FEASIBILITY STUDY REPORT OF THE
IMPLEMENTATION OF A RURAL PARTICIPATIVE
MICROFINANCE SCHEME IN JIMMA ZONE OF THE OROMIYA REGION

ADDIS ABABA, ETHIOPIA, SEPTEMBER, 2005
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<th>Abbreviation</th>
<th>Full Form</th>
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<tbody>
<tr>
<td>AC</td>
<td>Advisory Committee</td>
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<tr>
<td>AEMFI</td>
<td>Association of Ethiopian Microfinance Institutions</td>
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<tr>
<td>CIDR</td>
<td>International Centre for Development and Research</td>
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<tr>
<td>DA</td>
<td>Development Agent</td>
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<tr>
<td>JICA</td>
<td>Japan International Cooperation Agency</td>
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<tr>
<td>Masl</td>
<td>Meters above sea level</td>
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<tr>
<td>MFI</td>
<td>Microfinance Institution</td>
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<td>MFTSC</td>
<td>Microfinance Technical Support Centre</td>
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<td>NBE</td>
<td>National Bank of Ethiopia</td>
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<tr>
<td>OCSSCO</td>
<td>Oromiya Credit and Savings Share Company</td>
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<tr>
<td>PA</td>
<td>Peasant Association. We use this term because it is the more used in the common language, but it reflects the official “rural kebele”</td>
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<tr>
<td>ROSCA</td>
<td>Rotative Savings and Credit Association</td>
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<tr>
<td>RF</td>
<td>Rural Facility</td>
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<tr>
<td>RSCF</td>
<td>Rural Savings and Credit Facility</td>
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<tr>
<td>SACCO</td>
<td>Savings &amp; Credit Cooperative</td>
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1. INTRODUCTION

This feasibility study is part of the joint collaboration between the Microfinance Technical Support Centre of CIDR and ESHET MFI which aims at increasing the outreach of ESHET into remote rural areas of the Oromiya Region.

Due to the limitations of the current methodology and organisation used by ESHET in reaching the remote rural areas, a new participative microfinance scheme needs to be developed.

Important data's of seven districts of Jimma zone were collected by telephone and faxes from districts agriculture offices and other stakeholders working in the zone.

However, a pre-identification mission of the districts could not be conducted on the field because of the inconveniency occurred during the period preceding and following the national election which was carried out in May 15, 2005. Despite of that, based on the collected data, 3 districts were identified and selected for the study. The selected districts were Seka Chekorsa, Dedo and Kersa. But after reaching the place, most of the PAs of Kersa district were found to be inaccessible because of heavy rain. Hence it was changed to Gomma and Mana districts to survey two PAs from each.

See Annex… for this Pre-identification work.

The selected districts for the feasibility study have a certain level of social cohesion, a high population density (each more than 200 people per km.sq) and different ecological characteristics and economic activities. All of them except Gomma have diversified ways to generate income.

The major parts of Seka Chekorsa (64%) is mid land ecology and engaged in cereal crop and coffee growing, while 47% of Dedo is found on the mid land area and mainly depend on cereal crops and Enset planting. For most of the high land areas cereals like wheat and tef are used as a cash crop. Enset and chat are also cash generating plants.
Gomma and Mana are known as two major coffee producing districts of Jimma zone, even though most PAs of Mana are also cereal crop producers. Coffee is the main cash crop for these two districts.

The Microfinance Technical Support Centre (CIDR) and ESHET MFI have conducted the study.

2. **OBJECTIVES OF THE STUDY**

2.1. **Overall objective**

The overall objective of the study is to confirm the feasibility of setting up a participative microfinance scheme in rural areas of Jimma zone, to define its components and implementation aspects, and to map out the conditions of its social, technical and financial feasibility.

2.2. **Specific objective**

2.2.1. **Perform a socio-economic diagnosis in the selected districts**

The socio-economic diagnosis shall:

- identify and analyse the main characteristics in terms of history, geography and demography,
- identify the possible structural constraints (literacy level, infrastructures, insecurity problems,...) upon the development of a participative microfinance scheme,
- identify and analyse the existing forms of social organisation,
- identify and analyse the existing economic activities and their current sources of financing,
- identify and analyse the existing endogenous and formal financial systems,
- Propose a diagnosis in terms of existing socio-economic potentials and perspectives, and thus identify the constraints for the development of the selected area and the adequacy of a financial tool as a contribution to the resolution of these problems.
2.2.2. **Elaborate a new participative microfinance scheme**

- elaborate an appropriate methodology that will address the needs of the rural communities in terms of financial products and services,
- determine the articulations between Eshet and the rural entities,
- determine the required geographical coverage for the set-up of the scheme,
- select the Peasant Associations (PAs) where to continue the study and test and start the scheme.

2.2.3. **Test and validate the feasibility of implementing the participative microfinance scheme**

The feasibility will be assessed along four lines:

- The methodological and technical feasibility
- The economic and financial feasibility
- The social feasibility
- The institutional feasibility

2.2.4. **Define a three-year programme**

A three-year programme will set the:

- quantitative and qualitative objectives,
- implementation strategy,
- expected results,
- activities to be carried out,
- action plan,
- resources needed in particular in terms of human and material resources.
3. **METHODOLOGY AND IMPLEMENTATION OF THE STUDY**

The study has been implemented by the Microfinance Technical Support Centre together with ESHET MFI.

Ato Bekele Jirata from the MFTSC was the study coordinator. He was working with three enumerators, Merga Sori, Tujuba Teferi and Olani Kitila who is a permanent Eshet employee.

Following the pre-identification work, the present study lasted from July 18, 2005 to October 26, 2005.

We can define the various stages of the study as follows:

### 3.1. **Preparation**

After the recruitment of the study staff, a three days preparation session was organised at the MFTSC. It included:

- Training and orientation of the 3 enumerators on the presentation of the study, the methodology and on the microfinance environment.
- Refining of the various tools used for the study.
- Planning of the field work.
- Writing letters to Jimma zone Administration to make them aware of the study and pass the message to the selected districts administrators.

This session has been organised and implemented by the study coordinator, assisted by Mr. Laurent Biot, the MFTSC manager and Mr. Birru, the operations manager of ESHET MFI.

### 3.2. **Main field study**

The 4 study staff performed in depth collection of information from July 18 to August 23, 2005.

Mr. Laurent Biot has conducted a support mission from August 1 to 4, 2005. Mr. Kebede Assefa, General Manager of ESHET has also conducted a 3 days visit from August 16 to
18, 2005. Mr. Birru, operations manager of ESHET MFI, has participated in the field study for 8 days from August 16 to 23, 2005.

The exercise was divided in two different steps:

3.2.1. **Study with the Districts authorities**

Discussions were led at District level, with the administrators and the heads of the agriculture offices.

The purpose was to present the study, to get their official backing, to collect in depth information about the district and eventually to be able to select peasant associations (PAs) that will be targeted by the study.

Following this, 4 PAs from Seka Chekorsa and Dedo, 2 PAs from Mana and Gomma have been selected in each District, making it 12 for the four districts.

The first criteria for selecting those PAs were:

- Minimum of 4,000 inhabitants;
- Good known social cohesion;
- Economic potential (diversified economic activities; good cash crops);
- Presence of adult literates;
- Accessibility during the rainy season, at least by motorbike;
- Presence of centre or market place where people live concentrated.

**The selected PAs were:**

*District:*

Seka Chekorsa: Atero Gefere, Gura ula uke, Sentema Goro and Geshe Lucine
Dedo: Mole, Bilu Harsu, Darge and Matoso
Mana Somodo and Kenteri
Gomma Kota and Teso

**Note:** In Mana district, due to misunderstanding and political interference at the level of the District Administration, the study coordinator couldn’t pursue its work in one and half PA and Eshet operations manager took over. By consequence, some data that should have been collected at district level is missing or incomplete.
3.2.2. PAs surveys

In the 12 PAs, three types of surveys were conducted:

a) **General PA survey**: this survey is done through a meeting with all the PAs leaders (members of the cabinet), elders, opinion leaders, and representatives of various social or economic groups, women association leaders…

After presenting the study, all the different aspects of the life of the PA are reviewed and questioned: the social system (social cohesion of the inhabitants, various endogenous groups), the power system, the economic activities, the infrastructures, the population and its settlement patterns, the geographical settings, the experience and habits of credit and savings, the capacity of savings and the interest to develop new credit and savings facilities.

At the end of the meeting, some socio-economic groups and households are selected for further study.

b) **Socio-economic bodies’ survey**: in each PA, around four groups are subject to deeper investigation on the way they are functioning. Those groups are mainly “iddirs”, cooperatives, “equbs”, women associations, “Jigas” in some PAs (traditional social organization). Particular attention was given to groups which are leading some credit or savings activities or which could be a potential stakeholder in such a future facility.

c) **Family survey**: 6 household surveys were led in each PA, giving a sample of 72 households for the all study. Particular focus was given to the household organisation, economic activities, financial habits, family budget and social habits.

3.3. **Analysis and development of the methodology**

On the base of the field study results several meetings were held between the MFTSC and Eshet to analyse them and develop the first elements of a new methodology. This methodology was then elaborated at the light of the findings of the study, the current experience of Eshet and the methodology that has been developed with Wasasa and Buusaa Gonofaa MFIs in East Wellega and Bale respectively.

The elaborated methodology differs significantly from those two cases (see section 5.3. for details).
3.4. **Refining and validation mission**

A new mission was led from October 13 to 26, 2005 in order to validate the proposed methodology. It was conducted by Mr. Bekele Jirata, the study coordinator with Mr. Birru Fida, Eshet operation manager.

Mr. Kebede Assefa, Eshet general manager, Mr. Laurent Biot, MFTSC manager, accompanied by Ms Maude Massu from CIDR head-office and Mr. Paul Picot CIDR microfinance expert participated to the start of the mission.

Two PAs from the first study (Bilu Harsu and Matosso) and two new ones (Dilbi and Sito) were selected for this phase.

In the PAs studied in the first phase, an in depth meeting was led with the leaders to present to them the main tenants of the developed methodology, see if they think it could work in their PA and further discuss their role in the new scheme.

For the new PAs, this session was preceded on the previous day by a normal general meeting of presentation and collection of information.

The meetings with those four PAs were positive to validate the methodology and to give enough information to fine-tune it. They were all selected to start the scheme.

3.5. **Report writing**

The present report has been achieved thanks to the work of the study coordinator, Eshet staff and the MFTSC manager who has coordinated and finalized it. The data processing and analysis has been done by the MFTSC, with the help of ESHET on SPSS.
4. **DISTRICTS PROFILE: Seka Chekorsa, Dedo, Mana & Gomma**

4.1. **Historical Background**

Even though little information is available in regard of historical background of each district, Jimma has a great history known by many historians.

Before the end of the nineteenth century, Jimma was divided into five states or kingdoms. These were called the five Gibe states. These states were Limu Enariya, Gera, Gumayi, Gomma and Jimma and all were ruled by their kings.

