

---

# **Study on the sustainability of GRAD structures and outcomes**

**Contracted by the Livelihoods for  
Resilience Activity**

## **Final Report**

January 2020

---

---

*Affirmation*

*This GRAD-I sustainability study is supported by the Livelihoods for Resilience Activity-CARE Ethiopia and presented by Path Development Consulting and Research Services. The report does not necessarily reflect the views and opinions of CARE-Ethiopia.*

## **TABLE OF CONTENTS**

Tables.....	I
Figures.....	II
Acknowledgements.....	III
Acronyms.....	IV
Executive summary.....	V
1. INTRODUCTION .....	1
1.1 PROJECT BACKGROUND.....	1
1.2 KEY PROJECT’S OUTPUTS .....	1
1.3 THE PROJECT’S MODEL AND ACTORS SUPPORTED AND CREATED .....	2
1.4 THE PROJECT’S SUSTAINABILITY CONCEPT.....	2
1.5 STUDY PURPOSE.....	3
1.6 SCOPE OF THE STUDY .....	4
2. METHODOLOGY .....	5
2.1 METHODS DESCRIPTION .....	5
2.2 SAMPLING AND SAMPLE SIZE SELECTION.....	5
2.3 DATA ANALYSIS METHODOLOGY .....	7
2.4 LIMITATIONS.....	7
3. STUDY FINDINGS.....	8
3.1 VESAs.....	8
3.1.1 Percentages of active and inactive VESAs formed.....	8
3.1.2 Transformation into RUSACCOs.....	12
3.1.3 Distinguishing characteristics of active VESAs from inactive VESAs.....	13
3.1.3.1 Member selection methods .....	13
3.1.3.2 VESA split, bylaw and leadership .....	14
3.1.3.3 Distance to travel .....	15
3.1.3.4 Support received .....	15
3.1.3.5 Loan defaulters and repayment enforcement mechanisms .....	1617
3.1.4 VESAs effective platforms for livelihood groups, training and sharing information .....	1718
3.1.5 VESAs meeting period and extent of following other minimum standards .....	18
3.1.6 How has VESAs membership evolved since their formation?.....	1819
3.1.7 Savings rate and share values evolved since the VESAs formation.....	20
3.1.8 Variables more associated with VESA activities.....	22
3.2 VALUE CHAIN/HOUSEHOLD.....	2324
3.2.1 Household profile.....	2324
3.2.2 Households graduation.....	2425
3.2.3 Household’s wealth status.....	2425
3.2.4 Households value chains activities .....	2728

3.1.4.1 Household still engaged in value chain activities .....	2728
3.1.4.2 Reasons still engaged in value chain activities .....	2930
3.1.4.3 Reasons households still engaging in the value chain activities.....	3031
3.2.5 Value chain market outlet .....	3132
3.2.6 Household participated in FEMAs/cooperatives .....	3233
3.2.7 Household engaged in VESA, MFI and /or RuSACCOs .....	3334
3.2.8 Household source of inputs for value chain activities .....	3537
3.3 MICRO-FRANCHISE.....	3738
3.3.1 Percentage of active and inactive saleswomen .....	3739
3.3.2 Characteristics of active micro-franchise saleswomen .....	4041
3.3.2.1 Age, education and business experience.....	4041
3.3.2.2 Project support received.....	4142
3.3.2.3 Customer base.....	4243
3.3.2.4 Marketing approach .....	4344
3.3.2 Wholesalers sustained relationships with saleswomen.....	4546
3.3.3 Product demand and ease of selling.....	49
3.3.4 Current products active saleswomen are selling.....	50
3.3.5 Unintended positive and negative outcomes of being a micro-franchise saleswoman	52
3.4 AGRO-DEALERS.....	52
3.4.1 Percentages of active and inactive agro-dealers .....	52
3.4.2 Characteristics of active and inactive agro-dealers.....	53
3.4.3 Agro dealers inputs .....	5455
3.4.4 Profitability and sustainability of the agro-dealer businesses.....	56
3.5 OUTPUT MARKETING.....	57
3.5.1 Market linkage .....	57
3.5.2 Characteristics of cooperatives .....	61
4. LESSON LEARNED.....	62
5. CONCLUDING REMARKS.....	65
6. ANNEXES.....	66
Annex-1: sustainability study questions matrix.....	66
Annex-2: study data collection tools.....	66
Annex-3: list of document review.....	66
Annex-4: list of actors consulted .....	66
Annex-5: qualitative data set .....	66

**TABLES**

Table 1: GRAD's project output .....	1
Table 2: Sustainability study questions.....	3
Table 3: Number of VESAs and Households respondents by project area .....	6
Table 4: Number of micro-franchise respondents by project area.....	6
Table 5: Number of agro-dealers, FEMAS/Coops, FSTF and MFI respondents .....	76
Table 6: Reasons for inactiveness of VESA group's responses in %.....	11
Table 7: Active VESA group split and bylaws in % .....	14
Table 8: Inactive VESA group split and bylaws in % .....	14
Table 9: Active and inactive VESA meeting place distance from the Woreda main town and main roads.....	15
Table 11: Active VESAs responses to support received in % .....	16
Table 12: Active and inactive VESAs response to loan defaulters and loan repayment enforcement mechanism in % .....	17
Table 14: Active VESAs used as platforms for training and sharing information in % .....	18
Table 16: Active VESAs response to membership size, drop out and add new members .....	20
Table 17: Inactive VESAs responses to membership size, and new members added in % .....	20
Table 19: Active VESA group regression result output .....	<b>Error! Bookmark not defined.</b> 23
Table 20: Households sex, age, education and labor capacity in number and % .....	2324
Table 21: Households PSNP participation and graduation in numbers and % .....	2425
Table 22: Households wealth status and reasons in % .....	2526
Table 23: Households reasons for better off and worse off in numbers and % .....	2627
Table 24: Response to sending children to school, meet family's needs and cover unforeseen costs in % .....	2627
Table 25: Household regression result output .....	2728
Table 26: Households engaged in value chain activities during and after the project in % .....	2829
Table 27: Household engaged in new value chain activities and value chain cycles in %.....	2829
Table 28: Key reasons for why households are engaged in value chains activities .....	3031
Table 29: Key reasons for why households are not engaged in VCs activities .....	3031
Table 30: Input supply constrains in %.....	3132
Table 31: Household value chain activities market outlets in % .....	3133
Table 32: Households participated in FEMAs/cooperatives in % .....	3334
Table 33: Households engaged in VESA in % .....	3435
Table 34: Households engaged in MFIs, RUSACCOs and banks in numbers and %.....	3536
Table 35: Reasons why households purchased from agro-dealers Yes response in % .....	<b>Error!</b>
<b><u>Bookmark not defined.</u></b> 38	
Table 36: Reasons why saleswomen stopped their micro-franchise businesses in% .....	3940
Table 37: Saleswomen's age, education, business experience and support they have in %.....	4142
Table 38 Active saleswomen response regarding project support received in % .....	4243
Table 39: The saleswomen's customer base and reasons why they keep buying from them in % .....	4243
Table 40: Active and inactive saleswomen's marketplaces in % .....	4344
Table 41: Number of sales days and clients visited for active and inactive saleswomen in mean value.....	4445
Table 42: Active and inactive saleswomen selling methods and promotion strategy in% .....	4445

Table 43: Items supplied by wholesalers and availability of the items-Yes response in % .....	47
Table 44: Other source of item for saleswomen Yes response in% .....	48
Table 45: Time spent to reach wholesalers and payment methods in % .....	49
Table 46: Active saleswomen’s products and reasons why they stop selling some items in %... ..	49
Table 47: Inactive saleswomen’s products and reasons why they stop selling some items in %..	50
Table 48: New items added and reasons why the items were added in %.....	51
Table 49: Key agro-dealers business experience in %.....	54
Table 50: Agro-dealers shop distance from the main road and Woreda main town and business experience in mean value.....	54
Table 51: Active and inactive agro-dealers’ consumer base in %.....	55
Table 52: Marketing cooperatives links and main reasons why it stopped .....	59

## **FIGURES**

Figure 1: Active and inactive VESAs groups responses in % .....	8
Figure 2: Formation model per area in % .....	13
Figure 3: Inactive Formation model per area in % .....	13
Figure 4: Active VESAs response to frequency of meetings in % .....	1819
Figure 5: Active VESA response to saving amount and status in % .....	21
Figure 6: Types and source of inputs purchased by households for value chain activities in% .....	3537
Figure 7: Active and inactive micro-franchise sales women in %.....	3839
Figure 8: Top 5 reasons why saleswomen stopped selling door to door in % .....	4041
Figure 9: Products sold by active saleswomen with the highest demands in % .....	50

## **ACKNOWLEDGEMENTS**

This study on the sustainability of GRAD structures and outcomes contracted by the Livelihoods for Resilience Activity report was written by Path Development Consulting and Research (PDCR) Services, Addis Ababa, Ethiopia.

The information and inputs were generously provided and collected from actors supported and created by the project, CARE Ethiopia, Implementing Partners and relevant stakeholders. The PDCR would like to thank everyone who contributed to this study.

PDCR is especially thankful for the technical support offered by Ms. Elisabeth Farmer, Ms. Zoma Mesfin and Mr. Kassahun Eshetu. Finally, our sincere gratitude goes out to the Project direct beneficiaries, at different level, the, experts and private actors who gave their time to be interviewed and/or to accompany the study on field visits.

Team leader;  
Eshetu Demissie

## **ACRONYMS**

ACSI	Amhara Credit and Saving Institution
ASE	Agri-Service Ethiopia
CRS	Catholic Relief Services
DECSI	Dedebit Credit and Saving Institution
EATBI	East African Tiger Brand Industries
FEMA	Farmers' Economic and Market Association
FHH	Female headed households
FSTF	Food Security Task Force
GLI	Guts Agro Industries
GLP	Green Light Planet
GoE	Government of Ethiopia
GRAD	Graduation with Resilience to Achieve Sustainable Development
HH	Household
IGA	Income Generating Activity
IP	Implementing Partner
IR	Intermediate Results
MCS	Meki Catholic Secretariat
MFI	Microfinance Institution
MSP	Multi-Stakeholders Platform
MUA	Memorandum of Understanding
NGO	Non-Governmental Organizations
OMO	Omo Micro Finance Organization
ORDA	Organization for Rehabilitation and Development in Amhara
PDCR	Path Development Consulting and Research
PSNP	Productive Safety Net Program
REST	Relief Society of Tigray
RuSACCOs	Rural Savings and Credit Cooperative
SMFI	Sidama Micro Finance Institution
SNNPR	Southern Nations, Nationalities, and Peoples Region
SNV	The Netherlands Development Organization
ToR	Terms of Reference
USAID	United States Agency for International Development
VC	Value Chain
VESA	Village Economic and Social Association

## **EXECUTIVE SUMMARY**

### **Purpose**

This study conducted by PDCR aims to better understand the sustainability and functionality of the processes and elements of GRAD-I as well as the different actors and structures supported and established by the project. And as such this report will focus on VESAs, household/value chains, agro-dealers, FEMAs/Cooperatives, micro-franchise, multi-stakeholders platform and access to finance after the project ended and will cover the period from December 2016 until September 2019.

### **Background**

The Graduation with Resilience to Achieve Sustainable Development (GRAD) project (hereafter referred to as the project) was a five-year USAID-funded project which began in December 2011 and ended in December 2016. Its strategic objective was to graduate a minimum of 50,000 chronically food-insecure households from the Ethiopian Government's (GoE's) Productive Safety Net Program (PSNP). Additionally, it aimed to increase each household's income by \$365 by the project's fifth year in 16 Woredas in Tigray, Amhara, Oromia, and Southern Nations, Nationalities, and Peoples Region (SNNPR). During the implementation of the project combined "push" and "pull" model into a complete and integrated package of interventions and within this model the project at times established and/or the above-mentioned actors.

### **Methodology**

This study addresses sustainability study questions outlined in the Terms of Reference (ToR). The approaches and processes followed in this study were shaped by the "Sustainability Study Matrix" which is directly derived from the sustainability questions indicated in the ToR.

Accordingly, desktop reviews of relevant documents including the project final evaluation, suitability and exit plan as well as a variety of reports were undertaken. The study team collected quantitative and qualitative information from 330 VESAs, 1,066 households, 188 saleswomen, 21 agro-dealers, 31 FEMAs/cooperatives. Furthermore, it consulted with representatives from multi-stakeholder platforms groups, Woreda FSTF, MFIs/RuSACCOs and participating wholesalers linked to the project. The study team physically observed agro-dealers' shops, livestock collection centers, micro-franchise, value chain, and VESAs activities.

The qualitative data was organized and analyzed based on a framework developed for this purpose and the quantitative data were analyzed using SPSS. The preliminary findings and key issues were presented at a workshop to CARE-Ethiopia project staffs and the findings were further validated.

### **Key findings:**

#### **VESAs:**

56% of the VESAs established and supported by the project are still active as members were able to benefit from their membership, improve their saving and loan management, improve loan repayment mechanisms, were able to share out on time and at critical times, have structured and transparent management committee. These groups develop their members' social capital, have a strong sense of trust, have benefited from their family's support. The active VESA have reasonable membership size, common interest and have managed receive continued support.

42% of the VESAs established are inactive as members lost confidence and the interest right after



the project ended. Members did not clearly understand the value of the VESAs, some faced internal conflicts, others such as the groups in Sidama and Gurage Zones were affected by drought and security issues. Overall, the inactive VESAs have received less support especially those established in the later part of the project. On a positive side, in Tigray few groups dissolved their VESAs as there was no need since they now have started saving at banks and can access credit from MFIs.

2% of VESAs have transformed into RuSACCOs. Those who managed to this transformation were encouraged by some of their members who already were also member to a RuSACCO. The VESAs were not encouraged due to RuSACCO's principle that supported individual membership to join already established RuSACCOs; and groups would rather retain their VESA as they feel they have full control and do not want to lose their social capital.

Active VESAs were formed on a voluntary base and were given adequate briefing about the purpose of the group. In contrast, the inactive VESAs members were mainly selected and groups were formed by project staffs.

Active VESAs remained together and have not sought to split into smaller groups as they value the social capital created within the group and prefer to work as a one team. Dissimilarly, 53% of the currently inactive groups did separate to form smaller groups, mainly due to internal conflicts, dissatisfaction regarding members selection methods and lack of management skills amongst the leadership.

Across all study areas, all VESAs were found have bylaws and in the case of Tigray and Amhara regions, some groups internally agreed and have amended their bylaws articles related to saving amounts, loan repayment mechanisms and interest rates reflecting their needs.

Active VESAs have successfully built social cohesion, capital, are a safe and fertile environment for training, social and cultural norms discussion platforms that may impede development drives and contribute to food security (e.g. gender inequality, infant feeding practices, etc.).

On average 61% of the active VESAs have been able to increase their savings size while only 13% reporting a decrease. Those who reported a decrease was directly associated to their inability to save as family expenses have escalated and they were unable to generate more income in order to save.

In all the study areas, the groups have paid share out every year in May and June. Their average value of liquid savings during the last share-out was 28,282 Birr with an average group share out of 1,444 Birr (\$51) and an internal loan size of 26,649 Birr.

### **Value Chain/Household:**

53% have graduated, directly demonstrating that the project has brought about considerable number of poor households out of poverty. Only 5% of the households were not re-admitted into PSNP as they mostly still have access to credit and more time to do business than before.

Although household's participation in value chain activities is still high, it has seen a slight decline since the end of the project. Specifically, the number of households participating in malt barely and potato has declined from 65% to 53% and 89% to 78% respectively.

The main inputs supply constrains for the majority of households engaged in value chain are price and the unavailability of inputs.

Selling through marketing cooperatives was not profitable and some have found sufficient marketplaces on their own.

During the project period, 39% of households were in the FEMA groups. After the project ended these households are no longer members, 87% of the FEMAs were dissolved and 69% reported they did not get any benefits from their membership suggesting that FEMAs were not sustained beyond the project.

**Micro-franchise:**

39% of saleswomen are still active allowing them to generate profit, to purchase more and cover some households' expenses including sending their children to school. The findings strongly suggest that a large majority of those who have been able to thrive beyond the project had prior trading experience.

After they stopped the micro-franchise activities, many saleswomen engaged in trading cereal grains, coffee and agricultural products at the local small market because the training provided by the project improved their skills and knowledge to engaged in business;

Micro-franchise saleswomen have regular customers that are largely female headed households; this is associated to the type of items that these saleswomen sell and the convenience that they are able to bring to their doors. Furthermore; by spending more time and reaching more clients active saleswomen have been able to sustain their business activities.

61% stopped their activities as customers' demands gradually decreased, some lost their capital as they were selling on credit, others engaged in other more profitable businesses and/or other less time and labor demanding jobs.

A very high number of the active saleswomen consulted have reported that training and access to finance both facilitated by the project were the two key factors that has helped them sustain their businesses after GRAD-I ended.

According to the findings, both active and inactive micro-franchise saleswomen have similar types of regular customers, which are largely Female headed households (FHHs) mainly associated to the type of products and the door to door selling approach.

Since they started their business engagement, 57% of the still active saleswomen have reported they have increased their business in volume and profit with a significant proportion selling in cash.

The active saleswomen's main marketing and promotion strategies are door to door sales to friends and family as well as 77% promoting their products and acquiring new business through VESAs. In the case the inactive saleswomen, only 43% have used VESA as a promotion avenue, instead relying on the more time and capacity intensive activity of door to door sales to promote their products.

Both active and inactive micro-franchise saleswomen purchased almost all the recommended items from wholesalers.

Significant numbers of active saleswomen have stopped selling items such as lotion snacks (limbo snack), hair products, soap, detergent powder and glycerin products as their prices has recently seen a rise reducing their sales' margin.

91% of the active saleswomen have added new items based on customers' requests and found the items easy to transport. These new additions have high profit margins and can be purchased from other traders not linked to the project.

### **Agro-dealers:**

56% of the agro-dealers supported by the project are still active. The main reasons for their sustainability can be attributed to the fact that some own their shops conveniently located close to where their customers live, their technical knowledge on agriculture, natural resource and previous trading experiences.

44% of the agro-dealers supported and/or established by the project are no longer active mainly because the shop was formed and run by a group; they lacked previous trading experiences and did not have adequate financial resources.

The active agro-dealers sell products in small quantities to PSNP and non PSNP households, particularly vegetable seed, crop seed and animal feed.

Both active and inactive agro-dealers sell concentrated feed, vegetable seeds, poultry feed and improved agricultural tools with a client base of both male and female customers.

Many active agro-dealers now sell chemicals and veterinary drugs helping them to diversity their offer with 33% already selling these before the project's support.

### **Output market:**

Almost all the FEMAs established during the project are no longer active, due to the member selection related issues as well as market linkages developed between cooperatives and others ended after the project.

All the livestock collection centers that were visited during this study are currently non-active as the marketing linkage supported and created by the project have weakened.

Livestock value chain linkages have deteriorated as farmers have switched to supplying local markets as they can get better prices for their products.

Vegetable value chain linkages have declined as farmers are unable to access potato seed from suppliers.

Honey value chain linkages have destabilized due to low honey demands from exporters and farmers preferring to sell at local markets offering them better price.

Malt barely value chain linkages have been disrupted as farmers are unable to access malt barley seeds.

Multi-stakeholders Platform (MSP) were never institutionalized, completely relayed on individual's availability to participate and entirely dependent on the project financially and once the project ended no MSP meetings have been held in the project Woreda, Zone nor regions.

## **Conclusion**

The project model is working, has ensured long-term sustained development approaches. The active stakeholders are working and the inactive are a good opportunity for the government and other NGOs for development work. During implementation, CARE and partners needs care not to engage in each and every activity. VESAs groups are still are informal entities and need to upgrade themselves into legal registered RuSACCOs for sustainability reasons. The active saleswomen have continued their business as they generate profit from their businesses but also because these activities have improved their social acceptance, confidence and their standing in their respective communities. Therefore, by investing in their capacity building, combined with a thorough understanding of the local markets can create a larger number of sustained saleswomen businesses. It is necessary that agro-dealers shall obtain business licenses, diversify their sell, and increase their capital, added new items based on demand assessment for sustained business entities. The value chains are still working but are not strong and thus are not sustainable. All the marketing linkage has to deal and respond to the dynamic nature market system beyond the project life.

## 1. INTRODUCTION

### 1.1 Project background

Graduation with Resilience to Achieve Sustainable Development (GRAD) (hereafter referred to as the project) was a five-year USAID-funded project which began in December 2011 and ended in December 2016. Its strategic objective was to graduate a minimum of 50,000 chronically food-insecure households from the Government of Ethiopia’s (GoE’s) Productive Safety Net Program (PSNP) and to increase each household’s income by \$365 by the project’s fifth year in 16 woredas of Tigray, Amhara, Oromia, and SNNPR.

