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

ADDIS ABABA, ETHIOPIA, JANUARY 2005
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**List of Abbreviations**

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<th>Abbreviation</th>
<th>Description</th>
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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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<td>DA</td>
<td>Development Agent</td>
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<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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<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>RSCF</td>
<td>Rural Savings and Credit Facility</td>
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<tr>
<td>Zone 1</td>
<td>Guduru and Abay Chomen Districts</td>
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<tr>
<td>Zone 2</td>
<td>Limu and Gida Kiremu Districts</td>
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1. **INTRODUCTION**

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

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

A first identification mission was conducted by the two organisations from August 30 to September 4, 2004 in three different Zones of the Oromiya Region, namely West Shewa, East and West Wellega, in order to identify which Zone would have the potential to start such a new scheme. (see Annex 2 for the report).

The three zones present attractive economic potential, high population density as well as a certain level of social cohesion and are by consequence adequate for further studying the feasibility of the new approach.

However, East Wellega was first selected as it presents the following advantages on the two other zones:
- it is much less covered by formal MFIs than West Shewa.
- it is less distant from Wasasa current zones of operations than is West Wellega, and presents more diversified economic activities than this zone.

Two sub-zones have been pre-identified to be targeted by the study:
1) Guduru-Abay Chomen-Jimma Rare districts;
2) Gida Kiremu-Limu-Ibantu districts.

This study has been conducted by the Microfinance Technical Support Centre and Wasasa MFI.
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 East Wellega 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 the MFI 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 Wasasa MFI.

Ato Bekele Jirata and Ato Mamo Geleta were the two study coordinators, respectively for Abay Chomen / Guduru Districts (hereafter called (sub)-Zone 1) and Gida Kiremu / Limu Districts (hereafter called (sub)-Zone 2). Each of them was working with two
 enumerators, respectively Zerihun Takele and Merga Sori for Zone 1 and Sintayehu Tefera and Amante Bultume for Zone 2.

In addition to the pre-identification study that has been led from August 30 to September 4, 2004, the present study started on October 25, 2004 up to January 28, 2005.

We can define the various stages as follows:

3.1. **Preparation**

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

- Training and orientation of the 6 study staff on the presentation of the study, the methodology and on the microfinance environment.
- Design of the various tools used for the study.
- Planning of the field work.
- Request and reception of formal introductory letters from the East Wellega Zonal Administrator to the four selected Districts Administrators.

This session has been organised and implemented by Mr. Laurent Biot, the MFTSC manager, and Mr. Adamu Beyene, Wasasa operations’ manager.

3.2. **Main field study**

The 6 study staff performed the main in depth collection of information from October 30 to December 3, 2004.

Mr. Laurent Biot and Mr. Adamu Beyene conducted a support mission from November 8 to 14.

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, the heads of the agriculture, social affairs and finance offices and cooperatives promotion office.
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 have been selected in each District, making it 8 for each zone. The first criteria were:
- Minimum of 1,000 inhabitants;
- Good known social cohesion;
- Economic potential;
- Presence of adult literates;
- Accessibility during the rainy season, at least by motorbike.¹

The selected PAs are:
- Zone 1: Abay Chomen: Homi, Bote, Jare and Genji Haro.
  - Guduru: Bekeltu Embabo, Chala Foqa, Walkete Harbuta and Gudane Kobo.
- Zone 2: Gida Kiremu: Kokofe, Ejere, Koragobu and Andode.

3.2.2. PAs surveys

In the 16 PAs, three types of surveys were conducted:
- General PA survey: this survey is done through a meeting with all the PAs leaders (members of the cabinet), elders, opinion leaders, representatives of various social or economic groups,…

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 and the interest to develop new credit and savings facilities.

¹ This last criteria may be lifted later on following the implementation results in the first PAs.
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, “gotes”,… Particular attention is 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: 5 household surveys were led in each PA, giving a sample of 80 households for the all study. Particular focus was given to the household organisation, economic activities, financial habits, family budget, social habits,…

3.3. Analysis and development of the methodology

A first analysis of the field study results is done at this stage. On this base and, following a deepening mission led by the MFTSC and Wasasa managers joined by Mrs Renee Chao-Beroff, the head of CIDR microfinance department, the new methodology has been discussed and its main points have been designed. During the three days field visit, the members of two PAs have been elaborating the way they would implement a community savings and credit scheme, which has served, together with the study results, as the main base to design the methodology.

The Zone 1 has been chosen for implementing the next steps of the present study as it presented two advantages on the second zone: it is more accessible from Addis Ababa and it presents a higher economic potential.

However, the second zone may be kept for later development of the project and for further investigation.

Before confronting the new findings to the PAs, the criteria of selecting potential PAs have been refined:
- Minimum of 3,000 inhabitants;
- Have a centred settlement pattern (at least part of the PA houses being centred around a common place, especially a market);
- Have economic potential (like having some low-land with potential for cash crops, having good access to markets,…)

3.4. **Refining and validation mission**

On the base of the previous findings, a new mission was organised from January 12 to 28, 2005. It was conducted by Mr. Bekele Jirata, the coordinator of zone 1 and Mr Adamu Beyene, Wasasa operations manager, with a 3 days support mission of Mr. Laurent Biot, MFTSC manager and Mr. Amsalu Alemayehu, Wasasa general manager.

Three PAs from the first study have been selected (2 in Guduru, 1 in Abay Chomen) and 4 new ones were chosen (3 in Guduru, 1 in Abay Chomen). In the former PAs, an in depth meeting was led with the leaders to discuss the way they want to elaborate a savings and credit scheme, the way the methodology was designed and to evaluate their needs and capacities in term of credit and savings. For the new PAs, this session was preceded on the previous day by a normal general meeting of presentation and collection of information.

From those 7 PAs, 5 were retained for starting the implementation of the scheme. The two not selected ones were rejected mainly due to a lower motivation to start such a scheme. All the other PAs that have been visited at one stage or another were informed about the decision and the possibility to join the project later on if the case arises.

3.5. **Report writing**

The present report has been achieved thanks to the work of the two coordinators, Wasasa operations manager and MFTSC manager who has coordinated and finalized it. The data processing and analysis has been done by the MFTSC on SPSS.
4. **SUB-ZONE 1: ABAY CHOMEN AND GUDURU DISTRICTS**

*Opening remark:* as the sub-zone 1 has been chosen for starting the project, its profile analysis has been deeper than the one of sub-zone 2. Some parts are repetitive for the two sub-zones and have been less developed for the second one.

4.1. **Historical Background**

4.1.1. **Abay Chomen**

According to the local elders Abay Chomen was the name of the first Oromo who settled in the area. Abay was the name of the man and Chomen was the name of the swampy area now called Lake or Fincha Dam.

Historically this area was known by its high animal population, specially livestock. This was because of a vast area of grazing land Chomen. After the construction of the dam the grazing area was totally covered by water and the livestock population decreased drastically. By now the dam or the lake covered an area of 174 Sq. km.

4.1.2. **Guduru**

Guduru is one of the largest districts of East Wellega Zone, which is located in the northern part of the zone. The name of the district was taken from a man named Guduru Raya who was a tribal leader of the area. Guduru is also known by the battle of Embabo, which took place between Menilik II of North Showa and Tekle Hayimanot of Gojam to control over the territory during the last quarter of the 19th century.

4.2. **Physical Characteristics**

The two districts, situated in the Eastern part of East-Wellega, cover an area of 3,373.7 sq Km.
4.2.1. **Abay Chomen**

Abay Chomen district is bordering Guduru district in the east and south, Jimma Horro in the west and Amuru Jarte and Guduru in the north.

Abay Chomen district has an area of 772.34 sq Km. The midland of the district is divided into 17 peasant associations, 2 urban kebeles and 4 farmers service cooperatives. The capital town of the district is Fincha which is located at the Fincha Lake side. Fincha is about 230 Km from the Zonal capital Nekemte and about 295 Km from Addis Ababa.

The district has two different geographical areas, mid-land (weyinadaga) and low land (kola) which covers 40% and 60% respectively. Undulating forms with no great altitudinal differences characterize the mid land. Altitudinal range of the district is 880 to 2400 meters above sea level.

Nedi, Fincha, Agemsa, Korke, Gogoldas, Boyi, and Badessa are the main rivers of the district. Chomen or Fincha and Amarti are the lakes found in the district; both are used for generating Fincha Hydroelectric Power Plant.

The natural vegetation occupies about 23,200 hectares of land, which is 30.9% of the total land area. This district, as well as Guduru, maintained natural big trees and this contributes to soil and water conservation in the area. Phaeozems and Luvisols are the two dominant soils of the district. The annual rainfall of the district ranges between 1,000 to 1,200 mm and the annual average temperature is about 20°C. The main rainy season of the district is June to August and sometimes extends up to the end of September alike most of the districts of Western Oromiya region.

4.2.2. **Guduru**

Guduru district is bordering west Showa in the east, Abay Chomen in the west, Amhara regional state in the north and Jimma Rare in the south, having a total area of 2,601.36 sq. kms. The district is located at about 247 km from the capital town of the zone, Nekemte. This district is the second largest district next to Limu occupying 11.6 percent of the
zone’s total area and is divided into 43 peasant associations, 2 urban kebeles and 15 farmers' service cooperatives.

Guduru district has two distinct geographical areas, 80.5% mid land and 19.5% lowland. Concerning the relief of the district, mounts Habib, Doro, Garo and Dowe are mountains found in the district, 75% of the land being plain. Kersadi, Denaba, Andode, Dagaga, Boye, Menaye and Kersa are some of the rivers and springs found in the district. About 15,826 hectares of land is covered with forest which is 6.61% out of the total area. Altitudinal range is 1,600 to 2,350 meters above sea level. The annual average rainfall is 1,554 mm and the annual average temperature is 30°c.

4.3. **Population**

The total population of the two districts is 211,705 out of which 99,576 are male and 112,129 are female and the density per square kilometers is 63 people.

