The Franchisee Model

for Savings Groups

CARE Tanzania and Mwanga Community Bank

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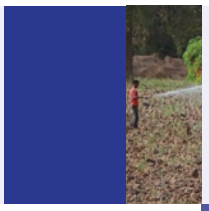

Acronyms

CBT	Community Based Trainers
COSALO	Community Savings and Loans
MCBL	Mwanga Community Bank ltd.
NMB	National Microfinance Bank
SDG	Sustainable Development Goals
VSLA	Village Savings and Loan Association
UNCDF	United Nations Capital Development Fund

Executive Summary

CARE International's MicroLead-funded programme in Tanzania was designed to empower women economically through informal savings groups, using CARE's Village Savings and Loan Association Group (VSLA) methodology and linking these groups to formal financial service providers. The franchisee model - a model which through CARE Kenya's programming has been found to substantially reduce the cost of VSLA formation and lead to sustainable group replication – was selected as the delivery method for this programme. This represented a new approach for CARE Tanzania.

CARE Tanzania learned throughout implementation that this cost-effective model presents challenges, but that it has advantages as well, successfully growing household and community savings and allowing VSLA members to save at and borrow from formal financial institutions.

With evidence of the model's potential and limitations, the CARE Tanzania team was tasked with balancing project sustainability and service integrity.

Introduction

In 1991, CARE launched a transformative programme in Niger that would change the world. It harnessed the ancient practice of group savings in an innovative concept called Village Savings and Loan Associations (VSLA), which is centered on groups of 20-30 people, mainly women, that meet regularly to save and lend funds while gaining financial skills. CARE's proven VSLA model is a highly effective entry point for women's financial inclusion, reaching the most marginalized communities.

We have continued to advance this approach in partnership with private, public and philanthropic sector partners, to include co-creating consumer-centric, innovative and scalable formal financial solutions (including savings, credit and micro-insurance) for our members' evolving needs. Through access to financial services, information and technology, our savings-led approach to financial inclusion leads to women becoming more financially independent, while integrating other interventions such as business training and financial education. As a result, women and their families become healthier, more educated and are more able to contribute to and participate in their local and national communities and economies. With women positioned at the centre of all CARE programming, we are constantly striving to develop and improve savings group-focused initiatives that narrow the gender gap in accessing formal finance.

Since 1991, 200,000 CARE VSLA groups have been formed across 35 countries with 5 million members mobilised, over 70% of them women. They generate more than USD 290 million (USD) in annual savings and achieve loan repayment rates of 99%.

Since 1991

200,000 CARE VSLA GROUPS HAVE BEEN FORMED

CARE VSLA GROUPS ACROSS 35 COUNTRIES

5 MILLION MEMBERS MOBILISED

How VSLA groups work:

1) Community is oriented to the VSLA concept;
2) Individuals opt to join a group and identify their own members (typically 15-25 members);
3) Members are trained on group governance and management. They purchase a lockbox with three locks and three keys as well as passbooks for recording transactions;
4) Group establishes a constitution and bylaws, including meeting frequency, rules and regulations;
5) Group elects a chair person, secretary, treasurer, record keepers and key holders for a one-year term;
6) Group sets the price per share and the minimum/maximum number of shares a member can purchase during a meeting;
7) Groups begin saving on a weekly basis and are trained on financial management;
8) Groups add lending to the routine, making loans to members and collecting repayments with interest (a 10% monthly rate is typically applied to loans);
9) After 9-12 months, groups host "Share-Out Day," ending the cycle and distributing savings and profits to members according to the number of shares each member has purchased during the cycle;
10) Most groups quickly initiate a new cycle autonomously.

CARE's VSLA groups are established through a network of Community Based Trainers who support groups through their first 9-12month cycle and remain available to the VSLA for subsequent cycles on an as-needed basis determined by the groups.

CARE's experience in Tanzania

CARE International has been working in Tanzania since 1994. CARE introduced the idea of VSLAs to Zanzibar in 1998 to increase access to financial services among low-income women. Over the past 18 years, CARE has become a recognised leader in group formation, women's economic empowerment through financial inclusion and private sector linkage; today, CARE is seeing unbelievable progress towards financial inclusion for the most vulnerable. CARE International has supported the establishment of over 23,000 VSLAs nationwide - 50% of all NGO facilitated savings groups in the country - with a membership of approximately 500,000. CARE's best estimates suggest that there are over four million Tanzanians in groups similar to these around the country, with collective potential savings of nearly 400 billion Tanzanian Shillings. These numbers are growing every year but there remains no sustainable system through which new groups are formed and trained.