The project was implemented by a consortium of organizations which included Catholic Relief Services (CRS) with Meki Catholic Secretariat (MCS), Organization for Rehabilitation and Development in Amhara (ORDA), the Relief Society of Tigray (REST), and Agri-Service Ethiopia. CARE led the consortium and served as the primary implementer in SNNP’s Sidama Zone, whereas,

ORDA was the primary implementer in Amhara region’s Libo Kemkem and Lay Gayint woredas.

REST was the primary implementer in Tigray region’s Ofla, Alamata, Endamehoni and Raya Azebo woredas.

Agri-Service Ethiopia led the implementation in the SNNP region’s Gurage zone, Meskan, and Mareko woredas.

CRS and collaboration with MCS led the implementation of the project in the Oromia region.

Additionally, the Netherlands Development Organization (SNV) and the Feinstein International Center of Tufts University were providing the consortium technical advice throughout the project life.

### 1.2 Key project outputs

**Table 1: GRAD's project output**

<p>2,861 VESAs with a membership of more than 62,000 PSNP households established;                      500 micro-franchise sales-women supported;                      32 agro-dealers supported                      29 cooperatives/unions supported;                      147 FEMAs established and supported;                      12 livestock collection centers established; and                      16 multi-stakeholders platforms promoted and revitalized                      41,689 HHs participated in livestock fattening Value Chain (VC), 931 HH participated in honey VC, 7029 HHs participated in vegetables VC, 6,201 HHs participated in pulses VC, and 2976 HHs participated malt barley VC; and                      MFIs and RUSACCOs<sup>1</sup> served 51,975 households.</p>
--

### 1.3 The Project's model and actors supported and created

During implementation the project combined both “push” and “pull” elements/model<sup>1</sup> into a complete and integrated package of interventions for on-farm and off-farm opportunity creation, access to financial products, and demand-oriented extension services. Within this model the project created/supported the below different actors and structures:

**VESA:** as a first step, the project established VESAs, small scale, informal, village-based saving and lending groups that enable households to start saving and access small loans. Additionally, these VESAs served as a platform for a variety of trainings and access to new technologies.

**Value Chains:** thereafter, the project worked on targeted VCs and provided technical and business skills training (“push”) as well as providing technical and financial support to private sector actors in these value chains to improve the input output market linkage (“pull”). On the input side, the project provided technical and financial support to the establishment of agro-dealers, by supporting nascent or existing entrepreneurs in providing inputs related to the targeted value chain in appropriate sized package to PSNP households. On the output market side, the Project supported the creation of FEMAs to enable PSNP beneficiaries to engage in collective marketing. Besides, the project created or revitalized MSP to bring together value chain actors and others to jointly address identified bottlenecks.

**Micro-franchise:** the project was able to support women's livelihoods through the introduction of a micro-franchise initiative. The initiative engaged rural unemployed women in door-to-door sales of fast-moving consumer goods in their respective geographic locations. It generated sustainable income source for the women taking part while serving low-income households in rural areas often beyond the reach of traditional commercial distribution network.

**Access to finance:** the project linked participant households with MFIs as well as with RuSACCOs using a loan guarantee fund to help mitigate lender risks.

### 1.4 The project's sustainability concept

The project's sustainability ethos was generally based on three concepts: behavioral change, economic incentives, and institutional obligations. Behavioral change refers to the expectation that skills and practices adopted by households will continue into the future and be shared with family members and neighbors. The economic incentive would come from the productive and business activities that yield income for a range of stakeholders along the value chain. Finally, contractual obligations or mandates will help to sustain institutional support for the project's households and communities into the future.

---

<sup>1</sup> Source GRAD baseline: Push strategy: Strengthening producer groups, improve their skills, and access to inputs (credit, technology, asset), extension services. Pull strategy: Improve access to mainstream services, output markets, multi-stakeholders platform, private sector engagement, market information, post-harvest technology

These three elements were then developed into the below three project activities:

Firstly, the project developed and delivered a set of capacity building activities for the participating households. Through a variety of training sessions, the project was able to provide new set of skills that remain within the participating households and will continue to bring about relevant changes beyond the life of the project.

Secondly, the project was able to ensure that organizations, structures and processes established during its life such as VESAs, Micro-franchise, Agro-dealers, FEMAs/cooperatives are either ready to work independently or transit into the care of the relevant stakeholders to ensure that their functionality beyond December 2016.

Thirdly, by engaging with a wide range of partners and stakeholders such as MFI/RuSACCOs and woreda FSTF, the project sought to ensure that knowledge, skills and implementation models developed over the course of the project are incorporated into future programs and approaches.

### 1.5 Study purpose

Path Development Consulting and Research was commissioned by CARE-Ethiopia to conduct this study to better understand how to ensure the sustainability and functionality of the VESAs, value chains, agro-dealers, FEMAs/cooperatives, micro-franchise, multi-stakeholders platform and access to finance beyond the life of the project by answering the key sustainability study questions as outlined in table 2 below. In addition, the study will seek to identify practical lessons to help improve the sustainability of the outcomes of the current project Livelihoods for Resilience Activity.

**Table 2:** Sustainability study questions

Actors	Sustainability study questions
VESAs	What percentages of VESAs formed by the project are still active? What characteristics, if any, distinguish active VESAs from the inactive ones? How often are VESAs meeting and to what extent are they following other minimum standards? How has VESAs membership evolved since their formation? How have share values and savings rate evolved since the VESAs formation? Which key variables are more associated with VESA activities?
Households and value chain	To what extent are households still engaged in value chains in which they were trained in? Which value chain linkages were sustained after the project ended? Why and why not?
Micro-franchise network	What percentage of micro-franchise saleswomen are still active and selling micro-franchise products? For saleswomen who have stopped selling what are their reasons? What characteristic, if any, distinguish active micro-franchise saleswomen from inactive ones? To what extent are wholesalers selling to saleswomen, either product from the private sectors partners or other products Which micro-franchise products have the highest demand? Are these easiest to sell and why? Which micro-franchise products have the lowest demand/are the hardest to sell, and why?

	<p>Are women who have kept selling only selling these products or have they added other products deemed more profitable for them?</p> <p>What are the unintended positive and negative outcomes of being micro-franchise saleswoman?</p>
Agro-dealers	<p>What percentage of agro-dealers is still active and selling inputs related to the targeted value chain?</p> <p>Which characteristics, in any, distinguish active agro-dealers from inactive ones?</p> <p>Are the active agro-dealers still selling inputs in small packages?</p> <p>Have agro-dealers stopped selling certain types of inputs? What are some of the reasons for this?</p> <p>To what extent do agro-dealers still sell to PSNP households?</p> <p>Why and why not?</p> <p>What feedback do agro-dealers have for the project, to make the activity more profitable and sustainable?</p>
Output market interventions	<p>What percentage of FEMAs and/or marketing cooperatives established by the project is still active?</p> <p>What percentage of livestock collection centers established by the project is still active?</p> <p>Which of the market linkages facilitated by the project are still functional?</p> <p>What characteristics, if any, distinguish active FEMAs/Cooperative from inactive ones?</p> <p>Are multi-stakeholder's platforms still meeting? How have they evolved since the end of the project?</p>

## 1.6 Scope of the study

This study will focus on reviewing the sustainability of the supported and/or established structures, starting from the end of the project from December 2016 until September 2019 (during which data was collected). Moreover, the research will examine the functionality of these organizations including sustained coordination and complementarity elements such as their market linkage across the value chains, market linkage across agro-dealers and sustained coordination along marketing cooperatives within the below listed geographic areas:

SNNP region: Loka abaya, Hawila Tula, Hawassa Zuria, Shebedino, Meskan, and Mareko Woredas.

Tigray region: Oflla, Alamata, Endaamehoni and Raya Azebo Woredas.

Amhara region: Libo Kemkem and Lay Gayint Woredas.



## 2. METHODOLOGY

### 2.1 Methods description

The approaches and processes followed in this study were shaped by the sustainability study matrix” which is directly derived from the sustainability questions indicated in the ToR. The matrix outlines the main sustainability study questions and sub-questions as well as proposed data collection methodologies and data sources. A list of the main sustainability questions and sub-questions with the methodology indicated in the sustainability study matrix can be found in Annex 1. In order to fulfill this study’s objectives and respond to the sustainability questions and reporting requirements, both qualitative and quantitative data collection and analysis approaches were used.

The study team collected quantitative and qualitative data from a sample of VESAs, households, micro-franchises, and census (totality) surveys were used for agro-dealers, FEMAs/cooperatives, union and multi-stakeholder platforms. Additionally, service providers such as MFIs/RuSACCOs and wholesalers/traders were consulted in each project area. Parallel to the data collection, the study team physically observed agro-dealers shops, livestock collection centers, micro-franchise sales women, value chain and VESAs activities that were identified for the study purpose. These observation visits were conducted to examine how these actors were working during the study period and if these were consistent to the project model.

All data collected and presented in this report has been disaggregated by project area. During the data collection, semi-structured and structured data collection instruments were used for each actor interviewed. These data collection instruments were designed based on the sustainability questions, judgment criteria and study objectives. The data collection tools can be found in Annex 2.

The team also conducted a desktop review of relevant documents including the project final evaluation, suitability and exist plan, innovation briefs, learning briefs, MSP-proceedings, assessment and studies, IR assessments, final report as well as other related documents. The full list of these can found in Annex 3.

After the data was collected and analyzed the preliminary findings and key issues were presented in a workshop to CARE-Ethiopia project staff and key stakeholders in Addis Ababa on November 19, 2019. Comments, suggestions and feedback were received and considered for this report.

### 2.2 Sampling and sample size selection

**VESA/household:** VESAs and household data was collected from all study project areas and the study team used a multi-stage cluster sampling. First, a representative sample of 3 to 4 Kebeles from each Woreda were selected and thereafter VESAs representative were identified from within these Kebeles. Similarly, from each selected VESA, households who were engaged in the various value chain activities were purposefully selected. Subsequently, VESA and household sample sizes and a list of respondents from the project’s Kebele level beneficiary were determined. The desired household sample size was calculated using standard survey sampling size determination<sup>2</sup>. Similarly, the desired VESA sample size was achieved using standard survey sampling size for small numbers<sup>3</sup>. In total 1,066 households and 330 VESAs were selected and consulted. Based on

---

<sup>2</sup><http://ijecm.co.uk/wp-content/uploads/2014/11/21131.pdf>

<sup>3</sup> "<http://www.hfpg.org/files/6014/5194/1696/Samplesize.pdf>" <http://www.hfpg.org/files/6014/5194/1696/Samplesize.pdf>

the caseload, proportional VESAs were selected from each Woreda. Table 3 below presents the breakdown of the number of respondents by project areas.

**Table 3:** Number of VESAs and Households respondents by project area

Project area/IPs	VESAs lists available in the data set	VESAs from the total established (1827) (in %)	Actual VESAs sample size	Actual HH sample size
SNNP - Sidama zone	620	34	112	355
SNNP - Gurage zone	70	4	12	41
Tigray	628	34	114	365
Amhara	509	28	94	305
<b>Total</b>	<b>1,827</b>	<b>100</b>	<b>330</b>	<b>1,066</b>

**Micro-franchise:** with regards to the micro-franchise saleswomen, areas where the project implemented micro-franchise related activities were selected. In the SNNP region, these were Loka abaya, Hawila Tula, Hawassa Zuria, Shebedino, Meskan, and Mareko Woredas while in the Amhara region Lay Gayint Woreda was identified. Random sampling technique was employed followed by sample size construction and establishment of list of respondents from the project's Kebele level beneficiaries were selected. Micro-franchise activities were not implemented in the Tigray region. The desired respondents sample size was calculated using the same formula applied for VESAs and a total of 188 saleswomen were selected and consulted. Moreover, the study team consulted 13 wholesalers i.e. suppliers who were providing items to micro-franchised women. Table 4 below presents the breakdown of number of respondents by project areas.

**Table 4:** Number of micro-franchise respondents by project area

Project area/IPs	Micro-franchise lists available in the data set	Proportion of Micro-franchise from the total (498)	Actual sample size
SNNP - Sidama zone	307	61%	133
SNNP - Gurage-Zone	106	22%	21
Amhara-Region	77	15%	34
<b>Total</b>	<b>498</b>	<b>100%</b>	<b>188</b>

**FEMAs/Coops and agro-dealers:** the survey team was to take a census survey of FEMAs/Cooperatives, and agro-dealers. Furthermore, the study team conducted in-depth discussions with actors who in the past participated in the MSP and implementation process in all project Woredas, Zones and regions namely, Livestock and Fishery Office, Cooperative and Promotion Office, Women and Children Affairs office, Implementing Partners and Microfinance Institutions (SMFI, OMO-DECSI and ACSI) and the full list of those consulted can be found in the below table 5.

**Table 5:** Number of agro-dealers, FEMAS/Coops, FSTF and MFI respondents

Category	Consulted	Not consulted	Reasons for not consulting
Agro-dealers	21	3	Left the project area, contact address is not working
FEMAs	31	125	Dissolved and were not available
Cooperative/Unions	33		
FSTF <sup>4</sup>	15		
Microfinance Institutions: SMFI, OMO-DECSI and ACSI	3		
IPs (CARE-Ethiopia, Agri-service, ORDA, REST, SNV)	5		
<b>Total</b>	<b>78</b>		

### 2.3 Data analysis

**Qualitative analysis:** based on the study question responses a qualitative framework that organizes, classifies and analyses qualitative data was developed. Thereafter, responses to each study question was coded, entered, aggregated, compiled, interpreted, triangulated and analyzed. All the data was disaggregated by project area. As themes and issues were identified, the content was analyzed in terms of the issues stated in the study objectives. The qualitative framework can be found in Annex-5

**Quantitative analysis:** the study team entered the quantitative data into SPSS for cleaning and analysis. The team then carried out frequency analysis, categorical data analysis, means analysis, and statistical significance tests to investigate the existence of statistically significant differences. Where appropriate, multivariate regressions/correlation analysis used to identify key factors that might be influencing results. The output of these analyses helped to identify the relationship among the different statistically significant variables. The full set of SPSS data can be found in Annex-6.

### 2.4 Limitations

As with any study, there were a few considerations that affected the assignment and both procedural and methodological limitations that were faced here are outlined below:

We were unable to receive a full list of all FEMAs, which made it impossible to have a true census survey. Further, in the field we were unable to locate them once in the field because we did not have detailed information about the group address and profile.

Due to security issues within the Gurage zone at the time of data collection, we were unable to travel to and within a number of Kebeles. This affected our data collection, there were a total of 54 micro-franchise saleswomen; however we were only able to consult 21.

<sup>4</sup> Livestock and Fishery Office, Cooperative and Promotion Office, Women and Children Affairs office

### 3. STUDY FINDINGS

This section presents the main findings that have emerged from the study questions and is divided according to the main study areas that are VESAs, value chain/households, micro-franchise, agro-dealers, output marketing and access to finance. Whenever necessary the data and the discussions have been disaggregated and presented by project area.

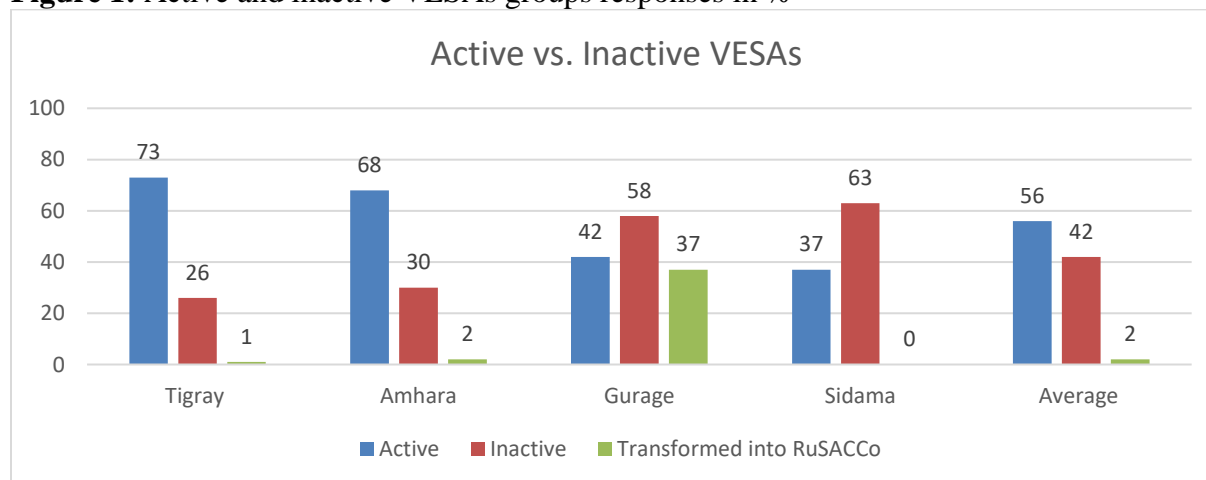
#### 3.1 VESAs

One of the main focuses of the project exit and sustainability strategy was strengthening VESAs. Consecutively, the project provided orientation and training to members about the importance of VESAs on their economic activities and intensive trainings for VESA committees on group management and record keeping. Additionally, it paid specific attention to VESAs' long-term financial sustainability by implementing measures intended to increase the savings rates and assisted matured VESAs in transitioning into RuSACCOs. The project also, approached local government service providers and created awareness and linkages between the office and the VESAs, so the groups continued to act as centralized points of community access and outreach for a wide range of government offices and service providers. This occasion offered all present the opportunity to celebrate the groups' successes, publicly commit to ongoing positive behavior and provide inspirations for other members of their respective communities. Ultimately, the VESA members, as owners of the group, could decide whether to pursue formalization (into RuSACCOs) or to continue as it is, or even dissolve if the need for small-scale, informal finance was deemed low.

##### 3.1.1. Percentages of active and inactive VESAs formed

As demonstrated in Figure 1 below, on average, 56% of the VESAs established and supported by the project are still active, while 42% are inactive. Further analysis indicates that there is a greater percentage of active groups in the Tigray and Amhara regions than other regions.

**Figure 1:** Active and inactive VESAs groups responses in %



## Active VESAs

The main reasons and key contributing factors that have facilitated the continuation of the VESAs beyond the life of the project are:

**Benefits for members:** apart from the initial access to loans members actively invested in profitable Income Generating Activities (IGAs) saved money and repaid back their loans regularly. Moreover, in these cases, members were also able to easily access loans for immediate cash need during emergencies. Therefore, these benefits strongly motivated members to continue their VESA activities. In the Tigray and Amhara regions, some VESAs also offer a smaller social fund, financed through small premiums paid by each member separately from the group savings and credit activities. The social fund was paid out as a transfer or an interest-free loan when certain events occur that were not social fund in the VESAs constitution, usually the death of family members, death of cattle, sudden illness, or other emergencies. These benefits again incentivized members to remain an active member of the group.

**Improved saving and loan management:** internally the groups agreed and improved saving and loan management systems which made the process more flexible, yet strong. On average the group loan contracts run for three months, with a grace period of one month. Rules for loan approval were set in the group's constitution and often required that the money be used for IGAs activities. Members can at any time borrow any amount up to three times the level of their own savings, provided that funds are available. If the funds requested by members exceed the amount of funds saved, the group decides who will be given loans by following a predetermined list of criteria written into the group's constitution. Furthermore, the interest rate on loans is set by the group and can thus be used to regulate excess supply or excess demand in the medium term, making the group safe and relatively flexible.

**Improved loan repayment mechanisms:** many groups amended the bylaws and agreed that, loan requested have to be equal to the loan applicants saving amount and loan applicant collateral members saving amount within the group.

**Made share-outs on time and during critical periods:** all share out processes are made as per the agreement. At the end of a cycle, which is around 12 months in duration, all savings and interest payments were divided by the number of shares and paid out the share-out. Share out periods were set by members based on their member's needs and period time. In Tigray and Amhara, this was most frequently at the end of May, when seeds and fertilizer need to be financed. This also holds true in some groups of Gurage and Sidama Zones.

**Structured and transparent management committee:** VESAs that have a dedicated and strong management committee, who regularly update and inform the total share values, member's savings, and loan size, have been more successful in continuing the group activities beyond the life of the project. These group transactions take place in the presence of all members at VESA meetings, and funds counted independently and in public by elected money. Funds were stored in a cashbox, locked with two padlocks, so that the possibilities of theft is greatly reduced. All these further built trust and strengthened the group activities.

**Developed social capital:** in the Amhara and Tigray regions, VESA members work together in collective agriculture practices. Additionally, these members together belonging to other common social activities such as *Ider* and *Mehber*. VESA members who also belong to other social institutions increase the group's social capital and encouraged members to work as a team and

better manage conflicts.