King Aba Jifar was the last king of Jimma and Jimma is still called Jimma Aba Jifar (the land of Aba Jifar). After the occupation of the land by Amharas headed by King Menelik the Second, the kingdoms were dismantled. Then the four districts surveyed and others, which were parts of the states mentioned above, were under one administration called Limu Awaraja.

During the Derg government each district was given the name Awaraja. After the great 1984/85 famine, Seka Chekorsa, and Dedo were selected as surplus grain producers awarajas.

With the present administration, the Awarajas came back to districts names.

4.2. **Physical Characteristics of the districts**

4.2.1. **Seka Chekorsa**

The district lies in the south western part of Jimma zone and has an area of 1,613.86 sq.km. Out of the total area 94,197 hectares are arable and 13,473 hectares are grazing lands. It has 2 urban centres including Seka the capital and Shebe. It has common boundaries with Dedo, Mana, Gomma and Gera districts and with the Southern Ethiopian Nations, Nationalities and Peoples Regional State.
The district is divided into 56 peasant associations, and 15 service cooperatives. The capital town of the district Seka is located at 353 kms from Addis Ababa and 18 kms from Jimma the capital town of the zone.

The district has three different geographical zones: 19% high land, 64 % midland and 17 % low land. The district's average altitude is 1,930 meters above sea level.

Topographically, it is characterized by mountains (Geta, Shewa, Walla Kella, Urgayi), plateaus, hills, plains (Mechi, Sedecha, Kishe, Chekorsa etc) and valleys (Gilgel Gibe, Abono, Duko, etc). Gojeb, Abono, Gibe, Anja, Gulufa and Meti perennial rivers as well as Harsu and Bucho seasonal streams are flowing through the district. High forest, woodland and man made forests are available in the district. Belet Gera forest which covers about 37,417 hectares of land is found in the district is under government protection in collaboration with JICA.

4.2.2. Dedo

Dedo is located in the southern part of Jimma zone. Dedo shares common boundaries with Omo Nada, Kersa and Seka Chekorsa districts and also with the Southern Ethiopian Nations, Nationalities and Peoples Regional State.

It has an area of 1,459.1 sq.km out of which 67,313.25 hectares are arable and 16,573 hectares are grazing lands.

The district’s capital Sheki is located at about 357 kms from Addis Ababa and 22 kms from Jimma the capital of the zone. The district has one urban kebele, Sheki and is divided into 53 PAs and 10 farmers’ service cooperatives.

The district has 3 geographical areas, 34.7 % high land 47 % midland and 18.3% low land and its average altitude is 2,029 masl. Gerima, Haro Gebis ,Walla, Derar Korma, etc are the major mountains in the district. Unta, Kawa, Waro, Gojeb and Ofele are the main rivers.

4.2.3. Mana

Mana is one of the 13 districts of Jimma zone which is found in the central part of the zone. It is bordering Limu Kosa, Kersa, Seka Chekorsa and Gomma districts.
Mana has an area of about 400 sq.km. The district is divided into 3 geographical areas 12% high land, 63% midland and 25% low land. Altitudinal range of the district is between 1,470 and 2,610 metres above sea level. The district capital Yabu is located at 357.5 km from Addis Ababa and 22.5 km from the zone capital Jimma. Mana is administratively divided in to 22 PAs and 1 urban kebele which is Yabu, and has 12 services cooperatives.

Weshi and Bebela are the two known mountains and Aniso, Doha, Wanja, Yebu, Sogido are some of the rivers flowing through the district. High forests, wood land and plantation forests are available and Babiya Fola forest is under the protection of the government.

4.2.4. **Gomma**

Gomma district is found in the north western part of Jimma zone. It is bordered by Mana, Seka Chekorsa, Gera, Setema and Limu Kosa districts. Gomma district has an area of 1,349.1 sq km. Out of the total area 34,450 hectares are arable, 13,579 ha are grazing land, 27,263 ha are coffee land and 4,405 ha forest land.

It is much more “urbanised” with 6 urban kebeles including Agaro town the district capital.

Topographically, the district is classified into 8% high land, 88 % mid land and 4 % low land. Its altitude ranges between 1,400 and 2,270 m.a.s.l.

Several perennial rivers, like Dedesa, Awetu, Koncho and Jewe are found in the district. Administratively Gomma is divided into 45 PAs and 21 service cooperatives.

High forests, wood land and man made forests are found in the district.

All the districts visited and Jimma administrative zone in general is covered by natural vegetation, is one of the western Oromiya zone where natural forest is found and is the ever green area of the region.

4.3. **Population**

The total population of the four districts (Seka Chekorsa, Dedo, Mana and Gomma) is about 1,080,754 which is 41 % of the zone population. Out of the total population about
1,033,329 are living in the rural area which is 96% of the total population of the 4 districts.

4.3.1 Seka Chekorsa

Seka Chekorsa has a total population of 328,309 out of which 96.7% are living in rural and 3.3% are living in urban areas. Rural households are 68,409 out of which 2,748 are women headed. Population density of the district is 203 per square kilometre and the average population per PA is 5,669 people. 90% of the population is Oromo. Concerning settlement pattern, the majority of the population live in village which were built during the Derg government and hamlets.

4.3.2 Dedo

Dedo district has a total population of 288,541 out of which 51% are male. Out of the total population 283,046 live in rural and 5,495 in urban area, which is 98% and 2%. Rural population live in villages or hamlets. Population density of the district is 198 people per square kilometre and the average population per PA is 5,340 people. 82% of the rural population of the district is Oromo.

4.3.3 Mana

Mana district has a total population of 155,323 out of which, 151,228 are living in rural areas and 4,095 are in urban areas which is 97% and 3% respectively. The majority of the rural population live in villages established during the past Derg regime. Population density is 388 people per square kilometre and the average population per PA is 7,055 people.

4.3.4 Gomma

Gomma has a total population of 320,946 out of which 162,777 are male and 158,169 are female. Out of the total population 270,440 live in rural area which is 84%. The total
number of male household is 45,695 while the female one is 1,197. Population density of the district is 238 people per square kilometres and the average population per PA is 6,010 people.

4.4. **Infrastructures**

4.4.1. **Seka Chekorsa**

- There are 63 primary and 1 secondary schools in Seka Chekorsa district. The total enrolment is 49,436 in primary and 1,648 in secondary schools. Out of the total primary school students 27,019 are male and 22,417 are female which 55% and 45 % respectively. Enrolment rates in primary are 80.31% for male and 67.08 % for female. (Jimma zone socio-economic profile,1997 EC).

- The district has 2 health centres, 9 clinics and 2 health posts. Population access to health is 15% for clinics, 68.5 % for health centres and 3% for health posts.

The major health problems of the district are malaria, intestinal parasites, and upper respiratory track infection.

Regarding veterinary services there are 3 clinics and 1 veterinary post.

Internal and external parasites and Anthrax are the major animal diseases of the district.

- Full time electric supply is available in Seka and Shebe towns.

- Seka and Shebe towns have digital telephone lines and postal services. There are also a number of PAs which have solar telephones in their office.

- Concerning roads, there are all weather roads from Jimma to the Southern people's regional state which crosses the district, and about 41 km which goes to Sentema Goro and Geshe Luchine PAs.
4.4.2.  Dedo

- Dedo district has 67 primary and 1 secondary schools. The total enrolments in primary schools are 47,429, out of which 43% are female students. Regarding secondary school the total enrolment drops to 958, out of which 28% are female students. Enrolment rates in primary are 66.32% for female and 87.83% for male.

- There are 1 health centre, 3 clinics and 5 health posts in Dedo district. Population access for health is 8.5% for health centre 10.2% for clinics and 8.5% for health posts. Malaria, intestinal parasites, tuberculosis and diarrhoea are the major diseases of the district. There is no veterinary clinic in the district.

- Concerning accessibility to water, 88% of urban and 11% of rural population have access to tap water.

- Sheki town is the only place which has fulltime electric supply. None of the PAs have electricity.

- There is digital telecommunication line in Sheki and some PAs have solar telephone in their office.

- Regarding road network, Sheki to Jimma (22 kms), Sheki to the junction of Bilu Harsu and Darge PAs (30 kms), Sheki to the Southern Region are all weather roads that are connecting different areas in the district. Many PAs off-roads are not accessible during the rainy season by car and some cannot be reached even by motorcycle.

4.4.3.  Mana

- Mana has 39 primary and 1 secondary schools. The enrolment in primary is 28,631, out of which 47% are female students. The enrolment in secondary school is 1,065 students whom 31% are female.

The enrolment rate in primary schools is 93.57 % for male and 83.63% for female.
The district has 1 health centre, 4 clinics and 7 health posts. With regards to veterinary service there are 2 veterinary clinics in the district.

Total population access to potable water is 44.5%.

Electric supply is full time in Yabu and some small towns of PAs.

There is automatic telephone line in Yabu town and one postal agent.

The asphalt road from Jimma which goes to Agaro the capital of Gomma crosses Yabu town, and there is also all weather road connecting the district with Limu Kosa passing through different PAs.

4.4.4. **Gomma**

Gomma has 65 primary and 1 secondary schools. The enrolment is 57,214 in primary out of which 30,796 are male and 26,418 are female students (46%).
The enrolment rate in primary schools is 87.25% for male and 78.41% for female.
There is also a training centre which gives training for development agents who are working in coffee growing district called "Gomma Training Centre".

The district has 2 health centres, 17 clinics and 7 health posts.
Concerning animal health there are 4 veterinary clinics in the district.

Agaro, Yachi, Gembe and Toba towns and 11 PAs have full time electric supply in Gomma.

The capital Agaro is connected to Mana and Jimma by asphalt road and there are also all weather roads which connect the district with Gera district. The road to Gomma Training centre and Choche are also passing through different PAs.
Choche is considered as the birth place of coffee Arabica and the Coffee Genetic Conservation Centre is found here which is under the Institute of Biodiversity Conservation (IBC).
4.5. **Socio-economic, Cultural and Political Organisation**

In all the districts studied Islam is the major religion which is touching in Seka Chekorsa 90 %, in Dedo 97 % and in Gomma 80% of the population respectively. Christian orthodox religion is mainly practiced in towns, especially by non-oromo people.

There is no traditional Oromo religion (“Waqefata”) “officially” practiced in the area. However, indirectly most peasants are practicing it.

For example, farmers of the surveyed PAs said that they are praying near the river to get rain if serious drought occurs or, on the contrary, when there is heavy rain which can damage their crop they go to the hill and pray their Waqa (Unique God) to stop it. Also when a natural catastrophe occurs, they organise prayer gathering under the “Oda” tree. This tree is the assembly place of Oromo traditional institutions (like Geda) and religious ceremonies. Most praying gatherings are conveyed by the elders; there are no real leaders in those practices.

Regarding traditional social organisation, Geda system is almost forgotten in the PAs studied. However, in some PAs of Seka Chekorsa and in most PAs of Dedo there is strong traditional social organization called “Jiga”. In the surveyed PAs of Gomma and Mana, Jiga traditional organization is less functioning, probably due to the closeness of these PAs to towns.

The Jiga structure includes Aba Jiga (head), Aba Jarsa (Head of Elders), Aba Shani or Aba Reji or Aba Laga (Head of public relation), Jarsa Umata (community Elders) and the community itself.