CARE International's 2013-2017 UNCDF/MicroLead-funded project is delivered across six districts in Tanzania's north-eastern Kilimanjaro Region, in partnership with Mwanga Community Bank (MCBL). Prior to MicroLead, CARE and MCBL had an existing partnership that resulted in the development of savings products tailored to the needs of VSLAs. Before the MicroLead programme began, 43 VSLAs had been linked to MCBL on a pilot basis. MicroLead built on the learning generated from the pilot to scale up the initiative.

The project was designed to respond to Tanzania's staggeringly high levels of financial exclusion, which at the time of project design, saw 83% of the population without access to formal or semi-formal financial institutions, and just 8.3% of the population with a bank account - despite there being 30 commercial banks and close to 50 MFIs operating in the country. Trends show that poor infrastructure and market penetration make it particularly difficult for women to access financial services, especially in the rural areas.

The MicroLead project's vision was to alter this situation by moving financially excluded people firstly to informal financial services (VSLAs), before graduating them to formal financial services. The 2,000 VSLA groups targeted to be linked with MCBL were anticipated to have 50,000 members – representing 28% of the total financially excluded households in the region. A survey conducted by FinScope in Tanzania (2009) found that the lack of start-up money, or money to save, was one of the biggest barriers for people not opening bank accounts. MicroLead aimed to address this bottleneck through a buildup in savings through VSLA membership.

Local entrepreneur

CARE acted as both a supply and demand-side actor to increase financial inclusion through the MicroLead project:

Supply:

- Supported MCBL with developing a new savings product for VSLAs and integrating new products and technology in its mainstream operations.
- Trained MCBL staff in product delivery to VSLAs to support MCBL with increasing its outreach and onboarding savings groups.

Demand:

- Increased the number of VSLAs through group formation.
- Built the capacity of Community Based Trainers and franchisees to offer financial literacy and linkage training, as well as link matured VSLAs to MCBL.

The project proposed VSLA formation be conducted by franchisees: progressive local entrepreneurs, trained in VSLA methodology by CARE, who take-up VSLA formation and management as an enterprise activity. To maximize their returns, they would train Community Based Trainers (CBTs) to work for them to form and manage groups. CBTs have been used for a long time by CARE in Tanzania as rural agents trained in VSLA methodology, meaning they can form new groups on their own, as well as help in conducting VSLA meetings, record-keeping and conducting share outs. The difference with this programme was that the CBTs would be managed by franchisees, a new actor in CARE's VSLA work in Tanzania.

There are two hypotheses that the UNCDF/MicroLead-funded programme supported CARE to explore: that using the Kenya-trialled 'franchisee' model as a delivery methodology would:

1) Offer a sustainable delivery channel for VSLA groups to be formed, and thus increase the pace at which financial inclusion in Tanzania could be taken to scale; and
2) Provide a more cost-effective way of establishing VSLA groups at scale

Tanzania was just one country within the wider UNCDF-funded programme, which worked to reach over one million rural depositors in sub-Saharan Africa by 2016. Multiple case studies are being developed across the programme. This one will focus on CARE's lessons piloting the franchisee model in Tanzania and recommendations for other actors looking for sustainable and cost-effective ways of increasing financial inclusion for those living in poverty.

CARE and the Franchisee Model

The Franchisee Model: a private sector led approach that uses local entrepreneurs trained in VSLA methodology to work with, establish, and support VSLAs. The franchisees are selected and supported by CARE to work with CBTs to ensure the sustainable delivery of financial services at the community level on a fee-for-service basis.

Local women with rice

In summary, the use of franchisees essentially outsources the functions of group formation to trainers who are paid on commission by CARE and are supervised by local entrepreneurs, also paid on commission by CARE.

> CARE International first pioneered the use of franchisees in Kenya in 2008 as a model for establishing and managing VSLA groups through the COSALO pilot (Community Savings and Loans).

