



ERCS team receiving a practical training on VSLA Methodology

# SAVINGS GROUPS KEY ACTIVITY FOR RETURNEES IN ETHIOPIA



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# Savings Groups

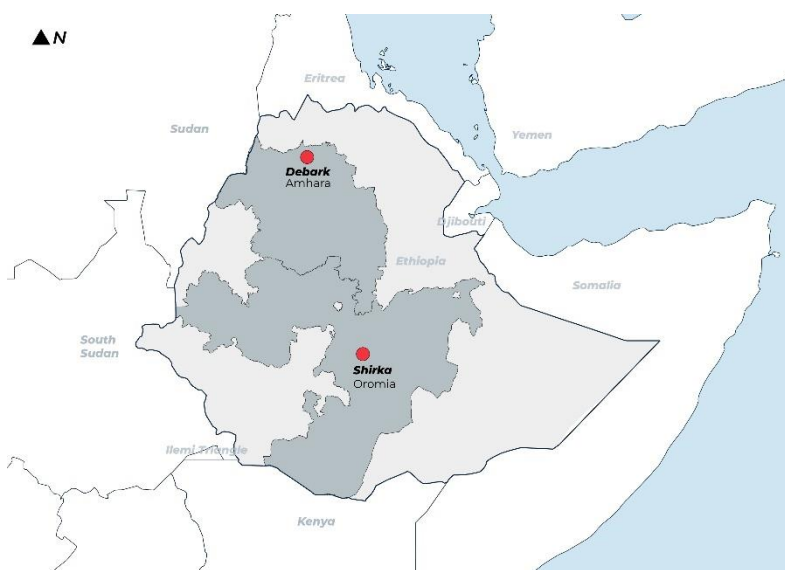
## Key Activity for Returnees in Ethiopia

Savings groups have become one of the key project activities for the **economic and social reintegration of returnees promoting economic, social and cultural solidarity** among communities. Participating in a savings group has allowed returnees to **improve their financial inclusion** –having access to savings, credit and micro-insurance- as well as to **diversify and improve their businesses**. Savings groups are also **improving connectedness and social cohesion among host communities and returnees**.

### BACKGROUND

Savings Groups is one of the livelihoods components of the comprehensive project '**Assistance and Resilience to vulnerable returnees and their communities in Ethiopia**' (ARV-RC), implemented by the Ethiopian Red Cross Society (ERCS) with the support of the Danish Red Cross (DRC) Regional Migration Program.

The project focuses on supporting vulnerable returnees in their reintegration process at individual and community levels. **Assistance includes the provision of essential items on arrival, access to livelihood opportunities and mental and psychosocial support.**



Savings Groups have been launched in two regions, Amhara and Oromia, in the remote *kebeles* of Debarik and Shirka, offering returnees the possibility to join a **self-help group that provides members with access to savings, credit and a social network of mutual help.**

### NEEDS ASSESSMENT

The lack of livelihood opportunities, and perception of failed migration from their family members upon return, is seen as a main obstacle for migrant returnees to recover and reintegrate into society and in many cases, it becomes a reason for migrating again.

Findings revealed that finance services in the remote *kebeles* of Debarik and Shirka are insufficient and either too expensive or require certain economic stability to access them. **Returnees (especially women) have substantial difficulties to access credit and are excluded from social networks and community support.** Their difficulties in reading or writing further deepen their exclusion. Most of them have lost their savings, got indebted, lost a family member and due to their failed migration experience, have very low self-esteem.

### STRENGTHENING AND DIVERSIFYING LIVELIHOODS

The support provided by the project offered returnees the possibility to improve their human capital (receiving technical training), to increase their physical capital (accessing cash grants aimed at increasing their investment capacity), and to facilitate their access to natural resources (access to land). All efforts are directed to generate and strengthen returnees' income sources.