There are a number of Jigas in one PA depending upon the size of the area and number of community members. All Aba Jiga, Aba Jarsa and Aba Shani are elected by the community for an unlimited period of time, as long as they serve the community properly. If Aba Jiga does not act properly he will be taken to the Jarsa Umata (community elders) who will advise him. If he doesn’t correct his mistakes, the community elders take the case to the community and replace him.

The Jiga system intervenes in most community cases like mobilizing funds and people for funerals, community development works, keeping social norms and taking measures
against theft, burning of houses, killings and any other crimes. If such crimes happen, Aba Shani will inform the Aba Jiga who passes the matter to the Aba Jarsa to investigate and find the solution.

Aba Jarsa calls the community to investigate the crime. The community discusses on the matter, studies how it happened and finally points out those who are suspected for doing the crime. Then the Aba Jarsa asks the suspects to confess. Most of the time, if they are guilty, they confess, pushed by the fear to be rejected by the community. Then the Aba Jarsa imposes the penalty for the crime and informs Aba Jiga. If the individuals do not agree with the penalty they can apply to the neighbouring Jiga called "Masante". The neighbouring Aba Jarsa or "Masante" after studying the case can approve the penalty or change it.

If the crime is killing the Aba Jjiga cooperates with the police to send the individual to the court and reconcile the remaining families.

Apart from that, there are few disputes which go to the PA court. In most of the PAs the problems are previously solved by Aba Jiga or Aba Jarsa or other traditional systems.

There is also a tradition of fact finding or making individuals who made mistake to tell the truth or confess in front of elders by swearing. Swearing for false is very difficult to people. If one individual declines to swear, an elder (most of the time the Aba Jarsa) orders to dig a hole and the community pretends to bury something unidentified. According to the farmers after doing this pretension, it is believed that the individual may become sick or die. So it is very hard for individuals to swear for false. This is more active in Dedo according to the farmers.

Women do not have much role in this traditional social organization. Men have always upper hand.

The existence of this traditional system helps the community to maintain high social cohesion in the rural areas but is applied differently according to the visited PAs. As a matter of fact, it is more active and respected in remoter PAs of Dedo and Seka Chekorsa than from the PAs nearby towns, like in Gomma or Mana.
Islam religion is also playing a role in increasing the social cohesion among the community. Traditionally, people were following it while continuing to mix it with their traditional religious practices. However, few years ago, with the impulsion of the Wahabits, there was a move to abandon the traditional believes and to go towards a stricter Islam. Now, this move has been hindered, especially by the Government in its policy to fight extremism and terrorism. Interest earning may be a problem for the Muslim community in some PAs.

The administrative structure of the surveyed areas is the one applied in the whole Oromiya Region.

District cabinet, which has chairman, administers the district with other members who are politically assigned, namely public relations, people's organizer, administration and finance head, social judiciary and others from different development offices. The administrator is also the ruling party (OPDO) secretary.

The administrative structure at PA level is the same as the district one. Apart from the PA cabinet there are, however, new structures. These are “Gotes” and community development groups (“Garee”). Gote is the first sub-division of PA administration; there can be 7 to 9 gotes in each PA depending upon the size of the PA and the number of PA members especially where 2 or more PAs are merged.

Gotes and groups' organizational structure is the same as district and PA administrative structure. They have chairman, secretary, public relations, people organizer, judiciary and other members. Besides these, there are militia and party cadres in the PA.

The main tasks of the gotes are keeping the security of the area, controlling, supervising and evaluating groups' activities and performance. The garee is concerned with community works. In the surveyed PAs gotes and gares do not have regular meeting and they meet whenever deemed necessary.

In some PAs the number of gotes corresponds with the number of Jigas. In some they are not equal in number.

Mostly due to the strength of traditional structures, this administrative structure seems less enforced and binding than in other parts of the Oromiya Region. Then, the PA administration works more with the traditional structures than with the new government structures.
One PA of Dedo even applied to the district administration not to work with gotes or gare.

Women and Youth associations are now under formation in each PA, but with little activity. Very few of the women associations have started membership fee collection which they send to the district women association offices.

In some PAs there are Iddirs initiated by the community to help each other basically in funerals. Most of the iddirs do not contribute money regularly. They contribute once in a year and buy garments which are used to cover the dead body. The garment is given in loan and few iddirs give also cash loans to their members for health problems.

However, there are not as many iddirs than in most other parts of the Region, due to the fact that the jiga is also playing the role to support each other in the case of funerals.

Iqub is the usual Ethiopian ROSCA system. They are not common in rural areas, as they are functioning on regular contributions, which is less convenient as far as crop production is concerned.

Apart from the above mentioned groups there are other ways of helping each other and working together in the community. These are called "Dabo" and "Dado".

There is also other method of helping each other, especially those who can't afford the wedding ceremony of their sons. If a family has a son who has reached the age of marriage and the family can't afford the cost, the father of the young man put a flag on the gate of his house, stays in the house and waits that people come to contribute some money. The flag is not the country or the regional government one. It is their own. According to the farmers this is to prevent the boy from attacking or kidnapping girls or women. It seems that this is not an old tradition. It is practiced mostly by very poor people.
As a matter of fact, the traditional system like Jiga and the elders are still playing a great role in some of the surveyed areas.

When it is strong, the PA administrative cabinets generally recognise and depend on this power and work in good collaboration with it.

The presence of this structure, as well as in most cases the presence of Islam, give a good level of social cohesion to the PA.

As previously seen, this structure and hence the social cohesion is much stronger in remoter or highlander PAs than in the ones near roads and towns, as mainly encountered in Gomma. All surveyed PAs of Dedo and half of the ones of Seka Chekorsa (the ones off roads) presented this good condition.

4.6. **Economic Activities**

Crop production (including coffee) is the main economic activity in the four districts (for 96% of the interviewed households), followed by animal breeding (for 80% of them it is the second activity) and commerce.

Cereals are the main crops for Seka Chekorsa and Dedo districts, followed by diversified additional crops like oil seeds, pulses, vegetables, fruits or spices. Coffee is also present in the midlands of Seka Chekorsa and is re-introduced in some Dedo midlands. In Gomma and Mana coffee is the number one economic activity. Enset (false banana) and Chat (as a cash-crop) are grown in all districts at various levels.

Animal rearing is not as significant as in other zones due to grazing land shortage.

4.6.1. **Crop production**

The two following tables give an idea of the importance of each crop in the surveyed districts. Table 4.1 gives the average land allocated by the households for each crop (coming from the household survey) and Table 4.2 provides the total production figures at district level.
Table 4.1: Average size of land allocated for main crops per household (in ha)

<table>
<thead>
<tr>
<th></th>
<th>Seka Chekorsa</th>
<th>Dedo</th>
<th>Manna</th>
<th>Gomma</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>District</td>
<td>Mean</td>
<td>Mean</td>
<td>Mean</td>
<td>Mean</td>
<td>Mean</td>
</tr>
<tr>
<td>Size of cultivated land</td>
<td>1.74</td>
<td>1.82</td>
<td>2.44</td>
<td>2.80</td>
<td>2.06</td>
</tr>
<tr>
<td>Size of land for Wheat</td>
<td>.14</td>
<td>.34</td>
<td>.02</td>
<td>.00</td>
<td>.16</td>
</tr>
<tr>
<td>Size of land for Maize</td>
<td>.61</td>
<td>.48</td>
<td>.45</td>
<td>.63</td>
<td>.54</td>
</tr>
<tr>
<td>Size of land for Coffee</td>
<td>.16</td>
<td>.07</td>
<td>1.31</td>
<td>1.31</td>
<td>.52</td>
</tr>
<tr>
<td>Size of land for Sorghum</td>
<td>.10</td>
<td>.09</td>
<td>.25</td>
<td>.16</td>
<td>.13</td>
</tr>
<tr>
<td>Size of land for Tef</td>
<td>.48</td>
<td>.42</td>
<td>.38</td>
<td>.40</td>
<td>.43</td>
</tr>
</tbody>
</table>

Source: CIDR Household survey - Jimma, August 2005

Table 4.2: Crop production in 2003/2004

<table>
<thead>
<tr>
<th>Crop type</th>
<th>unit</th>
<th>Seka Chekorsa</th>
<th>Dedo</th>
<th>Manna</th>
<th>Gomma</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cereals</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Maize</td>
<td>Qtls</td>
<td>493595</td>
<td>189258</td>
<td>228360</td>
<td>158491</td>
</tr>
<tr>
<td>Tef</td>
<td>Qtls</td>
<td>138786</td>
<td>171842</td>
<td>29156</td>
<td>------</td>
</tr>
<tr>
<td>Wheat</td>
<td>Qtls</td>
<td>43684</td>
<td>138124</td>
<td>2928</td>
<td>17187</td>
</tr>
<tr>
<td>Barley</td>
<td>Qtls</td>
<td>79275</td>
<td>108439</td>
<td>7296</td>
<td>13074</td>
</tr>
<tr>
<td>Sorghum</td>
<td>Qtls</td>
<td>-----</td>
<td>-----</td>
<td>26450</td>
<td>58440</td>
</tr>
<tr>
<td>Oil seeds</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Linseed</td>
<td>Qtls</td>
<td>-----</td>
<td>-----</td>
<td>4050</td>
<td>183</td>
</tr>
<tr>
<td>Rapeseed</td>
<td>Qtls</td>
<td>360</td>
<td>-----</td>
<td>-----</td>
<td>218</td>
</tr>
<tr>
<td>Flax</td>
<td>Qtls</td>
<td>390</td>
<td>1085</td>
<td>-----</td>
<td>464</td>
</tr>
<tr>
<td>Ground nut</td>
<td>Qtls</td>
<td>176</td>
<td>-----</td>
<td>-----</td>
<td>-----</td>
</tr>
<tr>
<td>Spices</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pepper</td>
<td>Qtls</td>
<td>42900</td>
<td>-----</td>
<td>-----</td>
<td>-----</td>
</tr>
<tr>
<td>Black and white cumin</td>
<td>Qtls</td>
<td>1160</td>
<td>-----</td>
<td>-----</td>
<td>-----</td>
</tr>
<tr>
<td>Cardamom and ginger</td>
<td>Qtls</td>
<td>11550</td>
<td>-----</td>
<td>-----</td>
<td>-----</td>
</tr>
<tr>
<td>Pulses</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Horse bean</td>
<td>Qtls</td>
<td>-----</td>
<td>81320</td>
<td>1128</td>
<td>5806</td>
</tr>
<tr>
<td>Field peas</td>
<td>Qtls</td>
<td>-----</td>
<td>5880</td>
<td>884</td>
<td>3531</td>
</tr>
<tr>
<td>Soya bean</td>
<td>Qtls</td>
<td>-----</td>
<td>3088</td>
<td>712</td>
<td>1924</td>
</tr>
<tr>
<td>Coffee</td>
<td>Ton</td>
<td>2402.8</td>
<td>-----</td>
<td>5468.8</td>
<td>10785.67</td>
</tr>
<tr>
<td>Horticulture</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Vegetables</td>
<td>Qtls</td>
<td>972095</td>
<td>-----</td>
<td>-----</td>
<td>-----</td>
</tr>
<tr>
<td>Fruits</td>
<td>Qtls</td>
<td>1303895</td>
<td>-----</td>
<td>-----</td>
<td>-----</td>
</tr>
</tbody>
</table>

Source: Seka Chekorsa, Dedo, Mana and Gomma districts agriculture offices.
Note: not all data are available.
Table 4.3. Gives indications on the percentage of households engaged in specific activities like coffee, chat and enset.