The pilot took place in three districts and tested three delivery channels: Community Based Trainers (CBTs) managed by CARE, Faith Based Organizations establishing groups, and franchisees working with CBTs to manage groups. COSALO identified and trained five community entrepreneurs to act as franchisees, each with five CBTs under them responsible for group formation.

The franchisees were identified in each district and interviewed against five criteria, developed by the CARE Kenya team, deemed necessary to be an 'ideal' franchisee. These included that they have a successful business in the area, high literacy levels, strong social standing with a reputation for personal integrity, aligned values with the project, and experience in managing and motivating people. After recruitment, they received training along with their recruited CBTs (who CARE and the franchisees identified together). The franchisees and CBTs then had group training on five areas:

- Individual self-screening
- Group fund development
- Record keeping
- Constitution development
- Savings and loaning

The CARE Kenya team conducted annual, quarterly and monthly review meetings with franchisees and CBTs. Under the 2.5-year pilot, the franchisees were paid (by the CARE grant) an incentive for every person reached; the franchisee received USD 0.70 and the CBT USD 0.80. Payment was provided in two instalments - 60% at the point of group formation, with the remaining 40% provided once the group had completed the full first cycle and had been monitored by CARE. CARE staff conducted random sampling to monitor the groups and had a database of all formed groups by franchisees. To prevent franchisees reporting and being paid for a group more than once, the database flagged when there was duplication of group names.

The pilot was successful, with just one of the five franchisees stopping at the end. One female franchisee went on to hire more CBTs, and thus began forming groups beyond the boundary of her district. By the end of the pilot, the remaining franchisees agreed to continue on a fee-for-service model, which was successful. Additionally, the cost per VSLA member drastically reduced, from an average of USD 80 to circa USD 9.40.

Some of the enabling factors thought to contribute to the initial success, included:

- Franchisees possess relatively strong structures that add value towards the linkage process since they are in contact with a number of VSLA groups already;
- Franchisees are already engaged in successful legal businesses, positioning them as role models to the targeted VSLA members;
- Franchisees enjoy healthy working relations with government structures, providing a strong channel for ensuring VSLAs are connected to other sectors of the wider community

Funding was secured to scale up the franchisee model and under COSALO II, CARE worked with 14 franchisees, each with five CBTs under them, across four districts – each district new to the franchise model. Learnings from this second interaction with franchisees included:

- The franchisee model works best in areas of high population density, to make the balance between income received vs. travel time worthwhile;
- Women made more successful franchisees due to their good networking skills ensuring strong outreach; they managed people well and had good face-to-face communication skills;
- Prompt stipend payment to the franchisees was essential to enable the methodology to spread faster;
- Entrepreneurs and their agents find innovative ways of training groups quickly to gain the greatest commissions. These included: the clustering of groups to reduce the number of visits necessary, encouragement of inter-group learning, and the use of radio spots and systematic visits to weekly markets to recruit new groups.

CARE Tanzania and Franchising

CARE saw great potential in using the franchisee model in Tanzania, to achieve the aforementioned goals of sustainability and cost-efficiency. Interestingly, the primary focus for CARE within the project's design was bank linkages and connecting the rural poor to formal financial services, with a lesser focus on the delivery mechanism for establishing the groups.

Launch of franchising

In Tanzania, the approach to the franchisee model remained much the same, as has been described under section (2), above. The CARE project team sought progressive local entrepreneurs to train in the VSLA methodology. Criteria were established for identifying suitable franchisees, and these outlined that the individuals should:

- Be a business person who can read and write;
- Have completed education up to form four (age 17);
- Have experience with community work;
- Run a business with a known address, and the business must be legally registered;
- Be well known and respected by the community;
- Be centrally located within the geographical area to be served;
- Have people management skills.

CARE entered into contracts with these individuals and then trained them on: training of trainers (ToTs) on VSLA methodology, financial education and banking linkage. They were also oriented on how best to identify and train Community Based Trainers (CBTs).

CARE equipped the franchisees with training toolkits and established a three-part incentive structure for group formation: 50% of stipend given during group formation, 40% of stipend given at group graduation, and 10% of stipend after attending the project closing workshop. The total stipend was 3,200 Tanzanian Shillings (USD 1.50) per member, split 50/50 between franchisee and CBT. An additional stipend of USD 2 was available for the franchisee and CBT (to also split 50/50) per VSLA group linked to MCBL.