4.3.1. **Abay Chomen**

Abay Chomen has a total population of 45,375 (according to District Administration data) who are mainly concentrated on the mid-high land area, out of which 22,944 are male and 22,431 are female. Out of the total population 25,527 live in the rural area and 19,848 are in the urban area, which is 56% and 44% respectively. Rural household are 3,295 out of which 478 are women headed. Population density of the district is 59 people per square kilometer.

The major ethnic population is Oromo, mostly the only one living in the rural area. In the Capital city, we can find some other ethnic groups, mainly coming after the set-up of the Electric Plant.

There are two small towns in the rural area called Homi and Mazoria and the rest of the peasant population lives relatively scattered.
4.3.2. **Guduru**

Guduru district is one of the more populated districts of the zone and its population is 166,330 (according to District Administration data), out of which 76,632 are male and 89,698 are female. From the total population 160,386 live in the rural area, which is 90% of the total population; the density is 50 people per Km$^2$. The major ethnic population of the district is Oromo.

Apart from Kombolcha, there is another small active town Dedu. The PAs are either scattered or centred around a market place (for about half of them).

4.4. **Infrastructure**

4.4.1. **Abay Chomen**

- In Abay Chomen district there are 14 primary and 2 senior secondary schools. The total enrolment is 10,495 in primary school, out of which 5,170 male and 5,325 are female students. Concerning the enrolment of senior secondary school there are a total of 1,682 students, out of which 1,134 are male and 548 are female. Dropout for primary school is 832 and 179 for senior secondary schools. No enrolment rate available.

- The district has 1 clinic, 2 health posts and 1 health center and the percent of population accessible to health facilities are 15.2% for clinic 10.5% for health post and 74.3% for health center. The major health problems of the district are internal parasites, Diarrhea, Malaria and Sexually transmitted diseases.

- Population access to tap water is 28%, 69.5% using river water, 2% spring and 0.5% well water. Full time electric supply is available in Fincha town, Agemsa and Homi villages.

- Concerning roads, there are two main all weather roads crossing the district. These are roads which passes through Fincha town coming from Gedo to Fincha Sugar Plantation and the road which goes to Shambu the capital town of Jimma Horro going to
Nekemte. Besides, some of the PAs have dry weather roads, like Jare, Genji Haro, Homi, Bote, Achane, etc.

- There are digital telecommunication lines for Fincha town and Agamsa. Agamsa is a town located around Fincha sugar factory. In Fincha there is a postal service.

4.4.2. Guduru

- Guduru district has 34 primary and 1 senior secondary schools. The enrolment is 24,480 in primary and 1,565 in secondary schools, out of which male 12,870 and female 11,610 in primary, 1,288 male and 277 female in secondary schools. The dropout rate is 1,580 in primary and 177 in secondary schools. The dropout rate is higher for male in both primary and secondary schools. The enrolment rate was 67% in 2002 (without distinctions between primary and secondary).

- There are 6 clinics, 3 health posts and one health center in the district and the proportion of accessibility for health facilities are 36% for clinics 9% for health post and 25% for health center and the total health coverage is 70%.

- There is only little tap water facility in Kombolcha (2%). 25% of the population of the district uses well water and 73% uses river water.

- Accessibility to the district is difficult especially during the rainy season, June to September. There is only 45 Km. dry season roads from Kombolcha to Kewo and 6 Km all weather road from Begna to Kombolcha town. All PAs are however accessible by motorcycle during the whole year.

- In the district there are 3 telecommunication stations, Kombolcha, Gebete and Dedu. There is also 1 postal service agent in Kombolcha, which provides service for the whole district.
4.5. **Socio-economic, Cultural and Political Organization**

In Abay Chomen and Guduru districts there are 4 different religions namely Orthodox, Protestantism, Waqefana (traditional Oromo religion) and Islam. Orthodox and Protestants are the two dominant religions, counting respectively for 49 and 45% in Guduru (no figures available in Abay Chomen).

In Guduru in addition to the above mentioned religions there are “Kalus”. “Kalus” are spiritual men who have great respects from the people.

There is no traditional structure anymore in those areas. The old structures have been dismantled by the successive centralized regimes.

The district administration structure is composed of District Cabinet and house of representative. At the PA level, there is PA Cabinet. In the PA, there are also militia and OPDO secretariat (Oromo People Democratic Organization).

At district level, the administrator, information and public relation head, justice and people’s organization heads are politically assigned cabinet members. Capacity building, rural and agriculture office heads are also cabinet members.

The same structure is replicated at the PA level. These are also members of the ruling party of the region (OPDO).

The Cabinet head or the district administrator is the secretary of the OPDO.

The district cabinet and the PA cabinet exercise the main political power.

There are also newly introduced government structures, Gotes and community development groups in the PAs.

Gotes are the subdivisions of PA administration, based on geographical grouping, under which 4 to 8 community development groups are organized depending upon the size and the number of members of the PAs.
The whole PA members meet on monthly basis while Gote members have regular bi-weekly meeting to evaluate group activity and performance as well as to take government assignment to be transferred to PA members.

Community development groups carry out different activities like feeders, roads construction and maintenance, spring water development, PA or DA office construction, storage maintenances, school construction, traditional irrigation... They are also responsible for the security of their PAs. Community development groups have regular meetings, every week, usually on Friday.

Gotes role is mainly administrative while group role is basically community development works.

Also part of this structure, are the Women associations that are under formation in each PA, which is a government plan to encourage women to participate in the administration and other income generating activities like handicrafts and homestead vegetable production to contribute to poverty alleviation. They usually meet on monthly basis.

There are also “Iddir” (several of them found in every PA) and sometimes “Iqub” (much less common in rural areas). These are the only groups or associations that are not initiated by the government. These groups will be discussed in the last section related to financial services.

In the PA, there are Elders who have the power of arbitration when minor disputes occur, but their power has no legal enforcement. In case of conflict on grazing land, boundary or other problems, before to go to PA leaders, elders are called from both sides to settle the issues.

There are also informal community works in the PA which are traditionally established by the people, like harvesting, ploughing, house construction etc. This is based, most of the time, on proximity (Dabo and Dado).
So, the social system is dominated by the modern administrative and political structure put in place since the Derg regime to replace the previous feudal system. Some endogenous forms of organizations like iddir or the informal community works play however a significant role in the social organization of the rural areas. Every body in the PA takes part to them and they bring alternatives to the groups formed at the Government initiative (community development, gotes, women association). Those last ones, with their regular meetings and works, take a lot of time in the farmers schedule but the latter don’t seem to complain about them. Some of those groups are also very recent. All together, it gives a lot of opportunity for the PA members to work, gather and assist each other.

However, apart from the government initiatives and the usual community groups, we didn’t encounter any new initiatives, associations or Community Based Organisations.

In the mind of the people, every new initiative shall or is coming from the government.

Even if the actual PA is a merger of two to three former PAs (in Guduru, not in Abay Chomen), the inhabitants know each other well as they are mainly coming from the same clan or families.

They are able to exercise social pressure on their peers, sometimes through or with the PA administration.

4.6. Economic Activities

The main economic activities of Abay Chomen and Guduru districts are crop production and animal raising; beekeeping is also practiced especially in Guduru.

For 88% of the interviewed households, crop production was the first activity and animal raising the second for 83% of them. Beekeeping (26%) and animal fattening (26%) came as the two first of the complementary activities.
4.6.1. **Crop production**

Teff, Wheat, Maize, Barley and Sorghum from cereals, horse beans and field peas from pulses and niger seed and flax from oil crops are the important crops grown in both districts.

Niger seed is the main cash crop for both districts and almost every farmer grow the crop.

The size of the households’ cultivated land has an average of 4 ha, ranging from small farms of 1.5 ha to bigger ones of 9.5 ha.

A typical household engaged in crop production has 1.5 ha of Teff, 1 ha Maize, 1 ha Niger seeds and 0.5 ha wheat or barley.

Sesame, which is developing little by little in the area is one of the more promising cash crop for the farmers. PAs where there is low land (which can be found in many of them) are starting implementing sesame production. (see Annex 9 for and overview of Sesame production).

The crop production of 2003/2004 is shown on table 4.1 below.
Table 4.1: Crop production in 2003/2004 – Zone 1

<table>
<thead>
<tr>
<th>Crop type</th>
<th>Unit</th>
<th>District</th>
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<tbody>
<tr>
<td></td>
<td></td>
<td>A/ Chomen</td>
<td>Guduru</td>
</tr>
<tr>
<td>Cereals</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2. Teff</td>
<td>Qts</td>
<td>32,714</td>
<td>134,258</td>
</tr>
<tr>
<td>3. Wheat</td>
<td>Qts</td>
<td>4,085</td>
<td>54,660</td>
</tr>
<tr>
<td>4. Barley</td>
<td>Qts</td>
<td>3,434</td>
<td>-</td>
</tr>
<tr>
<td>5. Maize</td>
<td>Qts</td>
<td>50,780</td>
<td>180,825</td>
</tr>
<tr>
<td>6. Sorghum</td>
<td>Qts</td>
<td>-</td>
<td>4,416</td>
</tr>
<tr>
<td>Oil Seeds</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>7. Niger seed</td>
<td>Qts</td>
<td>9,923</td>
<td>43,960</td>
</tr>
<tr>
<td>8. Flax</td>
<td>Qts</td>
<td>-</td>
<td>3,597</td>
</tr>
<tr>
<td>9. Sesame</td>
<td>Qts</td>
<td>na</td>
<td>625</td>
</tr>
<tr>
<td>Horticulture</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>10. Potato</td>
<td>Qts</td>
<td>5,000</td>
<td>-</td>
</tr>
<tr>
<td>11. Garlic</td>
<td>Qts</td>
<td>280</td>
<td>-</td>
</tr>
<tr>
<td>Pulses</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>12. Hors beans</td>
<td>Qts</td>
<td>623</td>
<td>-</td>
</tr>
<tr>
<td>13. Field peas</td>
<td>Qts</td>
<td>201</td>
<td>-</td>
</tr>
</tbody>
</table>

|            |      | 107,040        | 422,341   |

*Source: Guduru and Abay Chomen Districts Agriculture Offices*

Production per capita for both districts are 2.34 qts. for Abay Chomen and 2.54 qts. for Guduru.
Table 4.2: Data on household crop production (Value in Birr) – Zone 1

<table>
<thead>
<tr>
<th></th>
<th>cost of crop production</th>
<th>sale of crop</th>
<th>Total Crop Production</th>
<th>profit of crop</th>
<th>Annual cost of fertilizers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mean</td>
<td>1285.71</td>
<td>1965.43</td>
<td>3655.51</td>
<td>637.97</td>
<td>926.17</td>
</tr>
<tr>
<td>Median</td>
<td>1160.00</td>
<td>1620.00</td>
<td>2800.00</td>
<td>571.00</td>
<td>900.00</td>
</tr>
<tr>
<td>Minimum</td>
<td>25</td>
<td>0</td>
<td>1405</td>
<td>-1050</td>
<td>0</td>
</tr>
<tr>
<td>Maximum</td>
<td>4008</td>
<td>5100</td>
<td>15850</td>
<td>2718</td>
<td>3000</td>
</tr>
</tbody>
</table>

Source: CIDR/WASASA household survey

The average annual profit from the crop production by household is 638 Birr.