The launch of savings groups as a project activity was intended to promote self-help groups that are capable of maintaining, with no external assistance, access to needed financial services and social networks to their members. **The outstanding achieved results have made Savings groups a key activity of the project.**

Returnees' financial, human and social assets are enhanced thanks to a simple but effective saving methodology. **VSLA (Village Savings and Loan Association)** is the methodology adopted and promoted by the project based on previous successful experiences in the region as well as the evidenced and well documented impact that savings groups have all over the world.

The **main characteristics** that made VSLA an appropriate methodology for project purpose is:

- 1) Context-relevant:** This methodology does not require bureaucratic procedures and it is, therefore, suitable for populations in rural areas with low literacy rates.
- 2) No capital loss for the group:** As the group does not need to be banked, there are no fees or interest rates that end up benefiting the financial entities, but rather revert to the group.
- 3) High cost-benefit:** the launch of savings groups does not require many resources, other than the provided "saving kits" and the human resources to transfer the methodology to the groups.
- 4) Participation:** Each group decides the rules and regulations of their own group activity (value of the share, cost of the fine, interest on loans, dates and times of meetings, etc.) maximizing their appropriation.
- 5) Sustainability:** Once the first saving cycle is over, between 9 and 12 months, the groups seldom require any additional support to continue with their saving and lending activity.

## LAUNCH OF SAVINGS GROUPS



IFRC Livelihoods Resource Center facilitated **practical training** on the VSLA Methodology to ERCS staff and volunteers. After the training, **2 savings groups were created in the region in order to put into practice the knowledge acquired** during the training.

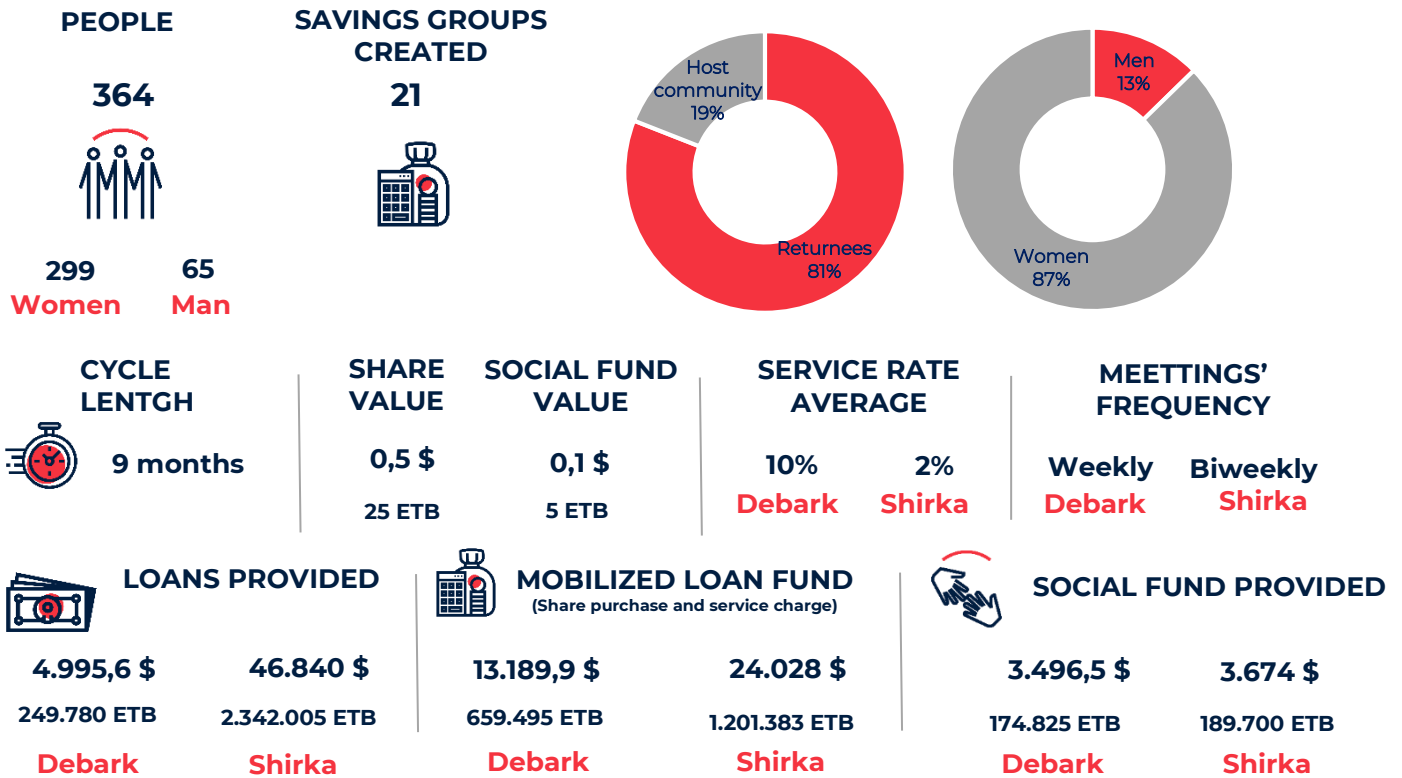
Progressively, **several pilots** were launched at the end of 2019 in order to adjust and improve the approach before the **escalation to a large number of savings groups** that were finally promoted in both *kebeles*. After a positive result of the pilot projects 21 VSLA were established in Shirka and Debark.