Fifteen franchisees were recruited, along with 143 CBTs under their guidance. Between 2013 and March 2016, CARE Tanzania reported to have supported 3,340 VSLA groups under the MicroLead project (including mature and newly formed groups) in Kilimanjaro Region, and linked 946 groups to MCBL.

franchisees with training toolkits

50% OF STIPEND GIVEN DURING GROUP FORMATION

40% OF STIPEND GIVEN AT GROUP GRADUATION

10% OF STIPEND AFTER ATTENDING THE PROJECT CLOSING WORKSHOP.

Surfacing concerns (March / April 2016)

In early 2016, during routine monitoring exercises, CARE identified some potential quality issues within the groups, arising because some members were not adhering to VSLA methodology. This raised concern around the integrity of the data being reported. Subsequently, in April 2016, CARE's Monitoring, Evaluation and Learning (MEAL) unit conducted a comprehensive review of all VSLAs formed or supported by the project since inception. This process included a physical, in-person review of every reported VSLA.

The findings were stark, with the audit report showing that just 1,243 of the reportedly 3,340 formed groups were in existence, only 594 of which were newly formed under the project. Ghost groups were being reported which did not exist. With bank linkages, the number of groups linked was correct – 946 – however, only 451 of them could be called VSLAs. The balance were savings groups similar to VSLAs, such as VICOBA and SILC, or other social groups, which had not been supported by the project. From this finding, we can deduce that the demand for linkage is strong, with almost as many groups linking autonomously as those linking with project support. This boded well for the business case for creating linkages.

Local farming

The issues that were identified as having contributed to these challenges, were:

- **Dishonest reporting** by some CBTs, franchisees and/or CARE staff; by inflating numbers, franchisees and CBTs received a higher income, as they were paid a commission for groups formed or linked;
- **Flaws in the Franchisee Model**, as franchisees were not given a limit on the number of CBTs they could recruit and supervise, nor were CBTs given limits on the number of groups they could form;
- **Insufficient Field Supervision** meant the project staff were not holding franchisees and CBTs to account for the number of groups formed and/or linked which they reported. Group verification and data interrogation was not conducted; and
- **Insufficient Systems** to verify data integrity; the reliance on the MIS figures led to a false sense of comfort that project targets were on track.

On reflection, and when comparing the Kenya and Tanzania experiences, it is apparent that there were a few missed opportunities to mitigate against such risks, including:

- The early success of the Kenya model meant that risks associated with the franchisee approach were not taken into due consideration upon project design or implementation. For Kenya, these risks included: the methodology being distorted and the ultimate goal of reliable financial services being abandoned in favour of short-term commercial advantage. For Tanzania, testing franchising as a model was a secondary objective of the project – the main focus was group linkage to a formal institution– the risks of the franchising model were not, therefore, well analysed.
- Before project inception, representatives from Tanzania visited Kenya to learn more and to ensure they were following the same steps. An omission, however, was follow-up thorough training for the core project staff and monitoring team.
- Each franchisee had a varying number of CBTs working under their guidance - the average number of CBTs per franchisee was 9.5, with some having as many as 23. There was a total of 143 CBTs, which far exceeded the numbers and ratios for any previous franchising work conducted by CARE.

Instituting a recovery plan (June 2016 / January 2017)

After the internal audit report, CARE presented an eight-month recovery plan to UNCDF to: redirect implementation of the project for the remaining duration, address issues identified for deeper impact and sustainability of project outcomes, and draw lessons that could feed back into the project and future programming to mitigate against this happening again.

The proposed actions included:

- Letting go of franchisees, CBTs and staff that had been found to have acted fraudulently (following exit interviews and disciplinary actions):
  - CBTs and franchisees found to be forming high-quality groups and working to a high standard were kept on, and in the locations where franchisees were discontinued, CARE conducted direct implementation using CBTs.
- Tightening organisational oversight and supervision of the reporting process, specifically:
  - Physical verification of VSLAs formed from until project close-out;
  - Random physical checks by CARE senior staff of 10% of all monthly formed VSLAs;
  - No payment for services to franchisees or CBT until all documentation was complete and a physical check had been conducted.
- Improving processes and systems used for data collection and analysis, including capacity strengthening of staff and remaining franchisees and CBTs.
- Revising the incentive structure, so that instead of paying an incentive for each group member, a monthly fixed stipend, alongside targets and quality assurance measures for each CBT/Franchisee, was introduced. This also applied to bank linkage, with incentives replaced by the fixed stipend.