### Table 4.3.: Percentage of households engaged in coffee, chat and enset production

<table>
<thead>
<tr>
<th>District</th>
<th>Coffee, Chat and Enset Production</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Engaged in Coffee cultivation</td>
</tr>
<tr>
<td></td>
<td>Count</td>
</tr>
<tr>
<td>Seka Chekorsa</td>
<td>9</td>
</tr>
<tr>
<td>Dedo</td>
<td>12</td>
</tr>
<tr>
<td>Manna</td>
<td>12</td>
</tr>
<tr>
<td>Gomma</td>
<td>12</td>
</tr>
<tr>
<td>Total</td>
<td>45</td>
</tr>
</tbody>
</table>

Source: CIDR Household survey - Jimma, August 2005

We can divide the four districts in two different groups. Mana and Gomma are predominantly Coffee producers while Seka Chekorsa and Dedo produce a bit of coffee coupled with other different crops.

In general, the average size of cultivated land per household is small (2.06 ha) in comparison to other zones of the Region, mainly due to the high population density.

1) Mana and Gomma

Coffee is the most important cash-generating crop for those two districts and almost all rural households are engaged in (100% in the case of our sample; see Table 4.3.). According to the information from Jimma zone agriculture office, coffee that arrived to the central market in 2003/2004 is 10,785 and 5,469 tons from Gomma and Mana respectively. According to this source, this amount represents only 55% of the total production of each district and the rest 45% is sold locally or smuggled to the northern parts of the country through illegal markets.

There are 72 coffee processing industries in Gomma and 41 in Mana. Coffee is produced at household level on small land; however the land allocated for coffee is covering almost half of the total cultivated land in those two districts.

Gomma, Limu Kosa, Mana, Gera, Limu Seka and Seka Chekorsa are classified as the major coffee producing districts of Jimma Zone, by this order.
However, in addition to coffee, most households are also engaged in maize, tef or sorghum production which serve mainly as their food crops. Only an average of 20% of maize is sold, 10 to 30% of tef and 15% of sorghum. Enset is also used as a food crop in the few highland PAs of the districts, and chat is used by some as a complementary cash crop, together with some oil seeds and pulses.

2) Seka Chekorsa and Dedo
Those two districts have a smaller tradition of coffee growing, except in some parts of Seka Chekorsa. They have also more high lands. They have developed a more diversified economy around various cereal crops like maize, tef, wheat and barley, complemented, depending on the settlement, by enset as a food crop and coffee, chat, pulses, spices, fruits (avocado, banana, orange…) and vegetables (potatoes, onions) as cash crops. In Dedo, around half of the cereal production of the households is aimed to be sold, and a bit less in Seka Chekorsa. Seka Chekorsa sold 2,403 tons of coffee on central market and has 4 coffee processing industries.

The annual average costs and income per household related to the crop production for each district is shown in the following table.
## Table 4.4.: Household Income and Expenses of Crop Production (annual data) - value in Birr

<table>
<thead>
<tr>
<th></th>
<th>District</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Seka</td>
</tr>
<tr>
<td><strong>Mean</strong></td>
<td></td>
</tr>
<tr>
<td>Annual cost of crop production</td>
<td>231</td>
</tr>
<tr>
<td>Annual cost of fertilizers</td>
<td>69</td>
</tr>
<tr>
<td>Annual sale of crop</td>
<td>1209</td>
</tr>
<tr>
<td>Annual Total Crop</td>
<td>2458</td>
</tr>
<tr>
<td>Production</td>
<td></td>
</tr>
<tr>
<td>Annual profit of crop</td>
<td>977</td>
</tr>
</tbody>
</table>

*Source: CIDR Household survey - Jimma, August 2005 (Note: 2 extreme cases left out from the analysis)*

There is a striking difference between the two coffee oriented districts and the two other ones. While those last ones generate a profit of around 1,000 Birr, Mana and Gomma profits average 4,500 Birr.

The stabilization of the coffee price during the last year was an important element.

All households spent only a little amount for fertilizers.

In all 4 districts the economic activities are handled by the family. Ploughing and planting are conducted using oxen and mostly traditional farm tools.

Few farmers use herbicides and fertilizers for wheat, tef and Maize. The reason for this is that some farmers are complaining of the high price of inputs but also that their land is fertile and doesn’t need so much fertilizers.

For most of Jimma districts, the main rain fall season ranges from late February to the early November with the highest rainfall concentration in June, July and August.

Jimma zone gets not only long rainy season but also receives sustained amounts of rainfall that ranges between 1,200-2,800mm per year which is largely sufficient for various types of crops grown in the zone.

The annual temperature for most parts of the zone is between 15 and 20 degree centigrade.

More precisely, Jimma zone is divided into four climatic areas.
- *Tropical high land, with a short dry season:* This area receives rain most of the time of the year. Sigmo Setema, Limu Seka and the whole parts of Dedesa valley falls under this climatic condition.

- *Tropical climate:* this climatic zone is characterized by the mean monthly temperature above 18 degree cent grade and the winter season is dry. The districts of Jimma zone that can be characterized under this climatic division are most part of Gomma, Seka Chekorsa and part of Gera.

- *Tropical high land with winter dry season:* the major parts of the zone fall under this climatic division. Those districts which fall under this climatic division are the whole part of Nada, Dedo, Sokoru, Tiro Afeta, Limu Kosa, Mana and Kersa.

- *Arid climatic zone:* this is characterized by high temperature. The mean annual rain fall is estimated to be about 410 to 820 mm. These are areas that are found at the extreme part of Sokoru areas of Gibe valley.

In Dedo and Seka Chekorsa, the main market outlet (for 75% of the respondents) is their own PA, while in Gomma and Mana it is a local town (for 50 and 67% respectively).

In each PA, the agriculture office assigns 3 college graduate development agents to advise farmers to use improved farming technologies and diversify their agricultural activities. The development agents are also assigned to give training to farmers in the farmers training centres (FTC) but in the districts surveyed the training centres are still not ready.

The governmental “Agricultural Input Supply Company” (AISCO) and farmers’ service cooperatives are the two main suppliers of chemical fertilizers and herbicides. “Ethiopian seed enterprise” supplies improved seeds.

Fertilizer price for the year 2004/2005 was 365 Birr per quintal of DAP in Seka Chekorsa and Dedo districts and a quintal of wheat improved seed costs 607 Birr in both districts. Though some farmers buy fertilizers in cash, the majority get them in credit from their service cooperatives. Service cooperatives supply the inputs to their members after receiving 9 birr (3 birr commission and 6 birr for their farmers union) for each quintal of fertilizers. This is an additional cost farmers pay for the input they receive which makes the cost of fertilizers significant.
Farmers' services cooperatives in Gomma and Mana also make coffee and grain trade. In general, they buy red cherry coffee to sell to the washed coffee processing plants. This processed coffee fetches the highest price in the world market. After selling they give dividends to their members.

The following table gives an outlook of the various problems that farmers are facing:

<table>
<thead>
<tr>
<th>Problems faced by crop production</th>
<th>District</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Seka Chekorsa</td>
</tr>
<tr>
<td>Increasing cost of fertilizers</td>
<td>29.2%</td>
</tr>
<tr>
<td>Untimely or bad quality fertilizers</td>
<td>.0%</td>
</tr>
<tr>
<td>Weather fluctuations</td>
<td>20.8%</td>
</tr>
<tr>
<td>Shortage of farm land</td>
<td>50.0%</td>
</tr>
<tr>
<td>Wildlife attacks</td>
<td>8.3%</td>
</tr>
<tr>
<td>Worms/rust</td>
<td>12.5%</td>
</tr>
<tr>
<td>Unavailability of improved seeds or pesticides</td>
<td>.0%</td>
</tr>
<tr>
<td>Lack of fertilizer on time</td>
<td>8.3%</td>
</tr>
</tbody>
</table>

Source: CIDR Household survey Jimma, August 2005

The main constraint seems to be the shortage of farm land as well as natural constraint like worms, rust or wildlife attack. It appears also that Gomma interviewed people don’t face so many problems than their neighbours from other districts.

4.6.2 Animal breeding
In all the 4 districts surveyed the animal population is small. This is especially due to grazing land shortage. 75% of the farmers point out this as their main problem. It seems a bit less problematic in Seka Chekorsa where however diseases like anthrax and intestinal parasites are more worrying.

The critical shortage of land pushes the farmers to tie their animals near the road sides to graze.

The overall animal population of the 4 districts is shown on the following table.

Table 4.6.: Total animal population of 2004/2005

<table>
<thead>
<tr>
<th>Type of animal</th>
<th>Seka Chekorsa</th>
<th>Dedo</th>
<th>Gomma</th>
<th>Mana</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cattle</td>
<td>164,624</td>
<td>104,135</td>
<td>83,833</td>
<td>49,903</td>
</tr>
<tr>
<td>Sheep</td>
<td>47,814</td>
<td>31,749</td>
<td>13,895</td>
<td>14,683</td>
</tr>
<tr>
<td>Goat</td>
<td>28,090</td>
<td>7,785</td>
<td>10,374</td>
<td>6,760</td>
</tr>
<tr>
<td>Equine</td>
<td>17,609</td>
<td>12,997</td>
<td>8,457</td>
<td>2,687</td>
</tr>
<tr>
<td>Poultry</td>
<td>198,752</td>
<td>49,935</td>
<td>62,000</td>
<td>24,570</td>
</tr>
</tbody>
</table>

Source: Seka Chekorsa, Dedo, Gomma and Mana Districts agriculture office

Table 4.7.: Household Income and Expenses of Animal Breeding – annual data – Value in Birr

<table>
<thead>
<tr>
<th>District</th>
<th>Seka Chekorsa</th>
<th>Dedo</th>
<th>Gomma</th>
<th>Mana</th>
</tr>
</thead>
<tbody>
<tr>
<td>Annual cost of livestock</td>
<td>Mean</td>
<td>422</td>
<td>751</td>
<td>329</td>
</tr>
<tr>
<td></td>
<td>Median</td>
<td>400</td>
<td>400</td>
<td>0</td>
</tr>
<tr>
<td>Annual sale of livestock</td>
<td>Mean</td>
<td>417</td>
<td>566</td>
<td>149</td>
</tr>
<tr>
<td></td>
<td>Median</td>
<td>124</td>
<td>260</td>
<td>0</td>
</tr>
<tr>
<td>Annual profit of livestock</td>
<td>Mean</td>
<td>681</td>
<td>585</td>
<td>-97</td>
</tr>
<tr>
<td></td>
<td>Median</td>
<td>296</td>
<td>0</td>
<td>-31</td>
</tr>
<tr>
<td>Gomma</td>
<td>Mean</td>
<td>353</td>
<td>298</td>
<td>-54</td>
</tr>
<tr>
<td></td>
<td>Median</td>
<td>180</td>
<td>0</td>
<td>-70</td>
</tr>
<tr>
<td>Total</td>
<td>Mean</td>
<td>454</td>
<td>588</td>
<td>134</td>
</tr>
<tr>
<td></td>
<td>Median</td>
<td>165</td>
<td>200</td>
<td>0</td>
</tr>
</tbody>
</table>

Source: CIDR Household survey - Jimma, August 2005

Table 4.7. Shows the average profit generated by animal breeding activity. Seka Chekorsa and Dedo are using it more as a steady source of income while the two other districts are buying more than selling, probably with their higher profit of crop production.

