



# Financial Inclusion

*Climate adaptation*

*Locally led*

*Systems strengthening*



Locally led financial system strengthening to increase agro-pastoralists resilience to social, economic and climate related shocks in Southern Ethiopia

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**Irish Aid**  
An Roinn Gnóthaí Eachtracha  
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# Resilience in Pastoral Areas - South (RIPA-S), 2020 - 2024

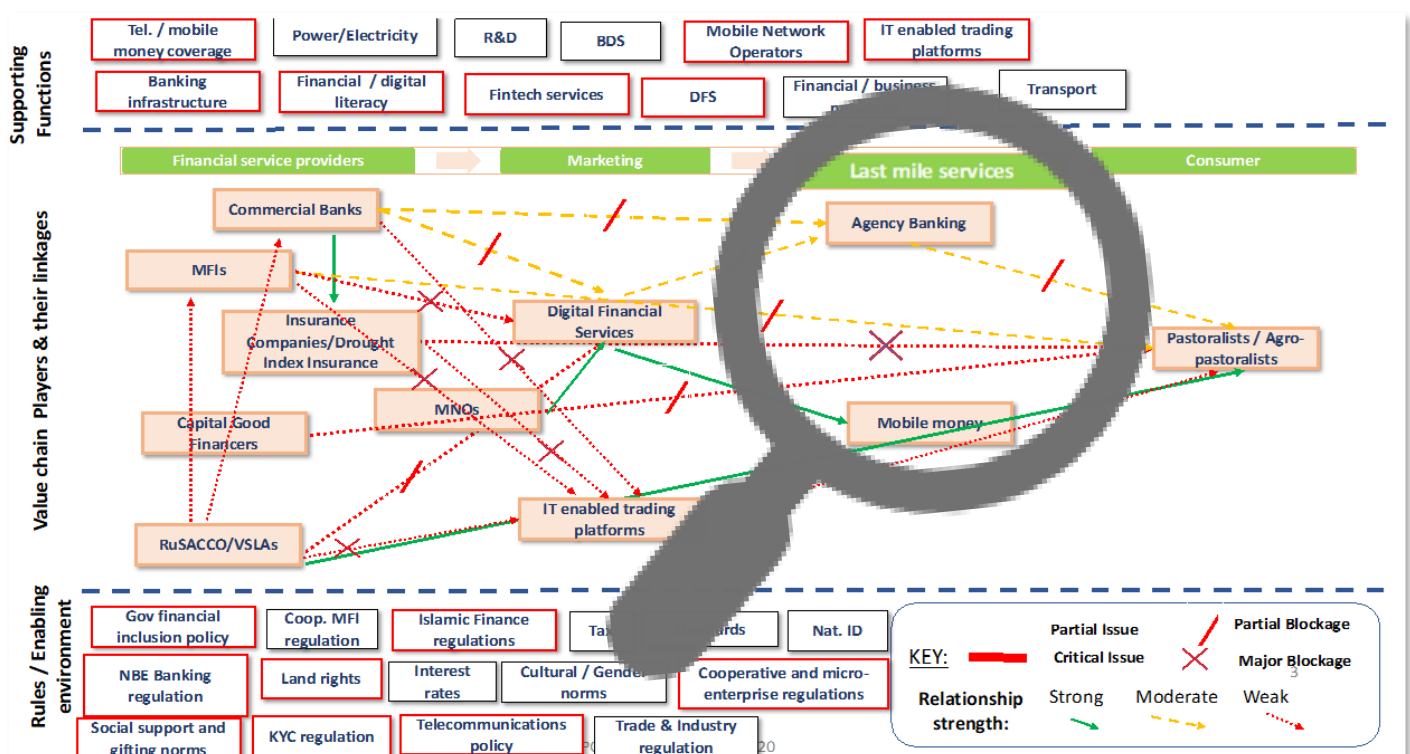
## Target Zones:

Borena  
East Borena  
South Omo  
Liben  
Dawa

**Brief background:** With support from USAID Ethiopia, and in partnership with Global Communities, GOAL and International Development Enterprise (iDE), Resilience in Pastoral Areas - South (RIPA-S), is a five-year program (2020 - 2024), targeting pastoralists and agro-pastoralists in Southern Ethiopia. The purpose of RIPA is to improve resilience through improved food security and inclusive economic growth. GOAL uses a [Market Systems Development](#) (MSD) approach in livestock, crop, and financial systems to intensify and sustain pastoral and agro-pastoral production and marketing.

A financial system assessment was conducted in 2021 to identify the system level challenges, opportunities and the key actors to develop a portfolio of interventions where there are opportunities facilitate **sustainable change at scale** in financial systems, critical to agro-pastoral communities.