Additionally, the recovery plan sought to delve deeper into the franchisee model, to better understand how it could be improved to deliver high-quality training and linkage.

This plan was initiated by new CARE programme staff, CARE Senior Management, and technical support from CARE International's Financial Inclusion team. The targets were reduced from the original 2,900 groups formed to 1,350 groups by project close (from a baseline at April 2016 of 818 already formed and good-quality groups). In line with this, the target of individual members was reduced to 37,797 – accounting for an average 28 members per group.

In terms of linkage, the target was reduced from 2,000 groups linked to MCBL, to 1,206 linked (from a baseline at April 2016 of 495 linked). An additional banking partner was also brought on board in some districts, as it was becoming a challenge for MCBL to serve all six of the intervention districts. NMB, which is a CARE partner through the LINK-UP programme (which also links VSLA groups to banks) served the districts of Rombo, Hai and Siha.

Where are we now?

Since implementation of the recovery plan (July 2016), CARE continued working with five of the highest performing original franchisees, who were re-trained and managed closely by an increased field team. The number of CBTs immediately dropped from 129 to 31. The CBTs were managed by a combination of the five retained franchisees and the three CARE staff working as field agents. CBTs were paid a monthly stipend of 60,000 Tanzanian Shillings, with franchisees paid a monthly stipend of 200,000 (the CARE field agents did not receive this stipend). This flat-rate payment replaced the original incentive payment structure.

By December 2016, the CARE field team had achieved 93% of the new VSLA group formation target (1,250 new groups out of revised target of 1,350) with 1,417 total groups linked to banks (71% of original target and exceeded revised target of 1,206).

While delivering the recovery plan, key challenges and lessons emerged around linkage of groups to the formal financial sector:

- In districts where CBTs and franchisees were dropped from the programme, mobilising VSLAs to link to banks was compounded by former CBTs and franchisees advising groups that the project had been phased out, which slowed the linkage activities.
- Information around group linkage is an ongoing challenge. Despite various outreach activities and trainings, the knowledge uptake among group members remains low, indicating there is more work to be done around group linkage. Where groups do link to a bank, account utilisation is at times minimal. This is at odds with CARE's other linkage programme, LINK-UP, showing that the additional challenges encountered by CARE around fraudulent group reporting have likely contributed to challenges in achieving other programme outcomes.
- There needs to be a staggered approach within banks, first developing savings products and later developing credit products once the savings product and the groups are considered successful.

The identified successes from the project have been:

- Providing CBTs with targets, combined with close supervision and follow-up has ensured the revised targets have almost been met for group formation, and exceeded for group linkage
- The production of a linkage training manual for both MCBL and NMB are now in place
- Continuous and physical engagement with VSLAs, by bank staff, contributed to the uptake of linkage via more quality engagement with the groups

Franchisee Case Study: Fellister's Story

Working as a franchisee empowers 50-year old Fellister Ussiri to feel strong and independent. She is responsible for educating and coaching villagers to form successful VSLAs in two districts in Northern Tanzania.

Fellister has been a franchisee since March 2014, working in Hai and Siha Districts. Before applying for the job, she worked as a CBT, forming and educating VLSAs in her area. Today she is responsible for nine CBTs and 320 VSLA-groups. Her tasks include recruiting new CBTs, educating them, and helping them form VSLAs. Every week Fellister travels with her CBTs to the many villages to coach them on building successful VSLAs.

Fellister was inspired to become a franchisee because she had benefited greatly from being a VSLA member. It enabled her to open a clothing shop and make sure that she could pay the school fees for her three children. To work as a franchisee enabled Fellister to support the people of her community to join a VSLA so they too could invest in a good and secure future for their families.

When Fellister visits her VSLAs, she is called by the name 'Mama Saviour'. The people appreciate her advice and support and gave her this name to show their gratitude. Fellister has become an important figure who is well known among the district villagers.

Fellister Ussiri Working as a franchisee

> I think that they have given me that name, because they trust me and the advice I give them. The people like me, and I also like them. I love to work as a franchisee because I can support people to live better lives. So, I hope I can have the job forever.

