

Report on the Status of
Micro Enterprise Development
Activities in Amhara, Ethiopia
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Abbreviations

ACSI	Amhara Credit and Savings Institution Share Company
ANRS	Amhara National Regional State
BOE	Bureau of Education
BOLAS	Bureau of Labor and Social Affairs
BOTI	Bureau of Trade and Industry
CBE	Commercial Bank of Ethiopia
CEFE	Competency based Economies through Formation of Enterprises
CIDA	Canadian International Development Agency
CoC	Chamber of Commerce
CPAR	Canadian Physicians for Action and Relief
CSTC	Community Skills Training Center – of the Bureau of Education
DBE	Development Bank of Ethiopia
DECSI	Dedebit Credit and Savings Institution
DELTA	Development Education Leadership Team in Action
FEMSEDA	Federal Micro and Small Enterprise Development Agency
FSCU	Amhara Regional Food Security Coordination Unit
GFDRE	Government of the Federal Democratic Republic of Ethiopia
IS	Informal Sector (synonymous with MSE sector)
MDLD	Market Demand Led Development
MED	Micro enterprise Development
MEDaC	Ministry of Economic Development and Cooperation
MFI	Micro Finance Institution



MIS	Management Information System
MSE	Micro and Small Enterprise
NBE	National Bank of Ethiopia
NGO	Non-Governmental Organization
REMSEDA	Regional Micro and Small Enterprise Development Agency
RTPC	Rural Technology Promotion Center
SC	Share Company
SOAG	Strategic Object Agreement
USAID	United States Agency for International Development



Executive Summary

This report summarizes the USAID activities and results related to the Micro Enterprise Development (MED) strategies during the period, February 13 - March 3, 2001. The Amhara Workshop on Micro Enterprise Development in Ethiopia was held February 15-17, 2001. Participants included stakeholders from government, microfinance institutions, non-governmental organizations (NGOs), and the private sector. The workshop results are summarized in the workshop report that is attached in the annex. In brief, the participants jointly developed action plans for the further development both financial and non-financial services for micro enterprise in Amhara and Ethiopia, in general. That workshop was followed up with meetings with 17 institutions, mostly participants in the workshop, but also some key non-participant ones. The purpose of the visits was to follow-up on the workshop and elicit further clarification of action plans for micro enterprise development in Amhara and to promote some of the concepts discussed in the workshop.

Weidemann Associates, Inc. was hired under the MicroServe IQC to provide technical input to the workshop, prepare the workshop report, and follow up with participants and other institutions to develop action plans for USAID involvement in MED in Amhara. James Hochschwender, Weidemann Associates consultant, worked together with Kurt Rockeman, Chief, Agriculture and Natural Resources Office, and Fitsum Gebrewold, MED Specialist, USAID/Ethiopia. The action plan is a step in the process of the Strategic Objective Agreement (SOAG) signed between USAID/Ethiopia and the Government of the Federal Democratic Republic of Ethiopia (GFDRE) in support of the National Food Security Program. The Strategic Objective as articulated in the SOAG is “Rural Household Production and Productivity Increased (RHPP).”

The report contains a brief summary of the activities completed during the consultant's visit. It then proposes potential micro enterprise development activities that USAID/Ethiopia could implement as part of its Amhara food security activities. These options are consistent with the stakeholders' views expressed in the workshop and follow-up meetings. The report concludes with a very brief assessment of the readiness in the Amhara environment for MED activities and some recommended next steps related to the listed options.¹

¹The consultant also conducted a field assessment of WISDOM microfinance institution for the Global Bureau/Office of Microenterprise Development as part of their Implementation Grant Program. As the assessment was not part of this task order, Weidemann Associates is submitting a separate report to USAID that will be copied to USAID/Ethiopia.



I. Activities Implemented and Results

The Amhara Workshop on Micro Enterprise Development was held in Ethiopia from February 15-17, 2001. Participants included stakeholders from government, microfinance institutions, NGOs, and the private sector. The workshop results are summarized in the workshop report that is attached in the annex. In brief, the participants were introduced to global micro enterprise development (MED) best practice and the concept and process of market demand led development (MDLD). They identified related issues and jointly developed action plans for the further development of both financial and non-financial services for micro enterprise in Amhara and Ethiopia, in general. After the workshop, the team met with 17 institutions. Most had been participants in the workshop, but some key non-participants were also visited.

In the visits, the team answered questions about MED and MDLD and elicited further clarification of action plans for MED activities in Amhara. In many instances, the visits helped the institutions clarify what could be involved in the overall micro enterprise development strategy. Several institutions shared decisions to shift strategies or improve practices to improve MED results that had been made as a result of their participation in the workshop. A common observation of workshop participants was an increased awareness of the importance of the markets for micro enterprise products in planning services and that increasing access to viable markets is key to long-term food security. A line bureau² stated that they could not be part of the MED process because of the minimum entrance requirements for their training. On the whole the meetings generated more ideas for and interest in MED activities and enthusiasm for the process that USAID/Ethiopia is implementing together with the Amhara National Regional State (ANRS) Food Security Coordinating Office.

II. Potential USAID/Ethiopia Activities

The following is a brief discussion of micro enterprise development activities for USAID/Ethiopia to consider as part its Strategic Objective Agreement with the GFDRE in support of the National Food Security Program, Intermediate Result RHPP. This is an illustrative list and should serve as the basis for USAID's participation in the upcoming planning workshop in Bahir Dar, March 29-31, 2001, which will integrate the findings from the agriculture research and extension and technology dissemination together with the MED. More integrated action plans related to the existing SOAG will come out of that workshop.

A. Microfinance

1. Training

Existing microfinance institutions in Amhara and elsewhere in Ethiopia are in urgent need of staff training at all levels of their organizations. The discussion in the MED workshop revealed that, at the moment, microfinance institutions (MFIs) in Ethiopia are conducting staff training activities on an ad hoc basis. There is not a fixed training program, a standardized

² Bureau of Labor and Social Affairs of Amhara



curriculum and materials, or a cadre of trainers experienced in microfinance available in any of the training institutions in the country. The following activities are needed if they are to get the training they need and build an institutionalized training capacity in Ethiopia.

a. Curriculum and Module Development

USAID is a world leader in curriculum development for microfinance specialists. USAID programs in Uganda, Jordan, Bolivia and Peru, to name a few, have developed such curriculum and modules. USAID/Mali is in the process of doing the same. In Ethiopia, at present, there are no training modules developed by the training institutions and few even by MFIs.

Therefore, USAID/Ethiopia can take this opportunity to help the development of a standard curriculum and training modules that could be used by all MFIs or adopted by interested institutions as needed. Ethiopian MFIs would participate in the development of the modules and the curriculum together with the technical assistance of one or more international experts. MFIs in the Amhara region can test the training prior to MFIs in other regions.

b. Training of Trainers

The lack of internal training capacity is one of the most common weaknesses of Ethiopian MFIs. It was observed that the training level of MFI staff is quite low and there is a wide training gap between what is needed and what is available. Because of the rapid expansion of MFIs, it is not possible to train all staff members at once. Also, there is continuous need to update and/or upgrade MFI staff skills through in-service training. This requires training of master trainers in different aspects of microfinance, from Board to field staff level training as well as for NBE supervisors.

USAID could build training capacity by providing training of trainers. USAID/Ethiopia could contract consultants who are experienced in training master trainers. Once such trainers are available, MFIs will benefit from continuous training without depending on external resources.

c. Institutionalization of training functions

At the moment, there is no single institution that conducts any form of training in microfinance. The traditional training institutions have neither practical field experience nor knowledgeable experts in the subject. The curriculums that these institutions use lack the essential courses related to microfinance. Thus, developing a curriculum or a module alone is a necessary but not sufficient for establishing microfinance training capacity in Ethiopia. Though the larger MFIs might eventually have their own internal formal training capacity, the rapid growth in microfinance services in Ethiopia will require external staff training for some time to come. Institutionalizing training programs is an essential component in the effort of strengthening the microfinance industry throughout Ethiopia.



Several federal and regional institutions are interested in providing microfinance training. Mekele University has expressed interest and readiness to start a diploma and certificate course and has allocated some financial and human resources to developing such a curriculum and training. It is soliciting financial and technical assistance for a full-fledged faculty. Alternatively, the recently started diploma courses in accounting and secretarial science at Bahir Dar University could be expanded to include a diploma in microfinance.

USAID/Ethiopia could begin assistance in institutionalizing microfinance training by linking the local training institutions with international institutions to share experiences. It could provide assistance in the form of technical material and financial resources. USAID could be involved in assessing the possibility of establishing a self-sustaining microfinance training organization and possibly provide technical assistance to the establishment of that training service.

2. Organizational/Operational Efficiency

Ethiopian MFIs need to build capacity in several organizational areas if they are to achieve the organizational stability and operational efficiency needed to survive. USAID/Ethiopia is already participating in some of these either directly or indirectly. However, there is room for further work in all these areas. Specific activities could include:

a. Effective Management Information Systems (MIS)

Per the agreement made between USAID/Ethiopia and Amhara state, strengthening MFIs in the region will help address the problem of food security. More efficient management information systems could improve MFI performance. Both manual and computerized MIS systems are needed.

Amhara Credit and Savings Institution Share Company (ACSI), the largest MFI in the region, is currently receiving USAID technical and material assistance to pilot computerizing their MIS. The first stage will link headquarters with selected branches. ACSI and USAID need to prove the effectiveness of the system before attempting to extend it to the remaining branches and sub-branches. If this proves to be successful, the process will continue to all branches and sub-branches.

WISDOM MFI has been developing an integrated computerized MIS system over the last three years. It is currently implementing its MIS at the branch level.

USAID can assist other MFIs to learn from these efforts and could possibly provide financial resources to help the MFIs launch their own systems as is appropriate to their work.



b. Industry Code of Conduct, Performance Measures and Standards

The Ethiopian microfinance industry is still in its infancy and is quite fragile. Since it is young, it is operating under a relaxed regulatory and supervisory environment. Currently, the only requirements for operation are registration and possession of work certificate as a share company/business organization with legal status. Though the NBE has developed regulations, it is not enforcing them. Only few MFIs are trying to adopt microfinance best practices and adhere to some of those standards. At the same time, the industry is rapidly approaching the point at which MFIs will start competing with each other.

To limit the fallout while strengthening the industry as a whole, USAID/Ethiopia could assist in the establishment of an Ethiopia appropriate code of conduct and performance measures and standards. If MFIs are to operate profitably while keeping the quality of products and services high, standards that govern their activities need to be developed.

USAID/Ethiopia could contribute by providing experienced experts to work in collaboration with AEMFI, the National Bank of Ethiopia (NBE), MOJ and the MFIs on developing an industry code of conduct, performance measures, and commonly accepted standards.

c. Internal controls/audits and external audits

MFIs in Ethiopia are conducting their activities with a high amount of trust of their staff. So far there are only few MFIs who depend on internal auditors to monitor day-to-day financial activities. Up until now, little is known about potential fraud or theft within each MFI. As MFIs and USAID have learned the hard way in other countries, there is a real danger of fraud or theft happening. On top of other financial measures, internal controls enable management to see more clearly the MFI performance.

This is an area where USAID's experience in other countries could be drawn on to enhance MFI operations.

In addition, relying on internal audits alone is not sufficient in MFI activities. There are potential dangers that internal auditors can overlook due to the routine nature and volume of transactions. Also, accounting systems can be misused or applied inconsistently. Thus, an annual review by an independent/external auditor is essential to confirm whether the MFI is functioning properly and the internal auditing is up to acceptable standards. MFIs are required by the NBE to submit annual external audits. Since most MFIs have not had external audits, they need to learn about how to take full advantage of them.

This is another area where USAID/Ethiopia could provide further assistance. Recently, the Dedebit Credit and Savings Institution (DECSI) had performance and resource audits conducted by an external audit firm. Learning results have not been yet communicated to other MFIs. ACSI is requesting USAID to provide financial resources to contract an external audit firm to audit its resources and performance. This could be an opportunity



both for USAID and ACSI to see the financial and operational status of that MFI before putting more resources at potential risk.

d. Improved Governance of MFIs

Many MFIs have indicated the need to strengthen their governance. Private and micro finance is relatively new in Ethiopia. MFI boards need to enhance their expertise in public relations, public education, markets and marketing, business planning, and financial intermediation. Neither the board members, nor the different levels of management have adequate breadth and depth of experience to meet the demands of the changing environment in microfinance. Most MFIs services and functions are based on previous experiences or training. Thus, they have limited capacity to lead the management and technical staff of the MFIs and the public at large. This also limits the market and marketing capacity of MFIs.

USAID could provide support to the selection of additional or new directors and in deepening the knowledge base of existing board members through training and exchange visits. This same need exists at the management level and similar capacity building services could be provided to individual MFIs or to MFIs in groups. Any assistance should be based on a detailed needs study of the MFI industry.

3. Access to Specialized Professional Advice

With its relatively young microfinance industry, Ethiopia has few microfinance specialists compared to other countries with a more mature industry. Individual MFIs go through different crises as they develop. Therefore, access to external technical/professional assistance can be quite valuable. Some MFIs that have international NGO partners have better access to specialist advice. If the microfinance industry is to grow smoothly, with healthy competition expected, technical assistance will need to be given fairly if not equally to all MFIs. The cost of accessing specialist advice is high by Ethiopian country standards.