**Mapping of the financial system** in RIPA-S areas, illustrating the value chain dysfunctions, relationships and critical supporting function and rules that are preventing the system from working more efficiently and inclusively for agro-pastoral communities.



## Increasing Access to Financial Service for Agro-Pastoralists

### Key numbers 2022 to date

**3**

#### Financial Service Provider partners

Co-designed & leverage for last mile financial services for agro-pastoralists

**156**

#### New banking agents, 9% are women

CBO 67, Awash 89 agents managed 3,052 transactions

**\$167,431**

Is the value of transactions managed by the new banking agents

**15,390**

#### New individual bank accounts opened, 81% by women

CBO 11,473 (4,618 Women's Empowerment (WE) groups members, 2,825 people Transitioning Out of Pastoralism (TOPs), 99 Family Health Group members & 3,931 non-RIPA group members). Awash 3,917 individuals.

**128**

#### New group accounts

CBO 128 (32 WE and 96 TOPs), Awash 0

**28,479**

#### New mobile money wallets, 46% opened by women

CBO 5,164, Awash 23,315

**\$356,723**

#### Amount saved

CBO ETB 14,800,000 (US\$ 264,285), Awash ETB 5,176,495 (US\$ 92,437)

**506**

#### Number of new loans

237 individual loans, 5% female, 268 SME loans, 18% by women owned businesses. Value of loan, ETB 15,397,249 (US \$274,951)

**11,822**

#### Livestock insured, (1,768 Agro-pastoral households)

(5,772 livestock in Borena and 6,050 livestock in South Omo)

**43,997**

**New transactional  
accounts opened by  
Agro-pastoralists,  
59% women**





## A Summary of Financial System Level Constraints

**Enabling Environment** Ethiopia allowed for the introduction of mobile banking services decades after some of their East African peers. As financial inclusion best practices have moved towards alternative forms of collateral, more varied identity requirements, or simpler account opening procedures, National Bank of Ethiopia regulations have not created the space for innovation. On the supply side, Financial Service Providers grapple with regulations that are highly complex and cautious.

**Supply of financial services** There are a multitude of financial service providers that now serve the market in Ethiopia. This ranges from well-established formal financial service providers (FSPs) including both public and private through to new developments in the field of digital financial services. However, the providers encounter significant constraints in their abilities to serve remote rural communities as the cost of market entry for financial and insurance providers is high.

**Demand for financial services** In pastoralist areas where market systems are weak, populations are seasonally mobile and dispersed, they lack traditional collateral and formal identification (esp. women), and prefer Islamic-compliant financial products. Pastoralists in Ethiopia are among the most vulnerable populations to shocks and stresses, they also have low financial and digital literacy skills. Financial services can play a key role in mitigating shocks, while strengthening pastoralists' financial resilience.



### RIPA-S financial inclusion strategies

1. Support digital financial services that provide bundled services.
2. Digitalize informal credit histories to support access to formal financial services.
3. Improved marketing and product development of insurance products.
4. Address gaps in access to Islamic financial products.

## Partnership with Financial Service Providers

### Locally led development

RIPA-S partners with different Financial Service Providers to increase access to appropriate financial products and services for agro-pastoralist communities.

**Cooperative Bank of Oromia (CBO)** is a private commercial bank, operational since 2005 with >738 branches and 11.2 million account holders. CBO customer base is Cooperatives and rural communities where it offers a range of products and services, including Sharia compliant products and credit score based digital lending for micro, small and medium enterprises ([Michu](#)). RIPA-S partnered with CBO (2022 - 2024) to extend their last mile financial services through mobile money and agency banking in Borena and East Borena. CBO aims to target >14,000 agro-pastoralists (35% female), CBO will leverage approx. \$127,924 (budget amount) and RIPA-S will utilize approx. \$108,00.



**Awash Bank** is a private commercial bank, operational since 1994 offering a range of products and services. RIPA-S partnered with Awash Bank (2022 - 2024) to extend their last mile financial services through

mobile money and agency banking in S. Omo, Liben and Dawa Zones. Awash Bank aims to target >14,000 agro-pastoralists (35% female). Awash will leverage approx. \$266,566 (budget amount) and RIPA-S will utilize approx. \$243,745.