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*A VSLA is a self-managed group of **15-25 individual members** from within a community who **meet regularly** (weekly, biweekly, or monthly) to **save their money** in a safe space, **access small loans** and obtain **emergency insurance**. The activity of each group runs in **cycles of 9 to 12 months**, after which the accumulated savings and loan profits are distributed back to members.”*

VSLA in Arsi during a savings and credit meeting

# MAIN FIGURES<sup>1</sup>



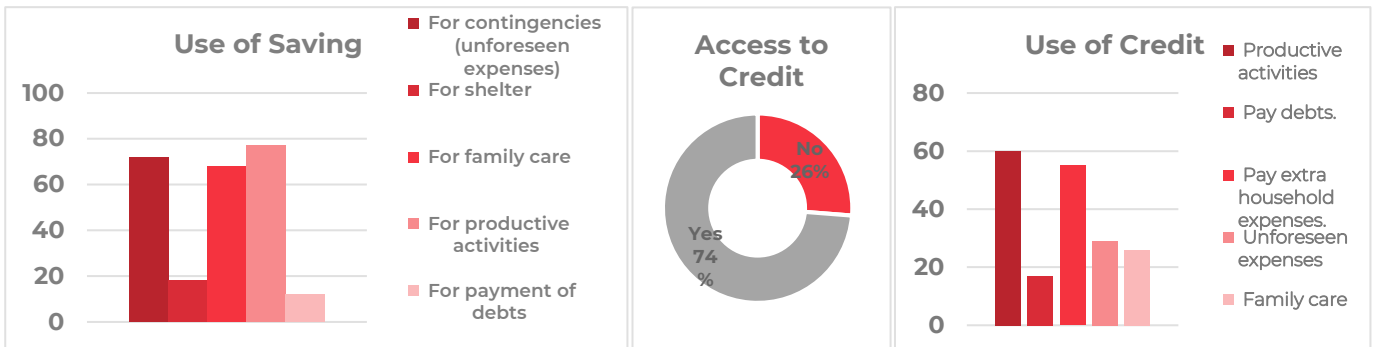
## EVIDENCED IMPACT

In times of financial uncertainty worsened by climate change, political crisis and current coronavirus pandemic in Ethiopia, Savings Groups provide a sense of security and build trust among members. **Impact of savings groups reaches beyond the improvement of members' financial inclusion.**

99 savers from 21 different savings groups were surveyed to analyze the impact.