USAID could provide an alternative by accessing a team of specialists or having one or more individuals in country serve as advisors to one or more MFIs. To upgrade local consultant skills, any such external assistance could work together with Ethiopian counterparts. In addition, local consultants could participate in exposure visits and internationally recognized microfinance training courses such as in Boulder, Colorado; New Hampshire; and Frankfurt, Germany. USAID could assist the procurement of such specialized advisors per the requirement of the MFIs with the GFDRE's consent.

4. Improved NBE Supervision short-term interventions after October 2001

As mentioned above, the MFI industry in Ethiopia is operating under a limited regulatory and supervisory environment. After MFI operations are registered, there is limited or no supervision by NBE to see whether MFIs are adhering to regulations, what problems each is experiencing and their causes, and what improvements are necessary for the development of the industry. The NBE is constrained by lack of staff trained in microfinance. Therefore, improving



the NBE's capacity is an essential part of the effort of strengthening the local microfinance industry. The NBE has recognized the problem and is reorganizing its Supervision Department into two separate divisions; one will focus on MFIs and the other on commercial banks and insurance companies, effective October 2001. USAID, in collaboration with other donors, could use its experience in other countries to strengthen the newly established division so that it can render appropriate support to the MFI industry. This could take the form of technical assistance, training, and/or exchange visit support.

5. Access to Funding – Particularly For Smaller MFIs

Due to the huge demand for financial services in rural Ethiopia, the microfinance industry is expanding very fast. However, many small MFIs established as for-profit companies have limited equity funding. As a result, their outreach capacity is limited. If they are required to serve the rural poor in a competitive manner, access to equity funding is essential. There are limited funding sources in Ethiopia. Accessing funds from commercial banks is not appropriate at this stage as most MFIS are not profitable and cannot repay loans without decapitalizing their loan portfolios.

USAID might consider assisting the industry to access long-term external funds at concessional rates from multilateral banks, but only with stringent performance requirements. The Mission could also support efforts of promising MFIs to access equity and other investment funds from USAID/Global Bureau/Microenterprise Development Office through the Implementation Grant and PRIME Fund programs.

6. Donor Coordination

Recent decentralization policies in the financial sector and the fast growth of the microfinance industry in Ethiopia have attracted the attention of several multilateral and bilateral donors, international financial organizations, and NGOs involved in poverty alleviation. Some of them intend to work on policy issues, others on organizational alternatives, still others on outreach and efficiency matters. As is not uncommon, there are duplicate efforts and resources.

USAID is the leading authority on microfinance as a result of its annual allocation of over \$150 million to the field and the effective efforts of the Global Bureau/Office of Microenterprise Development in disseminating lessons learned through the Microenterprise Results Reporting, the Microenterprise Best Practices, and MicroServe contracts.

Duplication of development efforts is largely caused by lack of coordination. Food security units are established to coordinate donor resources. However, due to limited experience and resources, effectiveness and efficiency are quite limited. Moreover, some line bureaus have not recognized the coordination function of the regional food security office. USAID may want to draw on the successful examples of donor coordination in microfinance in other African countries and elsewhere and include in its activities a donor coordination function.

B. Business Development Services



Business development services (BDS) in Ethiopia are much less developed than microfinance is at present. And yet they are needed for viable micro enterprise development as much as microfinance is. The following subsections give some of the options for activities that USAID/Ethiopia could support.

1. Market Access and Market Development

The BDS concept of for micro and small enterprises (MSEs) is new to Ethiopia. Most of the non-formal and semi-formal training, market access, and other BDS services provided by different bureaus (Bureau of Education (BOE), Bureau of Labor and Social Affairs (BOLSA), Ministry of Agriculture (MOA), etc.) and NGOs (ADA, ORDA, etc.) have been based on what institutions perceived to be the needs to be rather than on the market for MSE products. Hence, they were supply-driven rather than demand-driven. On top of this, services were provided for free and only a few of the participants experienced lasting economic improvement.

USAID could pilot a market demand led development (MDLD) process that would help to reduce wastage of resources, while boosting the market for products and services of micro and small enterprises in the food insecure *woredas*. The MDLD concept is applicable at all levels for all sectors of the country's economy. USAID could bring in product developers who know the market demand of MSE products and who can provide advice on the necessary quality and form of those products. USAID could also support the development of the business chain, by facilitating the linkage of producers with viable markets. One or more areas could be piloted to test if this approach can be effective in the Ethiopian environment.

2. Technical and Business Skills Training

The various forms of training currently provided to micro entrepreneurs in Ethiopia are simply based on the apparent demand in local markets and have limited or no relationship with the market for those skills. This is true both in the technical and business skills training. The following are some of the possible activities that USAID/Ethiopia could get involved in as part of its micro enterprise development in support of food security activities in Amhara.

a. Curricula and module development

Similar to the MFI training, USAID could support the development of curricula and training modules of existing technical and BDS training centers at different levels. A general framework for module or curriculum development that is flexible to the demand of the market and type of training could be designed at zonal and regional levels as viable markets for MSE products are identified. Subsequent MED in communities serving external markets would follow more traditional patterns as local markets expand enough to be served by enterprising micro entrepreneurs. USAID could assist technical and business skills training institutions to adopt and adjust their specific training materials as called for by local and external markets.

b. Training of Trainers



Visits to training providers revealed that most trainers have minimal training expertise. Moreover, trainers are not oriented to providing market-driven training. To continue training people in the same fashion would be wasteful.

USAID could support trainers getting updated knowledge so they can better respond to what is required in the market. This could involve formal and non-formal training of master trainers. It could also involve exposure visits and study tours for trainers who would then incorporate such lessons as sustainable training systems and ongoing, rapid materials development in training of trainers. It could also involve the establishment of self-sustaining continuous training of trainers systems. Once a cadre of master trainers achieve competency, the MSE sector would benefit from continuous technical and BDS training development, thus reducing the dependency on external trainers and advisors.

c. Exposure/exchange visits

A key characteristic of successful MED is the selection and adoption of best or better practices, which are only now being identified in BDS. Government bodies, donors, and implementers benefit from such exposure through the exchange of ideas and practices. “Seeing leads to believing” particularly when it comes to cost-effective and self-sustaining BDS services. For years donors and practitioners have thought it could not be done at the micro enterprise level. But some creative institutions are beginning to emerge that are self-sustaining.

USAID could provide the opportunity to BDS practitioners, management, boards and government line bureaus to travel to other countries to see what is possible. Participants could then be supported in modifying current models of training in Ethiopia to better fit their purpose of creating viable alternative economic opportunities to micro entrepreneurs in food insecure areas of Amhara and elsewhere in Ethiopia.

d. Institutionalization of training functions

As discussed above, at the moment there are some governmental and non-governmental training institutions that provide some form of technical and business skills training. However, these traditional training institutions tend to use a top-down approach with little market orientation. Institutionalizing technical and business skills training programs in relevant organizations is an essential component in strengthening the MED sector. The Federal Micro and Small Enterprise Development Agency (FEMSEDA) is the only federal agency currently responsible for supporting the MED sector. At the regional level, the newly established Regional Micro and Small Enterprise Development Agency (REMSIDA) will be responsible to coordinate the institutionalization of the various forms of BDS training's being provided by different bureaus and organizations. Alternatively, the new diploma courses in accounting and secretarial science at Bahir Dar University could be expanded to include other essential courses for micro enterprise.



USAID could provide technical, planning, material and financial or other support for institutionalizing training. Linking training institutions with other international training institutions to share experiences is another way to assist.

3. Popularizing Appropriate Technologies

The MED sector in Ethiopia is constrained by poor generation and adaptation of appropriate technologies that are relevant to the sector and ineffective dissemination of existing technologies. The functions of the Rural Technology Promotion Centers (RTPCs) have been reduced to agricultural implement, production, and adaptation. Moreover, the adapted technologies lack popularization and are kept in stores, never reaching intended clients.

In the short run, USAID could support the importation, testing and popularization of existing technologies. The RTPCs and the MOA extension service can help by conducting promotional activities in rural areas. Through the agricultural extension service component, USAID could assist in improving the popularization of productivity and labor saving technologies.

4. Infrastructure improvements

The expansion of off-farm and non-farm micro enterprises is a function of market and marketing. There is little access to markets and other infrastructure (roads, electricity, water, telephone, etc.) needed for rapid business development in Ethiopia. In the absence of this infrastructure, business success rates will be low. This calls for the integration of activities with other sectors.

The resources provided to NGOs by the USAID Food and Humanitarian Assistance Office could be geared to assist the construction of rural roads, community training centers, water resources, and other infrastructures that are essential to MED. Coordination of those activities with MED activities will be needed to ensure optimal allocation of USAID resources. USAID could also encourage regional planners to integrate development plans in such a way that the infrastructure development includes all essential components of rural MED in their development plans.

5. Policy Improvement

Since the signing of the assistance agreement between the GFDRE and USAID, the dialogue on macro policy issues has been underway. Many sector policy issues have been agreed on and liberalized. However, more work is needed in the areas of import/export, business licensing, and other trade and commerce issues. In the absence of a policy environment supportive to business, all efforts geared towards the development of MED will be constrained.

USAID could informally continue its policy dialogue and apply its DCM resources directly or indirectly to this effect. Strengthening Chambers of Commerce so that they would be able to talk on behalf of their members could be another indirect intervention.



6. Business Infrastructure Building

There are many different businesses involved in producing and bringing products to market. They include raw materials, tools and equipment, and other input suppliers, transport, assembly, finishing, packaging, insurance, finance, exporters, and others. To complement the market demand led development pilot activity, USAID could also support the development of this business infrastructure for MSE exports through technical, material, and/or financial assistance.

7. Donor Coordination

As stated above, it is known that the decentralization policy and fast growth of the private sector in Ethiopia are attracting the attention of donors, international financial organizations, and NGOs involved in poverty alleviation and other development activities. Attempts are underway to support the growth of the rural sector. Some organizations are working on policy issues, others on organizational alternatives, still others on outreach and efficiency matters. However, the efforts being made to innovate are minimal and the resources allocated for MED are not sufficient. This is the result of poor coordination and inadequate information sharing.

USAID is emerging as a leader in the field of sustainable micro enterprise BDS. Thus, it could be appropriate for USAID/Ethiopia to look for ways that it can further micro enterprise BDS services coordination and learning efforts. One option is to sponsor conferences and workshops that bring together key government, donor, and practitioner stakeholders. Another is to collaboratively sponsor study tours and/or participation in international conferences and workshops of more than one donor's programs. Study tours could include a mix of participants including government (including food security coordination offices in the Ministry of Economic Development and Cooperation (MEDaC) and the ANRS/Amhara Regional Food Security Coordination Unit (FSCU)), BDS practitioners, and MSE representatives, as was done in regional workshops organized under the Microenterprise Results Reporting (MRR) task order of the Weidemann MicroServe Contract.

III. Readiness for Activities and Next Steps

The workshop and subsequent meetings with line bureau and other government officials, MED service practitioners, NGOs, and other stakeholders over the last month appear to have generated momentum for an integrated market demand led development approach to MED in the ANRS. The need is recognized and the parties agreed on what is needed to move things forward. Not every institution is ready to move forward as quickly as others. There was a unanimous call for action.

USAID would be well served to take the next steps in this process in the near future.

1. Print and send out the Amhara MED workshop summary to participants and other interested parties.



2. The upcoming action plan workshop in ANRS is a necessary step to prepare the ground for GFDRE acceptance of the MED activities USAID/Ethiopia chooses to support. Integrating MED with food security, agricultural, and other activities under the existing SOAG will build a bridge to specific MED not described in the original SOAG.
3. Amending the SOAG as appropriate and achieving GFDRE approval should provide the necessary details for USAID to move forward with its MED activities.
4. Continue support of the ACSI MIS assistance activities and consider supporting an external audit.
5. USAID/Ethiopia might want to consider starting with one or two smaller scale activities, as it has done with ACSI, in the area of business development services. A BDS pilot activity could be tested and refined before the larger activity is implemented.
6. Follow up with USAID Global Bureau's Office of Microenterprise Development on the WISDOM Implementation Grant Program application to ensure that funding can be contracted as soon as possible.





ANNEX

Summary Report of the Amhara Workshop on Micro Enterprise Development in Ethiopia, February 15-17, 2001

I. Introduction

USAID/Ethiopia, in collaboration with the ANRS/FSCO, conducted a Micro Enterprise Development assessment in April- May 2000. The purpose was to: identify organizations (governmental organizations and NGOs) involved in MED planning and implementation; describe the capabilities, strengths, and weaknesses of institutions supporting MED development; and identify what MED development services are available or potentially available. The assessment was part of the Strategic Objective Agreement (SOAG) signed between USAID/Ethiopia and the GFDRE in support of the National Food Security Program. The Strategic Objective as articulated in the SOAG is “Rural Household Production and Productivity Increased (RHPP).”

The MED component is designed to complement the food security program by strengthening the existing local MED activities and/or designing new initiatives for promoting off and non-farm incomes. It is designed to help increase rural household access to financial (savings and credit) and Business Development Services (BDS or non-financial services) and develop and consolidate rural micro enterprises to support increased rural household income from off- and non-farm employment.

On February 15-17, 2001, USAID/Ethiopia, in conjunction with the FSCO, conducted a workshop to further the process of developing MED in the ANRS. The workshop team included Kurt Rockeman, Chief, USAID/Ethiopia/ANR, Ato Fitsum Gebrewold, MED Activity Coordinator, USAID/Ethiopia, Ato Shumie Abuhay, Acting Director, ANRS/FSCO and Yodit Kassa, USAID Administrative Assistant. James Hochschwender, Weidemann Associates, Inc., served as a MED technical resource through USAID/Ethiopia.