**Strong sense of trust:** VESAs established based on self-selection and those who have a clear understanding the purpose of the VESA, developed strong trust. These groups save regularly, repay back their loan on time and have very limited occurrences of dropout. This has reduced conflict in both Amhara and Tigray.

**Family support:** active encouragement and support from families, especially from husbands, for female VESA members to participate in meetings, regularly save and to engage in IGAs directly correlates with the sustainability of VESAs.

**Reasonable membership size:** on average, each VESA has 10 members. This has shown to give manageable and effective handling of financial documentation, processes, reduces internal conflicts, encourages the execution of regular meetings and eases the continual amendment of the VESAs constitution which is based on individual group's needs.

**Members' past experiences:** in the Tigray and Amhara regions, lengthy processes and high interest rates experienced by members who have applied for MFI/RuSACCOs loans, has directly contributed to retaining their VESA activities as members considered their VESAs as the best alternative.

**Groups' common interest:** groups who have developed common interests and joint investment activities such as establishing a local flour mill in their village has directly linked to the continuation of a VESAs that was established by the project. Members feel that continuing to engage in their VESA they can acquire common assets, which would be difficult to achieve otherwise. This not only motivates members to continue their membership, but it also encourages them to increase their savings. This was distinctly prevalent in the Amhara region.

**Continued support:** groups receiving support, such as training and technical advice from ORDA, REST and an NGO (Glimmer of Hope) beyond the project have continued to thrive. This continued support has improved the groups' skills and motivation to continue their VESA activities.

### **Inactive VESAs**

As mentioned earlier, 42% of the established and supported VESAs are no longer active and table 6 demonstrates the key reasons. For example, mainly in the Amhara region, the key reasons for inactivity were associated to distance, 33% have reported members live too far apart and this distance was discouraging members from attending regular meetings. Of the remaining operational VESAs, 36% of the households stopped participating in the VESA mainly because:

**Loss of confidence:** members lost confidence and interest right after the project ended, as they considered the project office as an insurance mechanism to enforce loan defaulters and to their savings that was stored in the hands of an individual's home.

**Phase-out:** members were disappointed with the project phase-out approaches and dissolved their VESAs. Some have reported that the project ended its support and technical advice without smooth and proper document transfer to the government office, informing and engaging VESAs groups in the project exit activities.

**Late joining VESA members:** members who did not understand the VESA's purpose were selected by the community facilitator and lately joined already established self-selection member VESAs. These lately joined members created conflicts within the group. Eventually, the group

was forced to dissolve. This was because in some cases the community facilitator selects members and advice already established VESAs to join the group.

**Lack of transparent management:** group members experienced conflicts because the management was not transparent and communicated each member as per the group constitution. Besides, the groups were not able to manage conflict because members were not trained about how to solve group conflict. In turn, group preferred to stop the VESA activities.

**Unforeseen circumstances:** in the Sidama and Gurage zones, groups who were affected by floods, drought and/or by local security issues were unable to engage in profitable IGAs and VCs activities and thus were unable to regularly save, pay their loans and operate the VESA activities.

**Loan repayment:** Inactive groups in the Sidama and Gurage zones, had weak loan repayment enforcement mechanisms which saw the direct increase in the numbers of defaulters. This is associated with poor local history of loan repayment. Additionally, these defaulters further discouraged other members from continuing to save leading to the dissolution of their VESAs.

**Late formation:** groups who were established in the later part of the project life, received very limited regular technical support. As their savings were small, they were not able to provide loans or continue with their VESA activities. The study shows that the VESAs formed during the 4<sup>th</sup> and 5<sup>th</sup> year of the project was not as sustainable as those established during the 2<sup>nd</sup> and 3<sup>rd</sup> of the project. For example; in the Tigray region among the VESAs established in 4<sup>th</sup> or 5<sup>th</sup> year of the project 37% are not active. For example in the Amhara region, of the total active VESAs, 63% VESA were formed during the first and second year of the project period and of these groups 87% are active. On the more positive side, in the Tigray region, few members dissolved their group as they no longer needed their VESAs since they have now started saving in banks and access credit from MFIs.

**Table 6:** Reasons for inactiveness of VESAs responses (in %)

Reasons	TIGRAY	AMHARA	GURAGE	SIDAMA	TOTAL
Members live too far apart	27	33	3	2	13
Too many loan defaulters	3	4	15	29	11
Management problems	8	7	17	21	14
Lack of trust within members	10	8	11	14	10
Disagreement among members	15	21	37	35	26
Conflict/displacement	2	4	37	22	15
Theft/financial mismanagement/loss of money	4	18	15	18	12
Members not able to save	11	13	15	12	11
Other <sup>5</sup>	24	29	47	48	36

<sup>5</sup> Predominantly: security reason, lost confidence, not well understand the purpose

### 3.1.2 Transformation into RUSACCOs

Although VESAs have defined mandates and have been able to bring about quantifiable change in the lives of their members, they still are informal entities which cannot access government support like RuSACCOs. Therefore, the project from the start has actively encouraged VESAs to upgrade themselves into legal registered RuSACCOs for sustainability reasons. Yet this study finds that 2% of VESAs transformed into RuSACCOs and in the Sidama and Gurage zones no VESAs transformed into RuSACCOs because:

In Amhara and Tigray region, some group members are also members of RuSACCOs. These members strongly want to keep their VESAs as it is. They were not interested to pursue formalization into RuSACCOs. These members need to access loans from VESA and RuSACCOs.

Some VESAs groups applied to upgrade their group into RuSACCO but they were not encouraged due to RuSACCO's principle that supported individual membership to join already established RuSACCOs.

VESA members have strongly suggested that RuSACCOs' membership size is too large and that the loan application turnaround time is too long. Therefore, they have maintained their VESA as it is to meet their members' needs.

VESA members consulted have strongly asserted that they would rather retain their VESA as they feel they have full control. When they probed further the respondents have stated that, in the current format they can amend the constitution, amend loan size, interest rate and loan repayment mechanisms to meet their needs. However, if they upgrade their group into a RuSACCO, they feel that the Woreda Cooperative Office will decide on issues that are pertinent to their membership without much participation from them. Additionally, unlike RuSACCOs, VESAs groups' money is managed at the village level by all the members further incentivizing VESA to remain informal.

Moreover, there is a perception, amongst those respondents engaged on this question that many RuSACCO's groups experience cash losses due to poor financial recording and management and therefore VESAs money is more secure.

VESA members reported that, compared to VESAs there are more loan defaulters in RuSACCOs groups as members do not receive business training before taking a loan. As a consequence, all members suffer from limited liquid saving and loan amount available to them, driving VESAs members to keep their VESAs rather than join RuSACCOs.

RuSACCOs members have no social value to address members' social cases and the social bond is not strong like VESA's. Many VESA members want to keep the VESA so as to keep the social bond created for various social cases.

In contrast to the above-mentioned views, 2% of the groups who have transformed into RuSACCOs believe that it was a good thing to do so. Accessing larger loan size, longer loan repayment period, the non-requirement of group collateral, having individual saving books, large profit share out and legal status were the main advantages of RuSACCO, cited by the respondents. Additionally, in contrast to MFIs located in the Woreda main towns, RuSACCOs are located in their Kebeles reducing travel time and cost to access larger loans with a lower interest rate of 14% (MFIs 19%).

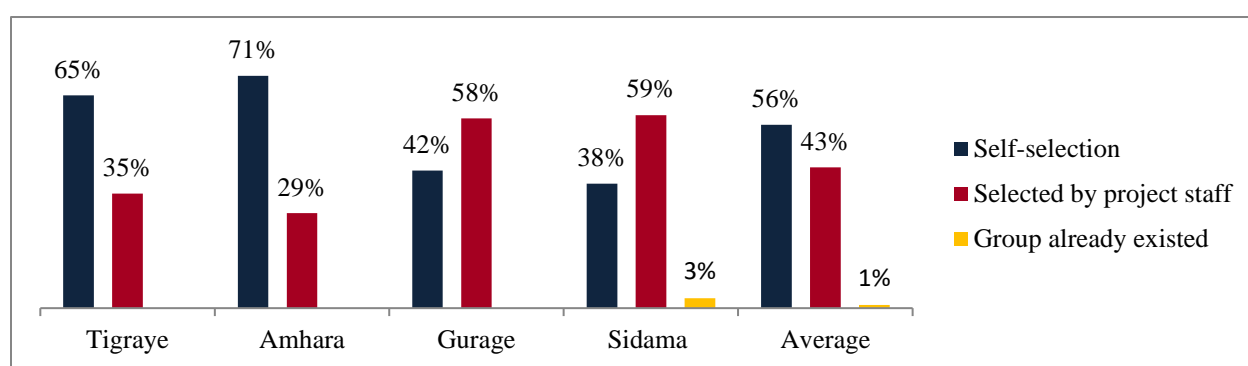


### 3.1.3 Distinguishing characteristics of active VESAs from inactive VESAs

#### 3.1.3.1 Member selection methods

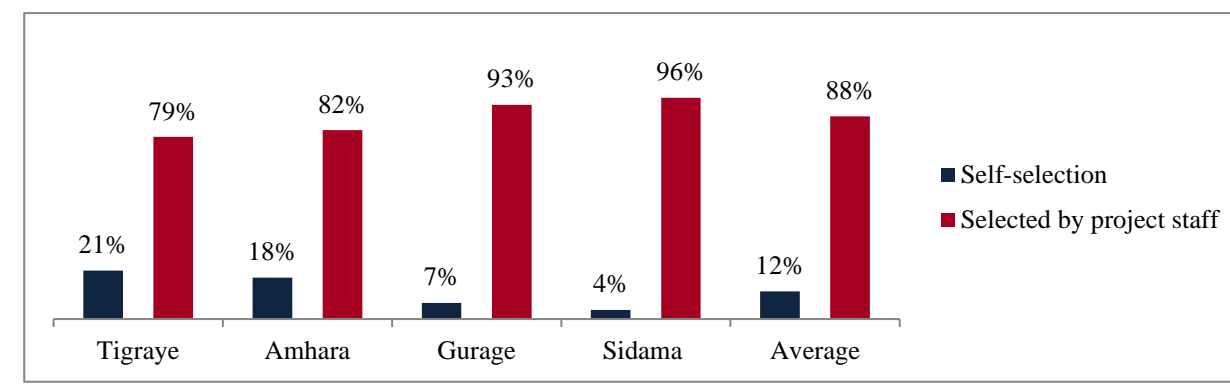
The VESA formation was made on a voluntary basis with an adequate briefing about the purpose of the VESA. The data shows that 56.3% of the active VESAs adopted the self-selected model while 43% were selected and formed by project staff. These findings are based on the respondent's perception of their control/input over the process. The self-selected model is more than likely to give the group the opportunity to bring similar members who have common interests and visions. This has a significant effect on the functionality and sustainability of the VESAs. For example, in the Sidama Zone, where inactive VESAs groups were quite high 59% of the groups were selected by the project staff.

**Figure 2:** Formation model per area in %



As shown in figure 3 below, 88% of the inactive VESAs' members were selected by project staff. For the reasons mentioned above, the below data analysis indicates a higher number of VESAs created by project staff have been found to be non-active compared to those who formed using the self-selection method. A coloration analysis between whether a VESA was self-selected or not, and whether it's active or not after adjusting the dummy variable response with scores was made. The results show that the relationship rating scale is 0.74. This implies, there is strong coloration between the two variables and change in one variable results in a change on another variable, significantly.

**Figure 3:** Inactive Formation model per area in %



### 3.1.3.2 VESA split, bylaw and leadership

The data presented in table 7 below indicates that 90% of the active VESAs have remained together and have not sought to split into smaller groups as they value the social capital created within the group and prefer to work as a one. However, in some cases where the VESA meeting place and time were deemed inconvenient, for example in the Amhara region 10% of respondents reported that they were forced to split to create a separate VESA. Across all study areas, all VESAs were found to have bylaws and in the case of the Tigray and Amhara regions, some groups internally agreed and have amended their bylaws articles related to saving amount, loan repayment mechanism and interest rates based on their needs in 2017. None of the VESAs located in the Sidama and Gurage zones had amended their bylaws. Although the VESAs bylaws encourage rotational leadership, none of the VESAs have undertaken rotational leadership models. However, there are groups who have changed some of their leadership committee members due to time commitments, travel requirements and as members move out of the area of the VESA. Based on the responses received it is evident that group members have strong confidence in their leaders are aware that they can change the leadership members if deemed necessary.

**Table 7:** Active VESA group split and bylaws (in %)

	SIDAMA	TIGRAY	AMHARA	GURAGE	TOTAL
Have you split the VESA					
Split the VESA	5	9	16	6	10
Reason for split					
It got too big	2	56	29	3	34
Leadership disagreement	66	4	6	44	19
Inconvenient meeting place and time	32	40	65	53	47
Do you have bylaws					
Have bylaws	100	100	100	100	100

Unlike active VESAs 49% of the current inactive groups did separate to form smaller VESAs. This was mainly due to internal conflicts, member selection methods and lack of management skills amongst their leadership. As the data shows below 70% of the groups reported leadership disagreements as the main reason for their split. Although all inactive VESAs have bylaws that govern their groups they do not regularly discuss and effectively apply their bylaws. When probed, all inactive VESAs have not revised their bylaws since its establishment.

**Table 8:** Inactive VESA group split and bylaws (in %)

	SIDAMA	TIGRAY	AMHARA	GURAGE	TOTAL
VESAs that have split	55	43	36	65	49
Reason for split					
It got too big	1	2	2	1	1
Leadership disagreement	65	72	80	59	70
Inconvenient meeting place and time	34	26	18	40	29
VESAs with bylaws					
Bylaws	100	100	100	100	100

### 3.1.3.3 Distance to travel

The average distance from active VESA meeting place to Woreda main town are 14 Km, ranging from minimum of 0.5Km to maximum of 40Km. Average group meeting place from the main roads (gravel or asphalt) was 17 Km ranging from minimum 0.3Km to maximum 22Km (Table-9). Active VESAs are slightly more accessible than inactive ones. The VESA meeting places are reachable and supported by development programs, extension agents, private sector actors, financial institutions, and other service providers. In fact, each group's meetings were held near to their village which means it is accessible for all members and was set according to members' needs. The average meeting place for the inactive VESAs from the Woreda main town was 19 Km and 21km from the main road (Table-10). This longer distance can be understood to be a barrier accessing adequate support by government offices as well as from other relevant actors (MFI and NGOs) directly linking to these VESAs inactiveness.

**Table 9:** Active and inactive VESA meeting place distance (in Km) from the Woreda main town and main roads

	SIDAMA	TIGRAY	AMHARA	GURAGE	AVEREG
<b>Active VESA</b>					
VESAs meeting place from the Woredas main town (in Km)	7	21	14	12	14
VESA meeting place from the main road, gravel or asphalt in (Km)	12	20	24	12	17
<b>Inactive VESA</b>					
VESAs meeting place from the Woredas main town (in Km)	10	25	21	15	19
VESA meeting place from the main road, gravel or asphalt (in Km)	11	23	29	12	21

### 3.1.3.4 Support received

The training and increased knowledge were considered the most valuable part of the VESAs activities. Training topics included saving and loans, business management skills, financial literacy, and value chains (VCs). During its life all VESAs received training and technical advice from the project (Table 11). Despite the fact that the project worked on linking VESAs with sector office services there is little evidence to suggest that sector government offices continued providing training and technical advice to VESAs. Over the last three years, 18% received this support from Woreda DAs/experts while 82% have not accessed this support from DAs since the project ended. Of those who have accessed some support beyond the project, the largest numbers are found to be in Tigray and Amara regions which have got the highest numbers of active groups. Discussions held with Woredas in Gurage and Sidama Zone FSTF (Cooperative Office) indicates that the office appreciate the importance of VESAs but cannot provide technical assistance (such as training,) to VESAs as they are not legally registered. And as such they can only actively encourage them to upgrade themselves into RuSACCO so that they can access support from the government offices. The offices we spoke to also stated that as there was no handover of VESAs

document to the Woreda offices and they were not able to know much about these VESAs, where they are, what they group needs, the group activities etc.

However, over the last three years 29% of VESAs have received training and technical assistance from other NGOs and other organizations such as REST and ORDA. And in fact, many groups located in the Tigray and Amhara regions have accessed this support contributing to their functionally.

Linking poor households to the formal financial market is always a challenge, as MFIs are often skeptical of their ability to repay and recognize the higher administrative costs implied. During the project period, GRAD partnered with MFIs and linked 21 percent of the VESA groups in SNNP region. However, over the last three years, almost all the groups were not linked to any MFIs by the project. None of the groups received material support after the project ended.

**Table 10:** Active VESAs responses to support received (in %)

	Sidama	Tigray	Amhara	Gurage	Total
Type of support VESA receive from the project					
Training and technical advice	100	100	100	100	100
VESA groups linked to MFIs	21	0	0	0	0
Material support ( VESA Kits)	100	100	100	100	100
Support received woreda DAs/ experts over the last 3 years					
Training and technical advice	11	28	31	6	18
Linkages to MFIs	0	3	3	0	2
Material support	0	0	0	0	0
Support received from NGOS or other organizations over the last 3 years					
Training and technical advice	17	42	38	11	29
Linkages to MFIs	0	0	0	0	0
Material support	0	0	0	0	0

### 3.1.3.5 Loan defaulters and repayment enforcement mechanisms

VESAs that are now inactive had a high incidence of defaulters, 59% of inactive VESAs reported that they had defaulters, compared to 19% of active VESAs. As detailed in the table 12 below, female loan defaulters represent a smaller number compared to their male counterparts. Interestingly in the Tigray region which has the highest loan repayment enforcement mechanisms, there are no women loan defaulters. Lower loan repayment enforcement mechanisms is directly linked to higher number of loan defaulters, the Gurage Zone is the case in this point. 95% of the VESAs in our study areas have loan repayment enforcement mechanism which includes:

Loan applicants are required to pay their loan within three months, or they run the risk of incurring double interest rate (in Tigray and Amhara). In order to be eligible, loan applicants are required to obtain consents of all group members and should have collateral from member. The loan amount requested cannot exceed the applicant's saved amount plus the declared collateral which is free of debt. Signatures of wife and husband during credit are mandatory. Interest rates must be paid every month and outstanding should be paid at the end of the three months (in the Amhara region). VESA leadership regularly (in a meeting) reminds borrowers and the collateral owner about the outstanding balance and repayments period. This case is distinct in the Amhara and Tigray areas.

During the project period, 75% of the inactive group had established loan repayment enforcement mechanisms including group collateral and penalty processes. However, according to respondents some management committee members were unsure of how to handle and manage loan defaulters' cases. Rather, these groups prefer to enforce through government offices.

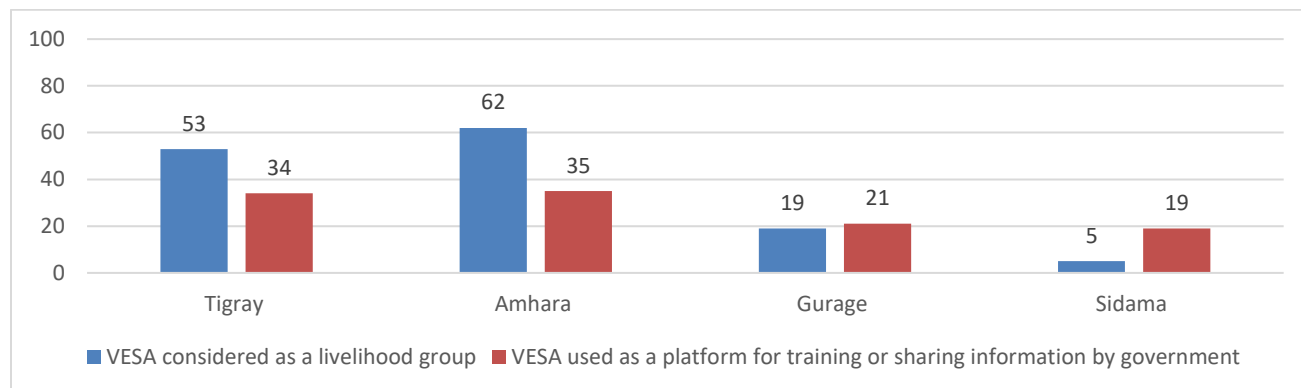
**Table 11:** Active and inactive VESAs response to loan defaulters and loan repayment enforcement mechanism (in %)

	TIGRAY		AMHARA		GURAGE		SIDAMA		TOTAL	
<b>Active VESAs</b>										
Have loan repayment enforcement mechanism	98		94		83		85		95	
Have there ever been any loan defaulters	8		12		36		32		19	
How many the group had loan defaulters (mean value)	M	F	M	F	M	F	M	F	M	F
	1	0	1	1	3	2	2	1	1	1
<b>Inactive VESAs</b>										
Have loan repayment enforcement mechanism	78		72		66		69		75	
Have there ever been any loan defaulters	43		51		82		77		59	
How many the group had loan defaulters (mean value)	M	F	M	F	M	F	M	F	M	F
	3	1	4	2	4	2	5	3	4	2

### 3.1.4 VESAs effective platforms for livelihood groups, training and sharing information

The project designed VESA groups to 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 larger and receptive audience. In addition, VESAs have successfully built social cohesion, capital, are a safe and fertile environment for training, social and cultural norms discussion platforms that may impede development drives and contribute to food insecurity (e.g. gender inequality, infant feeding practices, etc.). The data shows, 31% of the active VESA group was utilized for training and sharing information by the government, specifically sharing information to PSNP beneficiaries. There is evidence to suggest that 42% of the VESA groups are considered as a PSNP livelihood group, as many members are still PSNP beneficiaries.

