>13.</td>
<td>Samuel Abbey Dodoo, Theophilus Adjei-Korang and Alfred Paha</td>
<td>Fidelity</td>
</tr>
<tr>
<td>15.</td>
<td>Dr. William Derban</td>
<td>GSMA (Former Inclusive Banking Head, Fidelity)</td>
</tr>
<tr>
<td>16.</td>
<td>Frank Alornu</td>
<td>Vision Fund</td>
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<tr>
<td>17.</td>
<td>Kassoum Coulibaly</td>
<td>CARE, Côte d'Ivoire</td>
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<td>18.</td>
<td>Noel D’acruz</td>
<td>Financial Inclusion Consultant</td>
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NB: All WCF member companies implementing VSLA interventions were contacted for interviews.

Annex F: VSLA beneficiary communities visited

<table>
<thead>
<tr>
<th>S/N</th>
<th>Name of Community</th>
<th>VSLA Group Name</th>
<th>Implementing Company</th>
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<tbody>
<tr>
<td>1.</td>
<td>Emeredane</td>
<td>Onuado</td>
<td>Mondelēz (World Vision)</td>
</tr>
<tr>
<td>2.</td>
<td>Oldmankrom</td>
<td>Peace &amp; Nyonkodo</td>
<td>Mondelēz (World Vision)</td>
</tr>
<tr>
<td>3.</td>
<td>Akronwi</td>
<td>Nyameye Odo</td>
<td>CARE</td>
</tr>
<tr>
<td>4.</td>
<td>Akronwi</td>
<td>Onuado</td>
<td>CARE</td>
</tr>
<tr>
<td>5.</td>
<td>Sabronum Camp</td>
<td></td>
<td>Kooko Pa</td>
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References
10. Global Findex Database. World Bank, 2017
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18. VSLA Business and Income Case Report World Cocoa Foundation, 2019