Fellister is dreaming of building a small hostel. She believes that this dream can come true from the money she earns from her clothing shop and her job as a franchisee for CARE Tanzania. The construction of the hostel has already started and Fellister believes that the hostel will become a great business.

Franchisee and CBT Interviews

As part of the recovery plan, developing a forum for discussion was a key priority for CARE. This helped to understand the challenges faced by franchisees and CBTs – both those retained and those released for fraud.

Successes

- Franchisees emphasized that working closely to support CBTs enhanced project success, as each franchisee knew well the weakness of each CBT better than a programme officer.
- VSLA methodology training can be disseminated well through the training-of-trainer method; CBTs felt supported in this respect by the trained franchisees.
- When franchisees are well engaged, they are a great support to CBTs, and working as a team.

Challenges

- Communication and support was lacking between franchisees and CARE programme staff, and between CBTs and CARE programme staff, resulting in a breakdown of messaging, accountability and technical input. CARE staff needed to have been more 'hands-on' when trialling a new delivery method, with all actors involved. Franchisees' did not feel their voice was heard, and CBTs did not have an effective reporting line if they had issues to report.
- The incentive to link groups to banks was low, as the paid incentive to do so was lower than that of forming groups.
- The payment structure (CBT reports data to CARE; CARE pays franchisee; franchisee pays CBT) was too exposed to delays, increasing the incentive for fraud. It also reduced accountability, with CBTs reporting direct to CARE, removing franchisee oversight.

To expand on this last point, the reporting structure in general needed to be strategically designed, taking accountability and oversight into strong account. In the case of CARE Tanzania, the franchisee was responsible for recruiting, training and supervising the CBTs – thus being accountable to what a CBT delivered. However, CBTs were tasked with data collection which was directly submitted to CARE, thus removing the franchisee's oversight and removing a level of accountability. With the right structure, there is greater potential for quality assurance.

Future opportunities

- It is felt that CBTs should sign a contract with CARE, including regular supportive supervision to increase transparency and accountability.
- Monthly stipends could work better than per-group-formed incentive payments.
- Stipulate the maximum number of groups to be formed per CBT – based on geography, travel opportunities and industry standards - and adhere to them for quality control.
- Engage programme staff in CBT as well as franchisee recruitment and selection.
- Strengthen reporting, communication and transparency with all actors involved.

In terms of how these opportunities translate into the functionality and future of the model, there remains potential, if aspects are tested and scrutinized at design, including: (1) reporting structures allow for accountability and oversight; (2) stringent payment structures and mechanisms are established; and (3) that a well-designed database can auto alert when SEEP[1] standards are not being adhered to, to mitigate against quality issues.

[1] SEEP is a global learning network that was a pioneer of the microcredit movement, and helped to build the foundation of the financial inclusion efforts of today. A membership organisation, they have developed standardised guidelines for the formation of savings groups.

Lessons and Recommendations on Franchising from CARE Tanzania

Compiled from staff, CBTs and franchisees involved in the MicroLead programme, as well as external technical advisors, CARE has prioritised the following five key lessons for anyone embarking on franchising as a delivery method for Savings Group creation, training, and management.

Know your priority focus: If you're going to use franchising as a delivery method for the first time, and/or in a new country, consider making it your main focus, or, know what you want to achieve from it and ensure other activities don't jeopardise this. Having two different incentive structures for forming groups and linking groups likely contributed to the challenges experienced; it should be acknowledged that this was compounded by a lack of regular and tight monitoring.

Know the skill-base of your demographic: Franchising showed potential for scale in Kenya, but within a different population, the pool from which to secure franchisees that met the required criteria was limited and in some instances, non-existent. If you can't find the right candidates, re-assess your approach. Does your location need to change? Do your partners need to change to open doors to the right candidates? Do you need to increase staff capacity to provide the extra support that will undoubtedly be needed?

Rigorously test the incentive structure and have good payment systems: Make sure your incentive structure will be just that - an incentive. But use caution. The amount paid needs to trigger a desire to succeed, rather than a desire for more. Delayed payments increase the franchisees' and CBTs' motivation to create ghost groups to cover their needs; with poor payment structures, the temptation for mis-reporting is heightened.

Understand that franchising is not dissolving responsibility: When looking at successful examples of franchising, the central organisation provides the tools, training, methodology and branding, while ensuring certain standards are met. If you let go of any aspect of this, you risk your brand and quality outputs. There's a balance between maintaining control and maintaining quality oversight. Through franchisees selecting CBTs for example, control is lessened; there's a place within this process however, for quality control.