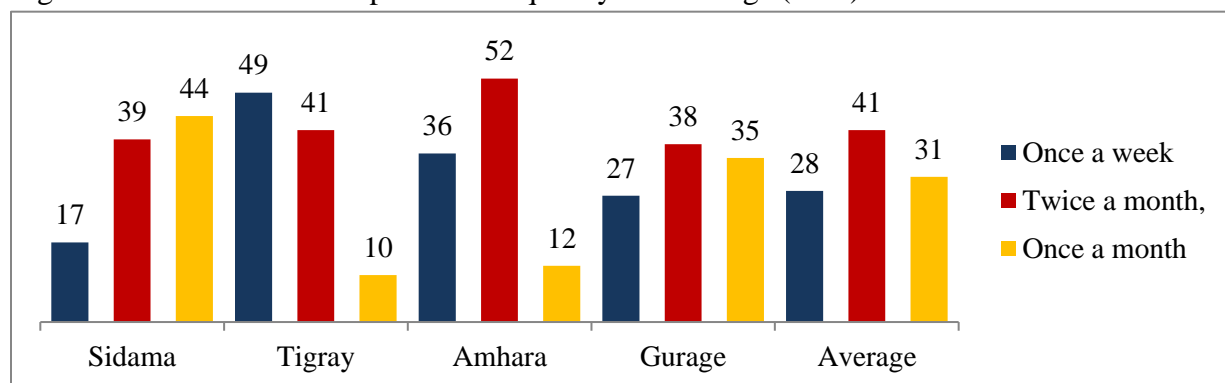
**Figure 4:** Active VESAs used as platforms for training and sharing information (in %)



### 3.1.5. VESAs meeting period and extent of following other minimum standards

Frequency of active VESAs meeting has fluctuated and mostly depends on seasons and agendas. In Tigray some groups have set different meeting schedule for the management and the members. The management meets every week. This study data shows that on average 41% of the active groups have meetings twice a month (figure 4). The first meeting agenda was related to savings while the second meeting focuses on challenges faced by members. These meetings have improved the group social bond, trust and loan repayment mechanisms. Between meetings, funds are stored in a cashbox which is locked with two padlocks, all transactions take place in the presence of all members and funds are counted independently and in public by elected counters. Members have reported that they regularly attend VESA’s meeting compared to their RuSSACOs meetings. During the project period, on average each inactive VESAs used to meet once a month. Thereafter, however respondents strongly suggest that their management did not call regular meeting and thus very few met less frequently than once a month. In case of the Gurage zone local security issues hampered the regularity of their VESAs meetings.

**Figure 5:** Active VESAs response to frequency of meetings (in %)



### 3.1.6 How has VESAs membership evolved since their formation?

VESA membership has decreased from the initial membership size. Since the formation of the group, on average, 4 to 5 members have resigned from each VESA. 45% of the VESA respondents

have reported that the membership size has decreased from its original size of an average of 16 to 10. Members left the VESA during the first and second year after group formation. This would indicate that, members who had not clearly understood the purpose of the VESAs resigned earlier on. 17% of the active groups were able to add new members and these new participants were predominantly non PSNP beneficiaries. VESAs actively prefer to select non-PSNP households as they represent a lower dropout rate and this has been illustrated by the findings below. Overall, after the project ended, 30% of the VESA groups have experienced drop out mainly due to the following reasons:

- Members could not attend regular meetings or regularly save in accordance to the groups' bylaw and the main reasons for that lack of time right after birth, or members are already engaged in other time demanding businesses.
- Long and chronic health problems, disability, death, elderly not able to generate income and save.
- Disagreement within the group and conflict.
- In some groups when the VESA splits into groups many members are disappointed and left the group.
- Those who did comply to the amended groups' bylaws, especially in Amhara and Tigray region left the group.
- Some members who joined RuSACCOs left the VESA groups.

**Table 1213:** Active VESAs response to membership size, drop out and add new members

Characteristics	SIDAMA	TIGRAY	AMHARA	GURAGE	TOTAL
Current total membership size (mean value)					
Female	8	5	6	5	6
Male	4	4	4	3	4
Mean value	12	9	10	8	10
Change in member size (in %)					
It has increased	17	3	22	15	12
It has decreased	37	42	56	45	45
It is the same	46	55	22	40	43
Added new member (in %)					
New members	39	12	25	20	17
PSNP status of new members (%)					
PSNP household	38	49	39	45	42
Non PSNP household	62	51	61	55	58
VESA members who have left (in %)					
Has members leave VESA	20	29	37	40	30
Drop-out (in %)					
PSNP households	91	100	98	81	93
Non- PSNP households	9	0	2	19	7

As it is indicated in the table 17 below, none of the inactive VESAs added new members after the project ended, but during the project period, 13% of the groups did manage to add new members.

**Table 1314:** Inactive VESAs responses to membership size, and new members added (in %)

Characteristics	SIDAMA	TIGRAY	AMHARA	GURAGE	TOTAL
Added new member after the project					
Added new members after the project	100	100	100	100	100
Added new member during the project period					
Added new members during the project	11	10	16	12	13

### 3.1.7 Savings rate and share values evolved since the VESAs formation

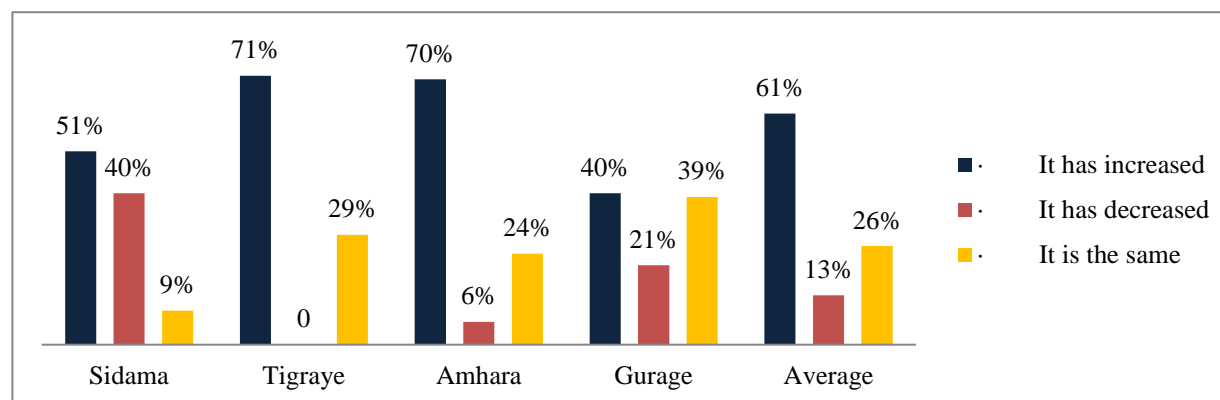
As demonstrated by figure 5, the results suggested that on average 61% of the active VESAs have been able to increase their savings size while 13% reported that it has reduced. Those who have reported a decrease have said that reduced saving is directly associated to their inability to save as family expenses have escalated and they were not able to generate more income to save. However, with regards to the increase achieved groups consulted, they have actively increased the savings because:

- The groups internally agreed to increase the saving amount from the initial 5 Birr to 15 Birr. This is distinct in Amhara and Tigray region.
- Members practically experience the value of saving and their awareness increases; they begin to save regularly and want to provide credit to all members.



- In the case of the Tigray region and Amahra region, some groups increased their saving after adding new members and dealing with loan defaulters to pay penalty and more interests.

**Figure 45:** Active VESA response to saving amount and status in %



In all the study areas, VESAs have made their share out either in May or June, every year. The average value of liquid savings during the last share-out for all the active groups was 28,282 ETB. In Tigray VESA group has the highest liquid savings is 43,775 ETB. Here, the question is where the funds saved in this VESA group come from, since savings in other categories of savings do not decline. It is important to note that saving in the VESA groups is not identical to saving in a regular liquid savings account. A core feature of the intervention is the annual share-out of all savings along with any interest earned from loans made during the cycle. In other words, savings in VESAs are tied to the VESA cash box until the date of the share-out, and thus they also become a commitment device.

Therefore, this study has calculated saving based on the available fresh cash in the box. The average group share out was 1,444 ETB and the internal loan size was 26,649 ETB. For security reasons, the groups consulted strongly argue that they do not wish to keep a large amount of money in their cashbox. Additionally, as their members are engaged in income generating activities and are able to make regular payments, they would rather provide loans 3 or 4 times per person. Interestingly, in Tigray, some groups started providing loans to non-members to generate income through interest rate and believe that this practice has helped them to increase their saving size and capital.

VESAs have been able to share out both in the form of fresh cash as well as in shares i.e. inform their members how much money they have and then added into their share value. In fact, 83% have been able to pay out in cash and some members reinvest the share in their share value and almost all made according to their bylaw timeframe (Table 19). Many groups confirmed that members agreed to be informed about their total share while receiving accumulated profits in cash every year and 17% were able to inform their members of their share out amount. They further stressed that some members were engaged in different businesses providing them access to loans from their groups and as a result they were not interested to receive share in cash, rather they want

to reinvest in the group saving. As a result, they have strong interests increasing their groups' capital to meet credit demands and most VESAs do not take out their annual share each year.

**Table 19:** Active VESA groups share out processes in %

	SIDAMA	TIGRAY	AMHARA	GURAGE	TOTAL
Occurrence of share-out according to the bylaw timeframe					
Shared out money	97	100	100	96	99
How share-out was conducted					
Informed members of their share out amount	9	22	19	11	17
Give the share out in cash	91	78	81	86	83

The study team further examined the correlation between saving, internal loans, share out, location, year of formation and group size using a leaner correlation matrix analysis<sup>6</sup>. The data shows that, there is strong correlation between saving and internal loan, specifically in Amhara and Tigray. Similarly, share out and internal loan has strong relation, this is because gained interest amount from loan amount, saving, internal loan and share out have positive strong correlation. VESAs rely on its members' savings to provide credit. The share out value also increased when the loan and saving increased because of interest value. For instance, in Tigray, VESAs have relatively more liquid saving, internal loan and share out value as compared to other project areas. Because of the share out members developed trust and continued the VESAs activities. In a similar way, the coloration analysis related to location, year of formation and group size indicates that, there is strong relation between VESA sustainability with group size and year of formation, which is 0.69. VESA sustainability with location has modest positive correlation which is 0.51 and was not as strong as with the former variables.

### 3.1.8 Variables more associated with VESA activities

This study further examined, the influence or relationship of independent variable saving, loan repayment mechanism, support received, distance to meetings place, internal loan, membership size, frequency of meetings and dropout on the dependent variable of the VESAs activities using a multivariate regression analysis (see formula below). The table 19 below indicates the regression output. The column headers show the dependent variables, while the row labels show the independent variables including the significance of the independent variables changes depending on the variables controlled f i.e. the VESA groups' activities. Ceteris paribus (holding other things constant), saving size, share value, distance to meetings place, internal loan size, membership size and frequency of meetings were associated to VESA activities. Of these variables, (based on the coefficient value) frequency of meetings and internal loan size were strongly associated to VESA activities. Membership size share value, instance to meeting place and loan repayment mechanism were moderately associated to VESA activities. Meaning when the distance to meeting place reduced by 2.153Km, the probability of the VESA group sustainability increased by one unit or

<sup>6</sup> The correlation coefficient is a measure of linear association between two variables. Values of the correlation coefficient are always between -1 and +1. A correlation coefficient of +1 indicates that two variables are perfectly related in a positive linear sense, a correlation coefficient of -1 indicates that two variables are perfectly related in a negative linear sense, and a correlation coefficient of 0 indicates that there is no linear relationship between the two variables

reciprocally by 10% (given that the correlation is made on 90% confidence interval, with probability less than 0.01). Leadership rotation and dropout have a slight effect on the likelihood of being active.

### 3.2 Value Chain/Household

After briefly discussing the household profile and graduation, this section, will elaborate the findings on the sustainability of the project's value chain activities. The project was established to directly compliment the government PSNP and support its effort to accelerate the graduation of targeted beneficiaries by improving of selected commodity value chains. Accordingly, the project employed strategies to allow households to gradually assume more productive roles in the existing value chains, by organizing them into small groups through which technical support and value chain advice for diversifying livelihood opportunities was delivered. As a result, the value chain groups improved their abilities to negotiate as clusters on matters pertaining to collecting, storing, processing, market handling as well as pricing of their crops and livestock. This strengthening of the value chain groups, households and other actors was achieved through the successful training and empowerment of the GRAD households by providing strong knowledge base, helping them achieve sufficient awareness, and experience to succeed on their own after the project has ended.

#### 3.2.1 Household profile

A total of 1,066 households were consulted in the quantitative survey, of which 33% (n=353) were female headed. Average family size was 5 persons per household. 63% of the total respondents were between the ages of 31 and 45 whilst the average respondents' age was 43. Youth groups, those who were under 30 years old accounted for 10% of the total respondents. Out of the total number of participants, 41.2% were able to read and write, whilst the remaining have attended primary and/or higher education.

Table 1416: Households sex, age, education and labor capacity (in %)

	SIDAMA	TIGRAY	AMHARA	GURAGE	TOTAL
Sex					
Male Headed Household	77	45	78	90	66.9
Female Headed Household	23	55	22	10	33.1
Age category					
18-30	9	13	6	20	10
31-45 Years	63	60	67	56	63
46-60 Years	21	19	17	17	19
>60 Years	6	8	10	7	8
Education Level					
Read/write only	46	36	34	47	41.2
Grade 1-4	15	44	42	41	28.9
Grade 5-8	34	11	8	0	20.9
Grade9-10	1	2	15	6	4.8
Preparatory	3	7	1	6	3.5
Degree/ diploma	1	0	0	0	0.7

Labor Capacity				
Young child (too young to work)	13	11	11	26
Working child (herding livestock; domestic chores; childcare)	37	28	27	14
Adult (able to do full adult workload)	39	30	31	38
Working elderly	35	26	26	16
Partially disabled	4	4	2	3
Permanently unable to work	1	2	3	2

### 3.2.2 Households graduation

As stated prior all GRAD households were selected from within the PSNP households and of these 53% have graduated, directly demonstrating that the project has brought about considerable number of poor households out of poverty. Despite this, 5% were re-entered into PSNP after graduation, as drought have adversely affected their household income and food supply. Some have also suggested that they were forced to drop out of PSNP support without them managing to generate subsistence income and agriculture production. This result suggested that, the project support to create sustained credit access through VESA group has contributed for graduation as well as not to re-enter again into PSNP. This finding is associated with VESA activities. More households were graduated in areas where active VESA were i.e. in Tigraye and Amhara regions.

Table 1517: Households PSNP participation and graduation in numbers (in %)

	SIDAMA	TIGRAY	AMHARA	GURAGE	TOTAL
Have participated in the PSNP	100	100	100	100	100
For those who have participates in the PSNP					
Never graduated	52	39	31	66	42
Graduated but re-entered	7	5	4	2	5
Graduated	41	57	65	32	53

### 3.2.3 Household's wealth status

The study has been able to identify that 52% of the households believe they are better off now, as a high proportion had received credit and engaged in business and have more time to do business than before specifically in Tigray and Amhara. The study team asked the respondent's to compare their status as compared three years back from now. Additionally, KII with MFI has shown that their number of clients have increased since the GRAD project ended. And if fact during this study, they have confirmed that they are still actively providing loans to households based on criteria set out in the Memorandum of Understanding (MoU) between the project and MFI.

Table 1618: Households wealth status and reasons (in %)

Wealth status	SIDAMA	TIGRAY	AMHARA	GURAGE	TOTAL
Better Off	19	75	69	0	52
Worse Off	6	6	16	32	10
The Same	74	20	15	68	39
Reasons why they are better of					
We have started cultivating more land (rent, inherited)	24.2	66.5	54.8	35.7	47.8
I have access to more land	33.7	35.7	28.1	10.7	32
I have access to credit	6.8	71.3	77.1	71.4	50.9
Now, i have more time to do business than before	58	47.1	54.3	42.9	52.6
I have received remittance	77.3	1.8	11.9	17.9	30.9
Someone in our household who was ill got better	15.5	4.8	5.7	7.1	8.8
We received support from the PSNP	30.7	33.8	31.9	35.7	32.3
We received support from other Government	12.9	5.1	25.7	57.1	15.2
We received support from NGOs or other agencies	3.4	8.8	12.4	50	9.4
The rains are good this year	9.8	12.9	8.6	67.9	12.7
Someone in our household has a job	14	13.6	3.8	0	10.6
Other (specify):	7.2	1.1	1	0	3.1

This study has been able to identify that 10% of the households have become worse off after the project ended as 41% could not access credit, 39% irrigable land and 27% faced crop failures as a result of weather shocks. As the project ended other NGOs support also stopped and the situation was further compounded by the lack of government support as originally agreed. Here, possible to conclude that, some of the project impacts were affected because of limited government support after the project ended.

Table 1719: Households reasons for better off and worse off (in %)

Reason why they are worse off	SIDAMA	TIGRAY	AMHARA	GURAGE	TOTAL
Lost livestock due to disease	1.5	19	16.7	7.7	11.2
I do not have access to credit	45.6	14.3	20.8	84.6	41.3
I do not have access to irrigable land	29.4	42.9	37.5	46.2	39.0
I have less cultivatable land	16.2	14.3	18.8	38.5	22.0
The rains are not good this year	7.4	4.8	14.6	69.2	24.0
I do not have income form livelihood activities	35.3	38.1	27.1	46.2	36.7
There is market failure (price failure)	27.9	0	18.8	15.4	15.5
Crops failed due to weather shock	30.9	14.3	27.1	38.5	27.7
Someone in our household got ill or died	2.9	14.3	16.7	0	8.5
Government programs stopped supporting us	8.8	0	27.1	0	9.0
NGOs or other agencies stopped supporting us	17.6	4.8	47.9	23.1	23.4
Our business is not doing well	7.4	9.5	6.3	7.7	7.7
Someone in our household lost their job	11.8	0	4.2	0	4.0
Lost livestock due to theft and other reasons	0	4.8	2.1	0	1.7
There is conflict	0	4.8	8.3	84.6	24.4

The PSNP helps to address the needs of chronically food insecure households in identified famine-prone areas of the project area. The predictable provision of adequate food and cash transfers to targeted beneficiary households, thus allowing effective consumption smoothing and avoiding asset depletion. The study shows that 56% of the households have met their family's food needs for 12 months and quite a significant percentage of households were able to send children to schools. This can certainly be viewed as a direct impact of the project as after the project ended many beneficiaries still continued their income generating activities, accessed credit through VESA and thus continue to be better off due to their participation in the project.

Table 1820: Response to sending children to school, meet family's needs and cover unforeseen costs in %

	SIDAMA	TIGRAY	AMHARA	GURAGE	TOTAL
Able to send children to school for the last 12 months					
Able to send children to school for last 12 months	57	81	90	61	75
I don't have children	0	6	4	0	3
Able to meet my family's food needs for last 12 months					

Abel to meet family food needs	44	60	69	37	56
Could cover unforeseen costs (example medical cost)					
Could cover unforeseen costs	42	51	56	41	49

This study further examined the association between active VESAs with household status variables: better off, able to send your children to school for 12 months and able to meet your family's food needs and cover unforeseen costs using a multivariate regression analysis. The data suggested that, based on  $P$ -value, the variable better off has positive association with the dependent variable VESA group. But when we see the  $\beta$  coefficient, the relation is not very strong. This implies that, there are also other factors significantly contributing for this effect. The dependent variable has weak association with covering unforeseen cost variable, but has strong relation with able to meet family's food needs variable. In other words, there is sufficient evidence to conclude that VESA has significant effect on covering family food need. The association indicated that VESA group predominately help members to generate income through business and the income is mostly spent on family's food need. For example, if the VESA activity improved by a unit<sup>7</sup> form now, then the VESA member's capacity to cover the household family's food need increased by 0.9 units, near double to the current amount.