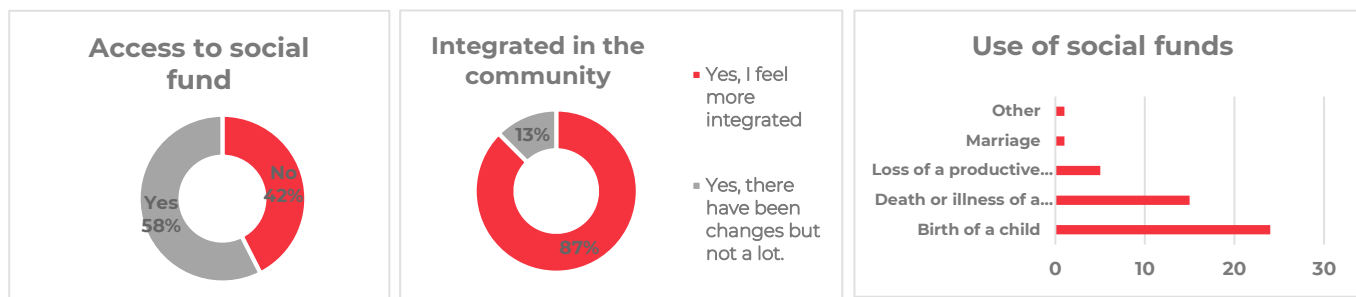
### Livelihoods Strengthening and Diversification

Over 60% of members intended to use their savings for productive activities. Also, 60% of conceded loans were used either to start or boost productive activities. In general, households' sources of income were diversified with new microenterprises (petty trade, kiosks, and poultry productions).



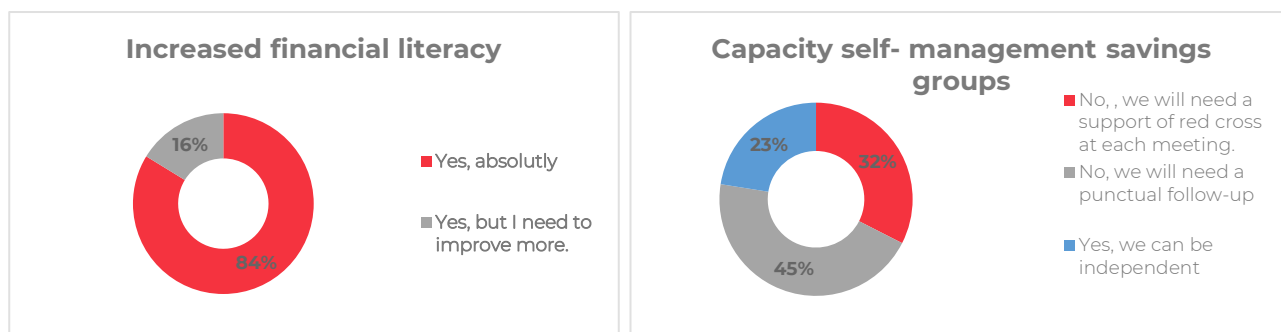
<sup>1</sup> Exchange rate: 50 ETB = 1 USD

Most of the participants consider their savings group as a space of their own where they can share their experiences, concerns and aspirations. As many of the returnees face similar problems after their return, savings groups become a **sharing experience and a support network**.



