



Combining VSLAs and Cash Transfers to Improve Humanitarian Outcomes

OVERVIEW Over 300 million people around the world live in fragile contexts, with nearly **26 million refugees fleeing conflict and scarcity**. With historically high numbers of people living in crisis – for increasingly protracted periods of time – CARE is committed to supporting people’s ability to navigate crises, sustain economic security and ultimately thrive, despite the challenges they face. To date, however, few solutions have proven to be both effective and scalable. This lack of clear solutions inhibits investment, change and progress.

This brief consolidates insights and the state of evidence on how to combine Village Savings & Loan Associations (VSLAs) and cash and voucher assistance (CVA) to improve humanitarian outcomes. By proactively drawing on our successful VSLA model, our industry-leading approach to women-centered cash transfers and our ongoing programming in crisis-settings, we can break down the walls between short-term emergency response and long-term recovery.

VSLA in Emergencies (VSLAiE)

Over 18 months, **CARE consulted over 125 specialists across 45 countries** – from CARE country offices, and other humanitarian and development agencies - to understand when, where and how VSLAs can support emergency response. In parallel, we consulted peer agencies and international leaders to inform our adapted model on VSLAs in Emergencies. The key insights were resoundingly clear:

1. **Engaging existing VSLAs and supporting new group formation are effective approaches to empowering refugees and displaced people.** VSLAs allow people to access savings without having a national ID, proof of residence or collateral, and they have low requirements to join. Refugees bring skills and knowledge to their host communities and can be a core engine for economic growth if they can cultivate new networks, build social cohesion with host communities and access critical financial resources. Even further, women in VSLAs are active in responding to the emergencies that affect them and bringing practical and effective solutions to light. Their ability to organize collective action through their access and reach in communities fosters protection and solidarity.
2. **VSLAs and cash transfers can play highly complementary roles** in supporting the livelihoods and emergency coping mechanisms of refugees. Linking VSLAs with CVA also increases the role of women in responding to emergencies and serves as a node of response that prioritizes their specific needs. But these tools are rarely implemented in a coordinated way and there is a lack of focused evidence on where and how combining these tools can have the greatest impact.
3. **CARE’s consultations, as well as broader humanitarian trends, demonstrate growing industry demand for integrated solutions, including the combination of VSLAs and CVA.** Between 2017 and 2018, funding for cash and voucher assistance grew by 10% to reach \$4.7B per year. Multi-year humanitarian funding (deemed essential for the effective formation of successful VSLAs) grew by 75% between 2016 – 2018 and now represents 36% of all humanitarian assistance. And, overall international support for humanitarian assistance grew by 30% between 2014-2018.

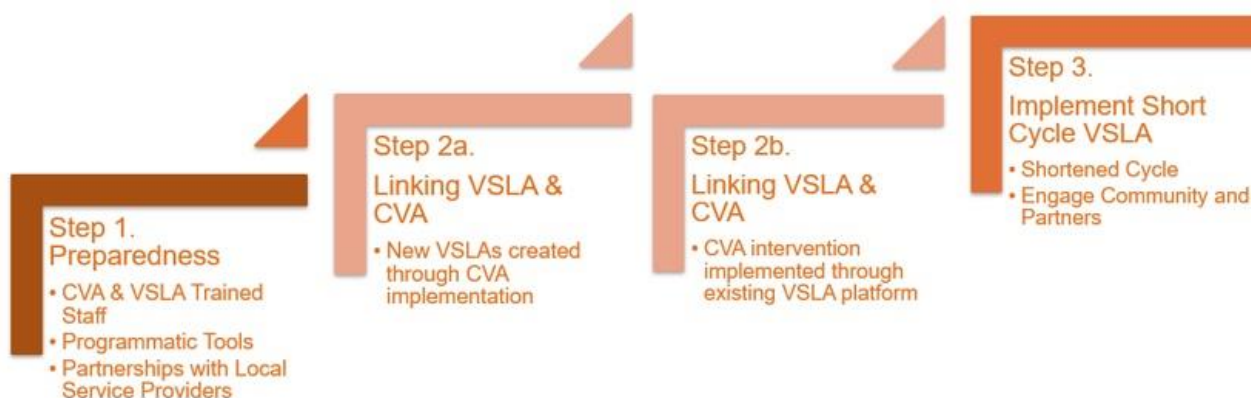
CVA can help individuals and households manage a shock in the short term by providing flexible support to meet the tailored needs of the recipient. VSLAs are a safety net that can enhance an individual’s capacity to save and borrow, and subsequently help them rebuild their lives. When linked to cash transfers or interventions with cash transfers, VSLAs can also be a powerful tool to address the unique constraints faced by people in crisis, especially women and girls, who suffer the dual burden of extreme poverty and displacement. Direct coordination between CVA and VSLAs in humanitarian projects can ensure that vulnerable individuals are appropriately targeted by need and, that activities are structured and timed, so

that participants are able to partake in both opportunities and importantly, have a path to transition from humanitarian assistance to long term stability.