Animals in all districts are managed in a traditional way by the family and each family has very few animals.
According to the survey there are few differences among districts in terms of number of animals per household, only Gomma being a bit behind.

In average a household owns 2 oxen, 4 cows, 3 sheep or goats and almost no equine which is less than found through a similar study led in East Wellega and Bale zones.

### 4.6.3 Other activities

Animal fattening, sheep, goat and grain trading are practiced in the high lands of the districts.

Some farmers are also engaged in coffee and chat trade in all districts.

Women, living in the centre of a PA, participate in petty trades like butter, salts and spices.

No local drinks processing is carried out in rural areas because of Islam religion.

There are no major industries in the districts, except grain mills found in all districts even at the PA level and coffee processing industries which are concentrated more in Gomma and Mana. The details of those industries are shown hereunder.

#### Table 4.8: Number of coffee processing industries by district

<table>
<thead>
<tr>
<th>NO</th>
<th>District</th>
<th>Washed coffee processing</th>
<th>Dry coffee processing</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Gomma</td>
<td>50</td>
<td>22</td>
<td>72</td>
</tr>
<tr>
<td>2</td>
<td>Mana</td>
<td>21</td>
<td>20</td>
<td>41</td>
</tr>
<tr>
<td>3</td>
<td>Seka Chekorsa</td>
<td>1</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>4</td>
<td>Dedo</td>
<td>---</td>
<td>---</td>
<td>---</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>72</td>
<td>45</td>
<td>117</td>
</tr>
</tbody>
</table>

*Source: Jimma Zone agriculture office.*

### 4.7. Household economic scheme

The average household size in the four districts is 7, with smaller size in the more urbanized Gomma (6) and Mana (7) than in the two other ones (8).
It is known that land is the main livelihood of every farmer. Land belongs to the State, not the farmer. Farmers can lease half of their land holdings according to the present government land policy. According to this policy both husband and wife are equally holding the use right of the land. Even though the regional government is supposed to give land use right certificate for land holders, there is great complain especially from the youngsters who do not have any plot of land, because it does not include them. In general land shortage is very critical in all the districts surveyed, due to high population density and large forested areas.

Livestock is the common property of the household.

The following table gives an idea of the basic households equipments owned by the farmers.

<table>
<thead>
<tr>
<th></th>
<th>Seka Chekorsa</th>
<th>Dedo</th>
<th>Manna</th>
<th>Gomma</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Column N %</td>
<td>Column N %</td>
<td>Column N %</td>
<td>Column N %</td>
<td>Column N %</td>
</tr>
<tr>
<td>House and housing equipment</td>
<td>Roof made of steel</td>
<td>95.8%</td>
<td>58.3%</td>
<td>91.7%</td>
<td>75.0%</td>
</tr>
<tr>
<td></td>
<td>Pipe/well (access to)</td>
<td>37.5%</td>
<td>29.2%</td>
<td>41.7%</td>
<td>50.0%</td>
</tr>
<tr>
<td></td>
<td>Latrine/wash basin</td>
<td>20.8%</td>
<td>41.7%</td>
<td>41.7%</td>
<td>58.3%</td>
</tr>
<tr>
<td></td>
<td>Electricity</td>
<td>0.0%</td>
<td>0.0%</td>
<td>0.0%</td>
<td>0.0%</td>
</tr>
<tr>
<td></td>
<td>Radio</td>
<td>87.5%</td>
<td>58.3%</td>
<td>100.0%</td>
<td>75.0%</td>
</tr>
<tr>
<td></td>
<td>Chairs/tables</td>
<td>91.7%</td>
<td>75.0%</td>
<td>91.7%</td>
<td>83.3%</td>
</tr>
<tr>
<td></td>
<td>Frame bed</td>
<td>95.8%</td>
<td>79.2%</td>
<td>91.7%</td>
<td>100.0%</td>
</tr>
<tr>
<td></td>
<td>Television</td>
<td>8.3%</td>
<td>8.3%</td>
<td>8.3%</td>
<td>8.3%</td>
</tr>
<tr>
<td></td>
<td>Cart</td>
<td>0.0%</td>
<td>0.0%</td>
<td>0.0%</td>
<td>0.0%</td>
</tr>
<tr>
<td></td>
<td>Farm tools</td>
<td>91.7%</td>
<td>79.2%</td>
<td>100.0%</td>
<td>100.0%</td>
</tr>
</tbody>
</table>

Source: CIDR Household survey - Jimma, August 2005

The percentage of houses having a roof made of iron sheets is quite high, as well as the number of radios. People from Dedo district, probably the more remote one, have in general less facilities or equipment than the other ones.
Table 4.10: Annual household expenses - per district – Value in Birr

<table>
<thead>
<tr>
<th>District</th>
<th>Seka Mean</th>
<th>Dedo Mean</th>
<th>Manna Mean</th>
<th>Gomma Mean</th>
<th>Total Mean</th>
<th>Percentage of total exp.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Annual household expenses</td>
<td>1243</td>
<td>1391</td>
<td>1990</td>
<td>1780</td>
<td>1506</td>
<td></td>
</tr>
<tr>
<td>Household expense per head</td>
<td>177</td>
<td>198</td>
<td>348</td>
<td>355</td>
<td>241</td>
<td>30%</td>
</tr>
<tr>
<td>Food</td>
<td>438</td>
<td>472</td>
<td>444</td>
<td>459</td>
<td>454</td>
<td>11%</td>
</tr>
<tr>
<td>Ceremonies</td>
<td>131</td>
<td>117</td>
<td>212</td>
<td>254</td>
<td>159</td>
<td>11%</td>
</tr>
<tr>
<td>School</td>
<td>149</td>
<td>86</td>
<td>610</td>
<td>137</td>
<td>204</td>
<td>14%</td>
</tr>
<tr>
<td>Housing (incl. rent)</td>
<td>0</td>
<td>42</td>
<td>0</td>
<td>20</td>
<td>1%</td>
<td></td>
</tr>
<tr>
<td>Equipment</td>
<td>72</td>
<td>251</td>
<td>0</td>
<td>27</td>
<td>114</td>
<td>8%</td>
</tr>
<tr>
<td>Health</td>
<td>71</td>
<td>73</td>
<td>190</td>
<td>280</td>
<td>125</td>
<td>8%</td>
</tr>
<tr>
<td>Transportation</td>
<td>49</td>
<td>40</td>
<td>16</td>
<td>59</td>
<td>42</td>
<td>3%</td>
</tr>
<tr>
<td>Clothing</td>
<td>257</td>
<td>245</td>
<td>423</td>
<td>553</td>
<td>328</td>
<td>22%</td>
</tr>
<tr>
<td>Jewels</td>
<td>0</td>
<td>13</td>
<td>41</td>
<td>0</td>
<td>11</td>
<td>1%</td>
</tr>
<tr>
<td>Contributions</td>
<td>14</td>
<td>72</td>
<td>12</td>
<td>11</td>
<td>33</td>
<td>2%</td>
</tr>
<tr>
<td>Other</td>
<td>22</td>
<td>23</td>
<td>0</td>
<td>0</td>
<td>15</td>
<td>1%</td>
</tr>
</tbody>
</table>

Source: CIDR Household survey Jimma, August 2005 (Note: 2 extreme cases were left out from the analysis)

The annual expenses at household level (Table 4.10) don’t differ so much per district and are fairly similar to the other studies in other zones; however when we look at the expenses per head, Mana and Gomma have quite a higher level and spent much higher amount for ceremonies, health and clothing.

In general, and as in other zones, the main expenses are food (30%), clothing (22%), school (14%), ceremonies (11%) and health (8%).

Table 4.11. Provides the annual household margin (in birr), seen as the difference between all household income and expenses.

In the table, the various incomes are already net from their own costs (i.e. = profit).
Table 4.11.: Profit from different activities, household expenses and household margin

<table>
<thead>
<tr>
<th>District</th>
<th>Seka Mean</th>
<th>Dedo Mean</th>
<th>Manna Mean</th>
<th>Gomma Mean</th>
<th>Total Mean</th>
</tr>
</thead>
<tbody>
<tr>
<td>Annual profit of crop Production</td>
<td>977</td>
<td>1097</td>
<td>4223</td>
<td>4797</td>
<td>2175</td>
</tr>
<tr>
<td>Annual profit of livestock</td>
<td>329</td>
<td>149</td>
<td>-97</td>
<td>-54</td>
<td>134</td>
</tr>
<tr>
<td>Real profit Other activities</td>
<td>1469</td>
<td>1315</td>
<td>380</td>
<td>1661</td>
<td>1260</td>
</tr>
<tr>
<td>Total household income (net of Prod.costs)</td>
<td>2775</td>
<td>2561</td>
<td>4506</td>
<td>6404</td>
<td>3569</td>
</tr>
<tr>
<td>Annual household expenses</td>
<td>1243</td>
<td>1391</td>
<td>1990</td>
<td>1780</td>
<td>1506</td>
</tr>
<tr>
<td>Net household margin</td>
<td>1532</td>
<td>1171</td>
<td>2517</td>
<td>4624</td>
<td>2063</td>
</tr>
</tbody>
</table>

Source: CIDR Household survey - Jimma, August 2005 (Note: 2 extreme cases left out from the analysis)

The difference that appeared between the two groups of districts regarding the profit of crop production has now reduced, except for the case of Gomma which generates a much higher profit margin than the others.

It is clear that the districts that rely on coffee production don’t have much other sources of income, while Dedo and Seka Chekorsa have to find more diversified income like animal breeding, trade, horticulture or spices.

Crop production (especially coffee) represents 94% and 75% of incomes of Mana and Gomma, while only 35% and 43% for Seka Chekorsa and Dedo.

The average margin on the four districts (2,063 Birr) is higher than the one found in East Wellega (880 Birr) and a bit lower than the one in Bale and Arsi (2,161 Birr).

This margin, taken as an indication of the savings capacity of the households shows a good savings potential in the districts, especially in Gomma.

4.8. Development institutions

District agriculture and cooperative offices are the main governmental development institutions.

Agriculture office assists farmers by providing technical support through extension using development agents.
Since the beginning of 2005 three college graduate development agents of different professions (agronomist, animal husbandry and natural resources management specialists) were assigned in most PAs to give an integrated development assistance and at the same time to give training through the farmers training centres (FTC).

