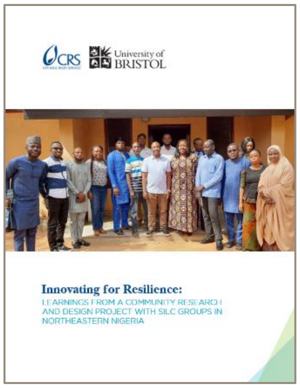
Innovating for Resilience:

LEARNINGS FROM A COMMUNITY RESEARCH AND DESIGN PROJECT WITH SILC GROUPS IN NORTHEASTERN NIGERIA



Cover photo: Participants of the co-design workshop in Duragi Hotel Yola, Adamawa State on January 25th, 2023.

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Catholic Relief Services (CRS) is the official international humanitarian agency of the United States Catholic community. CRS saves, protects, and transforms lives in more than 100 countries, without regard to race, religion, or nationality. Our relief and development work is accomplished through programs of emergency response, HIV, health, agriculture, education, microfinance and peacebuilding.

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Introduction

Over the past decade, resilience has become increasingly important within the international development sector with major actors such as the World Bank, FCDO, USAID, FAO, and WFP centering their strategies around increasing resilience. While a focus on resilience intuitively makes sense, there has been some criticism that without a real framework of what resilience means or how to translate resilience into better programming, the concept runs the risk of being "just another buzzword" that program teams include at donor request (Mitchell 2013). This provides an opportunity (and underscores the necessity) to elevate the voices of program participants in both framing resilience and then innovating around how programming can help participants to increase their resilience.

There is growing evidence that savings groups can be an essential source of resilience in the context of financial or economic hardship (hereafter referred to as "financial resilience"), particularly with regards to absorptive resilience capacity – helping buffer shocks by providing both financial support (e.g., access to savings and loans, increased assets and income) and social capital (e.g., networks, trust, collective action) (Krishnan 2021; Cabot Venton et al. 2021). Beyond their classic financial functions, CRS' Savings and Internal Lending Communities (SILC – see box) have shown the potential to embrace innovation – from integrating gender and social cohesion programming, to SILC private service providers (PSPs) building a supply chain for agricultural inputs and access to the market, to SILC members encouraging each other to purchase health microinsurance – and may become sources of adaptive and transformative capacities as well.

In this research, set within the CRS STaR project in Northeastern Nigeria (see box), we used a participatory research and design approach to explore financial resilience with SILC group members and PSPs. We set out to answer three questions areas:

1. What does financial resilience mean to SILC members in Northeastern Nigeria? How do they currently try to build it? And what supports or hinders them in doing so?
2. How does SILC currently help them in their attempts to build financial resilience? Are there ways for SILC to do more?
3. What can this process teach us about SILC member-driven, bottom-up innovation?

Methodology

To answer the research questions, we conducted a three-week co-research and co-design process with CRS team members and six community researchers – four PSPs and two SILC members. Working with researchers who themselves had

SILC

Savings and Internal Lending Communities (SILC) are community-based, user-owned, self-managed savings groups designed to serve communities with little or no access to formal financial services. They are formed, trained, and supported by Private Service Providers (PSP), entrepreneurial community members who go through a SILC certification process and earn fees from SILC groups for their services. SILC has been a central component of CRS' development programming since the model's adoption in 2006. Learn more about CRS' SILC model here.