> "Make sure checks and balances are in place to ensure standards of your end-product are maintained"

Local market in Mwanga

Know why you want to trial franchising: Since the recovery plan was introduced in June 2016, CARE Tanzania has almost succeeded at meeting its revised targets, showing that with the right training, team, payment structures, and support, the franchising approach can work. This has been backed up by COSALO's findings. You are urged to know why you want to trial franchising though and what your objective is. If it's to lower your cost, proceed with caution and weigh the risk vs. opportunities beforehand – with risks as high as they are, it may not be worth it. If your motivation is to find a more sustainable approach, however, the opportunities are there in abundance, and the potential to secure a scalable model for financial inclusion is as exciting as it is possible.

Commenting on the hypotheses

To return to the aforementioned hypotheses, the learnings from the CARE Tanzania team have served well in adjusting CARE's thinking.

Proven, in part: using the franchisee model as a delivery methodology can provide a more cost-effective way of establishing VSLA groups at scale.

- A cost analysis, carried out by the CARE team in Tanzania, estimates the cost per VSLA member, to be USD 2.5 when using the franchisee model. This is in comparison to USD 13 per member when VSLAs are established by a partner organisation, managed by CARE. We can only say that this is proven in part, however, as the fraudulent behaviour serves to place a question mark over the integrity of any firm data emerging from the project. The cost is coming out far lower than that of the COSALO pilots. This could be attributed to the ratio of franchisees to CBTs, the scale at which COSALO was delivered in comparison to the MicroLead-funded project, and the staffing structures. COSALO has, however, proven that the franchisee model is cheaper, and the project has contributed towards confirming this.

Rejected, in part: using the franchisee model as a delivery methodology offers a sustainable method for VSLA groups to be formed, and thus increases the pace at which financial inclusion can be taken to scale.

- Looking at the MicroLead-funded project alone, it is fair to say that the potential is there for sustainability, and that one of the post-project expected outcomes within CARE was that the franchisees would continue using the model as a way of generating income (based on experience in Kenya). As the project is yet to officially close, we cannot provide information on the number of franchisees expecting to continue. A follow-up survey should take place 6-12 months after project close-out to properly comment on this hypothesis. Looking crudely at the number of franchisees that completed the project cycle (5 out of the original 14), we can surmise that the number continuing with integrity and the potential for high quality group formation, will be low. Taking COSALO outcomes, however, we know that franchisees have great potential to offer a sustainable solution to group formation and scale.

Conclusion

Given the successes and setbacks laid forth in this case study, it is apparent that the franchisee model has the potential to work, despite the challenges faced in its first-time implementation by CARE in Tanzania. Data, interviews, and assessments from the programme show that realigning group and remuneration targets, strengthening verification and monitoring systems, building stronger agreements between franchisees, CBTs, and CARE staff, adjusting geographical scope and transportation provisions, and ensuring greater governance and accountability across the model as a whole, would provide the foundation needed for the franchisee model to be a robust and successful method for lifting struggling rural communities out of poverty. The developments seen in the last eight months throughout the recovery phase attest to the model's potential.

Can we comfortably say though, that franchising as a model can achieve scale, when it doesn't have a donor behind it, funding monitoring and evaluation systems, data verification and relationship building that is being recommended as essential? This remains to be proven and requires a more longitudinal survey to follow group performance, replication and sustainability over the long-term.

The lessons learned and recommendations from staff and field actors will be a stepping stone for greater progress within the sector to identifying the most effective method for creating a replicable and sustainable model for socioeconomic development in rural communities in Tanzania and beyond.

ABOUT UNCDF

UNCDF makes public and private finance work for the poor in the world's 47 least developed countries. With its capital mandate and instruments, UNCDF offers "last mile" finance models that unlock public and private resources, especially at the domestic level, to reduce poverty and support local economic development. UNCDF's financing models work through two channels: financial inclusion that expands the opportunities for individuals, households, and small businesses to participate in the local economy, providing them with the tools they need to climb out of poverty and manage their financial lives; and by showing how localized investments — through fiscal decentralization, innovative municipal finance, and structured project finance — can drive public and private funding that underpins local economic expansion and sustainable development. By strengthening how finance works for poor people at the household, small enterprise, and local infrastructure levels, UNCDF contributes to SDG 1 on eradicating poverty and SDG 17 on the means of implementation. By identifying those market segments where innovative financing models can have transformational impact in helping to reach the last mile and address exclusion and inequalities of access, UNCDF contributes to a number of different SDGs.