USAID/Ethiopia would like to thank, in particular, Richard Perline of VOCA/ACDI and Dr. Makonnen Fantaw of OIC Ethiopia for facilitating group discussions and the attendees for their very active participation.

II. MED Workshop Objectives

The MED workshop objectives were to:

- Present the results of the April-May 2000 MED assessment for open discussion, comments and suggestions;
- Discuss constraints and opportunities for MED in Ethiopia and in the ANRS;
- Share individual and organizational experiences among stakeholders;



- Discuss the contribution of MED in achieving household food security in food insecure woredas of ANRS;
- Identify way/approaches to strengthen MED activities in Ethiopia in general and ANRS in particular;
- Identify institutions, infrastructures and policy issues related to MED in Ethiopia;
- Introduce stakeholders to the concept of Market Demand Led Development approach to MED in Ethiopia; and
- Introduce the application of examples of appropriate technology applicable to rural areas and micro enterprise.

III. Expected Workshop Outputs

At the end of the workshop, it was expected that:

- Participants would have an increased awareness (particularly among concerned government bodies) about the need to speed up the development of existing and creation of new micro enterprise activities that help support household food security of the fast growing population of Ethiopia;
- Responsible institutions would be identified and strengthened for planning, administering and coordinating MED activities and for implementing training and other capacity building of micro entrepreneurs;
- Action plans will have been proposed that will be used to strengthen MED activities in Amhara;
- Ideas would be discussed for capacity building programs to client micro enterprises and supporting bodies; and,
- A list of potential resources for MED in Amhara would be detailed.

IV. Workshop Summary

The workshop covered three days. The agenda is attached as Annex A, materials presented are in Annex B, and summaries of group work are in Annex C. The Acting Director of the ANRS/FSCO, Ato Shumie Abuhay, opened the workshop and the Chief of the USAID/Ethiopia Office of Agriculture and Natural Resources, Kurt Rockeman, commented on USAID's intentions for the workshop. The team of USAID/Ethiopia and the FSCO then presented the agenda and had participants introduced. Participants included representatives of line bureaus of the GFDRE, microfinance institutions (MFIs), parastatal and NGO service providers, and the private sector. A complete list of workshop participants is attached in Annex D. Updated summary descriptions of micro enterprise finance and business development services are included in Annex E.

Technical Session #1 started with a quick review by the technical consultant, James Hochschwender, of *What is MED*, which covered the history and evolution of that field and emerging best practices in Microfinance and Business Development Services (BDS). That was followed by Ato Fitsum Gebrewold's summary presentation of the findings of the USAID/Ethiopia ME sector assessment done in April-May 2000. He focused on the current



MED activities in Ethiopia and in particularly in the ANRS. This session concluded with Ato Shumie Abuhay briefly presenting the key constraints to and opportunities for MED in Amhara.

During the first afternoon of the workshop, participants were divided into three groups to discuss additional data on current MED activities in Ethiopia and Amhara not included in the USAID assessment and constraints to MED. One group focused on microfinance, while the other two groups focused on BDS or non-financial services. The areas of topics discussed ranged from policy to infrastructure, specific services and service providers.

The second day began with the groups reporting to the plenary on their discussions and answering questions to clarify their conclusions. A notable aspect of this session was the degree of agreement on the current constraints to MED in Ethiopia and Amhara. The summary outline of those presentations is in Annex C.

The rest of the morning was Technical Session #2 ***Market Demand Led Development***. It began with an introduction to the concept of *Market Demand Led Development* (MDLD) by James Hochschwender and its five-step process - Diagnostic, Product Identification, Sample Order, Production and Delivery and Market Development. The concept briefly stated is that markets for products of micro and small enterprises dictate the types of services, both BDS and finance that MSEs need. That presentation, together with the *What is MED* presentation, provided the framework for subsequent discussions on appropriate MED activities and needed infrastructure and policies. It was followed by Kurt Rockeman's examples of successes and failures in other African countries with MDLD.

After lunch, Dr. Birhau Gizaw of Jimma University presented examples of low cost energy saving technologies appropriate for rural and urban areas of Ethiopia. He emphasized that some technologies could significantly change the burdensome ways of rural life, thus providing the opportunity for substantial improvement in household productivity. He also gave a live demonstration of a solar cooker that would greatly reduce firewood or other fuel consumption while saving households the increasing amounts of time spent on fuel collection. Ato Fitsum Gebewold then presented ideas of how MED relates to food security in rural zones, emphasizing the importance of diversifying sources of rural household incomes. He then summarized policy issues related to MED in Ethiopia touching upon financial, export, business and tax policy as well as the overall economic strategies of the GFDRE.

After a brief review of the specifics of infrastructure needs related to MED and MDLD, the participants were then asked for their vision of where MED and MDLD would go in the Amhara region and how the policy environment would change over the next five years. The details they offered covered policy, infrastructure, micro and small enterprise, microfinance, training and other BDS services, markets and the economy in general. This served as the basis for the action planning sessions.

On the third day, after Ato Shumie Abuhay laid out the ANRS strategies for strengthening MED activities in ANRS. The participants then worked in-groups to contribute their ideas to action plans for doing what needs to be done to advance MED and food security in ANRS, and named the resources needed. The micro finance group focused on operational efficiency and



emphasized the need for skill training at all levels of MFIs, organization/operational improvements in MIS and audit systems, governance and MF industry performance standards, access to specialized professional advice and increased NBE supervision capacity. Availability of funding was only mentioned as a constraint by start up MFIs. The BDS groups emphasized the need for technical and business skills training, appropriate technologies, market development that includes improved physical infrastructure as well as market information networks, expanded microfinance services and an improved MSE business policy environment.

V. Conclusions and Follow Up

Although microfinance in Ethiopia has grown rapidly over the last six years, the industry is still in the formative stage. The following conclusions were drawn as to what actions are needed and can be taken in the near future to further develop it.

1. Training needs assessment and curriculum and modules designed for program and loan officer training is urgently needed. The training would involve existing institutions as feasible with AEMFI having a role in coordinating it.
2. For organizational/operational efficiency the near term focus would be on effective management information systems, developing and agreeing upon a MF industry code of conduct, performance measures and standards and improved governance through upgrading Board membership and participation and expanded capabilities.
3. Equitable access to specialized professional advice would be through qualified international consultants working, on as-needed basis, together with local consultants (to build local capacity).
4. Lessening the limitations in the supervision of MFIs will require encouraging the NBE to take a more active role in workshops such as this one while building their capacity.

In BDS, the major conclusions were:

1. Development of effective and sustainable, non-financial, business development services for micro enterprise in Ethiopia and ANRS is in its infancy. Much needs to be learned about how to do it cost-effectively.
2. Markets for MSE products need to dictate what services are to be provided. Internal markets are severely limited and so external markets need development.

Specific actions that need and can be taken in the near future are as follows.

1. Bringing in qualified product developers to identify viable ME products would be a first step.
2. Curriculum and module development for both technical and business skills training based on that market demand would follow.
3. Exposure and exchange visits to successful, “best practice” MED BDS activities in other countries would help in the design of training and other BDS services while building local capacity.
4. Short-term training of trainers for practitioners of technical and business skills would complement those visits and exchanges.



5. Popularizing productivity enhancing technologies will free up human resources in rural and urban households that can be used more productively in micro enterprise.
6. The private sector needs to be encouraged to be involved in business linkage activities that supply micro and small enterprise (MSE) production and get MSE products to market.
7. A market information network could evolve out of that involvement.

The participants felt that these BDS development actions would be best achieved through collaboration between government, NGOs and private sector in building market access and the capacity of training, appropriate technology development and dissemination, and other BDS services. For example, the 105 BOE Community Skills Training Centers in Amhara could be a valuable resource in the training process when combined with curriculum and materials development from private sector product developers and the client contacts of NGOs.

Supporting business associations is another element of the BDS equation. Improving roads, telecommunications and other physical infrastructure are also necessary to allow market access, but only some of what is needed will take place over the next two years. Increasing access to a wider range of microfinance services such as money transfers in addition to credit and savings will facilitate SME growth and development. Policy research and reformulation that includes active participation of all stakeholders was acknowledged as needed though it was recognized that it might take some time to achieve. In particular, import and export policy and procedures need to be streamlined

As Ato Shumie Abuhay stated in his closing remarks, “We have prepared a list of recommendations for the next three years. We are now at the end of the workshop, but we are in fact only at the start of the real work, being the implementation of all these recommendations, according to the priorities and the needs of the local population.” Mr. Rockeman indicated that USAID would be following up the workshop with meetings with individual organizations and defining which strategies and activities to which it will be providing support. In the week following the workshop, meetings were held with 16 organizations, some of which did not attend the workshop. The conclusions from those meetings reinforced the ideas expressed by workshop participants on constraints, opportunities, available resources and appropriate strategies and action plans that will be coordinated by the ANRS/FSCO.

In closing, the USAID/Ethiopia and FSCO team would like to thank all of the workshop attendees for their active participation and valuable input to this process. USAID will be working together with the FSCO to integrate the learning and action planning done for MED together with the other food security activities such as agriculture research and extension services and technology dissemination. We look forward to putting all this hard work to good use and realize the vision articulated in the workshop!



ANNEX A

Workshop Agenda

Day One: Thursday 15 February 2001

8:30 - 9:00	Participant Registration	Organizing Committee
9:00 - 9:15	Welcoming Address	Ato Shumiye Abuhay, Director ANRS/FSCO Representative
9:15 - 9:30	Remarks by USAID	Kurt Rockeman, Chief, ANR, USAID
9:30 - 9:45	Opening Speech	Ato Ayichew Kebede, Economic Sector Head, ANRS,
9:45 - 10:00	Introductions & Structure of Workshop (Participants and Speakers)	Ato Fitsum Gebrewold ANR/USAID

10:00 - 10:30 Coffee Break

10:30 - 12:00 Technical Session-I Structure and Dimension of Micro-enterprise Development Activities in Ethiopia

10:30 - 11:15	What is Micro Enterprise Development? (MED)	Mr. James Hochschwender Weidemann Associates, Inc.
11:15 - 12:00	Current MED in Ethiopia and Amhara	Ato Fitsum Gebrewold ANR/USAID

12:00 - 14:00 Lunch

14:00 - 14:20	Constraints, Potentials, & Opportunities	Ato Shumie Abuhay, ANRS/FSCO
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Stakeholders Analysis of MED in Ethiopia

14:20 - 14:30	Introduction to Stakeholders analysis of MED activities in Ethiopia	Kurt Rockeman, Chief ANR/USAID
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14:20 - 17:00	Small Group Discussions on Current MED activities in Ethiopia and ANRS	Selected Discussion Leaders
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18:30-19:30 Dinner

Day Two: Friday 16 February 2001

9:00 - 10:30	Reporting of Group Discussions on Current MED Activities	Moderator: Ato Fitsum Gebrewold
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10:30 - 11:00 Coffee Break

11:00- 12:15 Technical Session - II Market Demand Led Development

11:00 - 11:50	Introducing the Concept of Market Demand Led Development (MDLD)	
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of Micro-enterprise products and services
11:50 – 12:15 Country Experiences on MDLD James Hochschwender
Kurt Rockeman

12:15 - 14:00 Lunch

14:00 - 14:30 Appropriate ME technologies for Amhara Dr. Birhau Gizaw
14:30 – 15:00 Prospects for food security through MED activities Ato Fitsum Gebrewold
15:00 - 15:30 Policy issues related to MED in Ethiopia Ato Fitsum Gebrewold

15:30 – 16:00 Coffee Break

16:00 - 16:15 Infrastructures needed for MED in ANRS James Hochschwender
16:15 – 17:30 The Vision of the Results of MED in Amhara/Ethiopia over the next five years
Group Brainstorm session James Hochschwender

18:30-19:30 Dinner

Day Three: Saturday, 17 February, 2001

9:00 - 9:15 Recap and Day 3 Agenda Ato Fitsum Gebrewold
9:15 – 9:30 Looking ahead to strengthening MED activities in Ethiopia and ANRS
Ato Shumie Abuhay, ANRS/FSCO
9:30 - 12:00* Where do we go from here? Small Group Discussions Selected Group Leaders

* Coffee Break when convenient to group discussions

12:00 - 14:00 Lunch

14:00 - 15:30 Presentations of Group Discussions Group Reporters

15:30-16:00 Coffee Break

16:00 - 16:30 Summary of workshop conclusions & recommendations Kurt Rockeman
16:30 - 17:00 Closing of the Workshop ANRS

18:30 - Buffet Dinner USAID/Ethiopia



ANNEX B: MATERIALS PRESENTED

I. What is Micro Enterprise Development?

II. Market Demand Led Development



III. Status of MED in Amhara, Food Security and Policy Implications

CURRENT MED ACTIVITIES IN ETHIOPIA AND ANRS

Some Facts and Figures about the Rural Ethiopia and the ANRS

➤ Rural Ethiopia and the Amhara Region are characterized by

- More than 85% of the 60 million population are dependent on agriculture,
- Per capita income fall from \$110 to \$100/year (WB, 2000), the poorest country,
- Grinding rural poverty, triggered by natural and manmade calamities,
- High population pressure resulting in growing number of landless people,
- Fragmented farms (Average farm size 1.4 ha (national) and 1ha (regional),
- Non diversified rural economy and limited opportunity of spreading risks,
- Heavy reliance on agriculture (mainly crop production),
- Others

Consequences

- Underdeveloped rural economy and Food Insecure population,

Implications

- Either some people should move out of agriculture, OR
- Rural off- and non-farm employment should be diversified.