Even though the development agents are already assigned in almost all PAs the construction of FTC are not completed in many PAs, so farmers training is not yet started.

Cooperative promotion office participates in reorganizing farmers’ service cooperatives and supplying farm input to the members which the aim to improve their productivity.

In Seka Chekorsa the Japan International Cooperation Agency (JICA) is carrying out the Belete-Gera state forest management.

According to the zonal administration, in Jimma zone there are about 5 NGOs which are working mainly on health care especially HIV/AIDS and child care and are mostly concentrated in Jimma town.

FCE (Facilitator for Change Ethiopia) is the only NGO, working with homeless children in one of the surveyed district, Seka Chekorsa. FCE is a partner of CIDR in its Cereal Banks Promotion project.

In other districts there is no any development institution or NGOs.

4.9. **Financial services and practices**

4.9.1 **Savings and credit behaviour and the informal financial services**

All interviewed farmers said that they save, in a way or another.

They mostly save in traditional ways in their house (87%), especially in Dedo and Seka Chekorsa while there is a certain percentage of Mana (30%) and Gomma (17%) people who save in banks, due to easier access to Jimma town or Agaro, the capital of Gomma. Some in Dedo (12%) and Mana (10%) consider that they save in MFIs (OCSSCO).
In the highlands of Dedo and Seka Chekorsa, they only save in house. They use Enset for consumption and save what they gain from selling of grains, chat (that they can harvest and sell 3 times in a year) and others.

During the discussion with the farmers, many elders confirmed that there are a lot of PA members who have extra money, which they saved in traditional ways. They were also mentioning cases of individuals who lost their money by fire, theft or by not remembering where they put it. They also told that because of the shortage of grazing land they couldn't buy animals which are one of the farmers’ traditional saving mechanisms.

When asked, through the survey what they usually do when they get extra or unexpected income, they however say that in addition to saving in cash they also make investments (for 72% of them), which is mainly buying animals or house equipment.

On the contrary, when they face unexpected expenses, they mostly sell properties (i.e. animals) for 75% of them, borrow money (72%) or in a lesser extent (35%) withdraw their savings; this last case, mainly in Gomma (75%) and Mana (58%) districts.

They estimate their current savings as follows (in average): 1,367 Birr for Seka Chekorsa, 607 for Dedo, 678 for Mana (3,955 if one extreme case of 40,000 is taken into consideration) and 966 for Gomma (2,553 with a case of 20,000). The figures for Mana and Gomma however seem low in comparison to their profit margin.

Regarding credit, 67% of the respondents have already sought for a loan in the past. The majority of them got a loan through their friends and relatives (for 57%). However in Dedo and Mana they also got access to Ocssco, for 27% and 56% respectively. Traders or moneylenders were a bit active to give loans (+/- 20%) in all districts except in Seka Chekorsa where iddirs are also giving loans (20%).

The average amount of loans received from friends and relatives is 511 birr, with a relatively smaller level for Dedo (181 Birr). Most of the time there is no interest and they are equally used for different purposes like health, trade, consumption or agriculture (+/- 20% each).
The loans from Ocscsso are mostly 1,000 Birr (with 830 Birr received by the client after deduction of compulsory savings and fees), with an annual interest of 12.5%.

In Seka, iddirs are giving loans averaging 330 Birr, without interest.

While the loans from informal sources are on short duration (from 1 to 3 months), Ocscsso’s loans are on 1 year.

Traders’ loans are mainly used for trade and agriculture (83%), iddirs’ for health and MFI’s only for agriculture and animal trading.

“iddir” is not as common as in many other parts of the region.

The main reason is that there is the presence of “jiga” which often plays the role of iddir related to the funerals.

However, except in Dedo and in the high lands of Seka Chekorsa where jiga is very present, the other districts have iddirs (85% of their interviewed people were part of one iddir).

In most iddirs, their money contribution is on annual basis, even if the members usually meet every month. The iddir money is always kept with their cashier.

As seen previously, few iddirs give small loans in cash or in kind to their members, generally for health expenses. No guarantor is needed for the borrower. Apart from their usual role in funerals, iddirs don’t have any other activities.

Members are part of an iddir for 12 years in average and the iddir size is smaller in Dedo and Seka Chekorsa (75 members) than in Mana and Gomma (132).

4.9.2 The formal financial services

In Agaro (capital of Gomma) there are 4 Banks (Commercial Bank of Ethiopia (CBE), Wegagen Bank, Awash Bank and Development Bank). In Seka Chekorsa, Dedo and Mana, there is no bank, but Seka, Sheki and Yabu, the towns of the districts, are 18, 22 and 22.5 kms from Jimma the capital of the zone where there are different banks.

Concerning MFI’s, there is Oromiya Savings and Credit Company (OCSSCO) operating in some PAs of all districts surveyed for about 3 years. In Seka Chekorsa, OCSSCO
remained only with 2 PAs out of 11, because of drop out and at the moment it has 842 clients.

In Dedo 15 PAs are covered by OCSSCO previously having about 1,100 clients and now 800. More than 16,000 birr is still required from the defaulting farmers. In both districts farmers were complaining about the group loan, group formation mechanism, lack of enough awareness or orientation and also about small loan size and short loan term.

In Gomma, OCSSCO branch office was to be closed because of extremely high dropout, but now is recovering through the effort of the new manager who has recovered more than 200,000 birr out of 2,000,000 birr defaulted…

According to most OCSSCO branch managers met during the study, working with Jimma zone farmers is very difficult and need great effort (high default, not hard working, etc.).

To be exhaustive, we can remind that most farmers are buying their inputs (fertilizers and seeds) on credit with 25-30% down payments from the cooperatives, without much repayment problems. However, apart from Mana, farmers don’t rely much on fertilizers.

4.9.3 Needs for financial services

1) Savings
- According to the survey (see here above), all farmers save and they do it mostly at home, with all the risks that are linked to this kind of practices. Few of the wealthier ones and the nearest ones to bigger towns put their savings (coming from the surplus generated by the sale of coffee) in banks.
The MFI which is promoting compulsory savings is not currently regarded as an interesting alternative.
By consequence, for most farmers, there is a need to find new savings solutions.

This is confirmed by the survey.
All respondents said that they would be willing to save more or differently than they currently do.
The first and unanimous (for 99% of them) element that would help them to do so is the availability of nearby savings services (proximity).
The possibility to access credit is also a valuable element (for 74% of them, ranging from a higher proportion -92% in Dedo to a lower one -58% in Gomma), as well as the presence of a reliable institution (58%). The need for highest interest rates (32%) is not so significant, except in Seka Chekorsa (58%). We can also point out the wish for easy procedures in Gomma (42%), may be due to their experience with banks.

The fact that, in average, the respondents would not be ready to walk more than 45 minutes to reach a savings facility reinforces the importance of the proximity in establishing such a scheme.

Generally speaking, 100% of the interviewees welcome the idea of establishing savings services at the level of their PA.

- Even though some of the PAs were reluctant to tell their capacity of savings they assured that there are a lot of people who can save significant amount of money if the facility is in their area.

The following table gives us other indications on the savings capacity of the surveyed farmers. The current declared savings is surprisingly low in the case of Mana and Gomma; it may be due to the reluctance to tell the real amount (more contacts with urban environment and then more suspicion). When asked what would be their savings capacity if there was a facility nearby their house, their figures tends to increase and to approach a bit more their annual profit margin which is another indicator of their savings potentialities.

Seka Chekorsa and Dedo figures are more consistent with each others.

<table>
<thead>
<tr>
<th>District</th>
<th>Current savings</th>
<th>Planned deposit</th>
<th>Yearly amount</th>
<th>Annual Household Margin</th>
</tr>
</thead>
<tbody>
<tr>
<td>Seka Chekorsa</td>
<td>1367</td>
<td>974</td>
<td>1532</td>
<td></td>
</tr>
<tr>
<td>Dedo</td>
<td>607</td>
<td>743</td>
<td>1171</td>
<td></td>
</tr>
<tr>
<td>Manna</td>
<td>678</td>
<td>1609</td>
<td>2517</td>
<td></td>
</tr>
<tr>
<td>Gomma</td>
<td>966</td>
<td>1641</td>
<td>4624</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>929</td>
<td>1101</td>
<td>2063</td>
<td></td>
</tr>
</tbody>
</table>

*Source: CIDR Household survey - Jimma, August 2005 (without 2 extreme cases of current savings higher than 20,000 birr)*
Those figures have provided indications on the savings capacity of the average farmers and have also confirmed that the two coffee oriented districts have a higher savings potential.

- Apart from the individual farmers, there are also some farmers who are engaged in different trade activities during off time in every PA and who can deposit some money if they get a facility near to them to get interest and security (according to PA discussion, their average deposit would approach 6,000 birr).

- There are also iddirs (around 10 per PA), except in Dedo, whose money is kept in the house of the cashier and which could save between 1,000 and 3,000 birr each.

- Schools, religious associations and government employees are also very interested to deposit savings if the facility is established in their area. Depending on the PA, they have some substantial amount of money, to be kept for a certain period. Farmers' service cooperatives are also interested to deposits for some times in the facility.

- As far as interest rate is concerned, the majority of the respondents (54%) would accept an annual rate inferior to 12%. This question is however difficult to answer and shouldn’t be given too much consideration.

- We can also add that some farmers of Dedo asked if they could get money transfer service from the facility, to send money from their facility to Addis where they go to buy goods…

2) Credit
- Generally speaking, most PA members have experienced loans, especially for small amounts and from informal sources like friends, relatives, iddirs or traders. However Ocssco has also clients in each district with more or less success. From the point of view of the MFI, it looks quite satisfying in Dedo, mixed in Seka Chekorsa and Mana, and catastrophic in Gomma. The difficulty in repayment confirms a common
believe that in the cash crop areas, where the farmers have a significant amount of money at once, they have many difficulties to manage it and spoil most of it.

If a scheme has to be developed over there, and especially in Gomma, a more careful look at the reasons of default and at how to use their high savings potential should be given.

On the side of the PA members that have accessed loans from the MFI, they had different level of satisfaction. The more common complaints farmers raise are about group selection process, the group guarantee, the unclearness of rules, the loan size, and term of loan…

The remotest PAs are also complaining because they didn't get the opportunity.

- Most interviewed people (96%) would be willing to join a facility which would offer credit services in their PA (especially in Dedo and Seka Chekorsa: 100%).

Also when asked if they need to borrow now or in a near future, all responded yes in Dedo and Seka Chekorsa, 92% in Mana, but only 67% in Gomma.