The main cost is the purchase of fertilizers, which is counting for 72% of the total operating costs.

Apart from the share of fertilizers, we can witness differences between the two districts, where Guduru appears more productive than Abay Chomen.

Table 4.3: Abay Chomen: data on household crop production (in Birr)

<table>
<thead>
<tr>
<th></th>
<th>cost of crop production</th>
<th>sale of crop</th>
<th>Total Crop Production</th>
<th>profit of crop</th>
<th>Annual cost of fertilizers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mean</td>
<td>934.94</td>
<td>1374.06</td>
<td>2357.19</td>
<td>439.06</td>
<td>680.00</td>
</tr>
<tr>
<td>Median</td>
<td>869.50</td>
<td>1122.50</td>
<td>1900.00</td>
<td>320.50</td>
<td>627.50</td>
</tr>
<tr>
<td>Minimum</td>
<td>235</td>
<td>560</td>
<td>1405</td>
<td>-369</td>
<td>145</td>
</tr>
<tr>
<td>Maximum</td>
<td>1806</td>
<td>3560</td>
<td>4740</td>
<td>2400</td>
<td>1230</td>
</tr>
</tbody>
</table>

Source: CIDR/WASASA household survey

Table 4.4: Guduru: data on household crop production (in Birr)

<table>
<thead>
<tr>
<th></th>
<th>cost of crop production</th>
<th>sale of crop</th>
<th>Total Crop Production</th>
<th>profit of crop</th>
<th>Annual cost of fertilizers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mean</td>
<td>1581.11</td>
<td>2463.42</td>
<td>4748.84</td>
<td>805.47</td>
<td>1133.47</td>
</tr>
<tr>
<td>Median</td>
<td>1282.00</td>
<td>2170.00</td>
<td>3375.00</td>
<td>663.00</td>
<td>1000.00</td>
</tr>
<tr>
<td>Minimum</td>
<td>25</td>
<td>0</td>
<td>1500</td>
<td>-1050</td>
<td>0</td>
</tr>
<tr>
<td>Maximum</td>
<td>4008</td>
<td>5100</td>
<td>15850</td>
<td>2718</td>
<td>3000</td>
</tr>
</tbody>
</table>

Source: CIDR/WASASA household survey

However we have to temper slightly the given figures as it looked like the interviewees were a bit reluctant to give the true figures, despite the probing of the enumerators. Those figures may be under-stated. This seems mainly true for Abay Chomen district where people, probably closest to towns and more aware about this kind of surveys are reluctant to give accurate figures.
According to the survey, the share of the production which is consumed is 46%, the rest being sold; this proportion is slightly higher for Guduru than Abay Chomen. Some crops like teff are mainly meant for consumption (more than 90%) while the oil seeds, niger seeds and sesame, are almost exclusively for sale.

In both districts the main economic activities, crop production (as well as animal raising) are handled by the family. Some farmers (43% according to the survey) employ wage earners for ploughing, harvesting and animal keeping. Ploughing and planting are conducted using oxen and traditional tools and men usually do this activity. Most of the weeding is conducted by the family, mostly by women. Both men and women conduct harvesting and threshing.

The cropping cycle of the two districts is annual for all crops and the cropping season is April to January.

During peak seasons the community helps each other in ploughing, harvesting and weeding through “Dado” and “Dabo”. “Dado” is working for one another by turn and “Dabo” is a request from the owner of the activity to local community to do his harvest or ploughing within one day. These are traditional way of helping one another and “Dabo” is also used to build a house. For “Dabo”, food and local drinks are prepared by the owner, but not for “Dado”.

There are development agents (DA) who give extension service to the farmers to use different production technologies to increase the output of their activities. There is one DA per PA.

Farmers use different inputs like fertilizers, improved seeds and pesticides to increase their productivity. Agricultural input supply company (AISCO) and Ambasel Trading Company supply fertilizers and pesticides. The improved seeds are supplied by Ethiopian Seed Enterprise. Farmers’ service cooperatives collect the input down payment of 25 to 30% and pay it directly to the input supplier company; they transfer the repayment of the loan to the Government, which has already paid the supplier. The cooperatives receive the inputs and distribute to their members. The members pay 3 birr commission and 6 birr for capital building per quintal of input received to the cooperative.
The repayment rate on time of input credit in the selected PAs in 2003 was, Bote 92%, Homi 90%, Jare 95% and Genji Haro 90% in Abay Chomen district. In Guduru, Bekiltuu Embabo 90%, Walkete Harbuta 85%, Chalafoka 90% and Gudane Kobo 85%.

The service cooperatives also participate in grain purchase to stabilize the market and give dividends to their members. Some of the cooperatives have formed unions to participate in different activities like grain marketing. There is one farmer cooperative union formed by five service cooperatives in Abay Chomen and one in Guduru formed by 6 service cooperatives.

The main problems farmers are facing are high fertilizer price (for 85% of the interviewed farmers), short rainy season (71%), shortage of farm lands (57%), shortage and low quality of improved seeds especially maize seeds (20%). Market problem for their grain was also mentioned several times in Guduru, as well as wildlife attacks. The fact that the farmers have to repay the input supply loan just after the harvest, when the prices are the lowest, is really penalizing them and most of their income goes to the repayment.

4.6.2. Animal rearing

Formerly these two districts were known by animal rearing or animal population due to vast areas of grazing land like Chomen and Embabo fields. Presently, according to the farmers, since Chomen grazing land was closed, the animal population and quality have decreased drastically. But Guduru district is much better in having grazing land, and the animal population of this district is relatively high. The animals in both districts are mostly managed in traditional way, with low productivity and quality. Beside the grazing land shortage there are a number of animal diseases affecting the population and quality of animals like anthrax, black leg, external parasites etc.

According to the study, an household owns, in average, 3 to 4 oxen, 6 cows, 4 to 5 sheeps or goats and 1 equine.

Animal populations of the two districts are depicted on table 4.5.
Table 4.5: Animal population for 2002/2003 – Zone 1

<table>
<thead>
<tr>
<th>Type of Animals</th>
<th>Abay Chomen</th>
<th>Guduru</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cattle</td>
<td>53,886</td>
<td>156,072</td>
</tr>
<tr>
<td>Sheeps</td>
<td>2,515</td>
<td>15,358</td>
</tr>
<tr>
<td>Goats</td>
<td>4,189</td>
<td>13,734</td>
</tr>
<tr>
<td>Equines</td>
<td>3,869</td>
<td>10,776</td>
</tr>
<tr>
<td>Poultry</td>
<td>117,671</td>
<td>48,192</td>
</tr>
</tbody>
</table>

Source: Zonal Finance & Economic Department, East Wellega

4.6.3. Other activities

Bee keeping practices are more common in Guduru than Abay Chomen and the practices are mostly traditional. According to the farmers, modern bee keeping training was given by the agriculture office and few modern beehives have arrived to the area recently.

Around the Fincha lake, some fishermen have started operating, on both sides of the lake, from Abay Chomen and Guduru. However it seems that this is still very minimal. There is no local consumption of fish.

Trade, especially grain trade, is practiced either by some farmers or by local traders, mainly in Guduru. In addition to the 2 district capital towns, another Guduru town, Dedu, is a very active commerce place which is also attracting most of the cash crops of the low lands.

Some women are also engaged in petty trade or processing of local drinks. This is the case mainly for widowed women or women whose household doesn't have any farm land.

There are no major industries in Guduru. We can mention 5 sawmills and 49 grain mills known by the district.
In Abay Chomen, there is the Fincha Sugar Factory (including a broad sugar cane plantation) which is employing up to 5,000 people in high season.

In Fincha town, there is the Power Plant managed by the Ethiopian Electric and Power Corporation; it employs mainly workers from Addis Ababa.

There are also several private grain mills in the district.

4.7. **Household Economic Scheme**

The household size is in average 8 people, with some going up to 16.

As in all Ethiopia, the land doesn’t belong to the farmers (but to the State), but they have the right to use it. They cannot sell or exchange land. This situation is still inherited from the Derg regime and hasn’t yet changed. However, the present policy allows short term leasing, sharecropping and hiring of labour. Now, the land policy mainly depends on the Region administration.

In Oromiya, both the husband and wife are equally holding the use right of the land. Every landless person, or youth (18 and above) who wants to start farming has “theoretically” the right to get access to land free of charge. This is however presently challenged by the growing shortage of farmland in some part of the Region. And, in most PAs visited, there is a fringe (up to 25%) of the inhabitants who don’t have any farm land. They are then working on somebody else land or are renting in some few hectares. The lease can go up to three or fifteen years (in case of mechanised modern farms), depending on the technology used.