Government Response

- National and Regional SMEs Development Strategy designed

Importance of SMEs

- ➔ Bringing about a transition in an economy,
- ➔ Creating jobs for underemployed and unemployed,



- ➔ Creating market for agricultural products and rural labor force,
- ➔ Improves incomes of poor women

MED Activities in the ANRS

CSA 1996/97 survey results show:

- About 119,953 informal sector operators with 148,022 employees existed (20.3% of the national labor force),
- Trade (53.4%), Hotel and Restaurant (37.2%), Community Services
- (5%), and Agriculture (4.4%),
- SME sector is characterized by highly diversified activities and job-creating potentials,

Constraints of MED Activities

- Lack of supplies (raw materials),
- Lack of market infrastructure (information and networking),
- Lack of sufficient Capital, Credit and appropriate Technology,
- Lack of working premises to start and develop business,
- Lack of clear legal and regulatory environment pertaining the sector,
- Limited research and development work related to the sector,

Objectives of the MED Assessment

1. Identify organizations involved in MED planning and implementation,
2. Identify the planned and implemented activities by each organization,
3. Delineate capabilities, strengths and weakness of institutions supporting MED activities,
4. Identify support services available or potentially available for MED,
5. Suggest what is needed to promote MED in Ethiopia and the ANRS

Methodology Employed

- ➔ Literature reviews, Discussions, field visits, and issue analysis.

Major thematic issues

1. Training support services,
2. Technology development and dissemination,
3. Market and marketing channels,



4. Rural micro-financing, and
5. Policy and institutional issues affecting MED

Summary of the Assessment Findings

- Basic infrastructure for MED is lacking,
- Business skills training are limited,
- Access to appropriate market information and opportunities is limited,
- ME technology development and dissemination are almost non-existing,
- Private sector development and linkages is at its infancy,
- Production of adapted cost-effective technologies is inappropriate,
- Access to financial services is rapidly expanding, but still limited,
- Inadequate and inconsistent policies and supervision activities of MFIs,

Two Aspects of MED

1. Micro-financing and
2. Business Development Services (BDS)

1. Micro-finance Industry

- MF industry in Ethiopia is at its ascendancy, with rapid expansion of MFIs,
 - More than 16 MFIs registered.
 - The NBE has produced regulations, but provided little supervision,
 - Only four - five MFIs are reporting to NBE,
 - No MFI has reached full cost recovery,
 - MFIs encouraged to work in rural areas and focus on agricultural lending,
- Agricultural credit is not micro-credit. Micro-credit requires regular (weekly or monthly) repayments not balloon repayments,
- Micro-credit in rural areas best serves as an incentive for diversifying household income,
- MFIs who have large agricultural portfolios with out safety net are at risk
- In some case regional governments provide the guarantee, but do not pay.
- Ethiopian MFIs tend to depend heavily on saving deposits for loan funds,
- Saving Deposits increase funding costs,



MFIs Working in ANRS

1. Amhara Savings and Credit Institution (ACSI),
2. Wisdom MFI,
3. Meket MFI, and
4. Other Small MFIs and Co-operatives

1. ACSI

- More than 140,000 loans outstanding and 190,000 savers during assessment,
- About 98% on time repayment rate,
- 1100 + staff in 15 branches and 160 sub-branches,
- Concentration of loan portfolio in agriculture (over 70%) with balloon payment,
- Exploring new products/services,
- Needs to adjust interest rate to reach operational self-sufficiency,
- Loans per loan officer were about 200 versus an industry standard of 300-400,
- ACSI is aggressive in mobilizing savings (about 60% of its loan portfolio),

Issues Relevant to ACSI

- Impact of its lending activity on supply to local markets and productivity,
- Concentration on agricultural loans versus adequate loan loss reserve,
- Staff development,
- Attention on increasing interest rate to cover costs,

2. Wisdom

- Has 4,845 loans and \$400,000 loan portfolio,
- Inconsistent application of loan policies,
- Charge 2% fees and 12.5% interest rate.
- 97.6% on-time repayment rate
- Grameen model group lending
- Radio link to sub-branches for weekly reporting of key statistics



Issues relevant to Wisdom

- Staff development,
- Study impact of the lending activity on supply to local markets,
- Constrained by welfare/relief attitude and practices of NGO

1. Meket

- Registered and started as MFI in 2000,
- Very little information about performance,

2. Others MFIs Assessed

- Include CPAR, SFPI, CRS, and Co-operatives
- SFPI charges 16% interest rate and pays 7% saving interest, has about 3000 clients
- CRS is on the process of formation of an MFI with village banking approach,
- Some NGO's are channeling credit through Cooperatives (e.g. CPAR of CIDA, VOCA of USAID, etc)

- All of these MFIs are helpful in diversifying household income,

II. Status of BDS in Ethiopia

Based on Ministry of Labor and Social Affairs Study (1996)

- About 11% of rural households were engaged in some ME activity (higher than any other region),
- Major ME activities were weaving (24%), Basketry (21%), Pottery (11%), Local food and drinks (12%), Small business (2%), Others (18%),
- Annual average income from ME activity was only 30 birr/year/household,
- Major constraints were shortage of raw materials (22%) insufficient market demand (18%),
- Major problems were lack of credit (22%), low price (19%), overlap with farm-work (18%), high material price (16%),
- Sales to rural residents (63%), to urban residents (19%), and to traders (14%)

Conclusion



- "Urban areas don't constitute an important market for local ME products due to the competition with superior quality manufactured goods."
- "Rural producers don't have access to urban markets because they don't know how to design and make products that meet the market demand."

Implications

- "Strong preference for farming over non-farm activities implies low profitability of non-farm trades."

Farmer's Feedback during the Assessment

- "If they had any extra money four out of five would put into a non-farm business."

BDS Provided to MEs in ANRS

1. Skills training
2. Technology development and dissemination activities
3. Market access and marketing services
4. Private sector development

1. Skills Training Activities

- Less than 1% of non-farm skills acquired from formal training,
- 43% acquired within the household,
- 34% from direct contact with practitioners, and
- About 19% from apprenticing

Major Players in Technical and Business Skills Training

1. Bureau of Education (BOE)

- Training's are focused on community-based skills training,
- Training centers are located at grassroots level (*woreda* level)



- Content is focused on improving simple local skills such as basketry, embroidery, metal and woodworks
- Trainees are self-selected to either create or improve certain skills, and create own jobs in their locality,
- Constrained by lack of basic inputs

2. Bureau of Trade and Industry

- Uses translated ILO manuals and mobile videos
- Too sophisticated for ME and mainly women
- Focus on feasibility study and loan proposal preparation

3. Bureau of Labor and Social Affairs (BOLSA)

- Established seven zonal level training centers in the ANRS
- Are secondary level of training with basic business skills
- About 1750 trainees were registered and 1384 completed
- No training fees were charged
- Training has standard curriculum
- Metal and woodworks, automotive, electricity, drafting and surveying, etc., are the core training contents
- About 80% of trainees went to government employment
- GOE, Volunteers from Germany, and UNICEF are assisting these centers

4. Polytechnic Institute

- Focus is on formal post secondary school training of students
- Has a well developed curriculum

5. Non-governmental Organizations

- Assessed are ADA, ORDA, Dessie Street Children Project, Bahir Dar Medhanealem Orphans and Destitute Family Support and Training Center (MODFSTC)
- All of them focus on training clients on basic skills,
- Provide some start up tools (ADA, MODFSTC,)



- Pay some monthly pocket money to trainees (ADA)
- Funding source include ESRDF, UNDP, French Embassy, Packard foundation and center contribution from product sales
- Government provided training facilities

2. Technology Development and Dissemination Activities

➤ Presently, this is the weakest of all BDS supports needed for MED

Reasons

- Two Rural Technology Promotion Centers are barely functioning,
- Restructuring of MOA cut them from ME technology generation and adaptation
- No concern about quality and productivity of products and technologies,
- Most technology dissemination is through vocational training in the CSTCs,

3. Market Access and Marketing Services

➤ Much of the research on markets and Marketing in Ethiopia is focused on what products might be bought locally rather than what products are demanded and be produced to satisfy the demand.

Consequences

➤ Product markets easily inundated by identical products,

Reasons for Lack of Market Linkages

1. Isolation of Ethiopia's markets from International Markets,
2. The view that Agriculture should be the engine of Ethiopia's economic growth,
3. Rural entrepreneurs are conservative and risk averse, due to lack of support to private enterprises,
4. Low level of market development in the rural areas (mainly in the food insecure)
5. Little money is available in those limited markets for any thing but necessities



Current activities in MED Market Access

Potential Partners for Exploring and Linking Domestic with External Markets

1. The Women's Enterprise Promotion Center

- Provide skills upgrading training focusing on handicraft production and marketing
- Provided training for 230 women in vocational and for 150 in grassroots management
- No fees, some costs are covered from sale of products
- Secure funds from World Bank, ESRDF, and product sales

2. Various Associations and Business Communities (Dabat Dairy Farmers Association, Dessie chamber of commerce, etc)

- Include associations of producers, traders, or consumers,
- Increase bargaining power of MEs,
- Provide market information for members,
- Work on behalf of members in protecting their benefits,
- Create organized markets for products and services of MEs

3. Individuals exporters

- Have higher entrepreneurial motivation and skills in accessing business information,
- Are main actors in MED,
- Are means and end of MED effort and in achieving household food security

4. Donors and NGOs (WV/E, CPAR, EU, GTZ)

- Provide resources to ME implementers as part of their capacity building programs
- Support training and demonstration of best practices
- Provide business training and advisory services
- Assist in cooperative promotion and leadership development training



Policy Issues Related to MED and Donor Involvement in Ethiopia

- In LDCs MEs are regarded as survival enterprises
- Main function is creating local employment where there are no options for jobs.

Important Policies related to MED

1. Trade and exchange rate policies
2. Fiscal policies
3. Financial/monetary policy
4. Agricultural policies
5. Labor market policies
6. General business regulation

- Most of these policies work through labor, capital markets or MED products
- Most policies are biased in favor of large manufacturing firms and against SME
- The bias is the result of the belief of officials that industrialization through large plants is the best way to develop a country

Policy Biases and Mitigation Strategies

1. Policy bias in labor market ends up in favor of large number of employees through raise in wages and salaries, thus set up minimum wage policy,
2. Policies can favor intentionally MEs through subsidies, tax relief, etc.,
3. Most of the time, anti-ME policy biases arise from the inefficiency/unfairness of implementers than the policy itself.

Summary

It is difficult to design and implement programmatic interventions in LDCs. Major barriers include:

- High cost of reaching many tiny producers,
- Cultural gap between clients and program administrators, and
- The limited development potential of the client firms themselves



As a Result,

- ☛ Government-run programs that provide credit and technical assistance to SMEs in LDCs have a very poor track record,
- ☛ NGO approaches have proven more effective in a number of cases, but coverage is limited, and costs are relatively high to benefits achieved.

The Hope is,

To set up a small-scale Credit and Savings institution with a commercial basis like that of Indonesian People's bank (BRI),

A) Proposed Non-Financial (BDS) Services and Related Issues in ANRS

1. Channeling Resources to Support Vocational and Business Skills training

- BOE and BOLSA have already established training centers for MED,
- Donors and NGOs can channel training materials and other resources,

The issue is

How can donor resources be best channeled to vocational and skills training system in ANRS?

2. Providing Demand Driven Training Service

- Traditionally BDS providers are GOs and NGOs aiming at alleviating poverty
- Donor funds are driven to development of vocational skills training, for e.g.
 - The Spanish on automotive mechanics
 - The Italians on building construction
 - The Germans on metal works

The issue is: Whether an effective collaboration between the government training-service, the private sector, and NGOs can be well enough established to create demand-driven dynamic BDS.

3. Charging for Services



- Generally no charge is considered for BDS in Ethiopia,
- USAID is trying to develop viable, market driven BDS service that reaches the poor (BDS Best Practices),
- Financial constraints is forcing GOs and NGOs to look for income generating BDS
- Few vocational training services sell trainee products to assist their budget,

The issues are

- Whether donors can convince the government and its agencies (such as BOE, and BOLSA) to incorporate some kind of fees to their training services,
- Whether NGOs can be convinced that some kind of fee system is needed to be able to extend BDS to many clients in the face of other donor grants for no-fee service

4. Appropriate Training Materials

- Some adult training methods and materials are essential (e.g., the DELTA approach used LWF),
- Effectiveness of the existing business skills training can be improved by more focus on the "soft" business skills before the "hard" business skills

5. Non-existence of market Access Services

1. Changes in local markets affects users of MED services adversely,
2. Many loans in limited area creates surplus of MED products resulting in reduced product prices

Three issues

1. Whether or non MFIs and BDS can be educated to the dynamics of markets,
2. Whether Ethiopian entrepreneurs are willing to look for and explore outside the local and regional markets,
3. Whether market access and linkages can be developed quickly for local products

6. Absence of Relevant Rural ME Technology Services



- The RTPCs were used to produce non-farm SME and agricultural tools, as of now their mandate is reduced to agricultural technology production,
- The RTPCs lack effective leadership, appropriate technologies for production and dissemination (be they for SME or agriculture),
- No NGO was found working on rural technology production and promotion,

The issue is

- What organizational mechanisms can be used or put in place to focus on MED technology?

