



CARE Ethiopia

A Decade of Program Learning Series

VSLA/VESA

CARE's Innovative Approaches To Gender Transformation Through Financial Inclusion

One of CARE's innovative and transformative approaches, Village Savings and Loan Associations (VSLAs), harnesses the ancient practice of group savings and offers households, women in particular, a safe way to save money and access loans. At its inception, no outside capital was needed - only a lockbox, three keys and some basic financial training. Over a quarter-century later, CARE VSLA members are doing the rest, including here in Ethiopia. Numbering almost 332,000 strong across Ethiopia, they are turning financial independence into better lives – for themselves, their families and their communities.

Village Savings and Loan Association (VSLA). A VSLA is an informal self-managed group of 15-25 people (normally women) 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; all resources are generated from the members themselves and kept in the community. The approach is characterized by a focus on savings, asset building, and the provision of credit proportionate to the needs and repayment capacities of the borrowers. Groups are low-cost, simple to manage and can be seen as a first step for people to reach a more formal and wider array of financial services. VSLA households also contribute to a social fund from which money can be withdrawn in time of acute need. VSLAs can dramatically

raise the self-respect of individual members and help to build up social capital within communities, particularly among women who represent approximately 70 percent of members.

Village Economic and Social Association (VESA). The VESA concept originated from CARE's highly successful VSLA model, which has been applied in Ethiopia over the past decade. A VESA is a group with members from 15-25 households, brought together as a foundation for all economic and social activities supported by a 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 CARE Ethiopia's GRAD project. 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.).

Both VESAs and VSLAs provide a viable platform for other training and development activities; for CARE Ethiopia the VESA model uses the skills and trust generated by participation in internal savings and loans to add technical sessions, including related to women's empowerment and social transformation.

CARE has promoted Village Savings and Loan Associations (VSLAs) for over 25 years to enable women living in poverty to increase their financial skills, gain access to and control over resources, and generate economic opportunities and income.

A Case for Gender and Social Transformation

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.

How we have been using and adapting VSLA and VESA

CARE Ethiopia has piloted and adapted the VSLA approach over the last decade and both VSLAs and VESAs have become attractive and powerful entry point across its programming areas - especially Food and Nutrition Security, Women's Economic Empowerment, Sexual and Reproductive Health Rights and Humanitarian Assistance. Combined with other gender transformative approaches such as CARE's Social Analysis and Action and Gender and Power Analysis, both offer compelling evidence for driving forward gender equality.

CARE adapted the VSLA approach to meet the needs and potential of adolescent girls and young people specifically to save and invest in agriculture and microenterprises through its Adolescent Girls VSLAs and Youth VESAs. One of the most innovative and forward-looking aspects of CARE's Youth programming is the Youth VESA. This places a deliberate focus on targeting young people from PSNP4 households, helping them channel their energy towards envisioning and cultivating the skills needed to climb out of poverty. Using the same principles of cultivating a culture of saving among PSNP4 households (adults), the Youth VESA approach brings together youth aged 15 – 29, to develop "soft skills" that facilitate their readiness to learn the same skills in business and financial management that their parents learn.

In both CARE Ethiopia's TESFA and Abdiboru Projects overall goals were to facilitate positive changes in adolescent girls' sexual and reproductive health and economic status – strengthening girls' empowerment. CARE adapted the VSLA approach to be adolescent girl led/focused and used it in combination with CARE's Social Analysis and Action (SAA) approach. Evaluation results indicated important increase in and control over personal savings along with impressive shifts in social norms around married girls' mobility and household roles, decision-making, communication and overall confidence. Combining a group based approach with health programming helps build women and girls confidence and improves access to information related to their health needs





having a positive impact on sexual, reproductive and maternal health outcomes.

In VSLAs, girls were able to save together and take small loans to support their income generating activities or to cover their cash needs. Taking part in the VSLAs taught girls how to generate income through and budget for small business opportunities such as goat and sheep rearing, poultry farming, vegetable trading and khat packaging/collecting. With stronger financial literacy skills and economic empowerment, girls have helped alleviate the strains of poverty on their parents, and have built more financially stable futures for their own lives. Most fundamentally, they see a bright future for themselves, recognizing their value to their families, community, and society overall. Because of this, more girls feel free to reject early marriage proposals.

