Introduction

Rural Saving and Credit Facilities (RSCF) is a community based, member owned and run financial arrangement for the provision of financial service in the rural areas. The Center International for Development and Research (CIDR) is a French based NGO that took the initiative to disseminate the idea and enter into practical agreement with NGOs and their affiliate Microfinance Institutions (MFIs) to launch a pilot program in Bale/Arsi (with Buusaa Gonofaa MFI/and Horro Guduru (with Wasasa MFI) Zones of Ormia Regional state. CIDR has about 20 years experience in the design and implementation of rural participatory financial service delivery models in West and Central Africa, notably the VISACA (Village Saving and Credit Association) model, which was used and adapted for the design of the RSCF model that is the object of this study.

Currently, there are 26 RSCFs in Ethiopia, run by the local communities in partnership with MFIs in their region, with the aim of providing financial services to their members. The facilities are run by community representatives. In fact, at this stage these RSCFs are the financial wings of their respective Peasant Association (PA).

The second phase of the program focuses on expanding such interventions in the Oromia and Amhara Regional states. Two MFIs: OCSSCO and SFPI, have entered into agreement with CIDR to initiate such a program in Arsi and in East Gojam Zones, respectably.

It is assumed that such an intervention will be replicated to other parts of the country once the feasibility/sustainability of the intervention is ascertained. However, currently the initiators of the idea as well as the implementers of the program desire to ensure the technical and financial viability of these facilities in the country before venturing a massive expansion. This initiated to the need to launch this study.

The main objective of the study is then to provide mechanisms for institutionalizing and legalizing this financial system that would ensure its overall sustainability.