Livestock is a common property of the household.

Apart from the traditional farm tools, the households own very little belongings: 3 to 4 oxen in average and 52% of them have a radio.

Only 5% have electricity in their house while 80% have a roof made of iron sheets.

According to the information obtained during the household survey, the household expenses are generally decided by both the husband and the wife. Most of the expenses are covered by selling their grains and small ruminants, like sheeps and goats.
The main expenses are agricultural input supply, purchase of animals, food, medical expenses, clothing, schooling, and ceremonies.

The average household expenses by categories (apart from the expenses related to the economic activities) are shown in the following table:

**Table 4.6: Household expenses (Abay Chomen & Guduru)**

<table>
<thead>
<tr>
<th>Category</th>
<th>Mean</th>
<th>Median</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Annual household expenses</td>
<td>1700</td>
<td>1300</td>
<td></td>
</tr>
<tr>
<td>Household expense per head</td>
<td>221</td>
<td>170</td>
<td></td>
</tr>
<tr>
<td>Food</td>
<td>537</td>
<td>480</td>
<td>31.6%</td>
</tr>
<tr>
<td>Ceremonies</td>
<td>166</td>
<td>40</td>
<td>9.8%</td>
</tr>
<tr>
<td>School</td>
<td>158</td>
<td>80</td>
<td>9.3%</td>
</tr>
<tr>
<td>Housing (incl. rent)</td>
<td>42</td>
<td>0</td>
<td>2.5%</td>
</tr>
<tr>
<td>Equipment</td>
<td>70</td>
<td>0</td>
<td>4.1%</td>
</tr>
<tr>
<td>Health</td>
<td>238</td>
<td>100</td>
<td>14%</td>
</tr>
<tr>
<td>Transportation</td>
<td>52</td>
<td>0</td>
<td>3.1%</td>
</tr>
<tr>
<td>Clothing</td>
<td>205</td>
<td>200</td>
<td>12.1%</td>
</tr>
<tr>
<td>Contributions</td>
<td>5</td>
<td>0</td>
<td>0.3%</td>
</tr>
<tr>
<td>Other</td>
<td>227</td>
<td>0</td>
<td>13.4%</td>
</tr>
</tbody>
</table>

*Source: CIDR/WASASA household survey*

When we compare the household expenses with the various sources of income, we reach the household margin which is shown hereunder:
Table 4.7: Household Margin (annual basis)

<table>
<thead>
<tr>
<th></th>
<th>Mean for Total Zone 1</th>
<th>Median</th>
<th>Minimum</th>
<th>Maximum</th>
<th>Mean for Abay Chomen</th>
<th>Mean for Guduru</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net profit from Crop production</td>
<td>638</td>
<td>571</td>
<td>-1050</td>
<td>2718</td>
<td>439</td>
<td>805</td>
</tr>
<tr>
<td>Net profit from animal raising</td>
<td>715</td>
<td>460</td>
<td>-389</td>
<td>2200</td>
<td>607</td>
<td>891</td>
</tr>
<tr>
<td>Net profit from other sources</td>
<td>1227</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total profit, before household expenses</td>
<td>2580</td>
<td>1673</td>
<td>517</td>
<td>12092</td>
<td>1754</td>
<td>3364</td>
</tr>
<tr>
<td>Household expenses</td>
<td>1700</td>
<td>1272</td>
<td>436</td>
<td>8768</td>
<td>1299</td>
<td>2081</td>
</tr>
<tr>
<td>Net household margin</td>
<td>880</td>
<td>375</td>
<td>81</td>
<td>8952</td>
<td>455</td>
<td>1283</td>
</tr>
</tbody>
</table>

*Source: CIDR/WASASA household survey*

The share of crop production and animal raising in term of sources of financing the household expenses are quite similar (25 and 28% respectively) and inferior to other sources (47%) which mainly include grain trade, petty trading or remittances. However, if we exclude 4 cases of households having high income due to intense trading activities, the share of crop production, animal raising and other sources is respectively of 34, 36 and 30%, reflecting shared diversification of sources.

As seen before, half of crop production is used for consumption.

The average household margin, that may be considered as the available cash that could be saved by the household (the saving capacity) is 880 Birr.

The average is quite different between the two zones (from 455Birr for Abay Chomen to 1,283Birr for Guduru) but when we look at the median (355 for A/C and 370 for Guduru), it shows that it is mainly due to big differences between households in Guduru, with some attaining high level of income.

### 4.8. Development Actors

The only development actors in both districts are district agriculture office and cooperatives office. Agriculture office provides technical assistance, through extension
using development agents. The development agents live within the PAs and advice the farmers in the day-to-day activities. They are the main promoters of new technologies and they are also participating in advising the farmers to repay the input credit on time. Cooperative office participates in development by facilitating input loans for farmers.

There are no Non-Governmental Organisations, neither local nor international, in both districts up to now.

4.9. **Financial services and practices**

4.9.1. **Saving and credit behaviour and the informal financial services**

Even though the survey respondents were often reluctant to tell about their savings, they save. This can be understood from the type of house they build or from their living standard. Also, the majority of the farmers send their children to schools.

In case of availability of extra money, most of them (72% of cases) make “investments”, i.e. mainly purchase animals. 51% also save in cash (mainly at home).

Half of the respondents consider that they never save.

On the contrary, when they face unforeseen expenses, they mostly (85%) sell their properties (i.e. animals) or borrow money (49%).

It seems that the savings (in cash) culture is not so developed in the districts. The animals mostly play the role of the savings in kind. This is however threatened by the common animal diseases.

We have also to note that, according to the District administration, the Government has a policy to encourage PAs members to form groups in order to mobilize savings.

As for the credit experience, 63% of the respondents declared having already sought for a loan. The source was mainly relatives and friends (for 84% of them) and iddir (28%). Money lenders and traders also were cited but in a lower extent (4 and 8%).
We hereunder review the main informal credit and savings schemes that are found in the zone:

“**Iddir**” scheme is very common in both districts, in rural and urban.

The main objective of urban Iddir is to help each other in funerals by giving some money to the member who faced family death, while the rural Iddirs have diversified their activities of helping each other. Rural “Iddirs”, help each other in funerals, by giving money to the member, but also give loans for those members who face health problem to get medical treatment and also for those who loses their oxen either by death or robbery. Those loans are, most of the time, without interest, and for short duration (1 month). Some Iddirs also give loans for productive purpose, with interest which is most of the time 120% yearly (or in some cases goes down to 50% if the duration is one year).

The amount is generally small, starting at 30 Birr. Some iddir mentioned however that they lent up to 1,500 Birr. They always ask for one personal guarantor.

In all cases, the iddir meeting is on monthly basis and the contribution is varying from 0.5 to 1 birr.

The Iddir members also help each other in harvesting, ploughing and house building.

Each and every household is part of at least one iddir. There are several iddirs in each PA, varying from two or three big iddirs up to 20 smaller ones. Those are mainly former big iddirs that have been splitted for convenience.

According to the household survey, the average of years of membership in one iddir, for a household, is 12 years, showing that people remains faithful to their iddir.

There is a social obligation for the people to belong to one iddir.

**Equb**” (ROSCAs) are not really common in the rural areas. Only in few PAs, we encounter some. In those cases, the frequency of meeting is often higher (weekly or bi-weekly) and the contribution may reach up to 10 birr.

**Money lenders** are present in the area, even if the farmers stay quiet about them. If the person has to repay in cash, the annual interest rate is generally 120% and the loan duration can last for very long time.

However, **traders** are also giving loans (mainly, before harvest, during the rainy season) and are repaid in grains, directly after harvest, when the price is the lowest. They lend the
cash equivalent of 1 quintal of grain at the lowest price (e.g. Birr250 for niger seeds) and they are repaid with the grain equivalent of 1 quintal at the highest price (e.g. Birr350).

The most common way to get a loan is through relatives or friends. Most of the time, it is a small amount of money given for emergency or social purpose, without interest.

4.9.2. The formal financial services

Among the formal financial sector there is a commercial Bank (CBE) in Fincha town, which has 1,632 individual clients and 58 farmers’ service cooperatives at the moment. There is no bank in Guduru district. However, Guduru capital town, Kombolcha, is 30 minutes car drive from Fincha.

Concerning MFIs, Oromiya Saving and Credit Share Company (OCSSCO) is operating in both districts.

It has started its operation in Kombolcha (Guduru) in 2000 and now covers 16 PAs under which 44 centres, with a maximum of 3 centres by PA, are organized.

As at June 2004, there were 2,043 clients.

The PAs covered are the more accessible ones from Kombolcha.

The total of loans given in 2003/2004 was 971,875 Birr. For the years 2002/2003 the main purposes of their loans were: fertilizers (405,494 Birr; 605 clients; average loan size of 670 Birr), petty trade (301,329 birr; 322 clients; als = 936), oxen (232,208 Birr; 297 clients; als = 782) and seed purchase (22,977 Birr; 364 clients; als = 63). In Fincha (Abay Chomen), OCSSCO started functioning in January 2004.

According to the branch office information, it has 140 clients in two PAs.

Loan interest rate is 11.5% and saving interest is 4% for individual clients and 3% for organizations.

In both districts the repayment of OCSSCO’s loans is on time or in advance.

Farmers are suggesting that the loan size should be increased and that they should get individual loans.

Even if the MFI is intending to extend its activities in new PAs, their coverage leaves room for other microfinance stakeholders.
To be exhaustive, we can remind that most of the farmers are buying their inputs (fertilizers and seeds) on credit from the cooperatives. We have seen that their repayment rates were satisfactory but that this repayment is handicapping them a lot as they are asked to repay when the price of their grains is at the lowest.

4.9.3. Needs of financial services

As for savings, despite the fact that some PAs’ members were shy to speak about their savings and future savings capacities, we can point out the following:

- There is very limited access to deposit savings in both districts. Only OCSSCO offer a real opportunity in Kombolcha. However, most of the PAs are at several walking hours of the office and the farmers are reluctant to go there regularly. A savings facility at their PAs’ level has always been very welcomed by everybody (98% of the respondents). On the importance of the proximity issue, 72% of the respondents mentioned that they wouldn’t like to walk more than 1 hour to access a savings facility and 93% said that “proximity” is the more important factor that could push them to save more.