#### **Oromia Insurance Company (OIC)**

established in 2009, is a leading financial service provider in agriculture and micro-insurance products in Ethiopia. OIC is the first



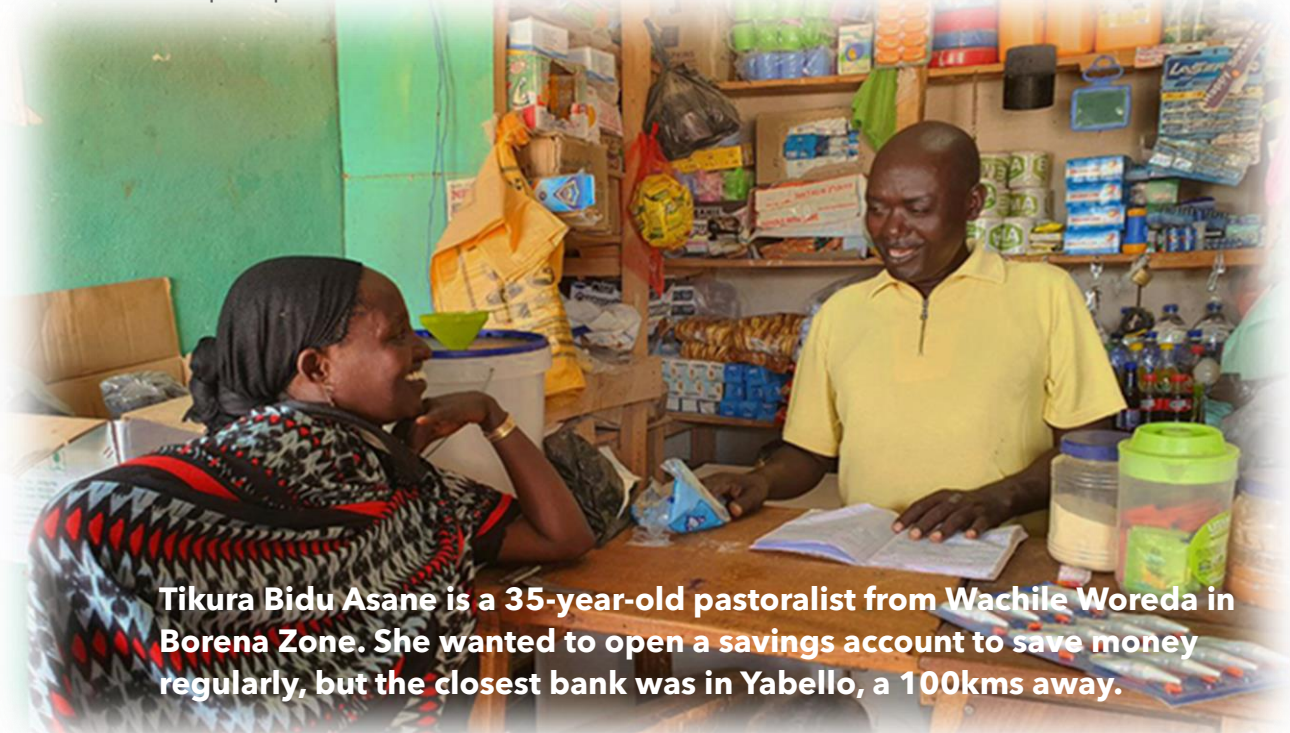
**OROMIA INSURANCE S.C.**

company to introduce Index-Based Livestock Insurance (IBLI) in Ethiopia. RIPA-S supported agro-pastoralist to access IBLI by 'buying down' 43% of the cost of the premium for agro-pastoralists, agro-pastoralists paid 57% of premiums to insure their livestock. OIC aims to target >10,000 agro-pastoralists (19% female). OIC will leverage approx. \$50,315 (budget amount) and RIPA-S will utilize approx. \$142,808. A new and large-scale World Bank program will buy down almost all the IBLI premium, this will affect targets for livestock insured with support from RIPA-S.

## Financial Services for Excluded Agro-pastoralists

### Savings

**Mobile money accounts** are more accessible to those usually excluded (the poor, rural, non-literate & women), they offer a way to save, transact and build financial histories necessary to access other financial services. The following case story provides a demand side perspective.



**Tikura Bidu Asane is a 35-year-old pastoralist from Wachile Woreda in Borena Zone. She wanted to open a savings account to save money regularly, but the closest bank was in Yabello, a 100kms away.**

Tikura heard from a friend that Mr. Tessema, who runs a Private Veterinary Pharmacy, had begun to provide banking services for the Cooperative Bank of Oromia in Wachile Town, approximately eight kilometers from her home in Rocho Kebele, so she went to see him.