Table 1924: Household regression result output

Dependent variable (y)	Independent variable ( $\beta$ )	$\beta$ Coefficient value	-
Active VESA group (y)	Better off	0.0064	$P < 0.001$
	Able to send your children to school for 12 months	1.0035	$P < 0.001$
	Able to meet your family's food needs	0.9003	$P < 0.001$
	Cover unforeseen costs	0.0102	$P < 0.050$
R <sup>2</sup> (error term) = 0.00331			
N=185 (active VESA group only)			

### 3.2.4 Households value chains activities

#### 3.1.4.1 Household still engaged in value chain activities

As stated above participating households were organized into value chain groups and provided with technical value chain advice to take advantage of diversified livelihood opportunities. Nearly all respondents indicated that their household had received training on the value chain activities during the project period. The overall aggregate and disaggregate data shows that many households are still engaged in the value chain activities beyond the life of the project. Participation of households in value chain activities although still high, it has slightly declined after the end of the project. Specifically, households participation in malt barely and potato has declined from 65% to 53% and 89% to 78% respectively please see table 26 for further details.

---

if saving increased by 100%, credit service increased by 100%, share out increased by 100% etc

An important question that the study sought to answer was how strong are the project supported linkages across the different value chain activities after its end? The findings suggest that in all the value chain activities linkage across supported actors have become weaker since the end of the project. Cattle and shoat fattening farmers have begun supplying to local markets instead of selling to wholesalers as they are getting better price. Additionally, horticulture producer farmers have also stopped supplying to cooperatives as the cooperatives have failed to supply to food processing industries and unions. Malt barley value chain linkages were weakened as farmers were not able to get improved seed nor supply good quality and adequate volume to the cooperatives/industries.

Table 2022: Households engaged in value chain activities during and after the project (in %)

	SIDAMA	TIGRAY	AMHARA	GURAGE	TOTAL
<b>Participated in during the project</b>					
Shoat fattening	93	99	95	90	94
Cattle fattening	78	99	89	80	87
Horticulture (potato)	99	5	91	71	89
Horticulture (pepper)	98	--	--	98	98
Pulses (white pea beans)	98	--	--	90	94
Pulses (red kidney bean)	69	--	--	83	76
Malt barley	0	38	91	--	65
Honey production	0	85	88	--	86
<b>Still engaged in</b>					
Shoat fattening	85	93	92	88	89
Cattle fattening	84	85	88	88	86
Horticulture (potato)	77	--	78	78	78
Horticulture (pepper)	80	--	--	85	83
Pulses (white pea beans)	72	--	--	76	74
Pulses (red kidney bean)	64	--	--	83	73
Malt barley	0	29	76	0	53
Honey production	0	75	87	0	81

Since households participated in the value chain activities average value chain cycles (growing season) is 4 for shoat fattening (one per year) which are quite reasonable. However, households growing season for honey and pulse production is relatively small i.e. one every two year. Many households are not engaged in (or added) new value chain activities over the last three years. Only 7% and 5% households engaged in (added) shoat and cattle fattening, respectively. Mainly this was because of growing demand in the local market and the household capital has increased.

Table 2123: Household engaged in new value chain activities and value chain cycles (in %)

	SIDAMA	TIGRAY	AMHARA	GURAGE	TOTAL
<b>Engaged in any new value chain activities over the last three years</b>					
Shoat fattening	4	9	4	12	7
Cattle fattening	4	3	2	10	5
Horticulture (potato)	2	--	1	7	3
Horticulture (pepper)	1	--	--	5	3
Pulses (white pea beans)	1	--	--	2	2
Pulses (red kidney bean)	1	--	--	5	3
Malt barley	--	--	1	--	--
Honey production	--	--	1	--	--



### **3.1.4.2 Reasons still engaged in value chain activities**

Though the value chain activities are not strong as it was during the project period, the study further examined the main reasons why households are still engaged in the value chain activities. As indicated in the table 28 below, predominately because the value chain activity is a profitable business and many households got access to loans. But access to loan was not the main reason for cattle fattening value chain activities because, many households access loan from VESA and VESA loan size was small to support cattle fattening value chain activities.

**Table 2224:** Key reasons for why households are engaged in value chains activities

Value chain activities	Key reasons why households are still engaged in the VCs activities-	Most occurring responses (%)
Shoat fattening	It is a profitable business,	96
	I have access to loans for the value chain activities	87
	Weather related shocks have not affected my value chain activities like others agriculture activities,	81
Cattle fattening	It is a profitable business,	92
	I already invested a lot (I have the equipment)	74
Horticulture (potato)	This is what I know (I have more experience on the value chain activity)	82
	I have access to loans for the value chain activities	70
Horticulture and Pulse (pepper + white pea beans)	It is a profitable business	91
	I have access to loans for the value chain activities	64
Malt barley	It is a profitable business,	79
	I am receiving adequate technical advice and extension services from DAs	56
Honey production	I have access to loans for the value chain activities,	85
	I already invested a lot	81

### 3.1.4.3 Reasons households still engaging in the value chain activities

Much of this evidence was derived by asking households to rank the major constrains they are facing. Overall, inputs shortage and access to markets are the major reasons occurring in almost all the value chain activities except shoat fattening. This again indicates that the system supported by the project got weak and not operated well beyond the life of the project because of input supply challenges.

**Table 2325:** Key reasons for why households are not engaged in VCs activities

Value chain activities	Key reasons why households are no longer engaged in the VCs activities (1 being the highest & 3 being the lowest) most occurring responses					
	1 <sup>st</sup>	%	2 <sup>nd</sup>	%	3 <sup>rd</sup>	%
Shoat fattening	Lost Livestock due to disease	66	I became engaged in another profitable business	34		
Cattle fattening	Lost Livestock due to disease	72	I could not find a market	19	Shortage of grazing land, feed	9
Horticulture (potato)	I could not find a market	57	I could not get inputs	26	Weather related shocks effected	17

					my value chain activities	
Horticulture and Pulse (pepper + white pea beans)	Crops failed due to weather shock	43	I could not get inputs	34	I could not find a market	23
Malt barley	I could not get inputs	49	Weather related shocks effected my value chain activities	29	Crops failed due to weather shock	22
Honey production	I could not get inputs	44	Because I did not receive adequate technical advice and extension services from DAs	35	I could not find a market	21

The major input supply constrains for the majority of households engaged in value chain was the price while for others, the unavailability of inputs was the major obstacle. Discussions with agro-dealers indicate that inputs prices such as vegetable seeds have continually increased in the last three years. The bulk of vegetable seeds, onion, carrot, beetroot, tomato, Swiss chard, lettuce, cauliflower and leek, are supplied by private importers and enterprises from counties such as the Netherlands, Italy, Germany and France. The importers and enterprises strongly argue that they have been affected by the foreign exchange rates which they then pass one to their customers. As the prices of this much needed inputs soared some households were forced out of their value chain activities.

**Table 2426:** Input supply constrains in (%)

Reason for input supply constrains	SIDAMA	TIGRAY	AMHARA	GURAGE	TOTAL
I could not get inputs in small quantity	34	21	34	58	37
I could not get inputs on time	47	35	53	5	35
I could not get good quality inputs	28	15	30	84	39
The input was expensive	71	82	81	53	72
The inputs were not available	53	46	27	95	55

### 3.2.5 Value chain market outlet

Table 31 demonstrates mixed use of market outlet for each value chain. The local markets were the largest sales outlets for livestock and shoat fattening. As many households reported, selling through marketing cooperative was not profitable and they have found sufficient marketplaces on their own. Cooperatives were the most common outlets for malt barley and honey products and traders the second-most common sale outlet. Horticulture and pulses products sales through cooperatives were reported by fewer than 10% of the households. This was because marketing cooperative were not accepting small quantities and some households have sufficient market in their own.

**Table 2527:** Household value chain activities market outlets in (%)

Value Chain Activity	Shoat fattening	Cattle fattening	Horticulture (potato)	Horticulture (pepper)	Pulses (white pea beans)	Pulses (red kidney bean)	Malt barley	Honey production
Where products from value chain activities are sold								
Local market	96	92	51	47	39	58	17	53
Coop./FEMAs	11	7	9	8	5	10	69	62
Traders	45	51	37	54	84	61	16	58
Local consumers	3	13	53	33	47	39	6	22
Main reason for not selling through marketing cooperatives/FEMAs								
I do not need it	18	13	19	14	12	17	16	14
sufficient personal market	74	72	44	49	39	51	18	14
Selling through marketing coop. not profitable	89	74	18	29	19	15	17	19
Marketing coop. not accepting small quantities that I sell	3	5	52	49	72	61	79	64

### 3.2.6 Household participated in FEMAs/cooperatives

To develop market linkages, the project organized households in FEMA groups<sup>8</sup>, trained, and linked selected ones with cooperatives or unions. Our study data shows that during the project period, 39% of households were in the FEMA groups. However, after the project ended, these households are no longer members of any FEMA groups, 87% of the FEMAs were dissolved and 69% of reported they did not get any benefits (see table below). These findings suggested that FEMA have not been sustained beyond the project. Unlike FEMA, 52% of the households were members of cooperatives before the project and thereafter 70% are still member of the cooperative as 83% are able to access inputs from cooperatives, specifically fertilizer and seed. However, 28% ended their membership after the project ended as 88% argue they did not see the benefits. Here again the findings suggest that households are still engaged in cooperatives to get agricultural input but not market linkages as it was designed by the project. Therefore, households' linkages to market through FEMAs and cooperatives were not a sustainable<sup>9</sup>e model as it was aimed by the project.

<sup>8</sup> FEMAS are groups organized for the purpose of output marketing

<sup>9</sup> FEMAS/Cooperatives are sustainable when they serve the intended purpose such as engaged in output marketing and provide technical advice and share marketing information to their members

**Table 2628:** Households participated in FEMAs/cooperatives (in %)

	SIDAMA	TIGRAY	AMHARA	GURAGE	TOTAL
Have you ever been in a FEMA supported by the project?					
Been in project supported FEMA	30	54	30	44	39
Are you still in the FEMA?					
Still in FEMA	2	1	0	0	1
If, no reasons why you are not part of a FEMA, yes responses? <sup>10</sup>					
Did not get any benefits	75	45	75	83	69
Was not worth it to me	17	40	84	89	57
The FEMA no longer exist	82	76	90	100	87
Have you ever been in a cooperative supported by the project?					
Been in project supported cooperative	41	53	55	56	52
Are you still in the cooperative?					
Still in the cooperative	82	74	63	61	70
If yes, what is the primary benefit/advantage you get form it, yes responses					
Technical advice	6	10	4	14	8
Access to market	13	23	27	7	17
Access to inputs	90	83	79	79	83
If no, why? Yes, responses					
Did not get any benefits	96	86	86	86	88
Was not worth it to me	65	32	19	29	36
Cooperative no longer exist	12	6	3	29	12

### 3.2.7 Household engaged in VESA, MFI and /or RuSACCOs

VESAs enabled households to access loans and are fundamental to the ability for households to participate in value chain activities and IGAs. As discussed earlier, the VESA model successfully promoted savings, increased access to loans and recovered re-payments from borrowers. The study data show that 63% of the households whose VESAs are still active are active in those VESAs after the project ended. During the project period 90% received loan but this figure is slightly reduced to 86%, please see Table 33 for more information. After the project ended, despite the fact that the VESA loan sizes have generally increased, 11 % have reported that they were not borrow from their VESA's because the loan size is small. Meaning, VESA loan size is small to support some households value chain activities, specifically for cattle fattening.

<sup>10</sup> The numbers are limited to those who responded "yes".

**Table 2729:** Households engaged in VESA (in %)

Institutions	SIDAMA	TIGRAY	AMHARA	GURAGE	TOTAL
Active VESA	37	78	71	41	57
Active member of the VESA	49	81	77	47	63
Received loan during GRAD	90	97	98	73	90
Continued to receive loans for past 3 years	33	96	94	88	86
Are the loans larger than the ones in GRAD	76	93	87	71	89
If you did not receive a loan, why?					
Did not want one	2	4	2	0	2
Other members did not allow it	5	2	4	29	10
Loan size was too small	93	95	95	86	92
Did not repay my previous loan	3	4	2	7	4

MFIs and RuSACCOs are the two of the primary ways that the project area households access loans. 31% of the participating households received a loan during the project period and a similar number of beneficiaries (about 30%) continued receiving loans after the project ended. Unlike VESAs, loans size received from MFIs and RuSACCOs have not increased. 69% of responds have not received loan from MFI as 94% did not like the terms of loans i.e. interest rate/repayment period (Table 34). These households' inability to access larger loans at favorable rates is one of the key reasons why some have not accessed larger loan from MFI and thus were unable to continue or expand their value chain activities after the project ended.

The data also showed that 31% of households have outstanding loans and specifically in Sidama Zone 55% of households have not paid their loans on time, further worsening for sustained supply of loans to households who need larger loan size. However, as reported by MFI with the Sidama area, they have begun organizing a loan repayment committee to enforce repayment from defaulters.

Although, 21% before and 24% after the project received loan from RuSACCOs, 97% reported that the loan size are still not larger than the loans received during project period, it is quite the same. Households who part are of the RuSACCOs schemes have only received loans once over the last three years, which is very few when compared to 3 times from the VESA groups. These all findings suggest that VESAs were still the most common loan sources and households are relying less on MFI and RuSACCOs and thus can only access a small loan impacting their ability of maintaining and /or improving the value chain activities. Finally, according to the households consulted for this study almost none (zero %) has received loans from banks.

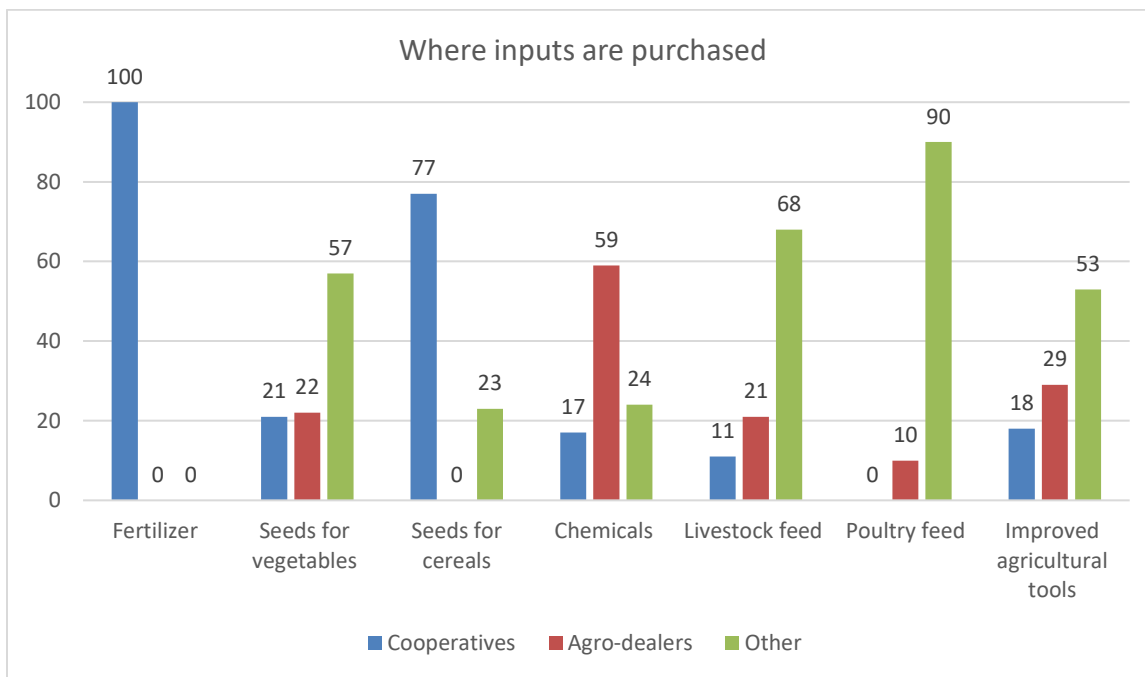
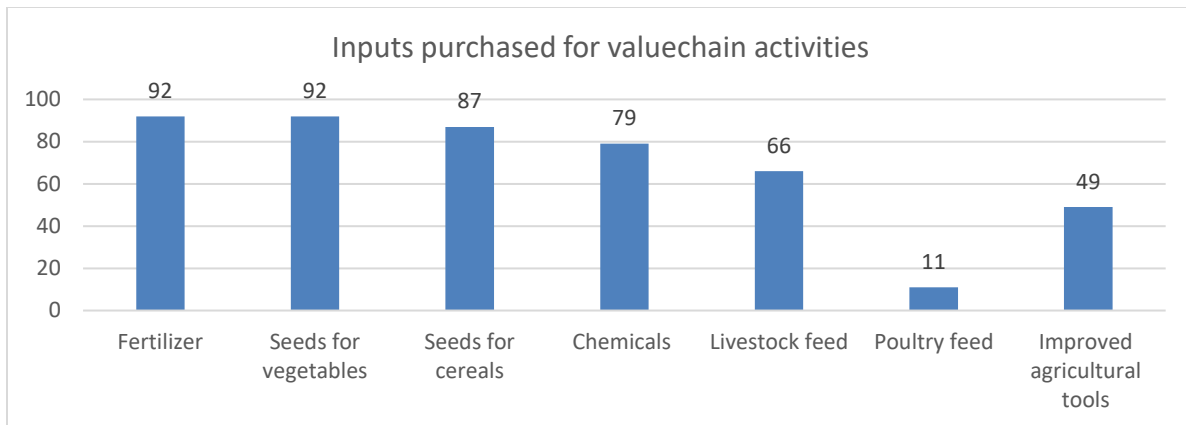
Table 2830: Households engaged in MFIs, RUSACCOs and banks (in %)

<b>MFI</b>	SIDAMA	TIGRAY	AMHARA	GURAGE	TOTAL
Received loan during GRAD	26	34	31	20	28
Received loans in past 3 years	22	38	36	32	32
Number of times received loan over the last 3 years	1	1	1	1	1
If yes, were these loans larger than the ones you received during GRAD?					
Larger than those during GRAD	4	9	77	31	31
If you did not receive a loan, why not?					
Outstanding loan	19	27	8	7	18
Did not know how to apply for a loan	4	3	3	11	4
MFI rejected my application	37	32	34	43	35
Did not need one	4	2	2	4	3
Did not like loan terms	35	37	54	36	41
<b>RuSACO</b>	SIDAMA	TIGRAY	AMHARA	GURAGE	TOTAL
Did you receive a loan during the GRAD project?					
Received loan during GRAD project	23	28	24	10	21
Have you receiving loans in the past 3 years					
Received loans in last 3 years	22	28	27	27	26
If yes, were these loans larger than the ones you received during GRAD?					
Larger than ones received during GRAD	43	39	42	36	41
<b>Banks</b>	SIDAMA	TIGRAY	AMHARA	GURAGE	TOTAL
Did you receive a loan during the GRAD project?					
received loan	0	1	0	0	0

### 3.2.8 Household source of inputs for value chain activities

Agro-dealers were supported by the project as they were seen to being instrumental in the supply of quality value chain commodities, links to markets, and extension services. They were supported to provide quality livestock feed, vegetable seed; poultry feed and improved agricultural tools. Many agro-dealers are an important source of chemicals than supplying vegetable seeds, animal feed and improved agricultural tools, 22% and 29% of households still buy from agro-dealers (figure-6).

Figure 56: Types and source of inputs purchased by households for value chain activities (in %)



When looking that the reason why households choose to purchase inputs from agro-dealers, 96% of the respondents stated that these outlets enabled them to purchase vegetable seeds in small quantities. Furthermore, with regards to poultry feed 72% of those who participated in this study stated that it is easily accessible, as it is close to their home . However, 95% of farmers consulted confirmed that they were unable to purchase from agro-dealers as the nearest shops were closed. This finding suggested that, since some agro-dealers have not sustained their business and they are not providing input to quite significant number of households. Besides, some agro-dealers added new inputs i.e. chemicals beyond the project designed plan.