At various extents, the farmers have money that they could deposit.

- In each PA, there are some farmers that are also engaged in grain trading, as well as professional traders (few in number, but present). For convenience or for risk sharing, those people may choose to deposit some of their savings in a nearby facility rather than in the bank or in the MFI.

- The “iddir” money is kept in the house of their cashier. The members as well as the cashiers are welcoming the fact that they would be able to deposit this money in a safer place. However, in most cases, this money cannot be kept for a long period in a savings facility.

Other groups like churches or school based groups may also deposit their liquidities.

- Despite the fact that most of the interviewed persons have difficulties to figure out how to answer to this question, 42.5% of the respondents proposed to receive an interest on their savings which is inferior to 6%.
Concerning the demand for credit:

- The actual credit opportunities are limited or expensive. All farmers recognize the need for an easier and steadier access to credit, preferably at their PA level (100% of respondents were interested to have such a facility in their PA). 98% are also in need of a loan, now or in the near future. From those people, they would almost equally like the loan for crop production (33% of the respondents), animal raising (28%) and trade (33%). As a second loan purpose, 50% of them have chosen animal raising.

- Concerning crop production, they would be mainly interested to get loans for:
  - fertilizers: they always have high pressure to repay the fertilizer’s credit just after the harvest, when the grains prices are very low. The credit would either enable them to buy the fertilizers cash at the beginning of the cultivation cycle or to repay the input credit and to sell their grains later on.
  - oxen: some don’t have any or enough oxen to cultivate their plot or would like to extend their farm land, for example in low lands.
  - land: the ones that plan to extend their activities may need to rent in some plots of land.
  - livestock: either for short term animal fattening or for more organized animal rearing.

- The farmers engaged in grain trading as well as the professional traders need loans to increase their activities and henceforth to realize some economies of scale.

- Most of the women, are working in the family farm. However some of them have small businesses like local drinks processing or small shops. Most of the widowed women are engaged in some of those activities and require loans in order to extend their business or to stop purchasing their inputs on credit.

- The iddirs: with a limited capacity they try to deliver loans for social or emergency purpose and, in a smaller extent, for productive activities. They would continue the first kind of loans, which is closer to their initial goals, while handing over the other ones to a credit facility. As they are also engaged in some common economic activities, they would be interested to receive group loans.
4.10. **Striking features of Zone 1**

- The economy is dominated by rain-fed crop production and animal rearing. The family based crop production is diversified (risk-sharing) and each household produces around 4 different crops, some being food crops (which generally insure food security) other being cash crops. Among those, niger seeds is the more common and sesame the more promising. This one shall however be cultivated in low land parts of the zone.

- This agriculture based economy is also generally complemented by some other activities as grain trade, petty trade, bee-keeping, etc.

- It allows the household to generate an annual medium size surplus (880Birr in average) which shows their capacity of savings, knowing that this figure is probably under-estimated.

- The people of one PA have many occasions to meet each other and to work together, either through government based structures or endogenous ones (like iddir). By consequence, they know very well each other and are able to exercise social pressure on each other.

- Apart from the iddir, which is the most common and important form of financial service, they have informal experiences of credit, but mostly for small amounts, non-productive purpose or high interest rates. Their expressed credit needs for productive activities are however very high.

- Due to the lack of facilities, they are really motivated to have a savings and credit scheme at their level. They also have a relatively clear idea on how to run such a scheme.

- In every PA, it is possible to find literate adults, which is important for the implementation of the scheme.

- Also, some PAs haven’t any accessible roads during the rainy season. However with a motorbike, or a mule, all are accessible.

We have also to be cautious about the following elements:
- The farmers feel their agriculture highly dependent on inputs and their income highly dependent on the increase of the input prices. The poorest households only sell their crops to reimburse the input supply loan.

- Since three decades (the two last regimes), most new projects or initiatives are originated from the government, meaning that it needs efforts for the people to understand that this current initiative is non-governmental and that they should try to appropriate it, without being in opposition with government policies.

- The people have faced un-lucky experiences of being asked to put money together (mainly the co-operatives under the previous regime) and are sometimes suspicious before doing it again. This may challenge the savings mobilization, at least at the beginning of the scheme.

- It is important that the official PA leaders (cabinet) are always associated to the discussions concerning the scheme to avoid any feeling of being left aside which could be sensitive in the pre-election period (May 2005).
5. **SUB-ZONE 2: GIDA KIREMU AND LIMU DISTRICTS**

5.1. **Historical Background**

5.1.1. **Gida Kiremu**

Gida Kiremu is located in the northern part of East Wellega zone at about 112 km from the zonal capital town and 443 km from Addis Ababa.

In the beginning of 20th century, the district was known by the name Gida-Ebantu. Later on, Ebantu became an independent district as well as Gida Kiremu, with its administrative center at Ayana. According to elders of the area, the name itself was called “Jidaa’ and still some people are using this name to indicate the name of the clan who started to live in the area.

The district is well known for its livestock population (cattle, sheep and goat) which is also one means of livelihood in addition to crop production.

5.1.2. **Limu**

Limu is also located in the northern part of the zone at about 142 km from the zonal capital town of the zone, and 473 km from Addis Ababa.

The name of the district was taken from a man known as Limu, young brother (qutisu) of Ebantu. During the Ethio-Italian war between 1935 and 1941 a feudal lord named Dhuguma Jaldesso was a local governor or balabat of the area. Later he became a bandit and drove away the "neftegnas" who previously oppressed the local people. After the end of the war, he brought the orthodox religion and constructed the Silase Church and one storied building which later became a resource for tourist attraction together with the Gediben Cave. Similar to the neighbouring district Gida, it is well known for its livestock population.
5.2. **Physical characteristics**

The two districts cover an area of 4,826.8 sq. Km.

5.2.1. **Gida Kiremu**

Gida Kiremu is the 3rd largest district in the zone covering an area of 2,386.50 sq km bordering Amuru and Abe Dongoro districts in the east, Limu and Ebantu in the west, Amhara regional state in the north, Guto Wayu and Sibu Sire in the south. Today this district is administratively sub-divided into 28 Peasant Associations and four towns, including Ayana, the District capital.

The district is characterized by undulating landforms to the north of Dicho ridge and by plains to the south of the district. The district has big rivers that can serve for irrigation and hydroelectric power. To mention few of them, Warabessa, Wajja, Chinina and Warabu can be cited. Similarly, numerous streams like Kersedi, Lebu, Jawaro and some others are serving as a tributary for Abay and Anger river.

As the result of the elevation that ranges from 750 meters asl around Abay valley to 2,287 at the tip of Gendo hill, we can find some mountains such as Dicho ridge (2,287) and Guttin (1,755). In addition to the above mountains, Tulu Lenca (1,660) and Dammi (2,265) are some of the known hills in the district. Most parts of the land have an elevation above 1,300 meters and are characterized by sub tropical climatic conditions with the mean annual temperature ranging between 15 and 20°C and mean annual rainfall of 1,000 to 1,600mm.

The district has two different geographical areas. The eastern, western and central part of the district are midlands (Bada Dare) while the northern and the southern part are low lands (Gamoji) which respectively covers 46% and 54% of the district.

The natural vegetation occupies about 84,382 hectares of land, out of which 61,962 hectares is high forest; 2,250 hectares is shrub and bush land while the remaining 19,869 is covered with savannah grass land. Dystric Nitosoils, Dystric and humic cambisols and Orthic cambisols are among the dominant soil types of the area.
5.2.2. Limu

Limu is the largest district in the zone covering a total area of 2,440.34 km$^2$ bordering Gida Kiremu in the east, Benishangul Gumuz region in the west, Amahara region and Ebantu district in the north and Sasiga district in the south. Today the district is subdivided into 33 peasant associations. Galila is the capital town of the district having one kebele.

The district experiences Highland (Badda) 4%, Midland (Badda dare) 64% and Low land (Gamoji) 32% climates. Abayi, Wajja, Kararu, Kuni, Lugo and Wadessa are some of the rivers in the district that can serve for different economic purposes. All the rivers in the district drain into Abay River.
The district is full of ups and downs with altitudinal ranges from 650 meters asl to 2,320. Tulu Sires (2,180m) and Salen (2,140m) are the two prominent peaks in the district.

Major types of natural vegetation include high forest of 1,093 hectares, natural protected forest of 2,753 hectares, wood land of 183 hectares and man made forest of 163 hectares. Dystric Nitosoils are the soils dominantly found in the district.

5.3. Population

5.3.1. Gida Kiremu

Gidda Kiremu has a total population of 152,693 (Source: District Administration) out of which 74,820 are male and 77,873 are female. Out of the total population, 129,693 live in the rural area while 23,000 are living in the urban areas, which is 87.5% and 12.5% respectively.

Households are 20,709 out of which 2,303 are women headed. The crude Population density of the district is 64 people per square kilometer.
Oromo is the major ethnic group in the district (90%) while few Amahras (8%) and very few Tigrians (2%) are present especially in the low land areas.
In addition to the main town Ayana (9,399 inhabitants), there are two fast growing small towns in the district namely, Kiremu having a population of 6,447 and Gutin 2,366 inhabitants.

In almost all rural areas of the district, the settlement patterns are mostly in the form of small groups of houses consisting of extended families and in few cases the houses are totally scattered.

5.3.2. **Limu**

Limu has a total population of 130,068 (*Source: District Administration*) out of which 71,640 are male and 58,428 are female. Out of the total population 125,922 live in the rural areas while 4,146 are living in the urban areas, which is 96.8% and 3.2% respectively.

Households are 22,634 out of which 3,865 are women headed. The crude Population density of the district is 53 people per square kilometer. Oromo is the major ethnic group in the district (95%) while few Amahras (4.5%) and very few Tigrians (0.5%) are living especially in the low land areas.

