



## TOGETHERNESS

### Enabled financial access to poor households

The USAID funded SPIR Program, led by World Vision in a consortium with CARE and ORDA, is intended to help households in the PSNP4 program achieve food security for their households through a combination of savings, diversifying their sources of income through income generating activities, and skills training that can help them graduate from food assistance. This complementarity is core to the success of the collaboration between the GoE and the USAID funded SPIR Program. SPIR supports 526,444 direct project participants in the Amhara, Oromia and SNNPR regions of Ethiopia.

Access to finance is a major barrier for farmers in Ethiopia, especially PSNP4 beneficiaries who are the poorest and most excluded in the country. This not only limits their abilities to improve production on the farm, it also makes it harder for farmers to diversify into other businesses and income generating activities. Lack of diversification in income sources is an important

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risk factor for farmers facing uncertain weather patterns and increasing risk of crop failure. Diversification is a significant strategy for building resilience, and it depends on both having the skills and training to start new businesses and the ability to finance new activities. Extreme poverty exacerbates this problem, and banks do not see the very poor as credit worthy, and administrative burdens are higher than most farmers can manage for a small-scale loan.

SPIR has deployed 2 strategies to support access to finance. First, the project builds on CARE's VESA model to access small amounts of loans and savings. VESA members save small amounts of money every week and rotate loans to members. A VESA member can usually get a loan of three fold of saving and it is usually up to 500 Birr (18 USD) save up to 1,000 Birr (29 USD). At the same time, they are developing the habit of saving, as well as building a history of taking and repaying loans. These are important disciplines that can change a family's financial future. In SPIR, 380 VESAs with 9,569 members have shared out \$112,925 in savings.

The second strategy is to take VESA members who have had a least a year of experience saving and taking loans and linking them to MFI and Rural Saving and Credit Cooperatives (RuSaCCOs). This is important for farmers who are hoping to invest in a business that requires more startup capital than a VESA can leverage. For example, an entrepreneur who wants to start an agro dealer shop through SPIR needs at least 27,000 Birr (974 USD) in their own capital to qualify for the program. RuSaCCOs and MFIs can provide access to higher loan amounts. So far, SPIR/CARE has helped 579 project participants connect to MFIs. Together, those people have accessed a total of USD \$91,924.50 in loans to engage in the shoat and oxen fattening business.

In addition to MFIs, SPIR supports participants to connect their VESAs together to form RUSACCOs. These are groups of multiple VESAs that can increase their saving and loaning power by banding together. SPIR has linked 286 people to existing in Kurfa Chelle and Chiro woredas. Together, they have accessed USD \$23,613 in loans. That's a significant increase in loan access from the VESA model. In total, MFIs and RuSaCCOs together provided USD \$112,290 in loans. As a RuSaCCOs member, a person can get loans that average an average of 83 USD per person. And can save up to 7,000 Birr (250 USD) over one savings cycle.

If existing RuSaCCOs don't meet demand, the project also supports VESA groups to create new ones. In the Kurfa Chelle woreda, 28 VESA groups with 693 members formed two RuSaCCOs after their first VESA share-out. SPIR provided capacity-building training and RuSaCCOs tool kit (income and expense receipts, passbooks, ledgers and registration books) for these new groups.

For new and existing RuSaCCOs, SPIR is always aiming to improve the quality of service members receive. At the beginning of FY 19, SPIR organized orientation for RuSaCCOs members on cooperative principles, rules, regulations and bylaw. SPIR staffs and cooperative office also provided training for management committees members for three days on their role and responsibility. At the beginning of FY 19, SPIR organized a three-day training for 150 RuSaCCOs management committees members across 30 RuSaCCOs. SPIR staff and the government cooperative promotion office provided the training, which covered VESA methodology, financial literacy and credit management. Engaging the government staff is critical to ensuring the model's sustainability.

**The Goro Gerbi RuSaCCOs** has 464 members. Together, they have saved 324,00 Birr (11,571 USD) this year. They have also issued loans worth 306,000 Birr (10,928 USD) to 102 (Male-9, Female- 93) of their members, for an average loan size of \$107.

Bejo Abro says, "Individually, we cannot solve our problems. But when we started saving, we saw that we can organize ourselves. Together we can solve our problems."

Before, we couldn't buy anything. Then one day, we started savings. We start by investing in chickens, because they don't take much money. Once we make money from chickens, we buy sheep and goats to fatten. That helps us increase our status in the village. People see how we are able to make progress. We wanted to use that status to help people. So we got more people together into a RuSaCCOs because together that gives us more power. I got a loan of 3,000 Birr (107 USD), and used it to invest in goats. When I make enough money fattening goats, I will buy an ox."

Local members sum up the difference between a VESA and a RuSaCCOs in very practical terms: With a VESA loan, you can only buy chickens. With a RuSaCCOs loan, you can buy goats." Suleyman Umare has even bigger dreams. One day, he wants the R RuSaCCOs to grow big enough that he can get a loan to buy a car. "If I have a car, I can make a lot of money opening a public transport business."

For Suleyman, "The biggest benefit we got from the project was awareness. Now we know how to save and plan our money. That's a big change for us to see how we can use our resources wisely.





The profits and savings don't just go into more savings and bigger businesses. A lot of the women talk about using the food to buy better food to cook meals for their families, meals that include vegetables and protein. They are also using money to send their kids to school.

There's a bigger social agenda, too. Nesredin Mohammedo talks about how the RuSaCCOs is building a community safety net. "Before, we had no money. Now we do. So every time we save,

each member puts a small amount into the social fund. We put aside a little money to support each other. The priority for that money is the poorest people, like the ones who can't afford to send their kids to school." The group gives out money from the social fund in interest-free loans to members facing emergencies.

### Lessons Learned

While connecting VESAs to RuSaCCOs and encouraging them to create their own is a very successful approach, it is important to sequence activities appropriately. It's important for VESAs to have at least one year of savings and working together, and that they have completed one share out before connecting to bigger groups. This helps build the discipline of savings and repaying loans. It also helps groups build the solidarity and trust that is essential to the VESA method.

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