<table>
<thead>
<tr>
<th>Table 4.13.: What would be your loan purpose?</th>
</tr>
</thead>
<tbody>
<tr>
<td>District</td>
</tr>
<tr>
<td>----------</td>
</tr>
<tr>
<td>Need to borrow - 1st choice</td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td>Need to borrow - 2nd choice</td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td>Source: CIDR Household survey - Jimma, August 2005</td>
</tr>
</tbody>
</table>

1 When we speak about remote PAs, it is among the ones that have been surveyed. It is important to remind that, due to the rainy season, other remote PAs (for which the same conclusions may certainly be reached) were not accessible at this time.
In various proportions, farmers would first favour a loan for animal raising, then commerce and agriculture. The land shortage is critical in all the districts surveyed, so it will be very difficult to expand their crops in new lands. Then, they are more interested to intensify and, even to change their crop type (to linseed, pulses, spices, horticulture…) and also to diversify their income generating activities like animal fattening and small ruminants rearing. Petty trade led by many women, especially in the PAs concentrated around a central market place, also needs loans to expand and to stop depending on credit from traders.

4.10. **Striking features of the surveyed zone**

- The four districts under study show good economic potential. It is more obvious with the coffee growing areas which can get considerable amount of money during the coffee harvesting time and generate high income. During the discussions, they told that some individual farmers can get up to 60,000 birr each year from coffee. However, their highest dependence on a single crop (which is itself highly dependent on the fluctuations of international markets) may be a weakness and a fragility. Other PAs which don't produce coffee, or in small quantity, have also diversified economic activities. Pulses, wheat, tef, spices, fruits, vegetables, enset and chat as well as sheep and goats trading are important cash generating activities for non coffee growing PAs. Trade in general is also an additional source of income in those PAs.
- The social cohesion varies from one PA to another and is favoured by the presence of traditional organisation like Jiga, the most structured social organization which has a very good acceptance and role within the communities. The Muslim religion also plays significant role in reinforcing the social cohesion. The jiga system and hence the social cohesion is stronger in PAs that are more remote (i.e. farer from main towns). Generally speaking we have noticed more cohesion in Dedo’s PAs, in the highlander PAs of Seka Chekosra (at the border with Mana) and in the two PAs of Gomma and Mana that were further away from the towns.
- Most farmers possess a good savings culture, especially home savings, with some of them having experience with banks and MFI.

The savings potential in the coffee growing areas is very high. However, ways to manage and to optimize the use of this money may need further investigation.

In the other areas, there are steady sources of income which, even if they are less significant in amount, provide regular surplus and hence savings capacities.

All farmers are willing to find ways to secure their savings and are very interested by having a savings facility in their PA.

- They have also some experience with borrowing money. Here again, mainly from informal sources (friends, relatives, traders, iddirs), but also from formal ones (OCSSCO).

Most interviewed people are in need of more and regular access to finance.

Accent on diversification of income generating activities should be put, in the non-coffee producing PAs (where it is already a main strategy), but especially in the coffee dependent areas. Petty trade, grain and animal trade, animal fattening and alternative crops (pulses, spices, horticulture, …) should benefit from loans.

All households would be really interested to participate to the establishment of a credit and savings facility nearby their home.

5. **CONCLUSION ON THE FEASIBILITY OF A NETWORK OF RURAL CREDIT AND SAVINGS FACILITIES**

From the 4 districts covered by the study, the one of Dedo is the more suitable for the implementation of the new methodology. It presents a good social cohesion (especially through the jiga system) and many of its PAs have diversified economic activities with good potentialities.

The accessibility is however a constraint to attain a certain number of PAs. This will be partially lifted by the fact that the to-be established rural facilities will be serving more than one PA.
Most PAs of Gomma and Mana are very specific as they are closer to towns, mainly depend on coffee production, generate seasonal high surplus but have chaotic savings and credit habits. Specific action should address this situation, probably through the activities of the usual Eshet branches.

However, PAs from the adjacent districts of Seka Chekorsa and Omo Nada (to be studied) who present common characteristics with the ones of Dedo could also join the network. The same goes for a few number of Mana’s PAs bordering Seka Chekorsa. At the light of this possible extension and due to the fact that the facilities will be managed by technical staff from Eshet, the main rural office will be set-up in Jimma, the capital of the zone.

5.1. **Social Feasibility**

The studied PAs of Dedo district have shown very good social cohesion. The traditional jiga social system is well present there and will play a role in the selection of clients and in the recovery of loans. Working with the jiga is a way to have a good knowledge of all the households of the concerned PA and provides a power of enforcement on defaulters or of pressure on the local administrative and judiciary authorities to push repayment.

The facilities will serve more than one PA. The jigas attached to each PA will play their role in their own PA only to make sure that proper information and recovery is ensured.

The interviewed PAs are all motivated to participate in a savings and credit scheme.

5.2. **Economic Feasibility**

Most households of Dedo have diversified sources of income: the basic cereal production is coupled with several other cash crops like coffee, pulses, chat, spices, fruits, vegetables and in some case enset.
They are also engaged in grain, little ruminants and cattle trade and many women (especially around the centres) are engaged in petty trade.

From that, they generate an average and regular surplus of 1,200 Birr per year.

All households said that they are already saving, but most of them save at home, in insecure conditions.
They would be really interested to have a secure savings facility near the living place.

Apart from individual households, traders and groups like mosques, churches, cooperatives or schools are also interested to save nearby their location. In Dedo, there are very few iddirs.

A majority of PA members have experienced borrowing, but mainly from friends or relatives, for a small amount and short duration. Some have also accessed loans from OCSSCO MFI.

The demand for credit is however very high, especially in Dedo.
Animal fattening and breeding is one of the first requests for loans, followed by trade, petty trade and diversification of cash crop production.

The savings mobilization will be one source of funds for lending out loans. It will need to be completed by Eshet’s own funds to increase the loan outstanding.

5.3. **Methodological and Technical Feasibility**

The adopted methodology came out after several brainstorming meetings between Eshet and the MFTSC and is the result of the merger of the findings of the study, the Eshet experience and the methodology used in East Wellega and in Bale.

In comparison with those two last schemes, Eshet will use a methodology which is not relying on pure self-management of the facility by the PA members. Eshet will itself deliver savings and credit services in the PA, through a rural facility, with the
participation of a committee from the PA who will be involved in the screening of loan applications and in the loan recovery. The PA members will also be involved, through general meetings, in the assessment of the functioning of the scheme and in the proposal of improvements.

The technical work will be done by Eshet staff.

There are 3 main reasons for choosing this methodology:

- It ensures a long-lasting relation between Eshet and the clients of the PA which will give more insurance for Eshet to generate long-term profitability and sustainability.
- It is assumed that, the technical staff being from Eshet, the scheme will need less intensive technical training and follow-up. This will temper this cost and counter-balance the increase in the technical staff cost. The quality of the work shall also be improved.
- The solution is matching with the current regulatory framework of microfinance, contrarily to the RSCF model developed in Bale and East Wellega, who will be integrated later on.

We hereby detail the various components of the methodology:

- **Functioning and organisation**
  - **The Rural Facility (RF)**
    
    Eshet will provide savings and credit services to its rural clients through a RF, established in one PA.
    
    One RF will serve an average of 3 PAs.
    
    The RF will belongs to Eshet.

  - **The Rural Facility building**
    
    The RF will be constructed at a central place of a PA with hard materials, strong fences and guard house.
    
    The PA will provide land.
Eshet will take in charge the whole construction. Manpower and some material (as wood) will be brought by the community which committed itself to do it.

- The Eshet organisation

There will be one credit agent for three RF and one cashier per facility. At the beginning, one credit agent may serve two facilities only.

The number of credit agents may be adapted depending on the number of clients. Two guards will be assigned for each facility. A zonal office based in Jimma will be in charge of the coordination and supervision of the whole RF network.

One coordinator will head the office. He will be assisted by supervisors. There will be one supervisor for four RF. However, for the first 4 RF, the coordinator will assure the role of the supervisor. The zonal office staff will be equipped with motorbikes.

- The Community structure

One Advisory Committee (AC) will be formed in each PA following the local community traditional structure.

All Abba Jigas (who are supposed to know very well their fellow PA members) in a PA will be members of the AC. One of them will be elected by the other ones as a Chairman.

If a RF is covering three PAs, there will be three AC, each in charge of their own PA.

The role of the AC is as follows:

- Giving advises and recommendations on the Loan Applications addressed to the RF. However, the final decision on the loan is always made by Eshet’s technical staff.
- Supporting Eshet’s technical staff in the recovery of defaulting loans (visiting the defaulter’s family, putting pressure, transferring the information to the PA authorities etc.).
- Supporting Eshet’s technical staff in the promotion of the services offered by the RF.

The AC members will receive financial incentives from Eshet.
The Cashier of the facility will serve as a Secretary for the AC.

In addition to the AC, the clients of the RF may participate in an annual General Meeting to assess the functioning of the scheme and to propose improvements.

- Opening days of the facility:
  
  The Facility will assign one particular day to serve one particular PA and hence three days will be assigned as service days. This could be adapted according to the flow of activity.

- Sources of funds:
  
  The facility will actively mobilize savings among the PA members. However, this savings will not be sufficient to address all the loan requests. Henceforth, Eshet will also start lending from its own funds. Depending on the cash flows of each RF, cash transfers from one RF to another or to the branch may take place.

- Lending and savings mobilization methodology

  1) Loan Products

- There will be individual and group lending methodology.
  - Loan amounts up to 2,500 birr will be accessed through group lending methodology.
  - Loan amounts above and including 2,000 birr can be accessed by an individual.

- Here are the proposed loan amounts

<table>
<thead>
<tr>
<th>Loan Cycle</th>
<th>Loan Size (Birr)</th>
<th>Loan Period</th>
</tr>
</thead>
<tbody>
<tr>
<td>1&lt;sup&gt;st&lt;/sup&gt;</td>
<td>300 - 1000</td>
<td>6 &amp; 9 months</td>
</tr>
<tr>
<td>2&lt;sup&gt;nd&lt;/sup&gt;</td>
<td>300 - 1500</td>
<td>6, 9 &amp;12 months</td>
</tr>
<tr>
<td>3&lt;sup&gt;rd&lt;/sup&gt;</td>
<td>300 - 2000</td>
<td>6, 9 &amp;12 months</td>
</tr>
<tr>
<td>4&lt;sup&gt;th&lt;/sup&gt;</td>
<td>300 - 2500</td>
<td>6, 9 &amp;12 months</td>
</tr>
</tbody>
</table>
Individual Loan

<table>
<thead>
<tr>
<th>Loan Cycle</th>
<th>Loan Size</th>
<th>Loan Period</th>
</tr>
</thead>
<tbody>
<tr>
<td>1st</td>
<td>2000-3000</td>
<td>6 - 12 months</td>
</tr>
<tr>
<td>2nd</td>
<td>Up to 4000</td>
<td>6 - 12 months</td>
</tr>
<tr>
<td>3rd</td>
<td>Up to 4500</td>
<td>6 - 12 months</td>
</tr>
<tr>
<td>4th</td>
<td>Up to 6000</td>
<td>6 - 12 months</td>
</tr>
<tr>
<td>5th</td>
<td>Up to 7500</td>
<td>6 - 12 months</td>
</tr>
</tbody>
</table>

The repayment patterns are:
- Bi-Weekly or Monthly Instalment
- Quarterly Instalment
- Term Loan

Guarantee:
- Individual loan requests physical collateral or individual guarantor. Prior savings is also envisaged.
- Group will be the classical guarantee for the group lending.