B) Proposed MF Activities and services

1. Regulation and Supervision of MFIs

- NBE has produced proclamation and regulations for MFIs, only few changes are observed in improving the initial regulation that unnecessarily limit MFI operations,
- Inadequate resource allocation to the supervision department by NBE,

The issue is

- The extent to which GFDRE or NBE is willing to consider revising MFI regulatory and supervisory framework to enhance the growth of MF industry,

2. Governance of MFIs

- Some MFIs are heavily supported by government and the party in power, others are not,
- Currently this is a strong point, but will become liability with any shift of power
- Has a potential of introducing different loan policy mandate that threatens viability of the influenced MFIs,
- De-politicization of MFIs is absolutely essential for successful rural financing,

The issue here is

- Will the government and the party be willing to de-politicize the few MFIs they support and assist all MFIs in the country who stand for poverty reduction and strong business orientation?



3. Quota for Agricultural Loan Disbursement

- Local governments and the MOA are imposing quotas to finance distribution of fertilizers and seed loans exerting pressure on MFIs to violate internal policies,
- Is a threat to the integrity and viability of MFIs

The issue is

- Whether the type of quota system will continue to be applied to MFIs in ANRS

4. Agricultural Credit versus Micro-credit

- Both at the regularity and institution levels there is a merging of agriculture lending with micro-credit
- Micro-credit has several principles and practices that differ from agricultural credit,
- Micro-credit encourages diversification beyond agriculture to increase incomes,
- In Ethiopia micro-finance is equated with rural finance and agricultural credit,

5. Pricing of MFI Products

- Almost all MFIs are convinced to charge real interest rates

The issue is

- Charging interest and fees adequate to cover costs needs to be taken up with each MFIs board of directors if the industry is to be viable.

6. Funding MFIs

- The larger the MFI the larger is the available fund from savings deposit,
- This costs the institution interest and cost of administering the money,
- Very expensive relative to the low interest rate on loans

The issues are

- Soliciting source of fund for low cost (concessional rate of 1-3% interest),
- Looking for long-term loans (at least 10-30 years),



7. MFI Staff Development

- There is high staff turn over and competition with banks and among MFIs,
- Solicit benefits from external resources and best experiences
- Establish an institution that provides short and medium-term MF training,

The issue is

➤ USAID's focus is in the ANRS, the proposed short and medium term training is at Mekelle University. Will and how USAID and the ANRS and other MFIs be able to support the training program, share the cost and get the benefit sooner.

International Experiences and Policies Related to SME Promotion

- Issue of SME promotion is International concern and support from individuals and communities,
- Attention and policy formulation varies from country to country within the developed countries,
- USAID, the World Bank and ILO are the leading organizations in promoting MED worldwide but with special focus in LDCs,

Summary of Results and Conclusions of International Effort

1. Lending records to SMEs is fairly successful (WB),
2. Many SMEs have received loans that couldn't be accessed from formal banks,
3. As of 1996 an estimated 600,000 jobs have been created at a relatively low cost,
4. At project level SMEs have been successful in meeting objectives and acceptable level of sustainability.

However,

1. Majority of those successful at project level were not able to establish programs that can sustain without external assistance,
2. A smaller percentage of loans have failed to meet their objectives and to become self supporting



BUT,

➤ Lending to SMEs will remain as an important part of World Bank's portfolio

Policies Related to SMEs Development in LDCs

➤ At lower level of economic development SMEs are regarded as "survival enterprises" whose main function is creating local employment where there are no options for jobs.

Important Policies related to MED

1. Trade and exchange rate policies
2. Fiscal policies
3. Financial/monetary policy
4. Agricultural policies
5. Labor market policies
6. General business regulation

➤ Most of these policies work through labor and capital markets or MED products,
➤ Most policies are biased in favor of large manufacturing firms and against SMEs,
➤ The bias is the result of the belief of officials that industrialization through large plants is the best way to develop a country

Policy Biases and Mitigation Strategies

1. Policy bias in labor market ends up in favor of large number of employees through raise in wages and salaries, thus set up minimum wage policy,
2. Policies can favor intentionally SMEs through subsidies, tax relief, etc.,
3. Most of the time, anti-SME policy biases arise from the inefficiency/unfairness of implementers than the policy itself.

In Summary

It is difficult to design and implement programmatic interventions in LDCs. Major barriers include:

- High cost of reaching many tiny producers,



- Cultural gap between clients and program administrators, and
- The limited development potential of the client firms themselves

As a Result,

- Government-run programs that provide credit and technical assistance to SMEs in LDCs have a very poor track record,
- NGO approaches have proven more effective in a number of cases, but coverage is limited, and costs are relatively high to benefits achieved.

The Hope is,

- To set up a small-scale Credit and Savings institution with a commercial basis like that of Indonesian People's bank (BRI),

Prospects for Food Security Through MED

Session Contents

1. Contribution of ME towards meeting household food security
2. Effects of access to rural MFIs on food security
3. Food security and financial policy Issues

Contribution of ME to Food Security

- Rural MEs help the food insecure to diversify sources of and increase income,
- Help to accumulate buffer stock for consumption in time of deficits

Effects of Access to Rural MFIs on Food Security

- Demand oriented and accessible and sustainable financial services improve and smooth disposable income and food security through provision of:
 - Production credit to finance income generating investments
 - Consumption credit to maintain and expand human productivity
 - Savings serve as insurance schemes to cope with personal and family crises



- Sustained access to appropriate financial services increases self-help capacity of the poor by reducing dependency on public food services,
- Institutional sustainability is to achieving lasting improvement in the poor's living standard

Criteria for Effectiveness of Rural MF in improving Food Security

1. Coverage of poor and their financial needs,
2. Equality in gender access, and
3. Financial Viability and long-run prospect regarding service provision

Examples of Successful Financial Markets in Developing Countries

1. CamCCUL of the Cameron credit union movement provide loans focusing on private or collective SMEs,
 - Provides financial services to predominantly individual and collective depositors/borrowers not served by the formal banks
2. The Caisse Villageoise d'Epatgen et de credit de NANH of Burkina Faso is a multi-product MFI,
 - Is vertically integrated and multi-product Rural MFI that achieved sustainability,
 - Emphasizes on production loans but considers consumption credit as well,
3. The Grameen Bank of Bangladesh (GB) a poverty focused development bank, Focus on poverty reduction exerts pressure on the bank's profitability,
 - Still dependent on international subsidies, but 90% of the clients' standard of living is improved,
4. The Savings and Development Foundation of Zimbabwe emphasizes on collective savings mobilization and agricultural input provision,
 - About 97% of the members are poor women,
 - Improved agricultural productivity and financial liquidity are achieved
5. Other successful MFIs are found in Mali, Malawi, Uganda, and some in Latin America, and Asia



Summary

- The review of all MFIs shows almost all offer Mandatory or Voluntary Saving Schemes or both
- Group Savings and lending schemes proved promising in reaching savers and borrowers, while the institutions incur low costs
- Institutions need to determine the consumption loan threshold in relation to total loan portfolio to determine risk

Impact Measures of Rural Financial on Food Security

Indicators for Analysis

1. Income: participation in rural finance should increase family income,
2. Kilo-Calories: increase in the calories per adult equivalent person,
3. Assets: market value of fixed, production, consumption assets value, and
4. Consumption: food and non-food expenditure per-adult equivalent

Food Security and Financial Policy Issues

- The effects of formal sector loans on food consumption is not as transparent as the informal and semi-formal sector loan effect,
- Direct consumption stabilization is important when coping with short-term food deficiencies in stress seasons
- Gender has different borrowing needs. Women are particularly attracted by consumption credit than men.

Reasons for Gender Differentials in Credit Needs

- Their loan experience is from domestic borrowers that provide loans for consumption,
- Prefer group approach than savings collateral due to restricted cash income, they don't want tied credit
- They have the perception of not being capable to accumulate sufficient savings as credit guarantee



To Strengthen MED Activities in ANRS - Ato Shumie Abuhay. FSCO

1. We need to review the income diversification component of the strategy to facilitate the development of MED (off-farm activities)
2. Expand rural infrastructure especially roads and markets and encourage labor-based activities
3. Strengthen the existing vocational and business skills training institutions including the newly established agency (REMSEDA)
4. Arrange special training courses in consultation with the universities
5. Arrange exposure visits for policy makers, MFIs, implementing offices, training institutions, coordinators and even beneficiaries of MED
6. Propose appropriate policies for the development of MED to the regional state for approval - Restructure technical promotion centers
7. Promote cooperative societies and improve traditional technologies for consumption credit
8. Encourage private sector to engage in business linkage activities
9. Support capacity building
 - staff development (Bahir Dar University)
 - physical
10. Coordinate food security related activities in the ANRS
11. Strengthen existing MFIs and facilitate the establishment of new ones

III. Infrastructure Powerpoint Presentation







WORKSHOP REPORT
ANNEX C: SUMMARIES OF GROUP WORK

GROUP DISCUSSIONS ON ADDITIONAL INFORMATION AND CONSTRAINTS TO MED

BUSINESS DEVELOPMENT SERVICES GROUP #1

Did not have additional data on activities to add to the assessment findings.

Constraints

A) Physical Infrastructure

- Business premises & Markets
- Feeder Roads
- Transport
- Utilities (water and power)
- Health Care
- Communications centers

B) Knowledge & Information Systems

- Shortage of viable business ideas
- Cultural resistance to entrepreneurial behavior
- Lack of locally focused research and development of business related technologies
- Lack of appropriate business and technical skills training
- Lack of exposure to and experience with business
- Lack of innovation to existing traditional technologies
- Weak (non-existing) communications with external markets
- Lack of professional business associations and local information sharing

C) Financial Services

- Low coverage of micro-finance services
- Low competition in financial service providers
- Weak and inefficient financial service providers
- Low innovation among traditional financial associations (Ikub, Idde, etc.)
- Inappropriate credit products vis-à-vis user's needs
- Low diversification in financial products: insurance, savings, credit, investment, etc.

D) Policy Framework

- Lack of effective or dynamic policy corresponding to reality
 - Land tenure
 - Small business development



- Micro-finance
- Cross-border trade
- Results in discouraging quality BDS & MFIs
- Imbalanced preferential treatment

Priority Constraints

1. Knowledge & Information
2. Policy Framework
3. Infrastructure

MICROFINANCE GROUP

Additional Information

ACSI, Meket, SFPI, Meklit, CRS

Issues Discussed

1. Ag credit versus micro-credit
2. Savings as a source of loan funds – cost issue

Constraints in order of priority

1. Access to skills training at all levels: Board, management, credit officers, accountants – specific to MFI practitioners
2. Organizational/Operational Limitations
 - governance, board expertise, MIS, internal control, internal/external audit
3. Access to specialized professional advice: product development, business planning (for MFIs)
4. Limitations in MFI regulatory framework: loan size, group methodology, loan term (12 months), National Bank supervision capacity, taxable status, etc.
5. Client access to BDS

BUSINESS DEVELOPMENT SERVICES GROUP #2



Organizations Represented – Coop Promotion Dept, BOE, VOCA, Combolcha Rural Technology Promotion Center, Bahir Dar University, BID-RTPC, REMSIDA, ADA, Meklit MFI, ORDA, OICI, Private trader

Status of BDS in Ethiopia Report discussion

1. Title should be “...in ANRS.”
2. Area difference in ME activity depending on raw material availability
Example – Wadla – carpet works
 Awi - bamboo works
 Sekota - blacksmithing
3. ME activities in ANRS more diversified – blacksmithing & tannery not mentioned
 birr 30 income – gross or net?
4. Major problems listed did not include:
 Lack of Skills
 Lack of Infrastructure
 Social stigmatization

Major Players in Technical Skills Training

1. BOE has 92 CSTCs not 75
2. BOTI REMSIDA
 - does not use ILO translated materials
 - CEFE (competency based economies through formation of enterprises training given based on CEFE-GTZ manuals
 - Skills training in collaboration with Productivity Improvement Center – PIC
 - Market Information Service in 16 towns in ANRS – SIDA
 - Involved in private sector development
 - Deals with Chambers of Commerce
 - Assist in organizing woman traders
 - Assists DBE in loan recovery
3. BOLSA – statement “80% of trainees went to government employment misleading – one time occurrence
4. Polytechnic Institute is now Engineering Faculty of BDU and BDU is now capable of offering Business training
5. NGOs – training facilities provided not by government alone but also by communities and NGOs themselves
6. VOCA-Ethiopia – new non-financial ME service provider
 - Assistance to coop unions and small traders in capacity building
 - Areas served – North Shoa, East Gojjam, South Gondar
 - Number of Staff – 7

Constraints in MED

1. Shortage of finance for all aspects of BDS development
2. Lack of Infrastructure
3. Inadequate training facilities



- Trainers
- Materials
- 4. Lack of Market Information
- 5. Lack of Marketing Network
- 6. Lack of Organization
- 7. Production not geared to meet demand in market
- 8. Some non-conductive policies or some conducive policies not vigorously implemented
- 9. Lack of credit for MEs
- 10. Lack of integration of training to business development counseling & job placement
- 11. Lack of entrepreneurial skill
- 12. Lack of product development

Priority Constraints

1. Lack of credit
2. Lack of training facilities
3. Lack of infrastructure

I. FIVE-YEAR VISION

The following is the vision that the participants saw five years in the future.