To effectively leverage the power of VSLAs in emergencies, the traditional VSLA model must be adapted to meet the needs of displaced individuals who do not have community structures and social networks to support their recovery. A traditional VSLA model, for example, does not rely on any external resources such as cash transfers being provided to members to meet emergency needs. In complex emergency settings, however, connecting savings groups to cash transfer programs can help people that have little to no access to financial resources or income generating opportunities to strengthen savings habits.

VSLAiE Model

To support the recovery and resilience of people in emergencies, CARE designed a VSLA in Emergencies (VSLAiE) model, comprised of three stages.



1. PREPAREDNESS

In humanitarian contexts, contingency planning and preparedness are critical steps that enable organizations to respond quickly and effectively during a crisis. Since [women and girls face disproportionate burdens from crisis](#), including increased risk of gender-based violence and decreased access to critical health services, establishing the plans to address the specific needs and constraints of women in emergencies is a necessary first step in coordinated humanitarian response. These steps are even more critical given the particularities around implementing and linking VSLAs, which have an operating cycle of one year, with short term humanitarian projects with CVA.

This stage places an emphasis on having staff experienced in both VSLA and CVA implementation and equipping that staff with ready-made, “off-the-shelf” tools such as master agreements, Standard Operating Procedures (SOPs), market assessments, needs and gender assessment tools. Additionally, it is critical to establish partnerships with trusted local actors (community-based organizations, and financial and non-financial service providers) serving targeted communities.

2. LINKING VSLA & CVA

If cash transfers are not sequenced and timed correctly with VSLAs, and communicated clearly to target communities, benefits may not be properly understood, thus creating adverse effects. Integrating CVA into VSLAs can be done by targeting CVA beneficiaries to form new VSLAs and by using the existing VSLAs platform to inform and improve the design and implementation of CVA. Their successful integration requires an assessment of the markets, gender norms, and other needs as well as deliberate identification and targeting of households. To sensitize leaders, partners, and potential partners to the benefits of VSLAs and CVA, conversations about cash transfers and the importance of saving through VSLAs to support recovery must be held with the community. Moreover, engaging women and girls through VSLAs in Emergencies also provides a platform for women affected by crisis to meaningfully participate in humanitarian decision-making. To minimize potential conflict, communities should be involved in deciding criteria for who should receive the cash transfer and best ways to target beneficiaries to start new VSLAs.

3. IMPLEMENT SHORT CYCLE VSLA

The traditional 12-month VSLA cycle can be shortened to meet the needs of displaced populations who are often mobile and in transition. It is key to engage the community and partners through Feedback and Accountability Mechanisms (FAM) to identify and mitigate risk, conflict, and gender-based violence associated with the program.

The VSLAiE model addresses the needs of populations in fragile contexts in the following ways:

Adapted training Implementers must consider the additional risks refugees and IDPs face regarding employment and access to financial resources. Moreover, IDPs and refugees face challenges to their rights and often have suffered traumas that require specific attention. It is also critical to design programming to avoid and mitigate conflict arising from limited resources and ethnic differences.

Technology Digital platforms could facilitate savings and loans among highly mobile populations and provide a trusted source for facilitating group activities. Digital payments could eliminate some of the risk associated with saving in crisis settings and encourage participation in VSLAs.

Targeting/group creation Self-selection is a core component of VSLAs, but displaced people may not have the social networks for member self-selection. When establishing new VSLAiE, implementers should consider carefully targeting individuals who may be able to connect groups. Building strong partnerships with local organizations is vital to that process.

Group capitalization Injections of cash transfers can support the capitalization of groups during acute crises. However, cash transfers should be made later in the training period, or in mature groups, to avoid the erosion of VSLAs' fundamental principles of group autonomy and ownership.

VSLA Members Responding to Crisis

In **Haiti** after Hurricane Matthew in 2016, VSLA members cashed out their savings to contribute \$40,000 to recovery efforts supporting their communities. Many of these groups were only through 1 to 2 savings cycles prior to the Hurricane.

CARE began implementing VSLAs in **Yemen** at the height of conflict in 2017. Sustained cash transfers over 9 months helped VSLAs to start saving at 4 months. Savings have helped groups meet needs and prepare for future shocks.

A pilot project in Idlib, **Syria** had 30 groups (500 people) of host community members, IDPs, farmers and business owners. People who participated in VSLAs were mostly neighbors and saved \$25,000 in one year.

VSLA members in **DRC** pooled their savings to assist IDPs fleeing inter-ethnic conflict and provided 15 houses for three months along with daily meals for 300 IDPs.¹

42% of VSLA members in **Nigeria** are using their social funds to support members who need help, and 15% are using social funds to purchase hygiene supplies. Of the VSLA members surveyed by CARE in Nigeria, 69% reported volunteering to help others or participating in groups that are organizing to protect against COVID-19.

NEXT STEPS

In 2021, with the Sall Foundation, CARE will:

1. Design and implement a series of pilots in crisis settings in Ethiopia, Nigeria, and Yemen to test and further refine the VSLAiE model
2. Host a peer learning group, facilitated by the SEEP Network, to consolidate and expand the evidence on VSLAs in emergencies, and strengthen alliances between key development and humanitarian stakeholders.