Interest rate: the proposed rate is 24% flat, as for other Eshet’s loans.

Loan purposes:
Many different loan purposes are envisaged: animal fattening and breeding, trade (grain, coffee, animals…), grain storing, mules for trade, petty trade and diversification of cash crop production (purchase of seeds, coffee trees, spices,…).

2) Savings Products

a) Open Access Savings

- Minimum opening balance is 10 birr,
- Minimum withdrawal amount is 10 birr,
- Interest is calculated every month on the monthly minimum balance,
- At each transaction time, calculated interest will be updated on the clients’ passbook,
- Interest rate will vary between 6 and 8%, depending on the amount deposited and the duration it is kept in the account.
- Passbook fees are 5 birr.
5.4. **Institutional Feasibility**

Eshet MFI, as a registered microfinance institution, is allowed to conduct savings and credit activities in all districts of Oromiya Region. The Rural Facilities will enter in the normal Eshet’s activities. Dedo districts officials have always shown a good cooperation during the study and will issue support letters to back the implementation of the scheme in the chosen PAs. Eshet will keep informed the National Bank of Ethiopia and AEMFI about its new rural activities.

5.5. **Size of the future network**

The new scheme will start by the establishment of 2 RF, centred in the following PAs: Matosso and Bilu Arsu.

Due to the fact that those facilities will cover around 6 PAs, 2 more facilities will to be open before the end of 2006 maybe in Seka Chekorsa (after further studies in the PA). With 4 facilities covering 12 PAs, this network will already be enough to make the scheme sustainable for Eshet after one year.

For 2007, after further studies in neighbouring PAs of Omo Nada and according to the extension potentiality in Seka Chekorsa, another batch of 4 RFs will be added. The projections are made for a network of 8 RFs.
6. **THREE-YEAR PROGRAMME**

The implementation of the rural participative microfinance scheme in Jimma is part of the current CIDR Ethiopian programme and collaboration with ESHET MFI. CIDR programme has planned such implementation with ESHET as well as with its two other Ethiopian partners, Wasasa and Buusaa Gonofaa that have started the implementation in 2005.

6.1. **Objectives**

a) **Overall objective**
The overall objective of the project is to promote social and economic development in remote rural communities, through the introduction of decentralized and participative financial schemes.

b) **Specific objective**
The specific objective is the set-up of a network of rural facilities (RF) in PAs of Dedo and surrounding districts, in order to satisfy the needs of their population in term of credit and savings.

6.2. **Implementation strategy**

ESHET MFI will be the implementing institution and will assign its own technical staff to the facilities and the zonal office to run the scheme. The zonal office which will be established in Jimma town, will be in charge of the direct implementation of the rural scheme. This office will be supervised by Eshet’s Operations department.
Each facility will be run by Eshet’s credit agents and cashiers.
In parallel to the rural scheme, the Jimma office will also be the starting point to open classical branches in the Zone which will be operating under Eshet’s current methodology.

The MFTSC will provide technical assistance and supervision to Eshet as well as financial support for the three first years of implementation, on a declining basis. As this scheme is implemented on a pilot basis, the MFTSC and Eshet will conduct it in a research-action mind to adapt its components when necessary.

6.3. Expected results

6.3.1. A network of 8 RFs is set-up

Within three years, a network of 8 RFs is set-up in PAs from Dedo in a first time and then Seka Chekorsa and Omo Nada. After three years, the network will reach out 13,832 clients including 6,072 depositors and 7,790 borrowers.

6.3.2. Eshet reaches operational self-sufficiency

If taken separately from Eshet’s other activities and apart from the initial investment costs, this decentralized scheme will generate profit from the end of the first year of operations. This profit will go increasing year after year. The first 4 RFs will be enough to absorb the overhead costs (including the zonal office and the related costs from the head-office).

At the end of the third year, the rural scheme will have the following consolidated indicators:
- 15,424,000 Birr outstanding loans
- 1,612,668 Birr savings balance
- 1,910,683 Birr of net operating margin

6.3.3. Eshet staff has acquired enough expertise to manage the scheme
Eshet has acquired enough skills to implement the new scheme, in terms of methodology, management and supervision. Therefore, it will be able to expand the scheme and to replicate it to adjacent or other zones, from the feasibility stage to the implementation one.

6.3.4. **The rural scheme favours the economic development of the PAs**

Through its decentralized rural facilities, Eshet will participate to the economic development of its clients and of their PA. The proposed savings and loan products will respond to the high need of financial services of this population.

The savings products will respond to the security, proximity and remunerative needs of the farmers.

The various loan products shall enable the clients either to diversify their income generating activities to secure steady income and/or to invest in more profitable activities.

6.3.5. **The Communities and the members of the Advisory Committee have better understanding of savings and credit issues and improve their financial management**

The communities will be acquainted with the various mechanisms related to savings and credit. This will in turn help them to financially manage their own activities.

In addition to that, the Advisory Committee members will get acquainted with loan analysis and recovery matters and with techniques of promotion.

6.3.6. **The methodology is recognised by the microfinance sector**

After having proved to be efficient, the methodology will be capitalized, documented and publicised to make it recognised by the microfinance sector and could, with the agreement of Eshet, be replicated by other MFIs.
6.4. **Description of activities**

6.4.1. **Activities for Result 1: a network of 8 RFs is set-up**

4 RFs will be opened in the first semester of 2006 and 4 during 2007. For the first batch, the PAs where to set-up the RFs are already selected. All are located in Dedo district.

On the second semester 2006, studies will be led in some other Dedo PAs as well as in Seka Chekorsa and Omo Nada to select the second batch of 4. They will be selected on the basis of the initial criteria that might be refined based on the experience gained during the implementation of the first batch.

The set-up of one RF will have the following pattern: 2 preliminary meetings with the PA representatives (one to collect general information on the PA, the other to present the scheme), signing of agreement with the local authorities, construction of the facility, constitution and training of advisory committee members, purchase of equipment, presentation of the scheme to the whole community in a general meeting and opening.

6.4.2. **Activities for Result 2: Eshet reaches operational self-sufficiency**

Through its own management skills complemented by support from the MFTSC in terms of community mobilization, Eshet will reach operational self-sufficiency for its rural scheme from the end of the first year. Its pro-active promotion measures will ensure a high number of clients who will generate a high volume of activity necessary to become profitable. Its decentralized structure will also lower the costs of staff and transportation.

Eshet will provide loans from its usual sources of funds.

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2 Those two meetings will be held only for the not-yet-selected PAs.
In addition, The MFTSC will financially assist Eshet for the first three years and will cover 100% of the related costs for the first year, 70% for the second and 50% for the third. It will also take in charge the investment costs of the first 8 facilities (equipment and building) as well as the equipment of the zonal office.

6.4.3. **Activities for Result 3: Eshet staff has acquired enough expertise to manage the scheme**

Eshet management, especially the operations manager and the general manager, has participated at every stage of the feasibility study (pre-identification survey, preparation of the feasibility study, supervision of the study, analysis) and in the definition of the new methodology.

They will be directly involved in the implementation phase.

The experience acquired is essential for the replication of those steps.

The operations unit will work with the MFTSC on the preparation of the needed documents (accounting, follow-up, reporting, etc.) for the RFs and for the zonal office.

It will conduct with the MFTSC the training for all the staff involved: at zonal office level (coordinator and supervisors) and at RF level (credit agent and cashiers).

The operations unit as well as the internal controller and, in a lesser extent, the finance unit will conduct regular supervision and control visits to the scheme.

The MFTSC will also make supervision and technical support visits.

Taking all that into consideration, Eshet will have accumulated enough experience and expertise, at head-office, zonal and field level, to take over the implementation of the scheme, its extension and its replication in other zones.

6.4.4. **Activities for Result 4: The rural scheme favours the economic development of the PAs**

The proposed savings and loans products have been designed after analysis of the field study results and discussion with the PA members themselves.
At the annual general meetings, the advices of the community will be heard and discussed in order to adapt or improve the products if the need arises.

After two years of operations, client satisfaction surveys and impact assessment through focus group discussions will be organised in order to adjust the methodology and the products if necessary.

Those adapted products will respond to the need of the farmers and will enable them to develop their current or new activities and generate higher profit which will in turn improve their living conditions. This effect will be perceived at household level, but also at community level as the RF is planning to highly penetrate the covered PAs.

The impact of the action on the clients and its contribution to the areas’ development will always be carefully followed by Eshet and the MFTSC.

6.4.5. **Activities for Result 5: The Communities and the members of the Advisory Committee have better understanding of savings and credit issues and improve their financial management**

The PA members will participate in several presentation, promotion, sensitization and discussion meetings on the scheme as well as in the annual general meeting. It will enable them to have a better understanding of the savings and credit issues and will help them in the financial management of their activities.

The RF staff, through their proximity, will always be there to advice the clients.

The Advisory Committee members will receive an initial 3 day training that will provide them with skills to help them in their task of loan request analysis, loan recovery and promotion.

The cashier and the credit agent will always assist them during the loan analysis.

They will then acquire more autonomy in their tasks. Their skills will be appreciated by the RF clients and it will reinforce the RF functioning.
6.4.6. **Activities for Result 6: The methodology is recognised by the microfinance sector**

After one year of implementation, the methodology will be discussed and compared with the one developed by Wasasa and Buusaa Gonofaa. On this base, the methodologies may be improved. After two years of activities and of success of operations, a formal presentation of the methodology will be conducted to the various stakeholders and especially to the National Bank of Ethiopia (NBE) and AEMFI.

The methodology will be capitalized and documented and could be disseminated with the agreement of Eshet.

6.5. **Resources for the implementation**

6.5.1. **Human resources**

**ESHET:**
- The zonal office, based in Jimma, will be staffed by 1 field coordinator (BA level in social sciences) and supervisors (diploma level). The office will start only with the coordinator. After one year, a supervisor will be hired. During regular operations, one supervisor should cover 4 RFs. 

- At RF level: one cashier will be working in each RF. One credit agent will cover 3 RFs, except at the beginning where he/she will cover 2 RFs.

- At the head-office, apart from the General Manager who will participate to the main decisions, the scheme will be managed by the operations unit, and more precisely, the operations manager who will supervise the zonal office. All the other units (finance and control) will be involved as per their usual supervision tasks.
MFTSC:
- The manager of the MFTSC is in charge of planning, preparation and supervision of the scheme during the first three years.

6.5.2. Other resources

- An office will be rented and equipped for the zonal office in Jimma.

- Three motorbikes will be purchased for the zonal office staff: 1 coordinator and 2 supervisors (after 1 year).

- Buildings will be constructed in each PA to accommodate the facility, including three rooms. They will be equipped with tables, chairs, cupboards and a strong safe.
### Annexe 7

#### Annexe 1
- Terms of Reference of the Feasibility Study

#### Annexe 2
- Pre-identification survey report

#### Annexe 3
- Map of Oromiya Region

#### Annexe 4
- Map of Dedo District

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- Map of Seka Chekorsa District

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- List of PAs with population for the 3 districts

#### Annexe 7
- Financial Projections

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- Statistical Results of the household survey

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- Questionnaires used for the surveys (4)