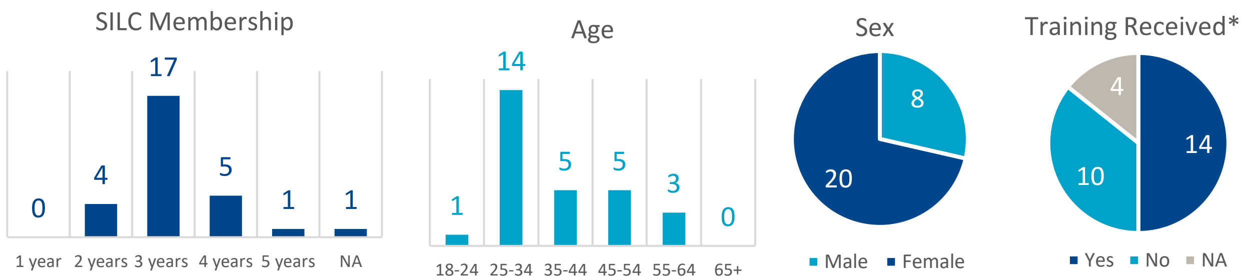
STaR Project

In Northeastern Nigeria, setting up SILC groups is one component of a larger resilience project – Stabilization and Reconciliation in the Lake Chad Basin (STaR) – that aims to strengthen the resilience of vulnerable households in Borno, Adamawa and Yobe states. The STaR team works to support the construction and rehabilitation of infrastructure, improve livelihoods and social cohesion, strengthen local governance systems, improve access to water for livestock and food production, and deliver extension services to farmers.

first-hand experience with SILC brought lived experience to the research process, created local ownership, and made it easier to build trust and allow participants to speak openly.

In week 1, community researchers conducted in-depth interviews and focus groups with 28 SILC members in Yola South, Girei, Song and Shelleng of Adamawa State and Askira Uba and Chibok of Borno state.[1]

Demographics of Phase 1 Participants (total = 28)

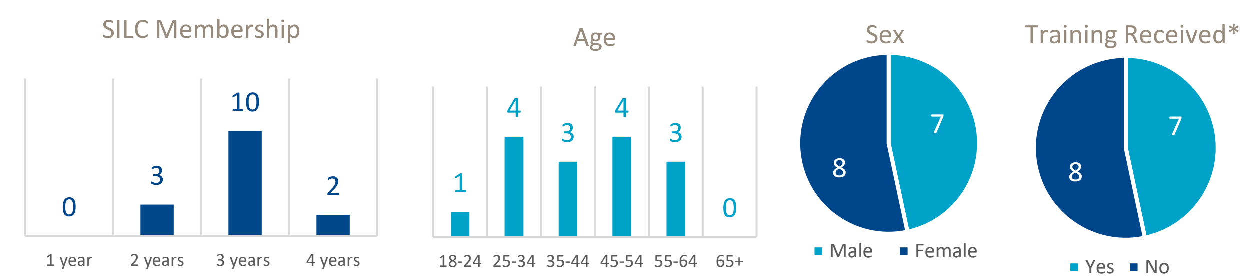


** Training refers to a curriculum delivered in the SILC group setting, beyond the SILC curriculum itself, such as entrepreneurial skills.*

In their conversations, researchers and participants together mapped out participants' financial lives – from discussing income, expenses and strategies to cope with financial shocks, to exploring key support, worries and hopes for the future – and constructed annual cashflows that showed the volatility of earnings and expenses throughout the year as well as strategies participants used to manage the two.

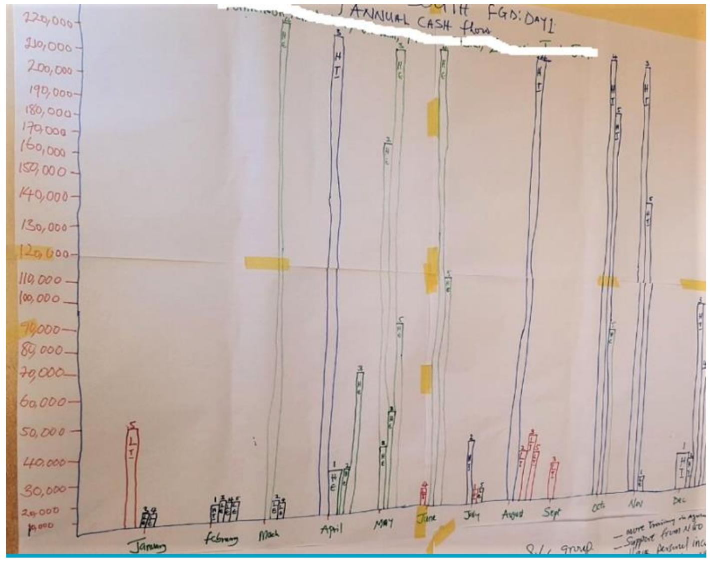
In a co-analysis workshop at the end of the week, we summarized findings and developed questions for week two which entailed follow-up interviews with 15 of the original 28 participants selected by community researchers to further explore the role SILC played in their resilience.