ABOUT MICROLEAD

MicroLead, a UNCDF global initiative which challenges financial service providers to develop, pilot and scale deposit services for low income, rural populations, particularly women, was initiated in 2008 with support from the Bill & Melinda Gates Foundation and expanded in 2011 with support from Mastercard Foundation and LIFT Myanmar. It contributes to the UN's Sustainable Development Goals, particularly SDG 1 (end poverty), SDG 2 (end hunger, achieve food security and promote sustainable agriculture) and SDG 5 (achieve gender equality and economic empowerment of women), as well as the Addis-Abeba Financing for Development Agenda (domestic resource mobilization).

MicroLead works with a variety of FSPs and Technical Service Providers (TSPs) to reach into previously untapped rural markets with demand-driven, responsibly priced products offered via alternative delivery channels such as rural agents, mobile phones, roving agents, point of sales devices and informal group linkages. The products are offered in conjunction with financial education so that customers not only have access but actually use quality services.

With a specific emphasis on savings, women, rural markets, and technology, MicroLead is a performance-based programme that supports partnerships which build the capacity of financial institutions to pilot and roll out sustainable financial services, particularly savings. As UNCDF rolls out the next phase of MicroLead, it will continue to focus on facilitating innovative partnerships that encourage FSPs to reach into rural remote populations, build on existing digital financial infrastructure and emphasize customer-centric product design. For more information, please visit www.uncdf.org/microlead. Follow UNCDF MicroLead on Twitter at @UNCDFMicroLead.

ABOUT MASTERCARD FOUNDATION

Mastercard Foundation works with visionary organizations to provide greater access to education, skills training and financial services for people living in poverty, primarily in Africa. As one of the largest private foundations its work is guided by its mission to advance learning and promote financial inclusion to create an inclusive and equitable world. Based in Toronto, Canada, its independence was established by Mastercard when the Foundation was created in 2006.

ABOUT CARE INTERNATIONAL

CARE International began working in Tanzania in April 1994, in response to the crisis in Rwanda and the subsequent influx of refugees into the Kagera Region of North-Western Tanzania. CARE Tanzania's programmes are guided by its Wezesha Strategy, which has the goal of reducing absolute poverty and improving social justice by addressing the underlying causes of poverty in Tanzania. This is achieved through three strategic directions that run through all programming: 1) promoting good governance, 2) advocating for pro-poor policies, and 3) empowering women economically. CARE Tanzania's programme portfolio includes 19 projects/programmes, seven currently active, focused on Natural Resource Management, the Environment and Climate Change, Women's Empowerment and Gender Equality, Microfinance, and Governance. CARE has been using the VSLA model in Tanzania since 1998; the groups have subsequently become an entry point to the community through multiple other programmes. CARE has so far supported 23,000 VSLAs in Tanzania, with a membership of close to 500,000. These members mobilize over USD 18 million of savings annually.

ABOUT MWANGA COMMUNITY BANK LTD.

Mwanga Community Bank (MCBL) started its operations in 2000 after receiving its Regional Unit Financial Institution License from the Bank of Tanzania (BoT). In 2009, MCBL obtained a regional bank license allowing it to operate in the entire Kilimanjaro region; operating in a limited area serves as a key reason they pursue agency banking and VSLAs as clients. The bank is a public limited company whose shareholders are individuals from every village of Mwanga District, people originating from Dar es Salaam, Arusha, Dodoma, Tanga and Moshi, and institutions and non-governmental organizations including the Tanzania Gatsby Trust (TGT), Mwanga Pare Community Development Trust Fund and Mwanga District Council among others. There is no majority shareholder in the bank. MCBL reaches its 400,000+ clients through over 40 SACCOS. MCBL also works with several mobile service providers to promote mobile banking. It is beginning to expand operations in rural areas, which can increasingly enable VSLAs to open accounts and transact with banks. MCBL is also planning to establish ATMs in rural areas to support VSLAs and other rural clients to transact.

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