

# Partnerships for change: a cost benefit analysis of Self Help Groups in Ethiopia

## A SUMMARY



Photo: Rosemary Burke/Tearfund

In 2002, Tearfund helped introduce the Self Help Group (SHG) approach to Ethiopia. The first five SHGs were started by 100 women in Nazareth (also known as Adama), a town 55 miles east of Addis Ababa in central Ethiopia. **Today, the number of SHGs in Tearfund-funded programmes across the country has increased to more than 12,000, impacting more than 1 million people.**

Tearfund commissioned a study to document both qualitative and quantitative evidence of the outcomes of this approach. The analysis focused on six programmes, representing a population of nearly 18,000; nearly 550 of these people were interviewed through focus group discussions. A cost benefit analysis was used to assess value for money. Costs were offset against benefits related to increased income, improved school attendance, access to low-interest loans and reduced sale of assets during times of stress. Some ongoing benefits were not monetized for this analysis, though their impacts were significant, including better healthcare, improved 'safety nets' for poor people and better quality of life.

### Assessing SHGs' impact

SHGs are groups of 15 to 20 people, usually chosen from the poorest sectors of the community. Facilitators help each group to develop healthy relationships, set up a saving scheme and establish by-laws on how they will operate. Group members save a small amount each week. In time, they can take out small loans to be repaid with interest; the size of the loans available increases as the capital grows. Initially, members take out loans to pay for schooling, healthcare and income generation; later loans tend to be used predominantly for income generation, such as setting up small businesses.

'Self Help Groups come together to do what they cannot do individually.'

*Tearfund, Horn of Africa Regional Office Annual Report 2011/2*

The SHGs have had far-reaching impacts on their members:

- **Relationships are at the core of this model and critical to the programme's success. Perhaps the most significant outcome of the SHGs is a social one: SHG members talk consistently about increased confidence and skills.**
- SHG members experience a cycle of 'asset accumulation'. SHG households are diversifying their income, pooling resources to help those in need and initiating practical change in their communities.
- As a result, food intake is more frequent and diets more nutritious. SHG households are now paying for private education and healthcare. Their asset base is growing and gives them the resilience to cope with bad times without their having to sell off assets at reduced prices.
- Both women and men are being empowered to engage in issues that affect them and become drivers for change in their communities. For example, groups have lobbied local government officials, built kindergartens, advocated for women's rights, supported orphans in their communities, rebuilt houses for widows, dug wells or terraced land to prevent soil erosion.
- Environmental awareness is high, driving initiatives such as tree-planting, more widespread composting



and sustainable agricultural practices, as well as sanitation projects.

- Crucially, SHGs are self-sustaining and self-replicating.

**Clearly, the SHG programme is delivering substantial returns on investment. These figures are some of the**

**For every British pound sterling or Euro spent, there is a return of between 58 and 173 pounds or Euros in benefits.** The benefit-to-cost ratios (BCRs) range between 58:1 and 173:1 for individual programmes when the costs of SHGs are offset against the quantifiable benefits. **This rises to a return of more than 210 pounds and Euros in benefits (210:1 and above), when analysing self help group growth that becomes self-sustaining after ten years of donor funding.**

**highest in recent literature using cost benefit analysis to assess impact.**

## Conclusions and recommendations

**The SHG model delivers very high returns and is demonstrating transformational change of people's lives.** Cost effectiveness is driven by **high impact and low costs.** The basis of the model is asset-based community empowerment, which fosters **long-term commitment and sustainability.**

**Women in particular are benefiting:** they report that they have increased confidence and decision-making power. This in turn has driven changes such as a reduction in the incidence of female genital cutting (FGC) through awareness-raising, and improved attendance at school for both girls and boys.

**Furthermore, the SHG model can be taken to scale. The growth rate is high, averaging about 20 per cent each year.** The programme was conceived as a development programme, **yet is demonstrating strong humanitarian benefits. Even within the first few years of SHGs' formation, communities can cope better with droughts and other shocks.**

**However, to deliver these gains, the SHG model requires a shift in mindsets.** As seen, the success of the SHG approach depends on a long-term commitment. (Typically, development projects tend to last three to five years.) The approach is also very dependent on community empowerment. **It requires a shift from a resource-driven approach for asset-based development, to an approach that is focused on long-term transformation.**

**The findings from the analysis are exceptional, and demonstrate sustained transformational change in the communities where the SHGs exist. It is therefore recommended that the SHG approach is replicated and expanded, both by donors and implementers.**

**For the full report, visit:**  
[www.tearfund.org/partnershipsforchange](http://www.tearfund.org/partnershipsforchange)

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Tearfund is a Christian relief and development agency working with a global network of local churches to help eradicate poverty.



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