Demographics of Phase 2 Participants (total = 15)



[1] Sampling was purposeful: In round 1, members of SILC groups in the selected locations that had been active for at least two years were asked to participate. In round 2, community researchers followed up with participants whose interviews they had found particularly valuable in round 1 and wanted to learn more about, for example because they had described multiple income streams, had a high financial burden, were active SILC members, and/or had a larger or smaller social network than others.

In these longer interviews, researchers and participants dove further into some of the different factors identified in week one: detailing income sources, businesses and investments, discussing the use of SILC loans and shareouts, and visualizing participants' social networks.



Seen above as a focus group discussion output, participants mapped their cash flow across months.

In week three, we then summarized our learnings and highlighted key takeaways in a second co-analysis workshop and changed gears to sharing and developing ideas based on these learnings. We used three formats for this last step: 1) community researchers reflected on their experience – both considering potential new ideas and how they had experienced the process, 2) we organized a co-design workshop with researchers, CRS team members and external stakeholders from other organizations active in the region and sector to explore opportunities and ideas, and 3) community researchers traveled back to the communities interviewed, shared our takeaways, and discussed community member feedback and ideas. Afterwards, we organized several debrief discussions with other CRS team members from both technical and country program teams to review findings, provide feedback, and discuss potential next steps.

Key Findings

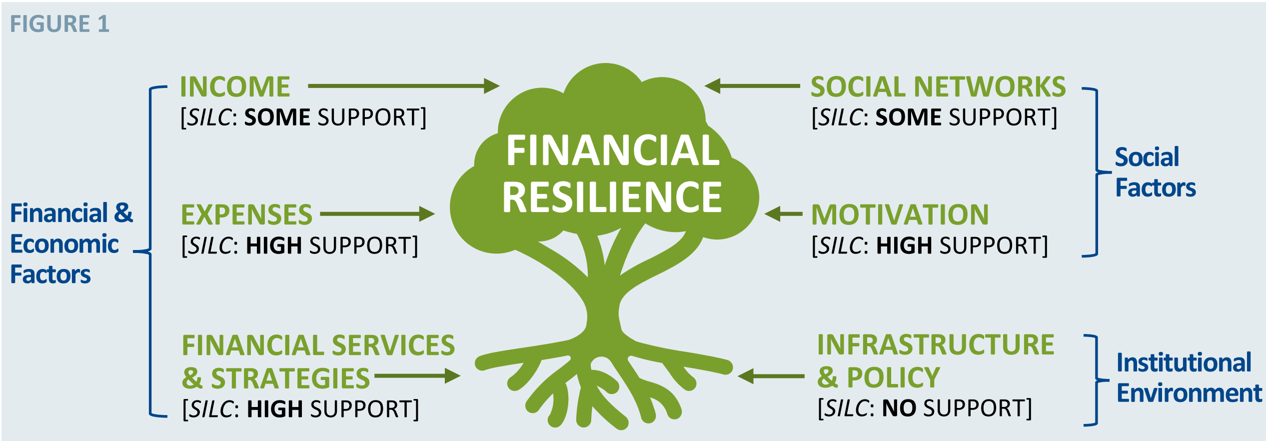
The information about their financial lives that SILC member shared with us – both the strategies they used to manage their finances as well as the barriers and challenges they faced in doing so – allowed us to explore financial resilience from two perspectives:

1) The "input" side: identifying the factors that matter for financial resilience and understanding the challenges participants currently face and the strategies they employ with regards to each factor
2) The "output" side: assessing to what extent participants currently have financial resilience capacity and what is holding them back from increasing this capacity

THE INPUT SIDE: FINANCIAL RESILIENCE FACTORS

We identified six factors across three dimensions – financial and economic, social and institutional – that mattered for financial resilience. These factors weren't independent from each other, but rather presented an understanding of financial resilience as a web of interconnected factors in which financial and social factors are interwoven with and support each other and are ultimately shaped by the larger institutional environment.

When further investigating the role SILC played across these categories, we found that SILC played a supporting role in most factors, but to varying degrees (see Figure 1).