### 3.3 Micro-franchise

One of the project's key goals was to help women diversify their livelihoods options, in part by introducing new sources of off-farm income. Consistent to this the project recruited and trained women in door-to-door sales of fast-moving consumer goods. The project final evaluation

indicated that, the innovations appeared to be effective at increasing incomes levels. This study further identified the below unintended positive and negative outcomes of this innovation. The project was able to support women's livelihoods through the introduction of a micro-franchise initiative. The initiative engaged rural unemployed women in door-to-door sales of fast-moving consumer goods in their respective geographic locations. To ensure the sustainability of the micro-

	Seed for Vegetables	Chemicals	Livestock feed	Poultry feed	Improved agricultural tools
<b>Reasons for purchasing from agro-dealers</b>					
It is easily accessible (close to my home)	81	73	66	76	72
I am able to purchase the inputs in small quantities	96	13	94	95	6
The price is very reasonable	7	10	13	7	16
The quality is good	26	77	74	62	66
I am getting the inputs on time	59	56	56	42	72
<b>Reasons for not purchasing from agro-dealers</b>					
The agro-dealer does not supply small quantities	3	12	2	1	0
The price is too high	78	73	86	66	52
The quality is poor	11	3	1	4	6
They do not have the inputs that I need	89	97	74	22	47
I cannot get the inputs I need on time	23	4	14	15	8
The agro-dealer closed their shop	95	86	72	73	81
I do not know the agro-dealer	21	18	13	8	5

franchise activities, the project provided training, promoted sustained economic incentive (increase profit) through continued participation of the sales women and linkage with wholesalers.

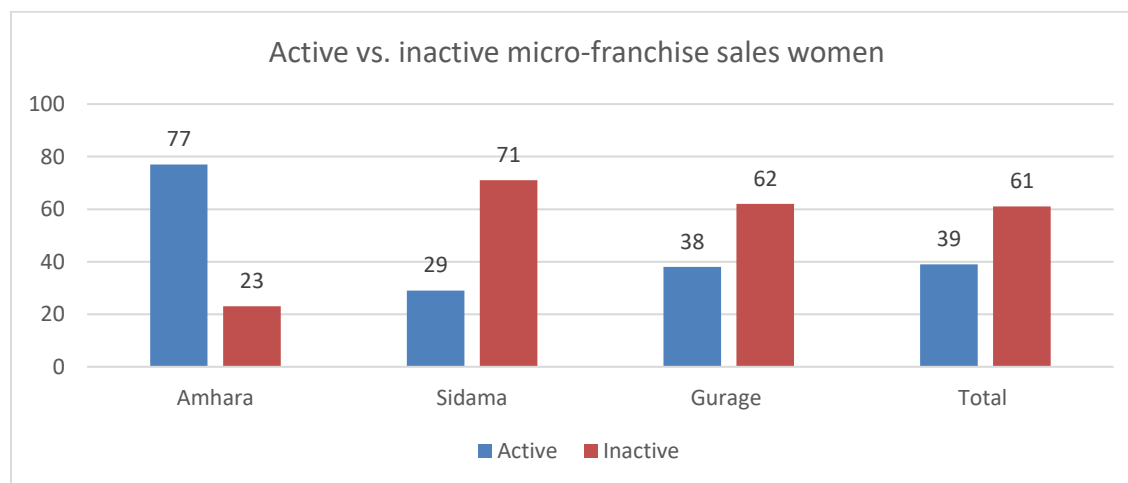
Table 2931: Reasons why households purchased from agro-dealers (in %)

### 3.3.1 Percentage of active and inactive saleswomen

At the time this study was conducted, 39% of saleswomen are active still, selling door-to-door (figure 7) and explained their reasons as:

- They have prior trading experience;
- They are able to generate profit, allowing them to purchase some items and cover some households' expenses including sending their children to school.
- They have managed to save as well as pay their VESA loans and plan to use part of the saving to engage in other big businesses such as opening a shop.
- The skills and knowledge they have gained through their participation in the project changed their attitude about business.
- They have gained social benefits such as improving their communication skills, their confidence, the respect and trust they have within their community.
- They have been able to add new products such as coffee, oil, match box, kerosene etc.
- Unlike Sidama and Gurage area, in the Amhara region quite significant number, 77% of saleswomen are still active as they still receive loans from VESA and have regular customers.

**Figure 67:** Active and inactive micro-franchise sales women (in %)



On the other hand, as shown in figure 7, across all three regions 61% of saleswomen have stopped selling door to door. This varied depending on the region as highlighted in table 46 below. Saleswomen were asked for the reasons they stopped selling, the most mentioned in the three regions were; forced to discontinue their engagement due to illness or gave birth, in Sidama;. 61% in the Gurage could no longer purchase their products from the wholesalers; and 48% of sales women in the Amhara region stated that it became too physically demanding. Discussions with wholesalers support these results, saleswomen who were active during the project stopped coming to their shops as they were discouraged by the commodity price increase through time. In fact, the wholesalers stopped purchasing from East African PLC because of commodity prices increased

and were not able to supply to saleswomen at the agreed prices. Discussions with inactive saleswomen stated the following reasons, for becoming inactive:

Some saleswomen strongly believe that CARE Ethiopia was supplying wholesalers, when the project ended, and CARE stopped the support they got frustrated and abandoned their micro-franchise activities.

Customers demand gradually decreased as commodity prices increased through time and in some areas, specifically Sidama and Gurage, recurrent droughts reduced household's purchasing power.

Others lost their capital as they were selling on a credit basis and their clients could not pay them on time as originally agreed.

Many in the Gurage zone stated the profit achieved from these activities compared with the time and labor inputs that it requires was no longer viable and then the sales women begun engaging in other more profitable businesses such as grain trading and poultry.

In the Amhara region, due to family responsibilities some began engaging in activities that requires less time such as shoat fattening and honey production.

As the project facilitated the supply of commodities and linkages between wholesalers and importers once the project ended, this linkage got weak. This meant that many saleswomen could no longer obtain a good profit from their sales activities and stopped the activities.

In some case, the rise in commodity prices increased the working capital that the micro-franchise activities require and thus slowly forcing some saleswomen to drop out from their businesses.

In some cases, once the participating saleswomen were been able to improve their households' income, they simply stopped their micro-franchise activities and engaged in other business such selling different types of goods in a shop in the local market.

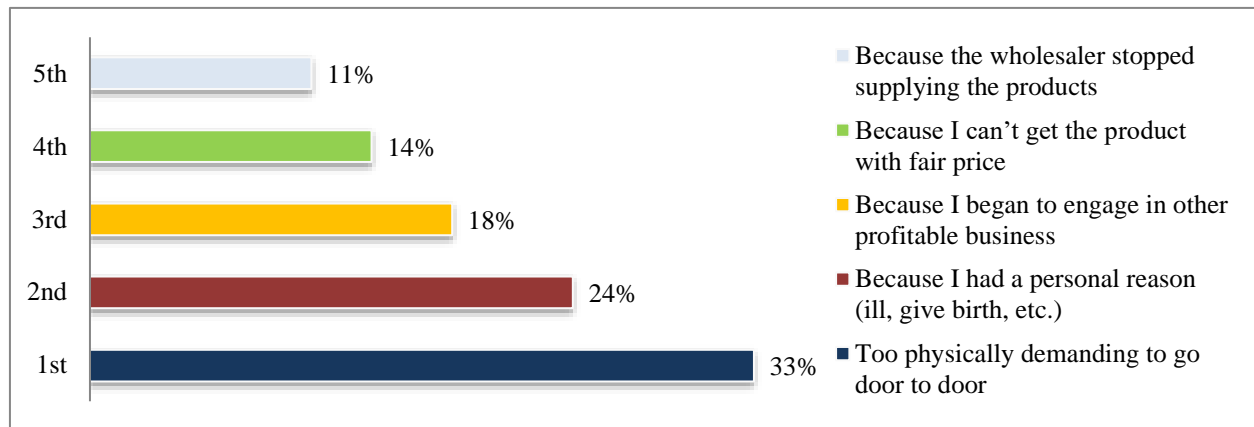
Lastly, in the Gurage zone local conflicts has meant that a large number of saleswomen had to stop their activities due to safety concerns.

**Table 3032:** Reasons why saleswomen stopped their micro-franchise businesses (in %)

	AMHARA	SIDAMA	GURAGE	TOTAL
Reasons for discontinuing the micro-franchise business				
Profit	12	19	33	21
Wholesalers stopped supplying products	21	35	61	39
Wholesaler was far	33	24	18	25
Could not get the product at a fair price	39	41	49	43
Could not get the input timely/appropriate time	9	14	18	13
Could not get good quality inputs	5	11	4	6
Began to engage in other profitable businesses	35	29	41	35
Personal reason	44	67	45	52
Could not access adequate loans for a business	7	45	39	30
Faced some risks going door to door	5	13	51	23
Going door to door became physically too demanding	48	38	50	45

Additionally, the saleswomen were asked to rank the top 5 reasons among the above stated reasons and the highest ranked reason was, 33% reported that they were forced to stop their micro-franchise activities because the work became physically too demanding. The second main reason was associated with personal reasons i.e. some got ill, give birth etc. These findings suggest that the project’s micro-franchising innovations sustainability must pay more attention to these points as the activities need to reflect gender realities such as need more physical labor, security during travel etc.

**Figure 78:** Top 5 reasons why saleswomen stopped selling door to door (in %)



### 3.3.2 Characteristics of active micro-franchise saleswomen

#### 3.3.2.1 Age, education and business experience

Average age of the active saleswomen is 26 and inactive is 31. Both groups started their business activities in 2015. Many of the inactive saleswomen stopped shortly after the project ended in 2017. However, after they stopped the micro-franchise activities, many saleswomen engaged in the trading of cereal grains, coffee and agricultural products at the local small market. In fact, 92% of inactive saleswomen reported that, the micro-franchise experience has helped them part take in other new activities or businesses as it gave them the confidence to do business , how to handle profit, manage regular customers and effectively manage their savings (refer to table 37).

Both the groups educational levels are roughly the same and it was their prior business experience that differentiated them, where 34% of active saleswomen had prior business experience as compared to 11% of inactive saleswomen. Those who are still active in the micro franchise endeavors had previous business experience before they begun taking part in the micro-franchise activities as part of the project. Out of those who are still active many are not engaged in other types of businesses. 87% of those who are still active have someone else helping them selling.

**Table 3133:** Saleswomen's age, education, business experience and support they have in %

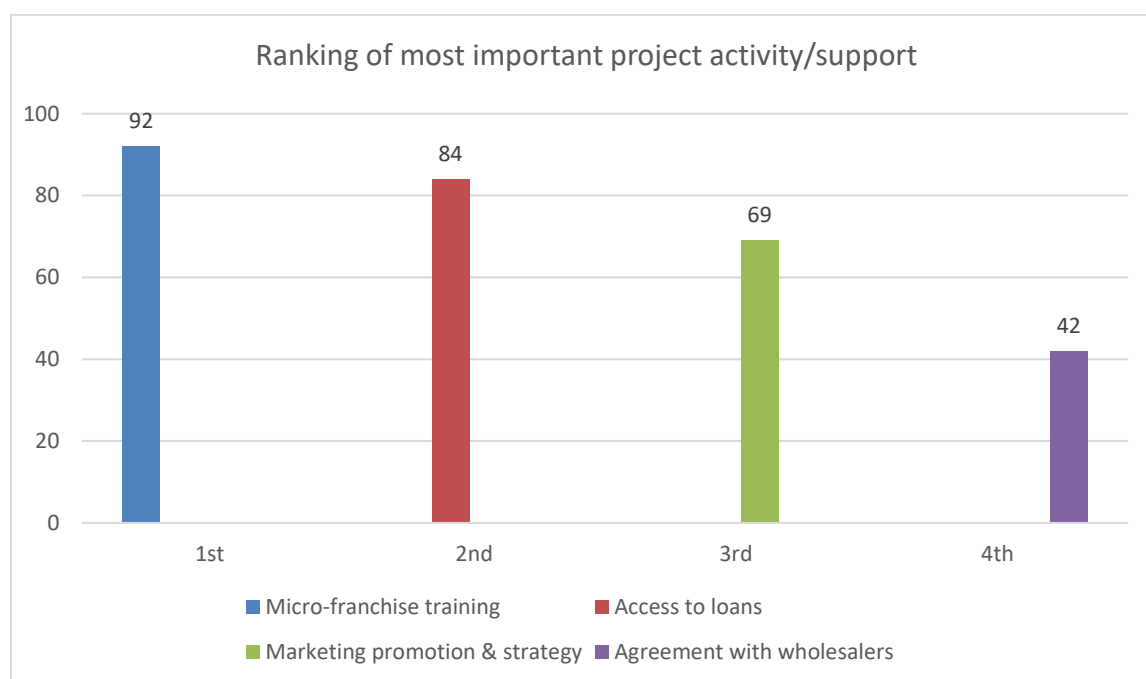
Age level	Active saleswomen				Inactive saleswomen			
	Amhara	Sidama	Gurage	Total	Amhara	Sidama	Gurage	Total
Minimum	21	20	19	21	27	23	21	23
Maximum	51	59	54	59	61	64	51	64
Mean	28	25	25	26	33	28	29	31
<b>Education Level</b>								
Read/write only	63	54	50	62	65	52	53	54
Grade 1-4	32	39	41	27	24	37	46	28
Grade 5-8	4	6	9	7	10	11	1	18
Grade 9-10	1	2	0	4	1	0	0	0
<b>Did you have prior business experience before starting the micro-franchise activities?</b>								
Prior business experience	52	38	33	34	6	13	10	11
<b>Are you currently engaged in other type of work/business</b>								
Engaged in other work	38	43	53	44	81	74	66	74
<b>Is anyone else helping you sell?</b>								
Help selling	83	84	92	87	30	34	39	32
<b>Did your experience as a micro-franchise saleswoman help you start new activities or business?</b>								
New business activity					89	95	92	91

### 3.3.2.2 Project support received

During the project saleswomen received specialized training in record keeping and product promotion. Additionally, the project provided periodic review meetings and refresher training for all involved and kept records for external reporting. Moreover, private sector partners contributed to the project's implementation, by purchasing sales kits (container bag, pen, record book) for the women and providing promotional materials to help them build their consumer base. 98% of the active saleswomen reported that the training they received was the most important project activities which directly contributed to the continuation of their business. Thereafter as presented in the below table, access to finance is regarded as the second most important project support, the first is training, the third is market information and the fourth is agreement with wholesalers that have contributed to the longevity of their business.

**Table 3234:** Active saleswomen response regarding project support received (in %)

Which project activity/support was the most important allowing you to sustain your business?				
	Micro-franchise training	Access to loans	Marketing promotion & strategy	Agreement with wholesalers
Most important support	98	83	58	22



### 3.3.2.3 Customer base

Both active and inactive micro-franchise saleswomen seem to have similar types of regular customers that are largely FHH. This is associated to the type of items that these saleswomen sell and the convenience that they are able to bring to their doors. Furthermore, the saleswomen who are known in their village, have developed a good relationship and trust in them which further reasons why these customers remain repeated clients. Those saleswomen who are better known in their community can easily enter the market have more chance to continue to thrive beyond the support from the project (refer to table 39).

**Table 3335:** The saleswomen's customer base and reasons why they keep buying from them (in %)

	AMHARA	SIDAMA	GURAGE	TOTAL
<b>Active micro-franchise</b>				
Who are your regular costumers?				
FHH	68	67	64	67
Male headed households (MHH)	52	55	68	59
Disabled	13	21	32	24
Elderly	6	12	10	10
Mother of young children	52	68	38	54

People who are busy	66	54	42	53
Everybody	77	56	82	73
<b>Why are these customers are buying from you?</b>				
I have developed good relationship with them	69	72	66	71
The item is not available in the local market	36	24	12	25
My products are of better quality	81	23	17	39
They know me and trust me	89	84	75	83
As it is convenient to them (place and time)	94	96	97	96
I am selling at a fair price	63	74	49	63
<b>Why are these customers are buying from you? (ranking)</b>				
1st Because it is convenient to them (place and time)	76	89	85	82
2nd I developed good relationship with them	65	72	66	68
<b>Inactive micro-franchise</b>				
<b>Who were your regular costumers?</b>				
FHH	54	69	54	60
MHH	34	52	36	41
Disabled	5	18	6	11
Elderly	19	4	32	19
Mother of young children	44	38	56	47
People who are busy	52	32	39	40
Everybody	82	91	78	84

### 3.3.2.4 Marketing approach

52% strongly argue that there is a market for their products within their Kebele and 67% have reported these to be found at the weekly market. In fact, the data shows 77% of active saleswomen have managed to increase their sales area coverage through time from their gotte (village) to their respective kebele (table 40). In direct contrast, 93% of the inactive saleswomen were predominantly selling in their own village. This strongly suggests that the saleswomen are able to extend the sales areas wider are more likely to remain active after the project ended. Meaning, if saleswomen expand their sales out of their gotte to selling in their kebele, they will be more likely to stay active.

**Table 3436:** Active and inactive saleswomen's marketplaces (in %)

<b>Active micro-franchise</b>	<b>AMHARA</b>	<b>SIDAMA</b>	<b>GURAGE</b>	<b>TOTAL</b>
<b>Existence of a market in the kebele</b>				
Market in the kebele	37	51	62	53
<b>Type of market in the kebele</b>				
Permanent market	12	11	17	14
Weekly market	82	67	56	67
Both markets	6	22	27	19
<b>Where products are sold</b>				
Within my gotte/village	75	61	61	67
Within my Kebele	21	39	33	32
Outside of my Kebele (within the Woreda)	4	0	6	1
<b>Increased your sales area coverage through time</b>				

Increased coverage through time	69	72	84	77
<b>Inactive micro-franchise</b>				
Where products are sold				
Within my gotte/village	93	91	85	93
Within my Kebele	7	9	15	7
Outside of my Kebele (within the woreda)	0	0	0	0

On average, the active saleswomen have 65 clients and sell 3 days per week as well as spending 5 hours per day visiting 11 clients. In contrast, the inactive saleswomen were selling 2 days per week and spent 4 hours per day visiting 10 clients. By spending more time and reaching more clients active saleswomen have been able to sustain their business activities.

**Table 3537:** Number of sales days and clients visited for active and inactive saleswomen (in mean value)

<b>Active micro-franchise</b>	AMHARA	SIDAMA	GURAGE	TOTAL
How many days do you sell per week?	4	3	3	3
On the days that you sell, how many hours per day do you sell?	6	4	5	5
On average, how many clients do you visit per day?	14	9	9	11
How many total clients do you have?	75	58	61	65
<b>Inactive micro-franchise</b>				
How many days were you selling per week?	3	2	2	2
On days that you were selling, how many hours did you spend selling per day?	5	5	4	4
On average, how many clients did you visit per day?	11	9	8	10

Since they begin 57% of the still active saleswomen have reported that their business has increased both in volume and profit, none of them sell the items in kind and a significant proportion sell in cash. This characteristic is common both in active and inactive saleswomen. The study shows that 87% the active saleswomen are selling to cash byers and only 13% in credit. Amongst the inactive saleswomen a relatively larger proportion, 36% did provide credit to their customers.

The active saleswomen's main marketing and promotion strategies are door to door sales, through friends and family as well as through VESAs. In fact, 77% of the active saleswomen reported that VESA are the main platform in which that have promoted their products and acquire new business. Similarly, the inactive saleswomen also relied on door to door sales and VESAs to promote their products. However, only 43% inactive saleswomen have used VESA as a marketing platform relaying heavily instead on the more time and capacity intensive avenue of door to door to promote their work. Overall, the above analysis suggests that largely selling in cash and using a mix marketing strategy have enable the active saleswomen remain in business demonstrating that VESA groups are a good platform to acquire new customer base.

**Table 3638:** Active and inactive saleswomen selling methods and promotion strategy (in %)

<b>Active micro-franchise</b>	AMHARA	SIDAMA	GURAGE	TOTAL
In most cases how do you sell to your customers?				
In kind	0	0	0	0



Cash	89	93	81	87
Credit	11	7	19	13
<b>In the last three years, how do you see your business?</b>				
Growing - sales volume and profit is increasing	57	61	52	57
Has remained the same - sales volume and profit is constant	32	32	29	33
Decreasing - sales volume is decreasing	11	7	19	10
<b>What marketing strategies have you used to increase the number of your customers?</b>				
Community events	18	23	12	18
Gatherings	12	11	8	10
Door to door sales	68	71	83	74
Through friends	49	52	28	44
Through VESAs	78	69	81	77
<b>Inactive micro-franchise</b>	<b>AMHARA</b>	<b>SIDAMA</b>	<b>GURAGE</b>	<b>TOTAL</b>
<b>In most cases how you were selling to your customers?</b>				
In kind	0	0	0	0
Cash	66	71	58	64
Credit	34	29	42	36
<b>What were the main promotion strategies you used?</b>				
Community events	5	2	4	3
Gatherings	6	3	2	4
Door to door sales	73	89	92	85
Through friends	15	21	11	16
Through VESAs	31	51	44	43

### 3.3.2 Wholesalers sustained relationships with saleswomen

Saleswomen were linked with wholesalers based in their district market towns where they can buy pre-selected items at wholesale prices. The wholesalers, in turn, were linked with four manufacturers or importers who were formal partners in the process, namely East African Tiger Brand Industries (EATBI), Guts Agro Industries (GLI), Green Light Planet (GLP), and ETAB Soap and Detergent Factory. Each partner contributes unique products that already have a demand base within these rural communities. The project conducted rapid market surveys before selecting new products to include in the market basket<sup>11</sup>.