She discovered that in addition to his veterinary pharmacy, Mr. Tessema can provide mobile money accounts to save, cash withdrawals, and remittances. *'He explained how the mobile money account works, so I gave him my Kebele identity card, he took my picture with his phone and opened a wallet account for me; now, I save money regularly'.*

When asked if she would recommend a mobile money account, she said *' Oh yes, I would recommend it to my friends and family. I benefit from keeping my money safe and not spending it all at once. Sometimes, I use my savings to buy goats and resell them for a profit. Now no one has to travel far to open an account and save money; they can easily get the service here. This convenience is a relief, and **the money you save today can be used in bad times or emergencies'.***



## Financial Services for Excluded Agro-pastoralists

### Transactions

**Mobile money accounts** are more accessible to those usually excluded (the poor, rural, non-literate & women), they offer a way to save, transact and build financial histories necessary to access other financial services. The following case story provides a supply side perspective.



**Darmi, a mobile money agent in Dhas Woreda shows a customer how to use mobile money**

Darmi Tari Gababo (34) owns and manages a private veterinary pharmacy in Dhas Woreda in Borena Zone. When asked what motivated her to become a mobile money agent she said *'I often helped people send money and received small commissions. Sometimes, people would transfer money to my savings account, and I would give them cash. Seeing this need, I decided to become an agent for the bank to provide financial services to my community.'*

As Darmi has an existing business, it only took her only five days to complete the necessary administration to become a mobile money agent with the Cooperative Bank of Oromia. She needed to present her trade license, TIN certificate and her kebele identification. Darmi has about seven mobile money transactions each day, she earns a small commission on each, amounting to approx. ten percent of her income.

Darmi's story underlines two critical enabling factors. Existing businesses are ideal entry points for bundling in different goods and services as they have already demonstrated their ability to do business. In addition, **multiple different revenue streams provide agents with a viable income while providing goods and services to communities that are harder to reach and where demand can be lower.**

## Financial Services for Excluded Agro-pastoralists

### Bank accounts

**Individual bank accounts** provide the entry point for financial inclusion. Building healthy saving behaviour, and financial histories that can be used to access other financial products.



**Edetu Illala (27) is a shop owner in Gorodola Woreda, she is also a member of the Women's Empowerment (WE) Group in her community.**

*'It was in this group that staff from the Cooperative Bank of Oromia visited to talk about savings and introduced their different financial services, they encouraged us all to open a bank account and start saving'.*

*Edetu explains 'I had always wanted to open a savings account but never got around to it. Owning a small business, I need savings to expand my shop; with an account, I could even get a loan from the bank. I decided to go for it'. 'It did not take long to open my bank account, the banking staff from Hareqello, filled out the application form with me, I needed my kabele identification and two photos.'*

***'I am saving regularly and hope to get a loan soon to expand my shop. I could purchase a lot of merchandise to resell for profit'.***

We asked Edetu if she would recommend getting a bank account to her family and friends, she said *'Yes, I would recommend it because everyone needs money saved for emergencies, to buy necessities, and to start a small business; having some saved money is essential'.*



## Financial Services for Excluded Agro-pastoralists

### Group accounts

**Group accounts** increase access to financial services for people usually excluded and provide risk mitigation through group collateral.

Sochao Cooperative, is a women's empowerment group in Seden Gofa Kabele, Guchi Woreda in Borena Zone. The Cooperative Bank of Oromia staff from Alnasir branch visited the group on many occasions to teach the group about saving and banking services, such as **Islamic banking products**.



*'We realized we needed to keep our group's savings safe, as keeping it in a metal box at our homes wasn't secure'. The bank staff helped the group to open a group savings account, which is operated by three leaders, and provided the group with a passbook'.*

*'The bank staff frequently visit our kebele to accept our deposits and handle our requests. As with the individual bank account opening, the group were required to provide identification cards and two photos'.*

*'It only took a day to open the group account and we are now saving regularly. We hope to get a loan, and if we do, we will expand our retail activities to wholesale merchandise to different shops across our woreda'.*

**Sochao Cooperative leaders, Abdiya Sora, Maka Ali & Abshiro Eda.**

## Financial Services for Excluded Agro-pastoralists

### Loans

**Michu is Ethiopia's first uncollateralized digital lending product.** Michu was launched in 2022 by the Cooperative Bank of Oromia, it is powered by Qena, an AI-driven digital lending platform providing individuals and enterprises access to appropriate credit through a credit scoring system.

**Jatani Wako is a young (27) entrepreneur** from Boba Kabele, Gumi Eldalo Woreda in East Borena Zone. He is a small-scale farmer of crops, he fattens livestock and trades in sheep and goats. Janani learned about the loan from a Cooperative Bank of Oromio agent, his group supervisor also mentioned the Michu loan to him, as he knew he was looking to invest and grow his micro-enterprise.