<u>Financial and economic factors: income, expenses and financial services & strategies</u>

Stable and manageable expenses, a predictable and sufficient income, and targeted financial services and strategies stood out as key financial and economic factors influencing financial resilience. For each of these factors, participants described the challenges they faced, the strategies they employed to mitigate those, and what role SILC groups played in these strategies.

Participants described a high (often seasonal) income volatility throughout the year, mostly tied to the farming cycle. They tried to mitigate this by relying on multiple income sources (e.g., farming, small businesses, earnings from casual labor, or more steady work) that often supported each other (i.e., investing in a business with earnings from farming and vice versa). Participants expressed pride in making an "honest living" ("not doing anything illegal," "not begging"), being able to provide for their family, and their attempts to invest in and grow their businesses. Despite these efforts, participants struggled with the seasonal volatility and expressed that, overall, income was not sufficient to meet their needs at all times. They mentioned a lack of training (e.g., vocational, entrepreneurial, accounting) along with a lack of capital and support for small businesses as primary challenges to grow their income.

SILC groups provided some support[2] in helping participants both manage income volatility and grow income. Many participants used their SILC savings at share-out or loans to keep their businesses or other sources of income running (e.g., for agricultural inputs or sewing materials), and some were able to access larger amounts to invest in their existing business or start a new one (e.g., buying a sewing machine). For all, the ability to save via SILC participation during times of higher income and borrow when income was low was a key strategy to mitigate volatility and some viewed SILC share-outs as a source of income itself.

Similar to income, participants experienced significant (also often seasonal) expense volatility throughout the year. Their main strategy was to cut back expenses when needed – with food, school fees and related expenses, health costs, supporting family, social activities, and business or farming inputs being key priorities. SILC here was seen as a source of high support with savings and loans identified as key tools to cover emergencies, everyday needs, and occasionally larger expenses.

[2] We use the terms "no support", "some support" and "high support" to reflect discussions within co-analysis workshops on the relative importance and prevalence of SILC from participant interviews rather than as defined quantitative measures with strict boundaries.

Managing income and expenses, especially given the high volatility experienced, required participants to rely on various financial services and strategies. SILC was the primary financial service used by participants and they reported that it provided high support as well as a source of pride and motivation – proving to participants that they could save and manage while providing the routine, tools and incentive to budget and plan their finances. Along with SILC, social networks served as an important strategy to provide and receive help when needed. Where possible, participants invested their SILC loans and share-outs in their businesses, but they tended to be small investments. Participants described that they lacked access to capital other than SILC (e.g., through formal financial institutions) and thus had insufficient income to build up larger savings, so they were mostly unable to make larger investments in their income-generating activities (IGA). They therefore thought they were unprepared to confront larger shocks or changes, such as growing their business or responding to the negative effects of natural disasters.

Social factors: social networks and personal motivation

A strong and supportive social network along with a feeling of motivation and pride – often derived from community and family – were key for participants' financial resilience as sources of both direct and indirect support. Participants described how they built and relied on social networks, where they found their motivation, and how SILC influenced both.

Social networks played a key role in participants' financial lives and usually included family members, neighbors, friends, and other business owners. Their primary function was to help each other in case of a financial shock or a larger everyday expense (e.g., a health issue, school fees), but sometimes social networks also supported business expenses (e.g., agricultural inputs) and provided advice and training for those starting a new business or hoping to expand (e.g., learning a craft from each other). Given the importance of social networks, participants prioritized spending on social activities such as religious ceremonies when possible. SILC groups were seen to provide some support to strengthen and complement social networks. While most participants said their own network had existed before joining a SILC group and often consisted of members different from their SILC group members, they explained that SILC groups strengthened overall social cohesion and provided a welcome opportunity for them to share their problems and receive advice from others. Participants further explained that SILC groups had made it easier for them to support their social network (i.e., using SILC savings to provide support to family members) and less likely for them to ask for support as they felt more in charge of their finances. The social fund (see box) that SILC groups provide in case of emergency was used by some participants, but less frequently than their more informal networks – potentially because it was only available during a weekly meeting rather than instantly, when the specific need arises.