Both active and inactive micro-franchise saleswomen purchased almost all the recommended items from wholesalers. KII with wholesalers also support this finding, they reduced purchasing from importer and supplying to sales women after the project ended because: i) the saleswomen were discouraged and stopped coming after the project stopped the support, ii) some saleswomen engaged in other activities such as grain trading, selling household utensils in the local market and stopped coming, iii) some saleswomen thought that the approach was in favor of wholesalers and stopped buying such as wholesalers increase price without consultation with sales women, hoard

<sup>11</sup> White laundry soap, Detergent powder, Soap, Hair products, Vaseline, Glycerin Products, Lotion, Salt, Tea, Shiro, Baby food (super mam) and Snacks (limbo snack)

some product until the price is increased, iii) many saleswomen were not happy with the price increase because we could not supply with agreed price as the price from importer was increased and iv) some saleswomen prefer to purchase from other shops and suppliers. Overall, our findings proved that, wholesalers were effectively supplying items to micro-franchise saleswomen, through it declined after the project ended.

**Table 3739:** Items supplied by wholesalers and availability of the items (in %)

	Have you purchased the below items after the project ended?	If yes, have you purchased these items from wholesalers after the project ended?	How often are the items available?			
			Always	Usually	Sometimes	Rarely
<b>Active micro-franchise</b>			Always	Usually	Sometimes	Rarely
White laundry soap	93	93	4	55	41	0
Detergent powder	91	97	18	33	32	17
Soap	84	99	21	37	28	14
Hair products	82	98	20	39	31	10
Vaseline	98	92	5	44	51	0
Glycerin Products	63	89	4	52	44	0
Lotion	52	78	18	37	39	6
Salt	97	65	0	39	61	0
Tea	96	87	10	32	58	0
Shiro	99	32	27	61	12	0
Baby food (super mam)	61	93	6	56	38	0
Snacks (limbo snack)	88	93	39	40	21	0
Average	84	85	14	44	38	4
<b>Inactive micro-franchise</b>		Did you purchase these items from a wholesaler?	How often was the item available?			
			Always	Usually	Sometimes	Rarely
White laundry soap		76	37	51	8	4
Detergent powder		93	33	39	14	14
Soap		91	26	32	18	24
Hair products		97	32	41	17	10
Vaseline		95	49	43	8	0
Glycerin Products		91	40	50	8	2
Lotion		92	21	32	11	36
Salt		63	54	33	3	10
Tea		81	59	38	3	0
Shiro		21	26	54	20	0
Baby food (super mam)		78	30	47	3	20
Snacks (limbo snack)		71	18	38	30	14
Average		79	35	42	12	11

Table 44 below demonstrates where active saleswomen obtained their items from. Accordingly, 53% of the active saleswomen purchased items from other sources in addition to wholesalers. In particular, 94% purchased Shiro from other traders and/or other wholesalers and 33% from a local market. Unlike the active saleswomen only a very small proportion of the inactive saleswomen (7%) purchased from other sources. This scenario suggests that, by diversifying their suppliers the active saleswomen have managed to maintain their access to popular goods allowing to continue to thrive and remain functional in contrast to the inactive saleswomen.

**Table 3840:** Other source of item for saleswomen (in %)

Active micro-franchise	Do you purchase from other suppliers?	If yes, where?	
		Local market	Traders/other wholesalers
White laundry soap	61	13	97
Detergent powder	42	17	95
Toilet soap	55	18	83
Hair products	43	11	92
Vaseline	71	13	97
Glycerin Products	59	18	85
Lotion	22	12	92
Salt	79	19	88
Tea	82	21	93
Shiro	92	33	94
Baby food (super mam)	18	16	90
Snacks (limbo snack)	11	14	89
Average	53	17	91
Inactive micro-franchise	Did you purchase from other suppliers?	If yes, where?	
		Local market	Traders/other wholesalers
White laundry soap	7	3	99
Detergent powder	12	8	96
Toilet soap	0	0	0
Hair products	0	0	0
Vaseline	16	13	94
Glycerin Products	0	0	0
Lotion	0	0	0
Salt	15	18	91
Tea	19	14	87
Shiro	18	19	86
Baby food (super mam)	0	0	0
Snacks (limbo snack)	0	0	0
Average	7	12	92

Both active and inactive saleswomen pay to wholesalers in cash and as outlined in table 45 below both travelled similar distances to reach their wholesalers. These findings strongly suggest that the travel distance and methods of payment did not necessary affect the activeness or inactiveness of the participating saleswomen.

**Table 3941:** Time spent to reach wholesalers and payment methods (in %)

Active saleswomen		Inactive saleswomen	
<b>How long does it take you to get to the wholesaler?</b>		<b>How long did it take you to get to the wholesaler?</b>	
Less than one hour	49	Less than one hour	53
1 hour	32	1 hour	30
1-2 hours	13	1-2 hours	12
more than 2 hours	6	more than 2 hours	5
<b>How do you pay to the wholesalers?</b>		<b>How did you pay the wholesalers?</b>	
Cash (When you pick up the product)	100	Cash (When you pick up the product)	100
Credit (After you sell the product)	0	Credit (After you sell the product)	0

### 3.3.3 Product demand and ease of selling

Before the project ended, more than 97% of active saleswomen were selling all the products proposed by the project and supplied by wholesalers. However, during the study period, quite significant numbers of active saleswomen stop selling some items such as lotion, snacks (limbo snack), hair products, toilet soap, detergent powder and glycerin products. The reason for this changed is closely associated with the rise of costs of these products thus reducing their sales' margin. Furthermore, according the below findings items such detergent powder and toilet soap are associated heavy to transport.

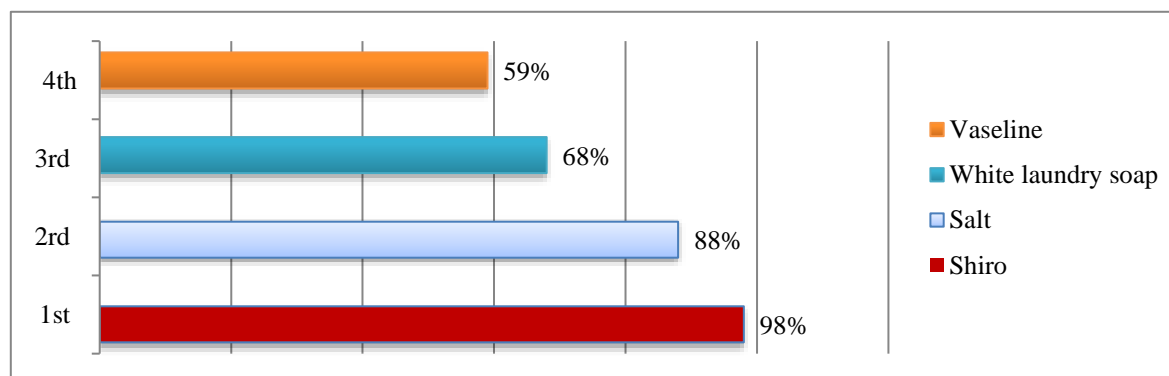
**Table 4042:** Active saleswomen's products and reasons why they stop selling some items in %

List of items	Were you selling these items 3 years ago?	Are you selling these items?	If no, why?					
			no longer available	people did not want it	sales margin too low	too heavy to transport	price is too high	poor quality
White laundry soap	97	95	15	3	12	66	6	0
Detergent powder	99	32	53	54	66	86	87	5
Toilet soap	98	27	28	89	84	79	92	3
Hair products	97	24	46	86	92	10	84	0
Vaseline	100	96	33	7	41	5	18	4
Glycerin Products	100	33	83	84	77	8	93	0
Lotion	100	17	69	91	91	10	91	3
Salt	100	100	0	0	0	0	0	0
Shiro	97	100	0	0	0	0	0	0
Baby food (super mam)	98	36	21	69	68	21	83	0
Snacks (limbo snack)	99	18	38	98	80	17	81	0

### 3.3.4 Current products active saleswomen are selling

Active saleswomen were asked to rank which micro-franchise products have the highest demand and it was found that shiro, and salt rank as the highest, coming first and second, respectively. White laundry soap and Vaseline were also ranked in the top 5. In fact, table 46 above also shows that many saleswomen are selling these products after the project ended.

**Figure 89:** Products sold by active saleswomen with the highest demands in %



Similar to the active groups, many of inactive saleswomen were also forced to stop selling products due to an increase in price and difficulties with transport, due to the heaviness of the products. Here, the difference is that active saleswomen sell more food items as opposed their inactive counterparts. For instance, before the project ended, all active saleswomen were selling shiro, whilst 66% and 69% of inactive saleswomen were selling tea and shiro respectively. Overall, the above findings indicate that (besides other reasons) selling food items along with other products has allowed active saleswomen thrive and continue their business, for example sales women reported that, their customers are requesting food items such as coffee, too. Furthermore, poor quality not being a factor in not selling items, availability of the product was only an issue with glycerin and lotion products among other. Lack of demand was significant with toilet soap, hair products, glycerin lotion, baby food and snacks.

**Table 4143:** Inactive saleswomen's products and reasons why they stop selling some items in %

Inactive micro-franchise	What were the items you were selling?	Why did you stop selling these items?					
		No longer available	People did not want it	Sales margin was too low	Too heavy to transport	Price is too high	Poor quality
White laundry soap	90	11	7	47	69	88	4
Detergent powder	87	47	44	87	85	93	3
Toilet soap	81	31	84	93	87	98	5
Hair products	93	49	80	98	52	92	5
Vaseline	81	30	13	68	44	44	7

Glycerin Products	79	87	75	83	37	90	5
Lotion	91	74	93	94	39	78	3
Salt	89	0	0	0	84	23	2
Tea	66	0	0	0	79	18	2
Shiro	69	0	0	0	83	21	3
Baby food (super mam)	67	27	73	76	33	80	0
Snacks (limbo snack)	52	42	88	79	31	75	2

Indeed, 91% of the active saleswomen have added new items as they received requests and found the items easy to transport. More importantly, these new additions they argue have high profit margins and can be purchased from other traders not just from the wholesalers linked to the project. Mobile top-up cards and coffee are some of the items they added to their product range after the project ended. Although coffee was also added by the now inactive saleswomen due to customer demand and viable profit margin, this shift unfortunately happen just before they stopped their business and thus this group could not benefit from this addition.

**Table 4244:** New items added and reasons why the items were added in %

<b>Active saleswomen</b>					
Have you added any new items?		91			
		Why did you add these new items?			
List of items added	% of saleswomen added	Customers asked for it	Easy to purchase	High profit margin	Easy to transport
Mobile top-up cards	49	97	66	59	92
Coffee	73	96	84	98	94
Match	37	84	56	94	90
Needle and blade	55	68	43	54	93
Raw salt (not iodized)	38	93	95	93	71
Pepper	30	78	72	92	80
Average	47	86	69	82	87
<b>Inactive saleswomen</b>					
Did you add any new items outside of those listed above?		38			
		Why have you added the new items?			
List of items added		Customers asked for it	Easy to purchase	High profit margin	Easy to transport
Coffee		90	81	94	85

### 3.3.5 Unintended positive and negative outcomes of being a micro-franchise saleswoman

The below results were extracted based on general open ended question to the sales women:

#### Unintended positive outcomes

The participating saleswomen developed confidence to participate in various social affairs as they are able to contribute money to different gatherings or ceremonies.

The saleswomen are able to provide loans, improved their social communication skills, the community considers them as businesswomen, better off than most which directly has added to their social standing in their respective communities.

As these saleswomen knowledge and skills about doing business has increased, they have started thinking and engaging in other different types of businesses.

The community considers these saleswomen as business role models, a person who has earned income and contributes ideas for development.

Government service providers (DAS and experts) used saleswomen to share information, to call communities meetings and other activities.

#### Unintended negative outcomes:

Transporting heavy items from door to door is difficult and has some health related problems to those who are pregnant while carrying heavy items. One sales woman reported that, she got sick while she was carrying heavy item.

When there is sudden drought incidence in the area saleswomen clients demand declined and hard to sale some products; this holds saleswomen capital and even some products got expired, especially food items.

### 3.4 Agro-dealers

#### 3.4.1 Percentages of active and inactive agro-dealers

The project has created and supported 32 agro-dealers. Out of these this study team was able to observe 21 and found out that 56% are active.

The key reasons for the sustainability of these groups are:

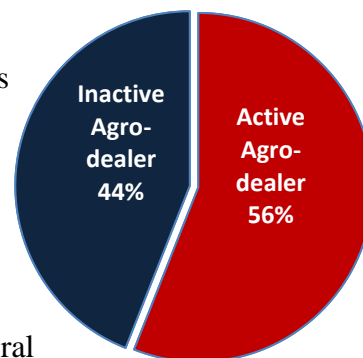
The shop belongs to the individuals who run the business with experience and relevant qualifications;

The shop location is accessible to many farmers;

The agro-dealers have technical knowledge on agriculture, natural resources and have previous trading experiences;

The agro-dealers are aware of the main competitor's market approaches and strategy and their existences do not significantly weaken their business;

The agro-dealers observed have developed strong customer management skills, provide information and technical advice to farmers in their shop as well as in the field, attracting new customer base amounts the farmers;





The agro-dealers have managed to extend their product range by selling veterinary drugs and other chemicals, improving their financial capital and sustained income; and

The agro-dealers have contributed more matching funding (fund shared by the agro-dealer) during the establishment.

In contrast, 44% of the agro-dealers supported/established by the project are no longer active. Two stopped the operation because of security reason in SNNP and three in Tigray and two in Amahra region ceased the operation because they can't cover the operational cost and two ceased the operation because the group was dissolved. Overall the main associated problems are:

In most case, the shop was formed and run by a group of individuals and was dissolved due to internal disagreements. This was mainly related to poor group formation criteria, having different age group and interests in one group;

All the agro-dealers lacked pervious trading experience;

They lacked adequate financial resources to cover operation expenses such as rent after the project ended;

The shops closed after some members left and were employed in other organizations like agricultural offices, cooperative offices, etc;

The groups' livelihood income was predominantly from the shop income. In most cases, the agro-dealers income did not cover the group's substance cost (minimum living cost). In such cases, the group stops the business and closed the shop;

In the Gurage zone some agro-dealers were forced to close their shop due to security reasons;

In some cases, customers stopped buying inputs after the project ended. Demand declined, and in some cases directly leading to inputs expiring before they could be used not allowing them to recover their costs.

### **3.4.2 Characteristics of active and inactive agro-dealers**

The types of agro-dealers established by the project are individually and group owned agro-dealer businesses. Active individual agro dealers are 10 and group are 2. Inactive individuals are 1 and group are 8. Inactive agro-dealer operated for 2.5 years before they close out while the active agro-dealers have been in business for average 5.6 years. In comparison, 83% of active agro-dealers had previous experiences and none of the inactive had prior business before establishing their agro-dealer shops with the project support.

In fact, the inactive agro-dealers were jobless and 100% relied on these new businesses for their livelihood thus expecting fast return too quickly. As they could not gain much income straightaway and some members left and weakening the agro-dealers activities. Further worsening the situation was the fact that 100% of the inactive agro-dealers had other competitors selling similar products in their area making it difficult for them to thrive beyond the support of the project.

Contrary to this, 83% of the active agro-dealers had previous trading experience and 91% managed to maintain additional business such as selling chemicals and veterinary drugs. Besides, many of the active agro-dealers have reported that the customer and business management training provided by the project combined their existing experiences helped them to expand their

businesses. All the above distinct characteristics suggested that, typically previous experience in trading, having side business as well as diversifying products ranges are the key contributing factors for active agro-dealers to effectively manage their business activities and continue to do so after the project. These have improved the business financial capacity and thus contributed to sustaining their business.

**Table 4345:** Key agro-dealers business experience in %

Active agro-dealers		Inactive agro-dealers	
Is your agro-dealer business composed of a group or an individual?		Was your agro-dealer business composed of a group or an individual?	
Group	24	Group	8
Individual	76	Individual	1
How did you start your business?		How did you start your business?	
Through the support of GRAD	58	Through the support of GRAD	100
Already had the business before GRAD	42		
Have you expanded your business?		Did you have any competitors selling similar products?	
Expanded business	33	Competitors selling similar products	100
Do you have any competitors selling similar products?		Did you have experience with trade business before you engaged in the agro-dealer business?	
Competitors selling similar products	58	Prior business experience	0
Did you have business experience before engaging in the agro-dealer business?		Did you have a side business?	
Prior business experience	83	Side business	0
Do you have a side business?			
Side business	91		

Additionally, as table 50 below shows the active agro-dealer shops are 0.2Km from the main road some are even near to the Woreda main market area where many farmers can easily access them. In contrast, the inactive agro-dealers, which are about 0.8Km away from the main road, making it very difficult for them to thrive. Moreover, in most cases the active agro-dealer shops' signs are visible and clearly indicate the shops' location and inputs supplied.

**Table 4446:** Agro-dealers shop distance from the main road and Woreda main town and business experience in mean value

Active agro-dealers	Average	Inactive agro-dealers	Average
A.6 How far is your agro-dealer shop from the Woreda main town (in KM)?	0.5	B.5 How far was your agro-dealer shop from the Woreda main town (in KM)?	2.4
A.7 How far is your agro-dealer shop from the main road (gravel or asphalt in Km)?	0.2	B.6 How far was your agro-dealer shop from the main road (gravel or asphalt in Km)?	0.8

### 3.4.3 Agro dealers inputs

Both active and inactive agro-dealers were selling concentrated feed, vegetable seeds, poultry feed and improved agricultural tools during the project period. And 33% of the active agro-dealers were selling chemicals before obtaining the project's support. After the project ended, the active agro-

dealers continued to sell these inputs and in fact added new inputs such as improved cereal seeds as they saw customers' demand and the profit margins. None of the agro dealers stopped selling certain types of inputs; rather they added chemicals and veterinary drugs, as observed.

During the interview period, not all, but many agro-dealers were selling chemicals and veterinary drugs and their client base are both male and female customers. As discussed earlier under the value chain section; agro-dealers are an important source of chemicals in fact more so than vegetable seeds, animal feed and improved agricultural supplies. Moreover, selling these additional inputs has improved their income and has in fact attracted more vegetable seeds and livestock feed customers. Importantly almost all of the active agro-dealers visited had adequate stock to cater for their consumers. It is unfortunate that, many agro-dealers do not have licenses and are not authorized to sell chemicals and veterinary drug which could enable them to diversify the products and increase their customer base which requires attention. In fact, as the study team discussed with active agro-dealers, the agro-dealers know the legal requirement for selling these inputs, but they sell to gain more profit and sustain their business.

The study team observed that, the active agro-dealers are selling products in small quantities to PSNP and non PSNP households, particularly vegetable seed, crop seed and animal feed. However, some of the items like chemicals are not available in small quantities. Households that were consulted during the VC section of the tool confirmed these findings, as many reported that they are able to get their required inputs in small quantities except chemicals. During visit to the shops, both male and female customers were purchasing from the shop and we were able to observe agro-dealers provide advice to their clients about how to best apply the inputs.

**Table 4547:** Active and inactive agro-dealers' consumer base in %

Active agro-dealers			Inactive agro-dealers
List of items	Selling the below items	Sold below items before project support	Were you selling the below items?
Vegetable seeds	100	0	100
Concentrated feed	100	0	100
Improved crop seed	67	0	0
Chemicals	75	33	0
Poultry feed	100	0	100
Improved agricultural tools	100	33	100

### 3.4.4 Profitability and sustainability of the agro-dealer businesses

Through discussions with agro-dealers we have identified the below key comments on profitable and sustainable input supply systems:

The study observation and consultations with agro-dealers have identified the below key comments on profitable and sustainable input supply system:

First and for most, farmers are considered active market participants as clients with needs and interests able to accept and decline offers; which sellers must take into account. In this case, clients are the opposite of passive beneficiaries. As we have seen from our study too, high transaction costs and poor sales can make for unprofitable businesses. Therefore, the agro-dealer can't easily enter into the business and develop sustainable and market oriented profitable input business unless they are engaged in selling additional products such as selling chemicals or veterinary drug.

There is high demand for agricultural inputs, particularly for chemicals. The government wants the input distribution to be inclusive so that the poorest farmers can have access. However, this study has shown that many agro-dealers are concentrated in the Woreda main towns where there are many other competitors. Input support programs that focus predominantly on Woreda towns will not reach the majority of the poorest and remotest rural areas specifically the PSNP households. Whilst starting the business in the main town areas is a deliberate choice, there is little trickle-down effect occurring to benefit those who are far from the main towns. For a more inclusive approach, agro-dealers can easily operate closer to production areas by scaling up their reach and opening satellite shops. For example, 3 active agro-dealers in Tigray have expanded their businesses and in the case of Ofla Woreda, Weldu Reda Vet Drug shop has opened 4 different branches and has hired 6 professionals. Yohannes G/egziabhear and Kassahun Siyum have also expanded their business in Endemhone and Raya Azebo Woreda respectively and all have managed to sustain their business.