He said **'the Michu loan was easily accessible,** took 15 days and helped me expand my livestock fattening business and my sheep and goat trade'. 'I buy sheep and goats from remote areas and sell them in Negele city'.

**Jatani Wako with the cattle he recently purchased for fattening with the Michu loan**

*'To request the loan, you must have an account at the bank. I already had an account, so I only needed to provide my trade license. I have taken the Michu loan twice now. The first time, I took out 50,000 ETB (\$867), and repaid it within a month. The second time, I took out 55,000 ETB (\$953).'*

**Jatani would recommend the Michu loan to others** who want to expand their business, as it is easy to apply for and does not require collateral.



## Financial Services for Excluded Agro-pastoralists

### Insurance

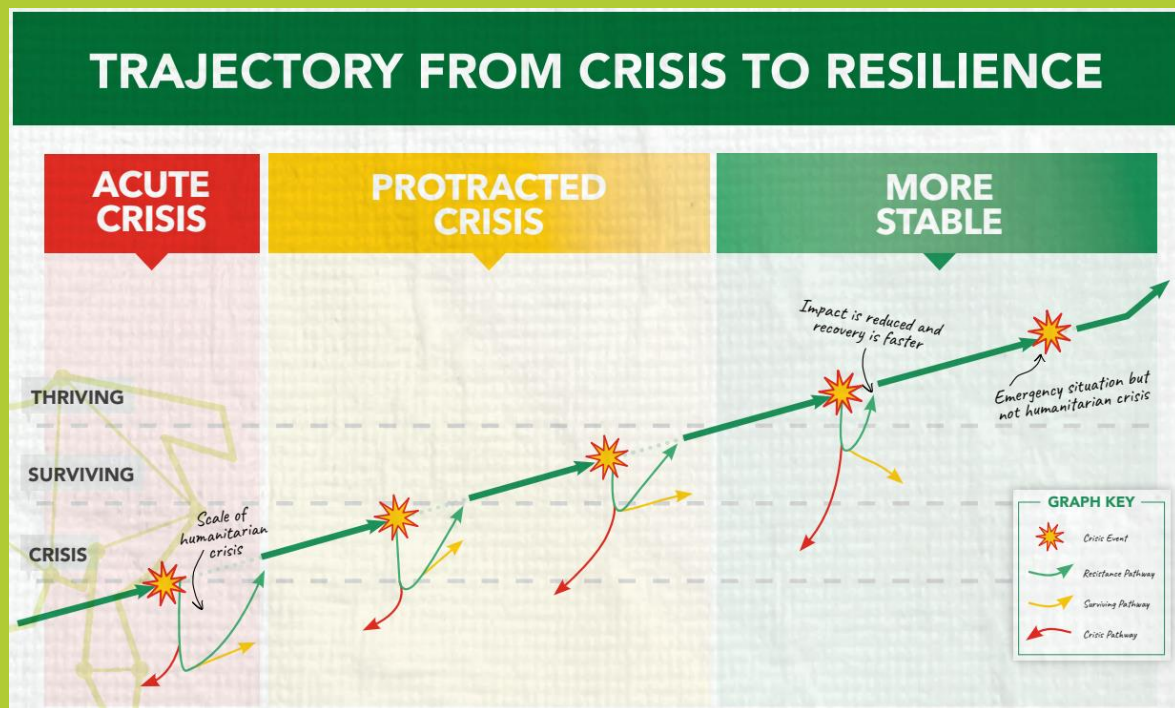
**Index Based Livestock Insurance (IBLI)** protects livestock keepers in drought-prone arid and semi-arid lands from climate-related losses. Unlike traditional insurance programs, which pay out on the loss of the animal, IBLI is tied to climatic conditions such as the amount of rainfall and distribution of pasture availability over a season. Until recent rain fell in the Horn of Africa, more than 9.5 million animals died from prolonged drought.



Rugu Adi Loni from Dida- Yabello Kabele, Yabello Woreda insured 3 cattle and 5 goats. She learned about the insurance from the insurance companies' agent and paid the premiums as she is concerned about lack of feed for her livestock. Similarly, Acu Nua from the same location, insured 10 cattle and 20 sheep and goats through the insurance companies as he is concerned about drought. The insurance companies' agent managed the payments. **Rugu, a village elder recommends that others take out insurance to protect against the frequent and destructive droughts.**



GOAL's strategic intent from **Crisis to Resilience**, providing life-saving emergency assistance and building resilience by stabilizing and strengthening systems.



## References/ Citations:

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