In addition to the main town Galila (3,508 inhabitants), there are two small towns in the district namely, Haro and Bariso.

The settlement pattern is the same as in Gida, in that it is mainly in the form of small groups of houses consisting of extended families and in few cases the houses are totally scattered.

5.4. **Infrastructures**

1. With regard to roads and their accessibility, both Gida Kiremu and Limu have no asphalt roads but Gida has 143 Km of graveled all weather roads (mainly the road linking to the Nekempte, the capital of the Zone) while Limu has only about 6 km of all weather road constructed by the community. Even though the distance of all weather roads is short in both districts, most PAs are accessible with motorcycle in all weather conditions.
A road from the junction between Ebantu and Galila is under construction and will provide 24km of all weather road to between Ayana and Galila. It is expected to be completed by April 2006.

2. The source of water for 60% of the people in Gida Kiremu & Limu district is spring while the rest 40% have got their water supply from tap, well, pond, river or rain water.

3. Both Gida and Limu districts have no electric supply but few privately owned generators serving the owners for few hours are found in the main and small towns of Gida Kiremu district.

4. Limu has 45 primary schools with 80.1 and 9.97% enrolment and drop out rates respectively. It has also 2 senior secondary schools while Gida Kiremu has 34 primary schools with 83.34 and 14.84% enrolment and dropout rates respectively. Gida has 3 secondary schools with dropout rate of 3.5%.

5. Both districts have manual telephone service, which is interrupting frequently.

6. Concerning health facilities, Gida Kiremu has 2 health centers, 5 clinics and 3 health posts serving 41%, 42% and 14% of the population respectively. Limu has also 1 health center, 6 clinics and 5 health posts which are serving 54%, 10% and 19% of the people of the district.

Regarding veterinary service, Limu has 4 veterinary clinics and 1 veterinary post while Gida has only 3 veterinary clinics serving 44% of the population of the district.

The major health problems of the two districts are gastritis, malaria, diarrhea and internal parasites while the major animal diseases are black leg, Trypanosomiasis and anthrax.
5.5. **Socio Economic, Cultural and Political Organization**

In Gida Kiremu and Limu districts there are four different religions, namely, Orthodox, Protestant, Islam and a traditional Oromo religion known by the name “Waqefana”. Orthodox and Protestant are the two dominant religions (45 and 40% respectively) of the districts followed by Islam (10%, mainly in towns) and Waqefana (5%).

In addition to the above mentioned religions, in Limu there is one strong religious institution called “Ayana” headed by a spiritual leader of that religion called "Raji Dheressa”. Sometimes, Raji has more influential power on settling issues raised in the district and the surrounding areas than governmental authorities. People from outside the district also come to consult him.

As for the first sub-zone, there is no traditional structure anymore in those areas.

The administrative structures both at district and PA level are more or less uniform in that district and PA leaders solely own the administrative power with the cabinet members.

Similarly, social power like arbitration and mobilizing people for certain activity goes to elders and religious leaders. In general, even though it has its own role in the society, the social power is not as strong as administrative power, since it is not a power vested by government on leaders.

The relation among PA members in both districts is good in that they do have a good culture of helping each other, working together, passing different occasions like wedding and funeral ceremony together. They do have also a good conflict resolution mechanism through elders of the area. When people of the area clash on grazing land, boundary or other problems, before they go to PA leaders, elders are called from both sides to settle the issues and they do it.

The administrative structure is of course similar to the one found in the first study zone:
Under the PA administration, there are the newly introduced structures, Gotes and community development groups.

Gotes are the subdivisions of PA administration, based on geographical grouping, under which 4 to 8 community development groups are organized depending upon the size and the number of members of the PAs.

The whole PA members meet on monthly basis while Gote members have regular bi-weekly meeting to evaluate group activity and performance as well as to take government assignment to be transferred to PA members.

Community development groups carry out different activities like feeder, roads construction and maintenance, spring water development, PA or DA office construction, storage maintenances, school construction, cultural irrigation... They are also responsible for the security of their PAs. Community development groups have regular meetings, every week, usually on Friday.

Gotes role is mainly administrative while group role is basically community development works.

Women and youth associations were also established by government at each PA and yet they are at inception stage.

In addition to the above groups initiated by the government, we also find the two classical endogenous self-help/financial types of groups: iddir and iqub.

"Iddir" which is a strong financial group in the PA can also organize and mobilize the community to help each other under certain circumstances like wedding, funeral, health and other problems that require members help.

Iqub (ROSCA) is established by group will and interest to contribute money on certain interval to be given to members turn by turn.

While Iddir is found in every PA (3 to 5 by PA in average), Iqub is less common. However it is more present in the PAs than in Zone 1.

Both will be reviewed in the Financial services section.
Apart from community development work initiated by the government, there are also informal community works in which the community come together to help each other in the form of “Dabo”, “Dado” and “Maldhibdee”. This last system is similar to Dabo except that it is not requested by the person in need. In the case of his sickness or incapacity to harvest (for example), its neighbours will, by their own will, harvest for him.

There is no significant conflict observed in the surveyed areas, but in few cases individuals may quarrel with their neighbours on minor issues like grazing land etc.

In general, the social cohesion of the area is very strong because the people of the area are relatives either through blood relation or through marriage. They do have also a good culture of living together and help each other under any conditions.

5.6. Economic activities

The main economic activities of Gida Kiremu and Limu districts are crop production and animal raising. Bee keeping, horticulture and trade are also practiced in both districts in smaller extent. During the household survey, 95%, 78% and 33% of the interviewees responded that crop production is their first, animal raising second and commerce is their third activity (almost equal to commerce is also beekeeping) respectively.

5.6.1 Crop Production

With regard to crop production, Teff, Maize and Sorghum from cereals, Niger Seed and Sesame from oil seeds are among the dominant crop types of the area. Despite the fact that the number of hectares ploughed is increasing every year, due to infertility of the land, weeds, termites and unstable weather condition, yields are showing a declining trend. The land size cultivated annually by a family varies from 0.5 hectare to 11.3 hectares. These are the two margins whereas the average lies around 3 hectares for a household (cf. CIDR/WASASA household survey).
The crop production for 2003/2004 is shown hereunder:

**Table 5.1: Crop Production of 2003/2004 - Zone 2**

<table>
<thead>
<tr>
<th>Crop type</th>
<th>Unit</th>
<th>District</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Gida Kiremu</td>
</tr>
<tr>
<td>Cereals</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2. Teff</td>
<td>Qts</td>
<td>65,661</td>
</tr>
<tr>
<td>3. Maize</td>
<td>Qts</td>
<td>106,107</td>
</tr>
<tr>
<td>4. Sorghum</td>
<td>Qts</td>
<td>29,984</td>
</tr>
<tr>
<td>5. Millet</td>
<td>Qts</td>
<td>36,270</td>
</tr>
<tr>
<td>6. Barley</td>
<td>Qts</td>
<td>-</td>
</tr>
<tr>
<td>Oil Seeds</td>
<td></td>
<td></td>
</tr>
<tr>
<td>7. Niger seed</td>
<td>Qts</td>
<td>8,769</td>
</tr>
<tr>
<td>8. Sesame</td>
<td>Qts</td>
<td>2,748</td>
</tr>
<tr>
<td>9. Groundnut</td>
<td>Qts</td>
<td>1,721</td>
</tr>
<tr>
<td>10. Lentils</td>
<td>Qts</td>
<td>-</td>
</tr>
<tr>
<td>Horticulture</td>
<td></td>
<td></td>
</tr>
<tr>
<td>11. Potato</td>
<td>Qts</td>
<td>2,800</td>
</tr>
<tr>
<td>12. Red onion</td>
<td>Qts</td>
<td>1,550</td>
</tr>
<tr>
<td>13. White Onion</td>
<td>Qts</td>
<td>1,550</td>
</tr>
<tr>
<td>Pulses</td>
<td></td>
<td></td>
</tr>
<tr>
<td>14. Horse beans</td>
<td>Qts</td>
<td>379</td>
</tr>
<tr>
<td>15. Field peas</td>
<td>Qts</td>
<td>120</td>
</tr>
<tr>
<td>16. Soya beans</td>
<td>Qts</td>
<td>3,233</td>
</tr>
<tr>
<td>Coffee</td>
<td>Qts</td>
<td>180</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>261,072</td>
</tr>
</tbody>
</table>

*Source: Gida Kiremu and Limu Districts Agriculture Offices*

**Table 5.2: Data on household crop production (Value in Birr) – Zone 2**

<table>
<thead>
<tr>
<th></th>
<th>cost of crop production</th>
<th>sale of crop</th>
<th>Total crop production</th>
<th>profit of crop</th>
<th>Annual cost of fertilizers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mean</td>
<td>847.78</td>
<td>2100.53</td>
<td>3262.43</td>
<td>1212.16</td>
<td>395.82</td>
</tr>
<tr>
<td>Median</td>
<td>616.00</td>
<td>815.00</td>
<td>1855.00</td>
<td>196.50</td>
<td>300.00</td>
</tr>
<tr>
<td>Minimum</td>
<td>110</td>
<td>44</td>
<td>500</td>
<td>-227</td>
<td>0</td>
</tr>
<tr>
<td>Maximum</td>
<td>7248</td>
<td>26675</td>
<td>26875</td>
<td>19427</td>
<td>1238</td>
</tr>
</tbody>
</table>

*Source: CIDR/WASASA household survey*
As observed from the above table the annual average profit from crop production is 1,212 Birr.

Also, the median profit, which is 196.5 Birr, reflects the fact that there were some interviewed farmers from the low land that have much bigger farm and that have very high profit. If we exclude 2 cases with profits higher than 6,000 Birr, the mean is 602 Birr and the median is 174.5 Birr.

The median is much lower than the one from the first sub-zone (571 Birr), reflecting, despite an underestimation problem on the part of several respondents, a much smaller profit for many farmers of this zone.