> As part of their savings, SILC groups create a social fund designed to support members in crisis. This fund provides small grants for things like medical emergencies and is separate from the group's main saving account. This allows households to make unplanned expenditures without delay and without liquidating assets. SILC groups set their own rules on how to set up and access the fund.

Participants described how important their motivation to provide for their children and family needs was in helping them persevere and continue trying to manage their finances despite what felt like continued adversity. They cared about the development of the community as a whole and helping others. SILC was seen as highly supportive to contribute to motivation through its group-based routine of savings and its access to loans – serving as a reason to continue with saving and financial planning, providing a positive outlook on the future and opportunities to come, and being a direct source of support for participants' needs.

Institutional environment: infrastructure and policy

The larger institutional environment, especially robust infrastructure and supportive policy, emerged as essential for financial resilience – directly influencing other factors, especially within the financial and economic dimension.

Participants described how poor infrastructure (e.g., roads, health centers, schools) increased both their costs and limited income opportunities (e.g., through difficult routes to market and transport costs). They thought that a lack of supportive government policy along with security concerns and recent natural shocks hindered them from growing their businesses and farm activities (e.g., lack of capital, volatile prices, fear of kidnapping, lack of support during natural disasters such as recently experienced flooding). While these macro or exogenous factors impacted most of the other resilience components, they were mostly seen as outside of participant control and there was accordingly no mention of support SILC could provide.

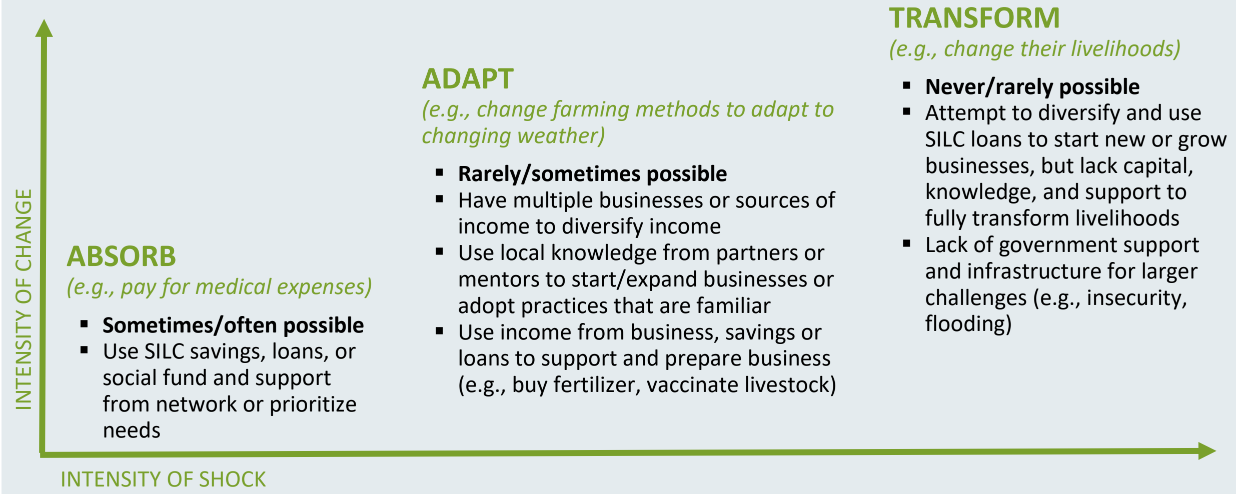
THE OUTPUT SIDE: FINANCIAL RESILIENCE CAPACITIES

One way to conceptualize resilience is through distinguishing between resilience capacities: 1) *absorptive capacity* (as the ability to use coping mechanisms to mitigate or prevent the impacts of negative events), 2) *adaptive capacity* (as the ability to adjust and change in preparation of future shocks), and 3) *transformative capacity* (as the ability to create a fundamentally new system or opportunity when shocks get too large to cope with) (Béné et al 2012).