In the **ECONOMY**, the per capita income will be increased by 10% (or even doubled). They saw a **POLICY** environment that is **FLEXIBLE** and **DYNAMIC** with the definition of what can't be done and what can be done is open. There is a minimum burden of licensing and regulation of ME's. Government policies make micro-enterprise development as important as agricultural development. There is an open climate for investment (Foreign) in banking, telecommunications. There is a level playing field for MFIs. Land tenure is formally recognized. A market is allowed for commercial property. Ethiopia has opened its doors to foreign banks.

In the **MARKETS** and **MARKETING**, market linkages, networking and information are flowing (including for ME products) about both domestic and international markets. Micro enterprises are flourishing. There are larger Chamber of Commerce with more members providing services to members & linking MSEs to the market. Permanent shops are in small towns. There are strong rural enterprise linkages to domestic markets. Access to market price information is regularly on the radio. A substantial number of MEs are making money from tourist trade. More women involved in ME and making a living at it. MEs are growing into small enterprises.

In the area of **MICROFINANCE**, MFIs are **SUSTAINABLE INSTITUTIONS** (healthy vibrant). There are independent and well regulated micro finance enterprises. There is a competitive microfinance industry. Commercial banks are lending to MFIs. There is Micro-finance wholesaling. Cooperatives are competent and managing their share of the MF market. Other institutions are competent and managing their share of MF market as well. Savings & credit cooperatives are increasingly present. There is a strong MFI association in ANRS. There are more diversified financial products. NBE supervision services are being done well. There is broader geographic coverage of individual MFIs.



MFIs have their own buildings. The gap between current MFI & commercial lending access is eliminated.³ There are more cooperative unions in Amhara.

In the area of TRAINING, training services support products demanded by market. There is broad access (to all who want) to training. Business skills training institutions are charging fees. There are self-sustaining independent training institutions and demand-driven training programs. There has been an elimination of gender defined skills.

The INFRASTRUCTURE has the following: In Communications, hotels in Bahar Dar take credit cards; micro-entrepreneurs have access to mobile phone service; telecommunications available at woreda level; communications services are privatized; and there is no-wait Internet access.

In Roads and Transportation, there is a paved road from Bahar Dar to Addis Ababa.; there are 50% more all-weather roads; there is more reliable, good bus service linking small towns with larger towns (efficient, dependable);

In Other Infrastructure, there is rural electrification; access to low-cost medical services; and increased literacy;

In the area of TECHNOLOGY, there is greater use of labor-saving technologies at the household level; there is assembly of electric devices household level; there is decreased employment in commercial sex work (minimized); and there is increased use of irrigation.

In other NON-FINANCIAL BUSINESS DEVELOPMENT SERVICES, there are more business support services available in such areas as accounting and transaction facilitation; collaboration among BDS providers reinforces linkages (soon) to service specialized clientele; and Bahir Dar University is supporting MF & BDS ME training.

In the area of GENDER, this same workshop is held in 5 years and 50% of the participants are women.

In OTHER areas, Ethiopian representatives are explaining the Ethiopia MED success internationally.

And most important of all, ALL THESE DREAMS HAVE COME TRUE!!!

³ Regulation restricts MFIs from making loans greater than B5,000 to any individual while commercial and development banks will not lend in amounts less than B25,000 or even B50,000, therefore leaving a lending gap.



GROUP DISCUSSIONS #3: Where do we go from here?

Microfinance Group

What needs to be done?

1. Skills training at all levels
 - a. short term for practitioners
 - b. curriculum development (training needs assessment) and module development
 - c. identify institutions to deliver training
 - build capacity
 - d. Work with institutions with experience, relationship to subject matter and use existing infrastructure, training experience such as:
 - Addis Ababa Commercial College
 - Mekele University
 - Unity College
 - Etc.

Guiding principles – proximity, quality and sustainable

Immediate Action: Program and Loan Officer training

- e. banking and finance
 - f. accounting
2. Organizational/operational: governance, board expertise, MIS internal control, internal /external audits
 - a. access to MIS - hardware, software, & training
 - b. develop/agree on MF industry performance standards, code of conduct
 - c. Supervision of NBE – differentiation between MFIs and cooperatives and financial associations
 - d. MIS, internal controls, internal audit systems exist but are not operating efficiently
 - e. Revisit MFI governance, expand & diversify shareholders to include private business, banks, etc. to bring in expertise in public relations, marketing, public education, etc.
 3. Access to specialized professional advice: product development, business planning, portfolio review , etc. performance evaluator/review
 - a. build in-house capability
 - b. equitable access to support industry
 4. Limitations in regulatory framework: National Bank supervision capacity
 - a. NB supervision – involve in capacity building process – growth process
 - b. Self-regulation (appropriate)
 - performance monitoring



What is needed to do what needs to be done?

1. Skills training for MFI practitioners at all levels
 - a. Short-term
 1. Training needs assessment
 2. Curriculum (modules) designed
 3. Training delivered: involve existing institutions as feasible, AEMFI role in coordinating
 - b. Long-term
 1. Build/support institutions to provide quality training on a sustainable basis
 2. Organizational/Operational:
 - a. MIS improvement
 - b. Develop and agree upon industry code of conduct, performance measures, standards.
 - c. Revisit governance, diversify and strengthen Boards of Directors
 1. Public relations
 2. Public education
 3. Marketing
 - d. Expand/diversify shareholders
 3. Access to specialized professional advice:
 - a. equitable, efficient access to quality service in timely manner
 - b. seek to build in-house capacity
 4. Limitations in Regulatory framework – NB supervision and self-regulation
 - a. Build NB capacity, involve, encourage active role
 5. Access to loan funds

BDS GROUP #1

What needs to be done?

1. Training
 - a. Technical skill training
 1. Strengthen and equip existing CSTCs and others
 2. Training of trainers
 3. Skill training needs assessments (to be done continuously based on market needs)
 4. Curriculum development based on market demand for MSE products
 5. Exposure visits and exposure exchange with other training institutions



6. Follow-up and impact assessments on trainees
- b. Business skill training
 1. Development of curriculum and syllabus
 2. Strengthen Bahir Dar University to provide business skills and organizational development training applicable to MSE
2. Technology development
 - a. Strengthen existing Rural Technology Promotion Centers
 - b. Redefine role of RTPCs to also assist ME business development activities
 - c. Exposure visits, exposure exchange
 - d. Promote research
 - e. Promote involvement of private sector and NGOs
3. Market development
 - a. Improve infrastructure
 1. access roads
 2. telephones at word level
 3. electricity
 4. transport services
 - b. Market information network
 1. radio non-agriculture information – introduce programs to meet the needs of ME
 2. Postal
 3. Telegraph
 4. Publish success stories
 - c. Establish links with external markets via product developers
4. Institutional support
 - a. Strengthen REMSIDA to give service down to woreda level
 - b. Establish network of business stakeholders
 - c. Support to implementing bodies/local NGOs
 1. Financial
 2. Technical
 3. Material
5. Policy framework
 - a. Identify barrier policies and implementation setbacks of constructive policies and propose solutions
 - b. Set favorable policies
6. Rural organizations
 - a. Empower ME producers through formation of coops
7. Financial services
 - a. Increase access to credit
 - b. Introduce new financial products
 1. savings



2. insurance
3. money transfers, etc.

BDS GROUP #2

1. Policy constraint - Activities (be practical)
 - a. Identify weaknesses and gaps in existing policies on MED and MF
 1. government should initiate discussion
 2. all stakeholders should participate
 3. facilitation/consultation is necessary
 - b. Encourage community participation in formulation and reformulation of MED and MF policies (bottom up approach)
 1. existing community groups mobilize committees
 2. multi-disciplinary, neutral team assesses community opinion
 3. training of staff
 - c. Stakeholders and practitioners of MED and MF should work together to be part and parcel of policy discussions
 1. Arrange a stakeholders forum
 2. Stakeholders and government officials should participate in studies together
 3. Establish clearing-house for information
 - d. Beneficiaries and stakeholders must be sensitized of the contents of policy on MF and MED – contents of policy affecting MED & MF must be made available to the public at large
 1. Media access to information
 2. Media distribution of information
 3. Establish steering committee of stakeholders
 4. Stakeholders sensitize community
 5. Training and forums
2. Knowledge & Information
 - a. Upgrade skills (traditional and non-traditional) of micro-entrepreneurs
 1. Collaboration of government, private sector plus NGO service providers
 2. Develop needs assessment; identify needs and develop & revise curricula
 3. Provide/improve existing human and material training resources
 - b. Improve existing traditional financial associations
Same as above
 - c. MF handled by other groups
3. Popularize appropriate technology which can improve productivity of ME and attract micro entrepreneurs
 - a. Research and development at higher learning institutions and existing research and rural technology centers.
 - b. Media coverage of appropriate technology
 - c. Increased human and material support
 - d. Means of communication amongst stakeholders



4. Develop a market information system: local, regional, etc.
 - a. (who can be responsible?)
5. Establish record management center

LIST of PARTICIPANTS – unavailable at press time



ANNEX D: Current Status of MED Activities in Amhara and Ethiopia, as of February 2000

Micro Finance Institutions in Ethiopia

Name	Location	Number of Clients/ Portfolio	Interest Rates/ Fees	Terms/ types of loans/ services	Performance Indicators	Funding Sources	Strengths	Weaknesses	Comments
<p>African Village Financial Services Share Company</p> <p>Started lending in May 1999</p> <p><u>Operations are in process of being suspended</u></p>	Addis Ababa	<p>194 clients</p> <p>63% women</p> <p>B284,000 total portfolio</p>	<p>16% flat plus 4% service fee plus B5 registration fee for credit training</p>	<p>Solidarity groups of 5-7 in Centers of 6 groups. Up to 6 month loans to existing businesses.</p> <p>Modified Grameen with forced and voluntary savings.</p> <p>1st loan max B1000, doubles up to B5,000</p>	<p>99% on-time repayment rate</p> <p>Dropout rate 12-13%</p> <p>35 loans/credit officer.</p> <p>Savings B30,000</p>	CARE	<p>Starting outing cautiously; not disbursing all of available loan funds before get some experience in paybacks.</p> <p>B500,000 loan fund</p> <p>Get clients through 'iddri' groups</p> <p>Obligatory and voluntary saving</p>	<p>Just getting started, Unproven staff and organization.</p> <p>Very low number of loans/CO</p> <p>14 hours pre-credit training in credit management is longer than industry average (10) and increases cost of making first loans.</p>	<p>Work with 'iddri' groups.</p> <p>Still evolving methodology.</p> <p>Target existing businesses</p> <p>Want to develop individual loans with hire/purchase to get around B5,000 limit.</p> <p>Manual MIS</p> <p>Linked to African Village Centers for Enterprise and Entrepreneurship Development (see BDS)</p>



Report on the Status of Micro Enterprise Development Activities in Amhara, Ethiopia

Name	Location	Number of Clients/ Portfolio	Interest Rates/ Fees	Terms/ types of loans/ services	Performance Indicators	Funding Sources	Strengths	Weaknesses	Comments
<p>Amhara Cooperative Promotion Bureau</p> <p>Credit & savings coop promotion started in 2000</p>	<p>Focus on small urban centers - woreda towns</p> <p>11 administrative zones in Amhara</p>	<p>112 savings & credit coops in towns</p> <p>1 rural S&C coop</p>	N.A.	<p>Assist needy people who want need coops – common activity coops e.g. taxi drivers, casual laborers, handicraft producers, textile workers, etc.</p> <p>Credits for animal fattening, dairy, beekeeping</p> <p>Ag coops – starting in high potential areas to increase production</p>	<p>112 established in</p> <p>Establishing one new S&C coop per month in Bahir Dar</p>		<p>2000 staff down to woreda level</p> <p>Work with BOA, BOTI and FSCO</p> <p>Trying to assist farmers with non-farm IGAs – marketing and input provision</p> <p>VOCA providing Regional Bureau capacity building</p>	<p>Shortage of human resources and HR capacity though getting better</p> <p>Coop law only permits giving credit or savings services to members</p>	<p>Members of S&C coops have to be employed</p> <p>Establishing networks with food insecure areas to purchase from surplus areas</p>



Report on the Status of Micro Enterprise Development Activities in Amhara, Ethiopia

Name	Location	Number of Clients/ Portfolio	Interest Rates/ Fees	Terms/ types of loans/ services	Performance Indicators	Funding Sources	Strengths	Weaknesses	Comments
Amhara Credit & Savings Institution Share Company	105 Woredas in Amhara Region	210,000 loans 190,000 savers 193,000 active clients women = 40% \$10 Million portfolio Average loan = 950-1000 Birr	12.5 declining balance pay 6% on savings	Group (5-7) loans with monthly meetings. Loans 6-12 months with monthly payments.	97% on-time repayment rate 5-7% portfolio at risk 90% cost recovery Ave loans/CO = 230 Admin costs = 13% of loan amount	Savings = 70% of Loan Portfolio (52 Million Birr) Balance from donors and operating income	Have offices in all woredas of region Have been able to maintain high repayment rates while expanding rapidly. Have extremely dedicated staff who are subsidizing costs by working overtime without extra pay. Good linkage with external MFI networks Head of finance in Indonesia learning BRI Unit Desa and KKK savings products	Manual MIS system; Staff have to work until late in evenings and on Saturdays to complete administrative functions. Interest rate is too low for profitable MFI. # loans per CO is low by industry standards but improving(230 versus 300-400) , particularly for group lending. Cash management is weak	1061 staff in 15 branch offices and 162 sub-branches – will halt opening of new offices and hiring staff until productivity brings 100% cost recovery. Need additional funding for loan portfolio Distributing GFDRE pension payments to 42,000 pensioners per month. Do financial transfers (local) Exploring new products/services Open to listening to BDS programs requests for loan for graduates of technical training, but being careful to maintain own criteria for lending. Could provide info on existing production activities from potential and active clients