The households consume, in average, 53% of their total crop production (excluding the 2 cases).

The cropping cycle for the two districts ranges from 10 – 12 months and the main cropping season is April to January.

There are two ways of running the main economic activities in the districts, individually and communally. Most activities are done either individually or with family while others like harvesting and threshing are done together in a group called “dabo” and “dado”. Majority of the respondents have confirmed that they are using wage labourers (55%) both for crop production and to look after livestock.

In addition to learning, students are also helping their family in any agricultural activities before and after school periods.

There are also development agents who are employed by government to transfer agricultural technologies and innovation to the farmers to increase productivity.

In addition to organic fertilizer, farmers are also using inorganic fertilizers like DAP and UREA. The sole supplier of fertilizers in both districts is “AISCO” while Ethiopian Seed Agency is also serving the farmers in supplying selected seeds. In almost all PAs of the district input distribution is done via service cooperatives on credit base. There are 21 and 17 service cooperatives in Gida Kiremu and Limu districts respectively.
With regard to market accessibility, cereals and pulses are mostly sold at their local towns/district capitals while cash crops like sesame and Niger seed have market outlets like zonal capital, Nekempe and Addis Ababa in addition to the local markets at their village and district capitals.

Sesame is an oil crop produced in the lowlands of Gida and Limu districts especially around Angar Gutin, Fiti Bako and Yasoo. It is either managed at household level or by some investors using mechanized technology. The future prospect of this crop is good since its demand is increasing from time to time on the world market. There is a vast plot of land that can serve for sesame production in the lowlands of the two districts.

The problems raised by all farmers of the two surveyed districts are: increasing cost and short supply of input especially fertilizers (58%), fluctuation of weather conditions (55%) and army worms infestation (30%). In a lesser extent, degradation of the natural resources, lack of credit, lack of oxen and lack of storage facility were also mentioned.

5.6.2. Animal rearing

Gida and Limu districts are well known for their animal population. Livestock plays a key role in the life of the society. They are used for farming, meat, milk, transport, manure, hide and skin. As the second largest economic activity of the districts, it is also a means of cash income. Milk is used only for household consumption while butter is sold at local market, district capital or Addis Ababa. These outputs are traditionally processed at household level since there is no milk or butter processing enterprise in both districts. Looking after the cattle is mainly the duty of children.

However, due to a decrease in pasture land, prevalent animal diseases, too traditional way of rearing, and lack of sufficient veterinary services the sector is not satisfactory compared to the number of existing animal population.

According to the study, an household owns, in average, 2 oxen, 6 cows, and 2 sheeps or goats.
Table 5.3: Animal Population – Zone 2

<table>
<thead>
<tr>
<th>Type of Animals</th>
<th>Number of Animals</th>
<th>Gida Kiremu</th>
<th>Limu</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cattle</td>
<td>103,067</td>
<td>112,691</td>
<td></td>
</tr>
<tr>
<td>Sheep</td>
<td>27,203</td>
<td>16,383</td>
<td></td>
</tr>
<tr>
<td>Goats</td>
<td>19,811</td>
<td>8,720</td>
<td></td>
</tr>
<tr>
<td>Equine</td>
<td>4,855</td>
<td>6,484</td>
<td></td>
</tr>
<tr>
<td>Poultry</td>
<td>70,015</td>
<td>141,289</td>
<td></td>
</tr>
</tbody>
</table>

Source: Gida Kiremu and Limu Districts Agriculture Offices

5.6.3. Other activities

Compared to the main economic activities like crop production and animal raising, beekeeping is practiced in both districts in small extent. Even though, it is a means of income for few farmers and their product is also sold up to the central market of Addis Ababa. If the system is modernized, both districts are suitable for beekeeping.

There are also professional traders (grains, butter, livestock, honey,…) but they are mainly met in the small town centres.

At the PA level, some farmers are also trading and some women are engaged in petty trade activities (local drinks, spices, poultry,…).

5.7. Household Economic Scheme

The average household size for both districts is 8, with some going up to 18.

Apart from the traditional farm tools, the households own very little belongings: 2 oxen in average and 60% of them have a radio.

Only 2.5% have electricity in their house while 45% have a roof made of iron sheets.
In term of material properties we henceforth notice a higher poverty than in the first sub-zone.

As the information gathered from the two districts during the household interviews indicates, most household expenses are decided by both the husband and the wife. Expenses like fertilizers or tax are sometimes decided by the husband only while cosmetics, food items and other petty expenses are decided by the wife.

The average household expenses by categories (apart from the expenses related to the economic activities) are shown in the following table. We have to note that for this analysis as well as for the household margin one, we have withdrawn from the sample 4 cases that were too extreme.

<table>
<thead>
<tr>
<th>Table 5.4 : Household expenses – Zone 2</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
</tr>
<tr>
<td>Mean</td>
</tr>
<tr>
<td>Annual household expenses</td>
</tr>
<tr>
<td>Household expense per head</td>
</tr>
<tr>
<td>Food</td>
</tr>
<tr>
<td>Ceremonies</td>
</tr>
<tr>
<td>School</td>
</tr>
<tr>
<td>Housing (incl. rent)</td>
</tr>
<tr>
<td>Equipment</td>
</tr>
<tr>
<td>Health</td>
</tr>
<tr>
<td>Transportation</td>
</tr>
<tr>
<td>Clothing</td>
</tr>
<tr>
<td>Jewels</td>
</tr>
<tr>
<td>Contributions</td>
</tr>
<tr>
<td>Other</td>
</tr>
</tbody>
</table>

Source: CIDR/WASASA household survey

The main expenses, apart from the inputs for the productive activities, are for food, clothing, health and school.

As we compare with the first zone, the average expenses of the household are relatively similar and we don’t find big difference in the repartition of those expenses, except that in the first zone the share for food was a bit higher (32%).
Table 5.5: Household Margin - annual basis – Zone 2

<table>
<thead>
<tr>
<th></th>
<th>Mean for Total Zone2</th>
<th>Median</th>
<th>Minimum</th>
<th>Maximum</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net profit from Crop production</td>
<td>602</td>
<td>175</td>
<td>-227</td>
<td>4475</td>
</tr>
<tr>
<td>Net profit from animal raising</td>
<td>308</td>
<td>300</td>
<td>90</td>
<td>620</td>
</tr>
<tr>
<td>Net profit from other sources</td>
<td>1140</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total profit, before household expenses</td>
<td>2050</td>
<td>1248</td>
<td>320</td>
<td>7491</td>
</tr>
<tr>
<td>Household expenses</td>
<td>1840</td>
<td>1435</td>
<td>510</td>
<td>6077</td>
</tr>
<tr>
<td>Net household margin</td>
<td>210</td>
<td></td>
<td>-655</td>
<td>4089</td>
</tr>
</tbody>
</table>

Source: CIDR/WASASA household survey

The average household margin is 210 Birr. This amount could be an indication of the saving capacity of the household. It is much less than in the previous sub-zone (880Birr). This confirms a relatively poorer economic situation than in Guduru and Abay Chomen. We can however observe than the minimum household margin is negative. It happened also in other cases. This is because the households usually tend to underestimate their income and, in a lesser extent, overestimate their expenses due to cultural reasons and the fear of possible risk of increase in tax payment. This particularly concerns the estimations of their profits from crop production and animal raising, figures that should be taken cautiously.

5.8. Development Actors

The main developments actors of the two districts are agricultural offices, cooperatives and NGOs. Agricultural offices through their experts and development agents are providing technical assistance and promotion of new technologies.

Service cooperatives are also playing a role in agricultural development by supplying inputs and in some cases grain marketing.
Concerning non-government organizations (NGO), even though their number is few, they are involved in health, education and potable water supply sectors of the districts, especially through the Ethiopian Catholic Church who is working in Gida & Limu. The district administration also mentioned that Christopher Blinden Mission (CBM) and Packard Foundation are serving the people of Gida Kiremu in education and health sectors respectively, but don’t have offices in the districts.

5.9. **Financial Services, Current Supply and Needs**

5.9.1. **Saving and credit behaviour and the informal financial services**

The saving and credit situation in both districts is traditional. Modern financial services are at rudimentary stage. That is why the communities in the area stick to their traditional way of saving and taking credit.

In case of extra-income, 85% of the households purchase animals and 53% save in cash at their home.

Only 10% of the respondents consider that they never save.

On the other hand, when there are facing unforeseen expenses the households finance their deficit by selling their properties (68%) mostly livestock such as small ruminants or by borrowing money (53%).

67% of the respondents have already borrowed money, mainly from friends and relatives (85% of them), and in a lesser extent from money lenders (26%) and traders (30%).

“Iddir” and “Iqub” are the two structured informal financial services of the districts. The former is serving both the urban and rural areas while the latter is not so common in rural areas. The objective of urban Iddir is mainly helping each other during funeral ceremony while rural Iddir goes beyond funeral ceremony like giving money to members who faced family death, giving loans for those members who face health problem free of interest, constructing a member’s house, facing fire danger and helping members under any conditions like wedding and other ceremonies.

Some Iddirs are also giving loans with interest for those who want to trade with it.
Money lenders and traders are more common than in the first zone (or the respondents were more frank to speak about them) and have the same characteristics than already explained in the previous chapter.

5.9.2. **The formal financial services**

The only formal financial intermediary is the Commercial Bank of Ethiopia (CBE) in Ayana town of Gida Kiremu while there is nothing in Limu district. The CBE is serving people of the three district including Gida Kiremu, Limu and Ebantu.

Concerning Micro Financing Institutions (MFIs) the term itself is new for almost all inhabitants of the two districts. So far, there is no formal MFI operating neither in Gida nor in Limu district.

5.9.3. **Needs of financial services**

From the discussions conducted with PA, groups and households the need for financial services is high.