Using this lens, we found that participants are currently mostly capable of absorbing and sometimes adapting to shocks and that SILC is supporting their efforts (see Figure 2):

1) Most participants are able to absorb lower-intensity shocks (e.g., pay for medical expenses) using a combination of their own financial planning and SILC loans or social fund along with support from their social network.
2) It is sometimes possible for participants to adapt their livelihoods to be prepared for medium-intensity shocks (e.g., by changing farming methods to adapt to changing weather patterns). They attempt to do this by using multiple businesses or income generating activities that diversify (and thus de-risk) their income, relying on mentors or family members along with more formal training (some of which is provided through SILC groups) to start and expand businesses or adopt new, yet locally known practices (e.g. use of improved seed) and investing their own income along with SILC savings and loans to support and prepare their businesses for potential shocks (e.g. vaccinating livestock).
3) Transforming livelihoods to withstand high-intensity shocks is out of reach for most. While they use SILC loans or support from social networks to diversify and grow their income, most participants thought they are held back by a lack of capital, knowledge, and supportive infrastructure and policy to successfully expand their income sources to be shock resistant or venture into completely new sectors.

FIGURE 2



IDEAS FOR CHANGE

The last phase of our research and design process involved reflection and discussion between SILC members, PSPs, CRS team members, and external stakeholders around opportunities for SILC to continue to bolster efforts to absorb shocks while strengthening capacities to adapt and potentially transform livelihoods.

Ideas generated included (see figure 3):

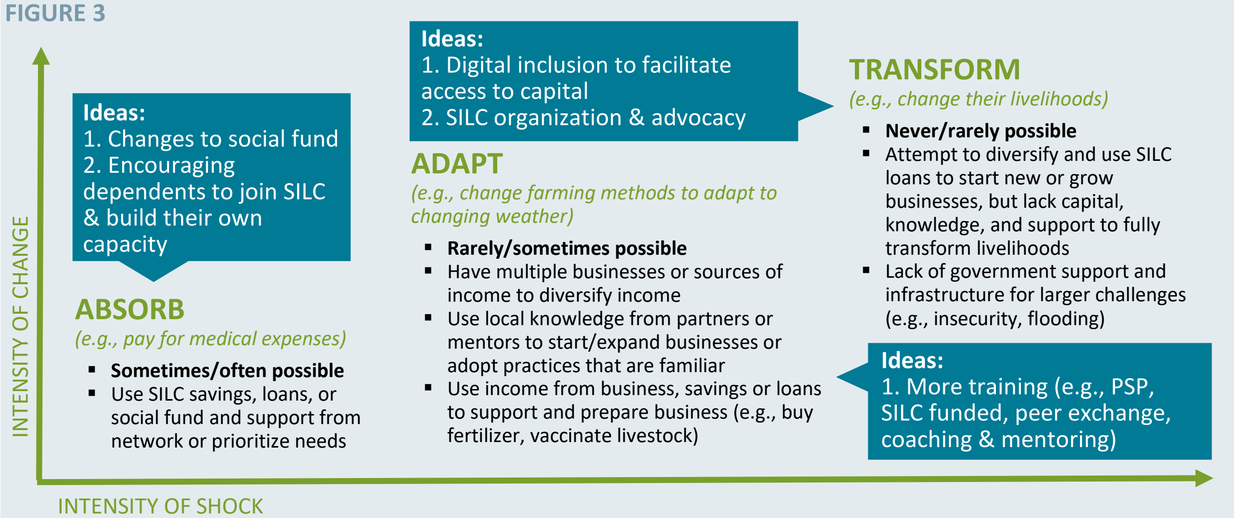
1. Further bolstering absorptive capacity by:
   a. Facilitating conversations with SILC groups on how to better structure, access, regularly review, and use their social fund to ensure they are a source of support in urgent crisis
   b. Encouraging dependents to join SILC groups to build their own absorptive capacity and decrease reliance on social networks
2. Strengthening adaptive capacity through increased training for SILC members on vocational skills, business practices, and other useful strategies[3]. A variety of training ideas were mentioned: from SILC members using their social fund to pay PSPs for desired training (thus also increasing PSP income), to supporting more peer exchange between business owners, as well as offering one-on-one business coaching and mentoring through SILC.
3. Starting to build transformative capacity by:
   a. Digitizing SILC groups (e.g., digitizing recordkeeping, connecting groups to digital platforms) to make it easier to connect SILC groups to appropriate financial technology products and financial institutions and thus increase access to capital
   b. Exploring if SILC group networks could be leveraged to advocate for infrastructure spending and local government priorities as well as be involved in community planning