Report on the Status of Micro Enterprise Development Activities in Amhara, Ethiopia

Name	Location	Number of Clients/ Portfolio	Interest Rates/ Fees	Terms/ types of loans/ services	Performance Indicators	Funding Sources	Strengths	Weaknesses	Comments
<p>CRS Women's Savings and Credit Association</p> <p>Est'd 1994</p> <p>MFI in process of registration Should be registered by July 2000</p>	Addis Ababa, Harar, Dire Dawa & East Hararghe, Oromia	<p>1542 women</p> <p>mostly urban</p> <p>Target 25,800 over next five years</p>	<p>10.5% declining</p> <p>will charge 15-20% flat under new MFI</p> <p>6% on savings but thinking of raising to 7.5-8% to compete for deposits with other MFIs</p>	<p>Use solidarity groups within association</p> <p>Save 20% before 1st loan of B150-180 for 4months with monthly repayments</p> <p>Max. 6 months</p> <p>Will introduce village banking methodology under new MFI</p>	<p>20 Associations</p> <p>low operational and financial self-sufficiency</p>		<p>CRS International has ample success with VB technology</p> <p>Advisor for VB did it in Uganda</p>	<p>Size of associations makes management more difficult, therefore need to change methodology</p> <p>Low cost recovery</p> <p>Competition from Non-MFI subsidized micro credit in their areas</p>	<p>Works through local counterparts:</p> <p>Cheshire Foundation Hararghe Catholic Secretariat, Meki Catholic Secretariat, Nazareth Children's Center and Integrated Development, Wonji Catholic Church</p> <p>Uses matching grant for loan funds</p> <p>Claim SHO and CCF doing low interest rate micro credit in their areas</p> <p>New MFI could introduce new MF methodology to Amhara if funds available</p>
<p>Fatumatu Zehara Aid Organization</p>	Bahir Dar	<p>75 borrowers</p> <p>women = 32%</p>	12.5% flat	<p>Individual loans approved by Kebele leader. Loans for 12 months for weaving, tanning, or food preparation</p>	<p>Mixed (exact numbers not available)</p> <p>Use Kebele leaders to contact delinquent payers</p>	<p>Saudi Arabian donors mainly</p> <p>Local & Int'l NGOs</p>	<p>Use Kebele leaders for borrower selection and to pressure delinquent payers.</p> <p>Have limited lending to ME's with identified demand.</p>	<p>Small.</p> <p>Inexperienced</p> <p>Under-funded</p>	<p>Nephew of founder runs it.</p> <p>Principle activity is an orphanage.</p>



Report on the Status of Micro Enterprise Development Activities in Amhara, Ethiopia

Name	Location	Number of Clients/ Portfolio	Interest Rates/ Fees	Terms/ types of loans/ services	Performance Indicators	Funding Sources	Strengths	Weaknesses	Comments
Meket Micro-Finance Institution, S.C. Registered Dec 1999 Started June 2000	1 woreda in North Woolly 16 staff	2,500 clients Birr 250,000 Portfolio Savings = Birr 16,000		Grameen/ village banking Compulsory savings % of borrowing				Need staff training Need consultancy and Internet access	They also provide BDS in client sustainability, ME diversification,
Meklit Micro Finance Institution, S.C. Established February 2000	Addis Ababa, Nazareth	1,100 clients		Group lending Savings	70% women clients			Need funding to expand loan portfolio	Also does training, market information and networking



Report on the Status of Micro Enterprise Development Activities in Amhara, Ethiopia

Name	Location	Number of Clients/ Portfolio	Interest Rates/ Fees	Terms/ types of loans/ services	Performance Indicators	Funding Sources	Strengths	Weaknesses	Comments
Specialized Financial Services & Promotion Institution Started in 1996 Registered November 1997	19 woredas of Addis Ababa Investing Oromia & Amhara 17 Credit Officers 4 Branch Managers	2,800 + 2 coops in Oromia with 280 and 820 members (Total 4,000 clients) B2.06 million Average loan – B950	16% declining balance pay 7% on savings 3% management fee on Managed Funds	Group (5-7) loans with monthly meetings. Loans up to 6 months. (Grameen replication) and forced savings Individual loans to clients from outside operating area (use personal guarantee of employed person or coop)	97% on time repayment 15-20% dropout rate reducing to 10% or less with monthly meeting 38% cost recovery Average loans/Credit Officer = 300 Average portfolio/CO = B300,000 Staff/CO = 2.2 Operating Cost = 44% of loan amount. 80% women clients	Managed funds of non-MFI NGOs Japanese ICCO – Dutch Sale of Shares Savings	High repayment rate Have worked out a way to expand loan portfolio without having to find the funds themselves (managed funds).	Drop out rate increases costs be requiring continual new clients. May have gotten into savings too soon, though they do provide some loan funds. Operating costs at 44% of average portfolio are high	Shortage of financial resources due to low cost recovery combined with portfolio expansion. Need to increase operating efficiency and/or increase interest rate/fees. Claim that competition prevents increasing interest rate/fees. Piloting lending to Coops for on-lending to their members in Oromia Implementing “Total MF Solution” MIS system Implementing BDS and promo unit training in SB management (see BDS)



Report on the Status of Micro Enterprise Development Activities in Amhara, Ethiopia

Name	Location	Number of Clients/ Portfolio	Interest Rates/ Fees	Terms/ types of loans/ services	Performance Indicators	Funding Sources	Strengths	Weaknesses	Comments
WISDOM Micro-Financing Institution S.C. Est'd June 1998	Amhara, Addis, SNPR 2 Branches and 11 sub-branches; will add 1 branch and 4 sub-branches this year	7,959 Active B6.46 million Portfolio Savings = B2.33 million	12.5% flat plus 2% application fee pay 6% on savings	Grameen model group (5-7) loans for Average Loan = Birr 954	98% Repayment rate 2.5% Portfolio at Risk (over 30 days) 2.33% Portfolio past due >1 day 33% women clients 531 clients/credit officer operating cost ratio = 16.94% Operational cost recovery = 57%	26 share holders B200,000 Interest income World Vision USA (50%) World Vision Canada Applied for B10 million grant under DAP	Differentiate need for credit and relief Quarterly forum to discuss problems and opportunities High repayment rate maintained Have radio link to sub-branches for weekly reporting of key statistics Have internal audit function in central office Monitor impact of loans (e.g. weavers group in Addis had price of products drop 50% because of over supply)	Lack of standard training materials and staff training process; most training is OTJ. Monthly data consolidation Do not have internal audit function at level of branches and sub-branches	World Vision was doing micro credit as part of integrated rural development since 1994 GM has 15 years government experience. Amhara zones have been dry last three years, do not lend where relief is what is needed. Bulk of portfolio in South. A challenge is WV institutional mandate of relief Need capacity building. Staff training, visits to other successful MFIs, training materials, management training- will pay for participation.
Save the Children UK Food Security Household Baseline Study	Bahir Dar and 5 economic zones in Amhara			Pilot baseline socio-economic household surveys in five different economic zones	Pilot Baseline studies completed and published for five economic zones in Amhara				Baseline studies that could serve MF and MED BDS programs market research SCF UK is negotiating to do annual follow up studies which could measure impact of MF and other MED activities on food security



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Association of Micro Finance Institutions (AEMFI)	Addis Ababa National scope (REST provides offices)	15 member MFIs Total clients 471,000 Total loans outstanding \$34 million	NA	Advocacy Member staff training Meetings & Conferences	Membership growing 44% women	PACT Member fees	Has strong General Manager with experience in finance and research	Young organization with limited authority Members tend to think independently	Strategy is to create awareness and provoke discussion Need MF industry performance study for regulatory reform Need data to give to policy makers to review new law Need to develop MFI industry standards
National Bank of Ethiopia Super-vision Department	Addis Ababa	All MFIs, banks and insurance companies		Registration and supervision	Have registered 17 MFIs 4-5 MFIs are submitting regular reports required for supervision	GFDRE EU and World Bank talking support	Have law for MFIs Are willing to consider necessary changes to law	Lack of staff trained in MFI supervision Delays in EU & WB support Interest rate floor on savings	NBE will create separate unit for MFI supervision in October 2001 Ag guarantee/ insurance scheme under study



Business Development Services

Name	Locations	Number of Clients	Fees	Types of Services	Performance Indicators	Sources of Funding	Strengths	Weaknesses	Comments
<i>Training</i>									
Amhara Development Agency	Amhara 3 training centers (Teda, North Gonder, Kamisee, Oromia, Haiq, South Wollo) Italian funding for N Woolly & Waghambra with main center at Waldea Handicraft production workshops in Bahir Dar	2200 over 5 years 440/year	None Pay per diem and B25/month pocket money to trainees because "they are too poor to pay"	4 month courses in carpentry, masonry, auto mechanics, maintenance techniques for grain mills, blueprint reading Planned – poultry, animal fattening, metal & wood working, Provide tools for ME startup (B380-480) Handicraft production workshops for returned soldiers of EPRDF (Gobel Industrial Village)	75% of trainees creating own jobs 15 staff in each training center Average cost per trainee = B2,000	Ethio SRDF (WB) UNDP Member contributions (cash and in-kind) French Embassy Packard Foundation Italian APS – 3 year training program in basic skills	Ability to mobilize resources Priority to train "poor" and unemployed from drought areas Cost efficient Already doing skills upgrading training (93 masonry graduates) Plan to study impact at business & household level to see how to better help poor Integrate training with other community development activities Have 100,000 members	No fees/cost recovery Totally dependent on donors Two training centers require that students from rural areas be lodged and fed Training needs assessment does not include analysis of markets for graduates products	Facilities for training provided by government Plan to train youth in credit association development, link with ACSI – will contribute loan funds Need TOT on principles of MED and in ME business skills training management and bookkeeping Need assistance in transport and other facilities Italian funded 15 day basic management, bookkeeping for MSEs training to reach 3000 over 3 years Italian funding will enable staff expansion



Business Development Services

Name	Locations	Number of Clients	Fees	Types of Services	Performance Indicators	Sources of Funding	Strengths	Weaknesses	Comments
<p>African Village Center for Enterprise and Entrepreneurship Development (CEED)</p> <p>Est'd 1998</p>	Addis Ababa	200 per year	B1-5 per course	<p>Economic awareness, basic entrepreneurship skills, and entrepreneur-ship development training 3-5 half days per course</p> <p>Business linkage</p>			<p>Focus of training is on illiterate women & is geared towards local products</p> <p>Short courses</p> <p>Recognize need for studying market linkages between micro, small and medium</p>	<p>Relatively small NGO</p> <p>Still developing materials</p>	<p>Using materials that were successful in Tanzania (FAIDU-Profit)</p> <p>Needs sub-sector analysis technology</p> <p>Should investigate to see if materials could be used in Amhara</p> <p>Man. Dir. has international experience</p>



Business Development Services

Name	Locations	Number of Clients	Fees	Types of Services	Performance Indicators	Sources of Funding	Strengths	Weaknesses	Comments
Amhara Regional Women Entrepreneurs Association	Bahar Dar and nearby	75 members	none	<p>Training in collaboration with BOTI in accounting & financial management</p> <p>Counseling with Enterprise Ethiopia on marketing and management</p> <p>Information on trade fairs and export promotion with WEPC in Addis (see WEPC below)</p>		<p>GTZ</p> <p>GFDRE</p>		<p>Women do not understand objective of association</p> <p>Members don't have experience with sharing info with each other</p> <p>Previous forced payment of dues by Derg</p> <p>Title of business in husband's name</p>	<p>GTZ has provided office equipment and seminars with BOTI in Addis and Bahar Dar on improving business, problems in business, links with businesses outside of Ethiopia and study tour to Johannesburg</p> <p>Free literacy training and small scholarships for a few</p>



Business Development Services

Name	Locations	Number of Clients	Fees	Types of Services	Performance Indicators	Sources of Funding	Strengths	Weaknesses	Comments
BahirDar Medhanealem Orphans and Destitute Family Support & Training Center (BMODFSTC)	Bahir Dar	720 over 5 years in particular elderly, women needy boys and girls, and orphans Select by Kebele Committees Target 6100 over next 3 years (if get funding)	None	Fishnet and other net making Fishing and fish processing Carpet making Tailoring Traditional metal works Wax tapering, Spinning & weaving Leather Embroidery and needle work knitting and other ME craft skills \$450-1500 equipment and startup money at end of training 18 months to pay interest 4%	280 fishnet making 50 fishing & fish processing 125 carpet making 51 tailoring 80 traditional metal works 134 (wax taper making, weaving, & similar fields)	Donations US, Canadian Japan Finland Embassy CRDA	Are providing unusual mix of training based on market opportunities Sell students products Have big plot for vegetable production demonstration	Funding	A surprisingly diverse mix of skills training and adapted to local market demand. 3 trainers BOA, BOE, BOTI provide some of training Need for transport, technical, professional and material resources. Rudimentary but functional facilities. Could be a source of training materials or curriculum for other training institutes Also do sanitation, hygiene work