In GRAD, VESAs served 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. Through GRAD and other projects, CARE has been successful in linking VESA members to formal micro-finance institutions, resulting in beneficiaries being able to obtain significant loans for commercial production. GRAD respondents reported that they considered financial knowledge as their most important benefit from the program. The Government of Ethiopia's PSNP IV Livelihood Groups were derived from CARE's VESA Model demonstrating its enormous potential for helping lift people out of poverty.

Using the VSLA approach, the WE-RISE Project enabled more women to have access to agricultural financial services; more than two times as many women reported increased access to and control over a loan. WE-RISE more than doubled the percent of women who engaged in some form of small business activity and women doubled their income in just 3.5 years.

CARE's FSF Project applied the VSLA approach combined with financial literacy and small business training to 66,000 households (65% female-headed). Households increased savings by 980% and accessed loans as start-up capital for various income generation activities. Additionally, households, including women headed were linked to formal financial service providers for larger capital. VSLA loans allowed women to invest in small livestock and other IGAs as well as pay educational expenses, purchase food, improve their houses purchase, and cope with emergencies. By the end of project,

By being exposed to the knowledge and opportunities that accompany financial inclusion, FSF beneficiaries realistically hold the prospect of escaping the poverty trap, and so may become truly self-sufficient. FSF Project Team

the annual income of women had increased 24%. Results also highlighted representation and leadership gains for women, starting with their involvement in VSLAs/VESAs, broadening within their communities and in kebele Administration.

CARE's Abdishe Project where increasing control over household income and expenditures while addressing gender and social norms were significant components, VSLA members increased their current savings from \$2.62 USD to \$35.73 USD and their average income raised by 52% with the majority of households moving out from the PSNP. Women in particular increased control over household economic resources from

56% to 72% and on decisions relevant to grain trading (buying and selling); livestock trading and income (particularly cows and goats). As a result of increased joint decision-making women had developed a deeper sense of assertiveness and, more importantly, independence. A substantial change of culture in workload assignment at household level was found to positively affected women's agency, and husbands were reported to have begun to share household chores with their wives, while women began to exercise more decisions over their common properties.

The Spotlight: What we have learned

Gender Impact. Although men and women are equally welcome to join and participate in VESAs, the impacts on women can be dramatic. It is often their first access to savings and credit opportunities in a safe and accessible location; first time using credit for their own income generating activities; and is a stepping-stone to engagement with formal MFIs.

Social Change. VSLAs & 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 group leaders, women and girls gain a voice in the community and household decision-making. Combining the group approach with CARE's SAA methodology only strengthens social and gender norm change.

Economic Empowerment. VSLAs & 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. Evidence shows that VSLAs empower girls economically with positive multiplier effects impacting beyond them to their families and communities. VSLAs and VESAs can quickly move beyond the loan capacity of what they can offer as members become self-sustaining entrepreneurs. Identifying, strengthening and linking groups to private and public Micro-finance Institutions (especially RuSACCOs in the case of agricultural entrepreneurs) has been critical enhancing their business potential via much larger credit capacity.

Effective. Working through VSLAs & VESAs is a highly effective approach to food security programming and has high potential for adoption/replication – especially for PSNP households. Integrating dedicated sessions on women and adolescents (especially girls) access to and control over resources and household decision-making deepens their economic empowerment. Combining a group based approach with health programming helps build women and girls confidence and also improves access to information related to their health needs and thus improving SRMH outcomes. Tailoring VSLAs and VESAs to youth and layering in sector specific information and training (SRH, gender, business skills development, financial literacy, ag technologies, linkages, etc.) is necessary to attract interest and sustain their aspirations – economic, social and public.

Efficient. VSLAs & 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.

Sustainability. As the groups mature, 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. Promoting economic development and social protection through VSLAs & VESAs delivers strong value for money; a low cost intervention with multiple positive outcomes. The new household income from IGAs financed by VSLA & VESA loans would alone exceed the typical investment costs. The VSLA & VESA approaches are within the technical and financial means of government programs.

Want more information?

Please Contact
Esther Watts, Country Director, CARE Ethiopia
Email: Esther.Watts@care.org, Tel: +251116181775

CARE Ethiopia, Yeka Sub-city, Woreda 07,
House #671, P.O.Box 4710, Addis Ababa, Ethiopia

To learn more about CARE's VSLA and VESA Approaches visit: www.care.org/vsla
<https://www.care.org/work/world-hunger/graduating-families-out-poverty/grad-learning-brief-vesa>

To learn more about CARE's work globally visit www.care.org.