88% of respondents during the survey responded that they need loan now or in the future. Among them, 46%, 34% and 17% need it respectively for animal raising (fattening), crop production (mainly purchase of inputs) and trade. As a second choice (loan purpose), 33%, 25% and 17% of the interviewed persons need it for animal raising, trade and crop production respectively. Some respondents are also mentioning small scale irrigation as an area for which they would require loan.

Concerning savings, 70% of the respondents are willing to save more if they have a facility in their vicinity. The reliability of the facility is also an important factor for 48% of them. Concerning the interest rate that they would agree to save with, only 25% of the people proposed 6% or less (which seems reasonable interest). This is probably due to the lack of experience regarding savings and interest.

Generally speaking, almost all villagers of the surveyed areas agreed on the necessity of establishing community managed schemes of saving and credit in their PA.
98% of the interviewees also responded that they would work voluntarily for the facility if it were to be established in their proximity even if most of them don’t have a clear idea of what they could do for the facility. This might be due to a lack of exposure and awareness on the structure and working of financial systems.

5.10. **Striking features of Zone 2**

- The family economy is quite similar than the one in Zone 1, dominated by diversified rain-fed crop production and animal rearing. However, concerning the cash crops, niger seeds is newer in this zone and less developed. But sesame is more produced, in some bigger farms (investors) but also at household level, in the low lands. The food security is locally assured, and the only food aid was for some displaced people.
- This agriculture based economy is also generally complemented by some other activities as grain trade, petty trade, bee-keeping, etc.
- The household annual generated surplus (210Birr in average) is really smaller than in the first zone. But we have to remind than this figure reflects an under-estimation as for some of the respondents the margin was negative, which is theoretically not possible. Any way, this surplus combined with a lower level of physical assets allows us to consider this zone as poorer than the first one. However, the recent development of niger seeds and sesame shows new potentialities in the area.
- Communications (roads, telephone) and electricity infrastructures are less developed than in the first zone.
- The social cohesion seems a bit higher than in the first zone, probably due to the bigger remoteness of the area. The people have very good social control among them.
- In addition to the iddirs, we also find more rural equbs than in Guduru and Abay Chomen. However there is no presence of any MFI.
- Their experience of credit is then exclusively from the informal sector. Their expressed credit needs for productive activities are however very high.
- Due to the lack of facilities, they are also really motivated to have a savings and credit scheme at their level.

- Despite a lower current economic situation, the zone has still economic potentialities with the cash crops. This element combined to the strong social cohesion allows future deeper investigation to validate it as a terrain for developing a participative credit and savings scheme. Wasasa will start in the first zone, but keep in mind this zone for further developments.
6. **CONCLUSION ON THE FEASIBILITY OF A NETWORK OF RURAL CREDIT AND SAVINGS FACILITIES**

The study was targeting two different sub-zones of East Wellega.
Due to the pilot aspect of the project in Ethiopia, it will start with one network first.
After the first part of the study, the Zone 1 (Abay Chomen and Guduru districts) has been chosen to carry on the in depth study.
Zone 2 will need further investigation if there is intention to develop a second network over there later on.

Even if the study of Zone 1 has been led on two districts, the intention is also to add a third district, Jimma Rare, which has most of the same characteristics as the two other ones.
The all zone would then cover 3,678.2 sq.km with a total population of 260,513 out of which 218,709 are living in rural areas (by summing up PAs population found in Annexes 6, 7 and 8).
There is a total of 78 PAs.

6.1. **Social Feasibility**

The PAs studied have shown a good level of social cohesion. Despite the absence of traditional structure, the PAs have the capacity to enforce pressure and common decisions among their members. The official PA leaders have the administrative power, but the elders are also playing roles, as well as the leaders of informal groups like iddirs.
They are also used to implement community works together.
To get a maximum of community involvement, it is important to enhance the participation of all fringes of the PA stakeholders, the PA cabinet (mainly youngsters), the elders and the women.
Every PA has sufficient literate adults to be able to identify some for filling the technical staff positions.
All have shown high interest in having their own savings and credit facility and have had high input in the design of the scheme.
6.2. Economic Feasibility

The economy of the two districts is totally dominated by agriculture. Every rural household is leading crop production which is taking the biggest part of their time, and is also conducting some animal raising activity. The crop production is diversified, most of households cultivating around 4 different crops, some of them being mainly food crops (teff), others with mixed purpose (maize, wheat, barley) and others being mainly cash crops (niger seeds, sesame). They are highly dependent on input supplies. Some very poor households can hardly generate a profit margin from crops, but the other ones have reasonable income from it which is added to the income from animals.

In addition, some farmers are engaged in grain trading and some of the women have petty trade activities.

In each PAs, there are also some few professional traders.

Everyone is used, for a long time, with monetary schemes as everyone (at least every household) is a member of at least one iddir and sometimes one equb.

The average farmer has savings capacity, even if it is quite difficult to estimate it precisely. Despite the habit of saving in kind and a relative misinformation concerning savings (some are amalgamating it with bad experiences of putting money into cooperatives under the Derg regime), most of them are welcoming a savings facility at their PA’s level. The iddirs and other groups will also be interested to deposit their cash.

The traders have liquidities but they are turning them a lot and may not need to deposit cash for long periods.

In a rough estimation, made through discussions with PA leaders, elders and other community stakeholders there is an average of 362,000 birr savings potential in each of the five selected PAs.

Concerning credit, there are big expressed needs. The existing sources of credit (traders, moneylenders, iddirs, relatives or OCSSCO) are limited and/or very expensive. Some PAs were much more emphasizing their credit needs than the need for savings deposits.
None of the selected PAs has bad records in terms of input credit repayment or has a bad reputation in term of credit worthiness.

They proposed different kinds of loans ranging from petty trade loans to investment loans.

Depending on the initial savings mobilization, it is likely that the first disbursements will be of small amounts and that it will need the injection of Wasasa funds to cover the investment loans.

They are all much more interested in individual loans and this will be rendered possible by the social pressure and the use of a guarantor.

6.3. **Methodological and Technical Feasibility**

The developed methodology is a result of the merger of three components: the information collected during the field study, the proposed strategy elaborated by the PA members and the experience acquired by CIDR on such rural schemes.

Most of the common elements of the methodology have been validated by the selected PAs.

We can hereby summarize the technical aspects of the methodology that have been commonly approved for the establishment of a Rural Savings and Credit Facility (RSCF):

- **Functioning and organisation**

  - **The Building:**
    The RCSF will be constructed at the central place of each PA with hard materials. The PA will provide land, local available materials and unqualified manpower.

  - **Membership:**
    Membership is open to any PA’s members as well as PA’s groups or organisations. For the members, the membership will be at household level.
    The membership fees are:
    - 10 birr for individual;
    - 20 or 30 birr for groups and Iddirs;
    - If Cooperatives are interested, their fees will be higher
No facility should be constructed unless there is a written commitment of membership of at least 150 people (with perhaps an advance of membership fees).

- The Committee:
  - It is in charge of the loan decision, follow-up and recovery, of the promotion and of the supervision of the activities.
  - Its members (5) are elected by the community. They should come from the different areas of the PA and include at least one woman.
  - Its members work on voluntary basis.

- The Technical staff:
  - They come from the PA.
  - They will be 2 cashiers/accountants, 1 controller (a former good cashier).
  - They will be proposed by the PA, tested upon their capacities and finally approved by Wasasa.
  - They will be trained by Wasasa.
  - They should be paid, from the RSCF income, an allowance on working days only.
  - The PAs also generally prefer to have two permanent guards for the facility that will also be remunerated.

- Opening days of the facility:
  - At least one day per week (probably on market day),
  - But at peak season, it could be much more frequent.

- The facility will start through local savings mobilization during the first 6 to 9 months.
  Loans will be granted from those savings.

  - **Loan Products**

Different kinds of loan are proposed. The amounts have to be confirmed with each PA.
- Family farming loan: basic loan for fertilizers: 300 to 600 birr on 4 to 6 months with 2 to 3 months Grace Period.
- Business/Trade loan: 600 to 5,000 birr on 6 to 9 months, monthly instalments.
- Investment loan: 1,000 to 5,000 birr on 9 months, Term loan.
- Iddir loan: To be confirmed.
- Petty trade loan: 100 to 500 birr on 4 to 6 months, biweekly or monthly instalments.

Interest rates may vary from 18 to 24%, depending on products, which seem well accepted by the communities.

The lender shall find a personal guarantor.

- **Savings Products**

Two types are proposed:
- Time deposit: 6, 9, 12 months. It would be realistic to have interest varying between 5 to 6% depending on the duration, but most of the PAs mentioned something between 10 to 12%.
- Savings account: Interest should be of 4% minimum.

6.4. **Institutional Feasibility**

Due to the pilot aspect of the project, it was premature to discuss about the structuring of the facilities into an institutionalized network or federation.

Wasasa will be providing to the RSCFs technical support and follow-up as well as funds for refinancing. It will be the promoter of the extension of the project to other PAs.

At the beginning, the RSCFs will not be officially registered.

Once the project is really well established and the RSCFs have proven to be an excellent way to bring financial services to remote rural areas, discussions will be held with the National Bank to see the possibility to extend the law and regulations to incorporate the RSCFs.
Both the National Bank and AEMFI (the Association of Ethiopian Microfinance Institution) are quite open to introduce new methodologies.

6.5. **Size of the future network**

There are 78 PAs in the sub-zone.

After the pilot phase with the first 5 PAs, the selection criteria for new eligible PAs might be refined and probably smoothened.

There are 38 PAs with more than 3,000 people (or almost 3,000). However, in Abay Chomen and Jimma Rare very few PAs have been merged together, explaining the lowest number of their inhabitants by PA. But many of those are very close to each other and have very strong ties together, sharing for example the same market.

Assuming that half of the 40 remaining PAs could be merged for the RSCF purpose, there are additional 10 potential locations for RSCF, summing it up to 48.

Assuming that 40% of those PAs will fulfil the criteria of eligibility (good social cohesion, existence of a centre and of economic potential (on main road or with potential low land)), the total size of the network will reach around 19 RSCFs.