Some of these ideas are aligned with current CRS initiatives (e.g., integrating vocational and entrepreneurial training into the SILC curriculum, and testing ways to digitize SILC groups' recordkeeping and eventually connecting them to other financial service providers). These ideas provided evidence

[3] Existing CRS resources which can be leveraged to implement this recommendation include the 11-lesson Financial Education curriculum (part of CRS' SMART Skills for Rural Development Manual) and the Child-Optimized Financial Education (COFE) curriculum.

that these initiatives are responding to needs as expressed by participants themselves and sparked conversation on how to strengthen ongoing efforts. Other ideas, such as encouraging others to join groups or organizing their own training, started exchange between SILC members and PSPs themselves and laid the groundwork for local adaptation and collaboration. The idea of leveraging the SILC network for advocacy and community planning opened up discussion around if and how to use a successful model such as SILC to try to bring about larger community change and how to link SILC with other programming (e.g., social cohesion, infrastructure). This discussion also underscored the importance of systems thinking and the role of institutional context for true transformation. See the annex for questions that emerged for continued inquiry.

FIGURE 3



Discussion

Reflecting back on the research questions we set out to answer, we found that:

1. Financial resilience as seen through the financial lives of SILC members depends on financial and economic factors along with social factors and the larger institutional environment. Viewing this full picture underlines the importance of financial resilience interventions that go beyond "just" savings or access to loans and acknowledge the interrelationships between different resilience factors.
2. Through its combination of financial services, the group model, and training and exchange, the SILC methodology already aligns well with that enhanced understanding of financial resilience. SILC groups consistently help members better manage income and expenses, are sometimes able to support members in growing their income, complement and strengthen social networks, and serve as a source of pride and motivation. In the co-design phase, we developed several ideas as to how SILC groups' role could be further strengthened.
3. However, ultimately, the institutional environment limits the extent to which individuals and households can build their resilience. While SILC members can use the tools at their disposal, including SILC, to absorb shocks and adapt their livelihoods to future shocks to some extent (which in itself are respectable achievements given the continued adversity they are exposed to), full adaptation or even transformation are rare. These findings led to ideas as to how to leverage SILC for advocacy, while raising the question if SILC can and should play a role in attempting to

change this environment or should it rather focus on its core objectives and be closely integrated with other interventions.

4. Lastly, in reflecting on the process with community researchers, we received positive feedback on the skills and confidence community researchers built as contributors in the entire process (rather than just data collectors), contributing to increased trust, sharing and collaboration between PSPs and SILC members. This study served as a positive trial of establishing a feedback loop between SILC members, PSPs, and CRS team members and demonstrated opportunities for local knowledge, ownership, and leadership of the process. A similar process, if well facilitated, might be especially beneficial at the design and start-up phase of new projects to support increased local ownership, the inclusion of participant voices and ideas, and strong collaboration and communication between the project team, participants, and intermediaries from the start.

Annex

Emergent questions for continued inquiry:

a. How might we integrate business training and coaching into the classic SILC design to elevate the impact of the financial education curriculum and strengthen the pathway from SILC participation towards sustainable livelihood diversification? What are light-touch and sustainable approaches to introduce this complement, ideally pulling from local resources?
b. What are opportunities to progress efforts to digitize SILC groups beyond the current pilots that are focused on digitizing recordkeeping to enable connections to other financial services (financial deepening)?
c. How can we ensure that the SILC curriculum encourages continued discussions around the social fund within SILC groups as they progress through the program to ensure groups make decisions around its availability and use that are most appropriate for their context?
d. What role can and should (or should not) SILC programming play with regards to larger systemic issues such as policy, environment, and infrastructure? How can we continue to investigate this question as we explore current programming (e.g., connecting SILC and water infrastructure maintenance), the generated ideas around leveraging the SILC network for advocacy and local planning, and opportunities to further integrate the SILC model into programming across social cohesion, economic development, and local governance?
e. What role does gender play in the framing of financial resilience? How do the findings in this project resonate in other contexts outside of Northeastern Nigeria?

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