

Graduation with Resilience to Achieve Sustainable Development

GRAD is a five-year USAID-funded project designed to help the Government of Ethiopia find sustainable solutions to chronic food insecurity. The project supports households currently enrolled in the government's Productive Safety Net Program (PSNP) so that they may access microfinance, improve on- and off-farm productivity, and improve links to markets. In addition, GRAD improves household and community resilience by: increasing women's empowerment; improving nutritional practices; and introducing local climate change adaptation mechanisms. CARE Ethiopia leads a consortium that includes REST, ORDA, CRS, Agri Service Ethiopia, SNV, and Tufts University. The project works in 16 districts in Amhara, Tigray, Oromia and SNNPR.

GRAD Learning Brief #3

Village Economic and Social Associations

What is a VESA? A Village Economic and Social Association (VESA) is a group with members from 15-25 households, brought together by GRAD as a foundation for all economic and social activities supported by the project. The members of a VESA are self-selected groups of neighbors and peers and include both men and women (often the husband and wife from a single household). Although inspired by social traditions in Ethiopia, and originated from CARE's highly successful VSLA model, the VESA is a concept created by the GRAD project, which currently supports 2,845 VESAs, made up of more than 62,600 households.

Why VESA? Organizing PSNP households into VESAs is a cost-effective way of delivering diverse services and technical support to large numbers of households in a manner far more efficient than working with individual households. In GRAD, VESAs serve as an entry point for: financial literacy and business skill trainings, exposure to agricultural technologies and information, linkages to microfinance and input/output markets, and other livelihoods interventions. Development agents, model farmers, and private sector actors can interface directly with the VESAs and reach a large and receptive audience. In addition, VESAs build social cohesion and capital and are a safe and fertile environment for training/discussion on social and cultural norms that may impede development and contribute to food insecurity (e.g. gender inequality, infant feeding practices, etc.).

Village Savings & Loan Associations (VSLA)

The VESA concept originated from CARE's highly successful VSLA model, which has been applied in Ethiopia and globally for decades. A VSLA is an informal group that provides members with practical financial experience (savings and credit) in a relatively risk-free environment and also provides a pathway for inclusion in formal financial services. VSLA households also contribute to a social fund from which money can be withdrawn in time of acute need. Unlike VESAs, VSLA groups have not typically been used as a platform for other training and development activities, although the trend is in that direction. Overall, CARE has enabled five million low income people in Africa to form and manage VSLAs, collectively generating more than \$290,000,000 in savings.

A Typical Case: The 'Genet' VESA in Jirmancho Kebele, Loka Abaya Woreda in Sidama

The Genet VESA was established in July 2012 and has a total membership of 29 (14 couples and one widow). All member households are active savers and consistent participants in group activities. The group meets weekly, with savings varying from two to ten birr per week. Currently the Genet VESA has 8,554 birr in savings, 4,481 birr more in a social fund, and 189 birr collected as penalties. The group had a 'share-out' last year, with each member taking home about 500 birr. This VESA has focused on group IGAs, starting with oxen fattening and haricot bean production. So far they've earned nearly 5,000 birr for the group. Their vision is to install a grinding mill and run it as a group enterprise. In addition, the VESA social fund is supporting medical and funeral expenses for members in need. One member said that the social fund was the only money she could access after a recent emergency. The group has elected leaders, maintains by-laws, keeps good group and individual records, and serves as a model for their neighbours and other VESAs.



How do VESAs work?

1. All VESAs begin with internal savings and lending activities. Each member contributes savings each meeting (from 1 to 4 meetings per month). When adequate savings accrue, loans are made available to members whose applications for income generating activities (IGAs) are selected by VESA officers. These micro-loans are complemented with training on financial literacy and basic business skills as well as on-going support to assure well-managed IGAs.

2. Once well established, the VESA serves as a platform for facilitated discussions on topics such as gender and women's empowerment, climate change, nutrition, and aspiration to graduation. GRAD has developed a streamlined and standardized training curriculum that is used by community facilitators or local volunteers to facilitate sessions.
3. VESAs are the venue for introducing members to value chains, helping them with business planning for the value chain selected, and facilitating linkages with financial institutions. VESAs also receive technical training and are linked to model farmers, input suppliers, market actors, etc.
4. VESA groups are increasingly involved in creative lending schemes, beyond credit arising from VESA accounts. For instance, some MFIs are providing larger scale loans that the VESAs manage internally. This cuts costs for the MFI, mitigates risks of default, and quickly gets financing into the hands of producers.
5. Some VESAs make use of the internal trust and knowledge gained as well as the credit available to set-up group enterprises or income generating activities. Additionally, VESA members involved in the same value chain have started transitioning to marketing associations or cooperatives.

Gender Impact of VESAs – Although men and women are equally welcome to join and participate in VESAs, the impacts on women can be dramatic. For example:

- ✓ For many women, this is their first access to savings and credit opportunities in a safe and accessible location. First time use of credit for their own income generating activities. A stepping-stone to engagement with formal MFIs.
- ✓ In many cases, the VESA meeting is the first opportunity for women to interact with men (or wives with husbands) within formal organizations. Transformation in gender roles and relationships often show significant improvement.
- ✓ Serving as officers in groups with male members (including their husbands) can be particularly empowering for women.
- ✓ Group cohesion and trust facilitates discussions leading to positive change in social and cultural norms that are harmful to women and girls and actually impede graduation to food security at the household level.

What does a VESA Cost Promoting economic development and social protection through VESAs delivers strong value for money. Significant facilitation by program staff is only required during a group's initial nine months, and even then for only one or two days per month. The project does not provide any money to VESAs for lending or to fund group activities; all of the loan funds come from the members' internal savings. Besides the low facilitation costs, there are just a few materials required. Each VESA needs a cash box for safekeeping along with at least two strong locks. In addition, the VESA "kit" includes a record-keeping account book, member passbooks (one per member), rubber stamp, ink-pad, ruler, two pencils, two pens and eraser. The total cost of the kit is roughly 400 birr or about \$20US. That, plus the costs of up to 20 person/days of field-level staff time, are the funds necessary to start and facilitate a VESA for a year.

GRAD Learning

Based on the practical experiences outlined above and feedback from numerous stakeholders, GRAD has demonstrated that working through VESAs is a highly effective approach to food security programming and proposes that the VESA model should be replicated by others. Major benefits include:

- **Efficiency** – VESAs bring together people with common interests and needs. These groups meet regularly and can be easily reached and supported by development programs, extension agents, private sector actors, financial institutions, and other service providers.
- **Economic Empowerment** - VESAs improve the saving culture of poor, rural households and offer loan access from internal saving for easy engagement in IGAs. Women gain financial confidence and capacity and earn money in ways previously inaccessible to them. All members become more credit-worthy and become attractive to the formal financial sector.
- **Social Change** - VESAs create an opportunity for project staff to convey important social messages to both men and women around nutrition, gender equality, family planning, etc. Individual members become part of a cohesive group who depend on each other for support and advice. As members, and even more so as VESA leaders, women gain a voice in the community and household decision-making.
- **Sustainability** - As the group matures, individuals grow within it, changing their savings and investment behaviors, and graduating from a reliance on government safety nets. Global learning shows that a majority of savings groups of this type continue to function long after a project ends.
- **Value for Money** – A low cost intervention with multiple positive outcomes. The new household income from IGAs financed by VESA loans would alone exceed the typical investment costs. The VESA approach is within the technical and financial means of government programs.