MFI's are in all areas however only, some financial institutions started group input credit voucher systems i.e. ACSI. Such types of institutions can facilitate credit for farmers to buy agricultural inputs from agro-dealers. The credit voucher system applies to a group guarantee system whereby farmers need to form a credit group. On the other sides, increasing agro-dealer access to capital can be improved using consignment stock, and inventory capital. It is important to understand that as an input supply intervention process, the appropriate financial instrument will change according to the evolving needs of actors involved. Therefore, financial institutions, agro-dealer, suppliers, farmers and their associations can collaborate effectively in a value chain finance arrangement to pursue common interests. For instance, when farmers have access to agro inputs, their production levels are likely to improve, thereby attracting buyers looking for supply and therefore, agro-dealers will be interested in increasing their sales. A financial institution can provide loans to farmers, through the agro-dealers, and recuperate the loans from the buyers. Such schemes can be developed with the help of a facilitator (this could be ORDA) and make sure that all stakeholders' interests are taken into account. Furthermore, there are key aspects that should be considered such as: who will receive the vouchers (targeting); a clear exit-strategy; a thorough analysis of actual demands; involvement of input traders in the Woreda and farmers willingness to take part in a voucher system. Here a dialogue with the government and other stakeholders, particularly the private sector, is important to ensure vouchers will actually contribute to market development and not lead to its distortion. This could be other option to sustain agro-dealers business.

A continued Agro-dealer input supplies and demand reviews should be put into place to understand what is the local demand for inputs are, who is expressing this demand and how is this demand met currently? Responding to these demands will provide a sustained business stream to inputs suppliers. For example, currently many active agro-dealers stated that, some vegetable seeds types are not known by many of the farmers they sell to and thus are forced to stock these as they are unable to sell them. Therefore, different kinds of support such as specific product training, new product demonstration with provision of start-up capital combined with the demand reviews could be helpful here.

To make sure that the agro-dealer businesses carry on easily, it is necessary that all the agro-dealers obtain business licenses and sell products that are based on the local needs such as chemicals. The government Agricultural input Policy proclamation #317/2015 has provided adequate room for agro-dealers/private sector to engage in agricultural inputs trading. To establish an input supply shop three legal licenses are required to be met and these are: “Professional Competency Certificate”, “Trade License” and “Registration License”. Otherwise, the government office can close the shops at any time, and as a rule no one can sell inputs without these licenses.

### **3.5 Output marketing**

The project, created and supported the formation of FEMAs and Cooperatives, to ensure the sustainability of these actors, the project facilitated registration and transition of the FEMA to a marketing cooperative, provided governance and management training, linked FEMAs to cooperatives, cooperatives to unions, and all existing groups to the Cooperative Office, with the intent that the Cooperative Office will become the lead on providing support and services to the groups.

Ultimately FEMAs/Cooperatives become independent, well-functioning and strong organizations capable of delivering a range of services. Furthermore, the project established a number of collection centers (mostly for livestock) and created enduring market infrastructure and reduced uncertainty and transaction costs related to sales. Collection centers were primarily owned and managed by the marketing cooperatives, with linkages established with GRAD households/FEMAs as well as buyers and assumed that the center provides the service after the project ended.

In addition to creating and supporting FEMAs/Cooperatives, the project revitalized the Multi-Stakeholders’ Platforms (MSP) that brings together producers, the private sector and the government to develop and strengthen the value chain of interest via expanding technical support, provided business skills training, creating market linkages and implementing monitoring processes. The project organized MSP forums and created awareness among all stakeholders of its purpose and value, so that the stakeholders can become responsible for managing their membership, facilitate their meetings, and overseeing their own budgets after the project ended.

#### **3.5.1 Market linkage**

The project created and supported 29 cooperatives, 147 FEMAs and 12 livestock collection centers in all the project area. And out of these, the study was able to meet with 27 cooperatives (including FEMAs transformed into cooperatives), 18 FEMAs and visited 8 livestock collection centers.

Apart from 9, the remaining FEMAs have not been transformed into cooperatives and/or are no longer active. Out of those who are inactive, this study was able to meet with 18 former FEMAs and discuss with them the factors that led to their demise. They provided the below responses:

Some members are landless are thus not interested in the group because some FEMA activities require land.

The market linkage developed between cooperatives and other end market was not functioning and was not profitable. Some members prefer to sell to local market and individuals rather than to groups.

Some strong local brokers, who were not benefiting from the market linkages developed by the project, purposefully affected the FEMA market linkage by providing temporarily better prices for individuals than groups.

As members were not clear about the membership criteria during the formation, this led to internal conflicts forcing some to leave the group and ultimately leading the demise of these FEMAs.

The support from Cooperative Office was very limited.

Unfortunately, all the livestock collection centers that were visited during this study are non-active as: i) the livestock market linkages failed, ii) the cooperatives no longer use the centers for temporarily conditioning/stocking the livestock as the cooperative's livestock amount declined after the linkage was weakened iii) there is a strong perception amongst the cooperatives that the centers belongs to the project or the government. Instead, some cooperatives rent out for individual livestock fattening farmers or closed the center and stop the activities.

Out of the total consulted and observed 27 cooperatives, 10 cooperatives (37%) are active and functional i.e. the marketing linkage is working well. The remaining 17 are inactive. Table-52 indicates the reason why the marketing cooperatives are active and inactive in each value chain.

**Table 4648:** Marketing cooperatives links and main reasons why it stopped

Value chain	Activities	Findings	Reasons
Livestock Value chain	Establishing/strengthening FEMAs /cooperatives/Linkage (backward and forward)	<ul style="list-style-type: none"> <li>• 3 out of 10 cooperatives/FEMAs are still active-cattle marketing</li> <li>• 2 out of 5 output marketing were found operating-shoat marketing</li> <li>• 1 out of 4 input supplying (animal feed) cooperative/FEMA are still active</li> </ul> <p>Cases:</p> <ul style="list-style-type: none"> <li>• Sustained market linkages: <ul style="list-style-type: none"> <li>• Merkeb Union is linked to two livestock cooperatives: the union still supplies concentrated feed</li> </ul> </li> <li>• Failed market linkages: <ul style="list-style-type: none"> <li>• Ras Gaintt Union linked to Modjo Export Abattoir</li> <li>• Bokra Union linkage to Abergele Abattoirs in Mekele</li> <li>• Jara Rohbot Sheep and Goat fattening and marketing cooperative linkage to Luna Abattoir</li> </ul> </li> </ul>	<p>Main reasons for inactiveness:</p> <ul style="list-style-type: none"> <li>• Farmers start supplying local markets as they can get better prices than through marketing cooperatives</li> <li>• Some agro-dealers closed their shops and stopped selling animal feed. In turn farmers face feed shortage and reduced their livestock activities</li> <li>• The cooperatives capacity was reduced after the project stopped its support. During its life the project was able to facilitate the linkages with wholesalers, identify better prices, facilitate livestock transportation, administered some transaction on behalf the cooperatives. After the project ended, the cooperatives faced series capacity gaps and were not able to continue</li> <li>• Brokers purposely distract the local market price by providing higher price to farmers, only for short time, then after the linkage failed</li> <li>• Farmers are not interested in livestock weight-based marketing system;</li> <li>• Abattoirs are looking for small goats, yet the farmers do not want to sell their goats before they reach to certain age and are ready to be sold.</li> </ul>

Value chain	Activities	Findings	Reasons
Vegetable VC	Establishing/strengthening FEMAs /cooperatives Market linkage (forward and backward)	<ul style="list-style-type: none"> <li>• 1 out of 4 visited cooperatives are still active</li> <li>• The marketing linkages between cooperatives and unions failed. These are: <ul style="list-style-type: none"> <li>• Yegeberwoch Edget Vegetable &amp; fruit marketing cooperative linkage with Balemlay and Ras Guna Union- Potato production supply was disconnected</li> <li>• Mequabia Vegetable and fruit marketing cooperative linkage with Balemlay and Ras Guna union.</li> <li>• Malawa Vegetable cooperative seed production was linked with Elito union.</li> </ul> </li> </ul>	<p>Reasons for inactiveness:</p> <ul style="list-style-type: none"> <li>• Inability to access potato seed from suppliers</li> <li>• Cooperatives stopped supplying as the unions failed to comply with terms and conditions of their agreement;</li> <li>• Farmers unable to produce good quality in bulk that the union required because of seed shortage</li> </ul>
Honey VC	Establishing/strengthening FEMAs /cooperatives Market linkage (forward and backward)	<ul style="list-style-type: none"> <li>• 3 out of 6 visited cooperatives are still active</li> <li>• The linkages that was established with exporters no longer exist</li> </ul>	<p>Reasons for inactiveness:</p> <ul style="list-style-type: none"> <li>• Difficulty in accessing inputs</li> <li>• Low demand for honey and wax from the exporters;</li> <li>• Farmers prefer to sell at the local markets that offer them better price than cooperatives;</li> <li>• Cooperatives management issues, many failed to share profit on time as per bylaw. In turn, members loss interests and left</li> <li>• Brokers and illegal traders influencing the price until the market linkage got weakened and disappeared as farmers prefer to sell to individuals and illegal traders</li> </ul>
Malt Barely	Establishing/strengthening FEMAs /cooperatives Market linkage (forward and backward)	<ul style="list-style-type: none"> <li>• 1 out of 2 visited output market linkages have been sustained.</li> <li>• In the Amhara region, the Ras Gaint Union continued supplying malt to Gondar Malt Barely. The other linkage established in Amhara has collapsed.</li> </ul>	<ul style="list-style-type: none"> <li>• Cooperative stopped production after losing crops to drought</li> <li>• Shortage of malt barley seeds forced farmers to supply to cooperatives.</li> </ul>



### **In summary**

Livestock collection centers are non-active as the market linkages established by the project have failed; unless there is a mechanism that support strong market system, having the collection center alone does not guarantee the sustainability of cooperatives.

Many livestock market linkage were failed because farmers start supplying local markets as they can get better prices, the cooperatives capacity was reduced after the project stopped its support, brokers purposely distract the local market price by providing higher price to farmers, only for short time, farmers are not interested in livestock weight-based marketing system.

Vegetable market linkage was failed because, farmers were not able to access potato seed from suppliers, cooperatives stopped supplying as the unions failed to comply with terms and conditions and farmers unable to produce good quality in bulk that the union required because of seed shortage.

Honey market linkage was failed because, farmers were not able to access, inputs, there was low demand for honey and wax from the exporters, farmers prefer to sell at the local markets that offer them better price than cooperatives and cooperatives got management problem and brokers and illegal traders influencing the price until the market linkage got weakened.

Malt Barely market linkages were got weakened, after farmers stopped production due to drought, after losing crops to drought and faced malt barley seeds shortage.

### **3.5.2 Characteristics of cooperatives**

The majority of the cooperatives (8 out of 10) interviewed were established with the support of the project with very few that were organized by themselves but had not started trading before the project. Their membership size ranges from 20 to 25. Some members are landless and PSNP households.

Having secured financial and physical capitals support from the project, some cooperatives were able to access land for their operation from the local government and constructed their working premises (working area). Many are from beginners and had passed through the FEMA process. Financial support and secured land brought the cooperative members together and the training which improved member's capacity has kept the cooperative functioning.

The market linkages of the cooperatives with unions and other end market is still functioning particularly for livestock and vegetables, they are selling these products to farmers at local markets

Cooperatives were established to help member's access inputs and markets, members of cooperatives strongly feel that they are meeting these goals particularly with regards to creating better market access as market linkage established with cooperatives is still functional. A number of the cooperatives are not union members; they are facing capital shortages and are unable to collect all the products from members.

Careful selection of membership particularly those who have common interest and are in the same economic status are the main reasons these cooperatives are still active and functioning. But the fact that members are landless and timely share profit has retained members because it encourages them to gain fresh cash or income. Furthermore, the cooperatives are appropriately implementing bylaws that govern the groups and particularly conduct management bodies' evaluation every six

months and act accordingly. Members have clearly understood and benefited from being part of a cooperative particularly with regards profit sharing.

Many inactive cooperatives (15 out of 17) were established by the project, while others were self-established and started saving before they joined the project. As mentioned above, the lack of a member recruitment process that took into account individual's interests has meant that some of the cooperatives have been unable to cater for the diversion and possible conflicting interests. The case of Genet Raya livestock marketing cooperative in Raya Azebo Woreda is an example of an inactive cooperative that was dissolved due to weak membership selection criteria including group interest to resume the cooperatives activities. Meaning, the weak membership selection criteria was and how that caused the FEMA to dissolve.

Failure to share profits as per cooperative's bylaw is also a factor that contributed cooperatives to inactiveness of the FEMAs. The cooperatives' failure to support member's access markets and agricultural inputs forced households to look for markets on their own and as they achieved this, they no longer saw the benefit in remaining part of cooperatives.

### **3.5.2 MSPs and their evolution over time**

On the output market side, the project created or revitalized **MSP** to bring together value chain actors and others to jointly address identified bottlenecks. The MSP's uniqueness lies in the fact that no other platform has been able to bring together a diverse number of VC stakeholders from including government, the private sector, research institutions, farmers among others. There is strong acknowledgment that the MSP enabled key stakeholders to identify challenges related to VC activities and created a space to take action on key constraints of the market system such as access to market information, access to bulk supply to processors and factories, access to technologies such as improved storage etc.

Although it was successful in bringing out the above achievements, the MSP was never institutionalized; it completely relied on individual's availability to participate and was entirely financially dependent on the Project. Therefore, once the project ended no MSP meetings were held in the project woredas, zones nor regions. None of the participating stakeholders felt a sense of ownership over the MSP, therefore it is now inactive.

Nonetheless, participation in MSP after the project ended created opportunities for the stakeholders to know each and develop informal information sharing space, meaning the relationship still remains. For example, the value chain actors still informally shared information whenever they support and information.

## **4. LESSON LEARNED**

VESA members easily access loan for their immediate cash need during emergency strongly motivated members to continue their VESA activities.

VESA groups agreed and improved saving and loan management system, loan repayment mechanism and made share out on time and critical period are more successful and continue after the project ended.

VESA groups that have dedicated and strong management committee, who regularly update and inform the total share values, member's savings, and loan size, have been more successful in continuing the group activities beyond the life of the project.

VESA group social capital, have strong sense of trust and reasonable member size has a better

likelihood to continue the VESA activities after the project ended.

The project exist strategy and approaches without involving the VESA groups discourage VESA members to continue their activities after the project ended. Besides, the project phase out strategy without smooth and proper document transfer to the government office discourages the government office to provide continued support to VESA groups.

Members who did not understand the VESAs purpose selected by the community facilitator and lately joined already established self-selection member group affected the VESA activities by creating conflicts.

VESA groups who are affected by floods, drought and/or by local security issues and those established in the later part of the project life that received very limited regular technical support are weak to continue VESA activities.

May VESA members are not interested to pursue formalization into RuSACCOs, as they want to get loan from VESA and RuSACCOs. Besides; RuSACCO's principle that supported individual membership to join already established RuSACCOs, discourage VESA groups to transform into RuSACCOs.

VESA members strongly asserted that they would rather retain their VESA as they feel they have full control, access loan easily and want to maintain VESA social capital.

VESA group members selected by the project have less likely to peruse their activities after the project ended than self-selected groups.

VESAs have successfully built social cohesion, capital, are a safe and fertile environment for training, social and cultural norms discussion platforms that may impede development drives and contribute to food insecurity. In addition to government offices, NGOs are also using VESA groups to conduct training and sharing information.

The project has organized the households and into value chain groups and supported with technical value chain advice to take advantage of diversified livelihood opportunities. However; the value chain linkage across the different value chain activities is not strong because the marketing dynamic was changed through time, cattle and shoat fattening farmers started supplying to local market than to whole sellers because they are getting better price, horticulture producer farmers are stopped supplying to cooperatives because the cooperatives failed to supply to food processing industries and union. Malt barley value chain linkage got weaker because farmers are not able to get improved seed and supply good quality and enough volume to cooperatives/industries.

Access to loans for the value chain activities is not the main reason for many value chain activities for many households except shoat fattening. This implies that VESA loan was predominately used for IGA than value chain activities such as cattle fattening and others.

Prior trading experience; able to generate profit and save, skills and knowledge gained through participation in the project, social benefits, known in their village, have developed a good relationship and trust and adding new are the main reasons for sales women to continue their activities.

Commodity price increase, decline in customers demand, los of capital due to credit, family responsibilities and engaging in activities contributed for sales women to be inactive and sustained their business.

Active women are younger and have more diversified marketing strategies, and that door-to-door travel is difficult for some women.

The travel distance to wholesalers and methods of payment did not necessary affect the activeness or inactiveness of the participating saleswomen.

Selling more food items along with other products has allowed active saleswomen thrive and continue their business.

Beyond income, confidence to participate in various social affairs, social communication skills, knowledge and experience in doing business are the added value of being sales women. Transporting heavy items from door to door and hard to sale some products and got expired are some of the dis advantage of a micro-franchise activity.

Typically previous experience in trading, having side business as well as diversifying products ranges is the key contributing factors for active agro-dealers to effectively manage their business activities and continue to do so after the project. These have improved the business financial capacity and thus contributed to sustaining their business.

Agro-dealers who are group own, lacked pervious trading experiences and adequate financial resources to cover operation expenses such as rent not sustained after the project ended.

Almost all FEMAs are dissolved because some members are landless and are thus not interested in the group because some FEMA activities require land; the market linkage developed between cooperatives and other end market was not functioning and was not profitable and the support from Cooperative Office was very limited.

Livestock collection centers are non-active as the market linkage established the project were weak or failed.

Many livestock market linkage were failed because farmers start supplying local markets as they can get better prices, the cooperatives capacity was reduced after the project stopped its support, brokers purposely distract the local market price by providing higher price to farmers, only for short time, farmers are not interested in livestock weight-based marketing system.

Vegetable market linkage was failed because, farmers were not able to access potato seed from suppliers, cooperatives stopped supplying as the unions failed to comply with terms and conditions and farmers unable to produce good quality in bulk that the union required because of seed shortage.

Honey market linkage was failed because, farmers were not able to access, inputs, there was low demand for honey and wax from the exporters, farmers prefer to sell at the local markets that offer them better price than cooperatives and cooperatives got management problem and brokers and illegal traders influencing the price until the market linkage got weakened.

Malt Barely market linkage were got weakened, after farmers stopped production due to drought, after losing crops to drought and faced malt barley seeds shortage.

MSP was never institutionalized, completely relayed on individual's availability to participate and entirely relayed on the project finance. Therefore, once the project ended no MSP meetings have been held.

Participation in MSP after the project ended created opportunities for the stakeholders to know each and develop informal information sharing space.

## 5. CONCLUDING REMARKS

The project model is working, has ensured long-term sustained development approaches. The project, supported/created key social and economic platforms, be it active or inactive, that sustain some project activities or other development agencies effectors.

The active stakeholders are working and the inactive are a good opportunity for the government and other NGOs for development work. During implementation, CARE and partners needs care not to engage in each and every activities that are supposed to be implemented by actors and beneficiaries, rather has to play facilitation role.

Many VESA members continue as owners of the group than pursue formalization into RuSACCOs. VESAs have defined mandates and have been able to bring about quantifiable changes; they still are informal entities which cannot access government's support like RuSACCOs. The project from the start has actively encouraged VESAs to upgrade themselves into legal registered RuSACCOs for sustainability reasons. This pool needs more discussion and attentions;

It is crucial to understand that the active saleswomen have continued their business as they generate profit from their businesses but also because these activities have improved their social acceptance, confidence and their standing in their respective communities. Therefore, by investing in their capacity building, combined with a thorough understanding of the local markets can create a larger number of sustained saleswomen businesses.

To make sure that the agro-dealer businesses can be sustained beyond the project, it is necessary that they obtain business licenses allowing them to diversity, sell products that are based on the local needs and increase their capital, added new items based on demand assessment.

The value chain activities created/supported by the project are still working but are not strong and in particular the marketing linkages are too weak and thus are not sustainable. And in fact, these linkages are entirely linked to the project activities and are unable to deal with changes in the market beyond the project life. Thus, it is highly recommended that more attention be given the entire value chain linkages taking into account a dynamic market.

**6. ANNEXES**

**Annex-1: Sustainability study questions matrix**

**Annex-2: Study data collection tools**

**Annex-3: List of document review**

**Annex-4: List of actors consulted**

**Annex-5: Qualitative data set**