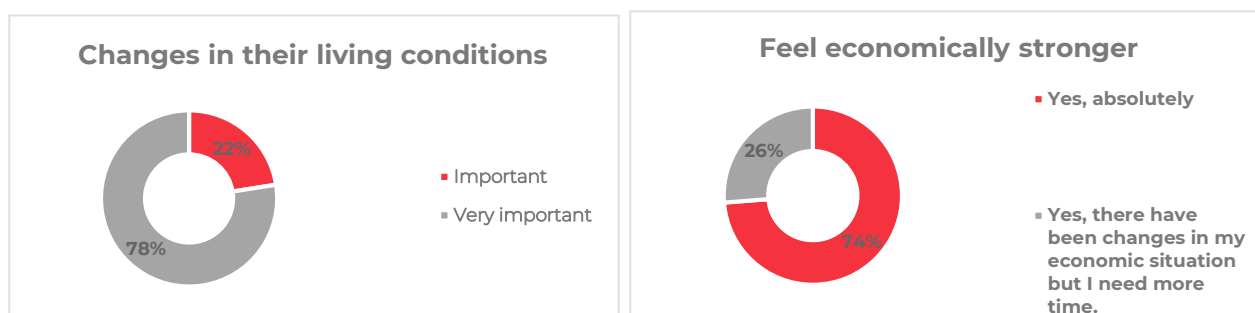
## Empowerment

Over 80% of interviewed participants reported that they have **improved their financial literacy**. As group members receive training and support to earn and save money, they can make better-informed choices about their livelihoods and how to manage their resources. All interviewed group members informed to have **improved their self-esteem**. As their confidence grows, participants feel able to participate in decisions about their households' economy and make meaningful contributions to their community.



## Psychological Well-being

All interviewed participants consider that their self-esteem has increased. Over 70% of the surveyed members consider **'very important' the changes in their living conditions** since they became members of a savings group. Being able to save money as well as be part of a self-help group certainly provides positive inputs for psychological wellbeing.



## KEY FACTORS FOR SUCCESS



**Training and Experience:** Sound knowledge of VSLA methodology by ERCS team was crucial. Practical training for facilitators enhanced their capacities and motivation to promote and transfer the methodology to their assigned groups.



**Gender approach:** Most of the groups' members are women. Thus, high rates of responsibility, engagement, and solidarity have been experienced in most of the groups.



**Voluntary:** Participation in the group is voluntary, everyone in the community was allowed to join any of the groups. No incentives were provided to encourage genuine interest in participation.



**Clear membership rules:** When there are clear rules among members, misunderstandings and lack of trust are minimized. Trust is built by showing commitment and discipline. Also, it is important that all group members are comfortable with the decisions on setting share value, loan interest rate and social fund contributions.



**Living nearby:** Most of the participants were from the same *kebele*, facilitating participation in regular meetings. Also, living nearby facilitates that the potential members know each other so they can take into consideration their own perceptions about the other members before deciding to join the group.



**Similar needs and goals:** Most of the returnees face similar problems, and their returning processes imply similar challenges. Similar interests, goals, backgrounds, saving capacity, etc. within the groups facilitate making quicker decisions that satisfy most members' concerns.



**Technical support by ERCS team** has been very relevant for the groups, especially for the correct tracking of financial records. They have also been determinant to promote a high share purchase and successfully facilitate decision making about rules and regulations.

## LESSONS LEARNED AND WAY FORWARD

### Transferring VSLA Methodology

Practical training for future facilitators of VSLA methodology is highly recommended. **Experiencing the methodology** rather than just learning the procedures maximizes their confidence and their performance. Pilot savings groups allow adjusting different aspects of the methodology and experiencing the challenges to promote it.

*Peer-to-peer support between ERCS chapters has been acknowledged as a key factor that significantly contributed to effectively transferring the methodology to savings groups.*

### Community Engagement

Savings groups can become excellent **platforms to provide additional support** to the vulnerable population such as psychosocial support, financial training, awareness, etc.

*To buffer the impact of COVID-19 pandemic, in June 2021, the project provided cash transfers to increase groups' capacity for their financial and social activities. Each member received 3,500ETB to be added as part of their contributions to the group Loan Fund (70%) and Social Fund (30%).*

Savings groups **members can play a key role** in raising awareness within their communities (*human trafficking risks; ensuring other returnees access resources to make well-informed and safe decisions; etc.*).

*There are successful experiences of 'Mothers Clubs' in West Africa that provide interesting learnings and recommendations on how to promote group members as impactful social activists within their own communities.*

### Collective initiatives

**Group cohesion** can be further enhanced by supporting groups to identify **common and realistic goals that require collective decisions**. Progressively, groups may decide to engage in complex productive initiatives that will certainly require additional support in identifying micro-financial institutions, market opportunities, etc. Meanwhile, groups can start practising their group activity by organizing modest actions (*collective purchases to negotiate better prices; small events to generate some income; etc.*) before engaging in complex decision-making processes.