Business Development Services

Name	Locations	Number of Clients	Fees	Types of Services	Performance Indicators	Sources of Funding	Strengths	Weaknesses	Comments
<p>Bahir Dar University - Business Dept Established in 2000</p>	<p>Bahir Dar 3 accounting teachers 3 secretarial teachers</p>	<p>50 full-time students per year plus 750 extension (evening) students</p>	<p>Annual allocation from GFDRE Extension program</p>	<p>2 year diploma programs Accounting, Secretarial & Office Management Extension program for accounting and secretarial services</p>	<p>40 students started in 2000 – 27 & 24 left in accounting & Secretarial Extension program 500 – accounting 241 - secretarial</p>		<p>Strong demand for both evening and day schedules Employ teachers from private sector Accept 600 extension students per year</p>	<p>Limit 50 places per year in each diploma program Extension program can only accept 33% of qualified applicants Low teacher pay Need more computer work</p>	<p>Will add Marketing, Banking, Management & Personnel Management in 2002 & full diploma program by 2003 PACT/Ethiopia advocated practical exercises and adult learning Need material dev't assistance</p>



Business Development Services

Name	Locations	Number of Clients	Fees	Types of Services	Performance Indicators	Sources of Funding	Strengths	Weaknesses	Comments
Bureau of Education	Amhara Community Skill Training Centers (CSTCs) in 105 woredas but active in only 69 woredas	3920 (in 2000) (24,160 in last 7 years out of which 16,284 males, 7,876 females)	No fees	Skills training in pottery, leatherwork, carpets, embroidery, metalwork (blacksmith) woodwork, hand knitting, cloth weaving Plan to develop business skills training materials in 2002	2,975 males 1,348 females mixed results after training as far as getting a job or creating one	Government NGOs contribute cash and materials	Have facilities Initiative to provide primary level vocational training and some business skills training to diversify rural poor incomes and local product supply Training of Trainer's manual Materials developed at CSTC level which could make them more tailored to local needs	Limited money Limited entrepreneurship training No standard training materials or curriculum Need additional resources for mobile training Weak markets for trainees products & services Weak input markets provide low quality inputs	Not all centers functioning at present Doing an impact assessment to improve skills training- to be available June 30, 2000 Need training materials Need attitude change to have trainees share costs Suggests services be introduced to communities via peasant associations (kabele committees)



Business Development Services

Name	Locations	Number of Clients	Fees	Types of Services	Performance Indicators	Sources of Funding	Strengths	Weaknesses	Comments
<p>Bureau of Labor and Social Affairs</p> <p>Centers established in 1998</p>	<p>Amhara 7 training centers Bahir Dar, Gonder, Debre Tabor, Woldia, Dessie, Debre Birhan, Debre Markos</p>	<p>1750 registered 1384 completed training</p>	<p>None</p>	<p>10-14 month voc. skills training: Metalworking, wood work, automotive, electricity & electronics, drafting and surveying, building construction, building technology, entrepreneur-ship and applied math</p> <p>Supervise operation of 40 flour mills</p>	<p>80% of graduates go to work in government</p> <p>88% registered pass final exam capacity 1750/ year 250 per center</p> <p>2 month apprenticeship often turns into a job</p> <p>Many not functioning</p>	<p>GOE</p> <p>German machines and German Volunteer Service</p> <p>UNICEF</p> <p>SIDA</p>	<p>New facilities and equipment better than other vocational schools</p> <p>Standardized training curriculum and materials</p> <p>Job placement services</p> <p>Trainers in Dessie enthusiastic</p>	<p>Want link to credit for graduates who will become self-employed/start own business if there is market for their products</p> <p>Three training groups to date</p> <p>Trainers only have 2-3 years experience</p> <p>Prices charged for student products sold are below cost</p> <p>No funds for needs or impact assessments</p> <p>Cannot reach poor - do not have money for food & lodging and poor lack enough education</p> <p>Surveys beyond their capacity because lack of manpower and finance & need consultant design</p>	<p>Secondary level of vocational skills training with a few basic business skills.</p> <p>Take unemployed grade 10 grads, so can only give certificate and not diploma</p> <p>No possibility of providing modern tools needed for entry into self-employment</p> <p>Grads cannot compete with factory made products</p> <p>Need TOT rather than technical skills upgrading</p> <p>Need feasibility of training needs to see if there will be market for products calling for skills of Training</p> <p>"development is change. Convince and show kebeles and show results, then go to word for support to expand"</p>



Business Development Services

Name	Locations	Number of Clients	Fees	Types of Services	Performance Indicators	Sources of Funding	Strengths	Weaknesses	Comments
Bureau of Trade and Industry	Bahir Dar	NA	None	ILO-IYB and SYB mobile video GTZ-CEFE business skills training (see REMSEDA below)	30 persons assisted in feasibility study/ loan proposal prep	GOE	Have ILO materials in Amharic but now using GTZ-CEFE materials	Limited money Generally too sophisticated for ME and particularly women	BOTI has responsibility for licensing and controlling merchant trading and industrial production.
Dessie Street Children Project	Dessie, South Wollo	45 girls Indirect 43 mothers 105 siblings	None	Skills training, counseling and guidance services, provide	Sold B45,000 of students' production	Terres des Homme PACT CRD Swedish Development Council	Comprehensive rehabilitation project for street children Have been able to place several cooking and leather work trainees in jobs	Limited capacity Expensive package of services No future funding at present	Results on an individual basis appear from observation impressive, but questions remain about the high cost and limited reach.
Dessie Chamber of Commerce	South Wollo	30	B35/ month for ten months	10 month training in Secretarial science/Office management Typing Amharic & English Bookkeeping/ Accounting Business filing	Licensed through Ethiopian Chamber of Commerce so students get Diploma Almost 70% get jobs, a few create their own ME		5 hours /day 5 days a week allows student to hold a job at same time. Schedules are flexible to accommodate this.	At present, no link to rural business	See no need for computer training as private schools exist in Dessie and Addis Past misuse of Chambers by government adversely constrain membership



Business Development Services

Name	Locations	Number of Clients	Fees	Types of Services	Performance Indicators	Sources of Funding	Strengths	Weaknesses	Comments
Federal Micro and Small Enterprise Development Agency	Addis Ababa	80 technical trainees 620 business skills trainees in 9 months	B120-180 per month Usually paid for by NGOs or businesses B120-130 per week	Ceramics, bamboo, foundry, wood working, weaving handicraft, leather/tannery vocational skills training. 10 month with certificate Business skills (CEFE) training 2-3-4 weeks in 2 rounds plus coaching TOT in CEFE	B200,000 in training fees 7% cost recovery 620 trainees in 9 months 40 trainers in Oromia	GOE, GTZ	Well known; NGOs call on them for training CEFE materials better liked by businesses sending new employees for training TOT in CEFE capability Have 20 trainers Large facilities in Addis Ababa Export carpets to Europe	Only one REMSEDA has been established (Amhara) Limited staff resources to support REMSEDA development Lack regional facilities	Looking for donors for equipment, organization development (classrooms), and manpower GOE pays for staff GTZ is supporting FEMSEDA to provide capacity building to REMSEDA's in ANRS Regional government has to come up with money for REMSEDA Good potential for supporting Amhara TOT
Gojjam Chamber of Commerce Started 19 years ago, but defunct the last 7 years	Bahar Dar and Gojjam	No paying members at present, but 500 attended recent General Assembly	Birr 5 p.a. up to 5,000 capital, Birr 10/Birr 5,000 capital to B20,000 p.a. for	15 day Bookkeeping training for small business (none done in last 4 years) Advocacy	None trained in last 4 years	Membership dues Trade fair (planned)	Have office in central location in Bahar Dar	BOTI has not yet issued business license Past forced membership and payment	Hope to register 1,000 members by end of 2001 Will provide services as funds are available



Business Development Services

Name	Locations	Number of Clients	Fees	Types of Services	Performance Indicators	Sources of Funding	Strengths	Weaknesses	Comments
<p>Lutheran World Federation</p> <p>Started in 1999</p>	Bugna, Habru, Kobo	325 total in less than one year 245 women 80 men	None Pay per diem for trainees	<p>Training of trainers in Economic empowerment of women training: How to use money and types of income generating activities</p> <p>Market assessment program(MAP) – track market prices and advise on better strategies</p>	325 trainers trained 80 males 245 females	Lutheran Churches	<p>Training is part of integrated development program</p> <p>Market assessment follow-up</p> <p>Have arranged credit facility to complement training</p>	No fees Work through Farmers Coop Promotion	<p>Some food preparation training is done as part of nutrition training. Food preservation training could be used for ME.</p> <p>Consultative meetings with coops</p> <p>Have small scale irrigation based activities including agriculture, soil and water conservation, institution building</p>



Business Development Services

Name	Locations	Number of Clients	Fees	Types of Services	Performance Indicators	Sources of Funding	Strengths	Weaknesses	Comments
Micro and Small Enterprise Programme	Addis Ababa and Nazareth	1098 trained in 18 months	None	Managerial, bookkeeping, marketing, proposal writing and credit management training Association formation, cooperative formation, and leadership training	Total of 33 groups formed with 550 members 217 women (40%) 333 men (60%) 3 groups attained work space Have linked 12 groups to AVA for credit, 3 approved	GTZ	CEFE materials appear to be more appropriate for ME's than ILO materials Facilitating, participatory and process approach	Funding for regional deployment limited	Materials and results from this activity are to be used by REMSEDA.



Business Development Services

Name	Locations	Number of Clients	Fees	Types of Services	Performance Indicators	Sources of Funding	Strengths	Weaknesses	Comments
Organization for The Rehabilitation and Development of Amhara (ORDA)	35 woredas of Amhara	NA	None at present, though cost share with communities Funds for inputs for training sometimes provided on credit basis	Vocational and business skills training, food distribution, soil conservation, etc. Are planning more MED, non-farm activities to supplement/ Diversify rural incomes – training and preparation of viable ME projects and link to credit		Grants from GFDRE and other donors PACT/ Ethiopia sponsored study tour in Bangladesh for exposure to NGOs financing own activities ActionAID German Agro Action	Experienced in logistical coordination of multiple activities Integrated food security projects that include evaluation of income generating projects Experience in MED skills training 7 working trucks in Bahir Dar plus 8 functioning WFP (food for work) trucks Do rent trucks to projects or gov't agencies on cost recovery basis	Not specialized in any aspect of MED Relief trucks not allowed to carry anything back from communities served	Past and present support of CSTC's including vocational and basic business skills training Engaged in many activities in rural areas: agricultural, roads, environmental protection, soil and water conservation, reforestation DPPB did workshop on NGOs charging for services – gave okay to do it and no rules for doing it –but there are no rules specifically allowing it – need clarification on this policy GFDRE policy to avoid dependency on donors – so need to share costs Still see resistance in gov't bureaus to make sustainable activities/services



Business Development Services

Name	Locations	Number of Clients	Fees	Types of Services	Performance Indicators	Sources of Funding	Strengths	Weaknesses	Comments
Specialized Financial Services & Promotion Institution Started in Sept, 1999	16 woredas of Addis Ababa Investigating Oromia & Amhara	22 NGO trainers 200 individual trainees	B1000 Free till now, but working on 30% cost sharing	Training of Trainers for 15 days - exposure to ILO-SYB/IYB materials Money and management Use Jr. College accounting materials Also do social and hygiene training	NA	Oxfam GB ILO			Have 1 trainer and 1 Unit Head coordinates outside trainers (12 master trainers) Need illiterate materials Do training needs assessment then do 2 rounds of training of 100 people each In Oromia using farmer coops to study needs.



Business Development Services

Name	Locations	Number of Clients	Fees	Types of Services	Performance Indicators	Sources of Funding	Strengths	Weaknesses	Comments
Women's Enterprise Promotion Center	Addis Ababa	230 Voc. Skills 150 gender sensitive planning and grassroots management	None (cover some costs with product sales)	Vocational skill upgrading in handicrafts, Train organizations in gender sensitive planning and grassroots management		SRDF WB Product Sales	Using WB-EDI WYMTOP training materials Manager has entrepreneur-ship training from Enterprise Ethiopia - MSI	Free training and grant subsidies to women's groups for equipment & materials Crafts shop not self-sufficient Using mostly traditional supply driven handicraft product approach but trying to shift to order based production	The funding side of the activity could compete with MFIs, though they are not supposed to do it where MFIs are. Interested to participate in Market Demand Led Development Approach
World Vision	Amhara, Oromia Southern Region	NA	None	Technical skills and basic business skills as part of community-based Area Development Programs (ADPs) Some link to microfinance through WISDOM MFI		Resources from donor countries or child sponsorship and ADP	Funding base Has 15 ADP centers in rural areas	Appears not have capability to tailor make training to meet client needs	Reportedly very generic training
Consulting Services									



Business Development Services

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Bureau of Trade and Industry	Bahir Dar	30	None	MSE Business Plan Preparation Pre-feasibility studies for list of small businesses	6 clients per staff	GOE		Very limited outreach (5 staff) and overkill for ME	Traditional SME business development approach that has seldom been very effective at small and micro business level.
Marketing Services									
Bureau of Trade and Industry	Bahir Dar	NA	None	Trade fairs (local and national) Market price information		GOE GOE	Links to MOA for Ag prices info	Limited money Cannot follow flow of goods between regions except medicines, coffee, alcohol & beverages & petrol	Focus has not been on MSE products Source of information on both agriculture and industry. Discontinued magazine after two issues because of lack of funds.
Dabat Dairy Farmers Association	Dabat North Gonder	50 members by end of year, and then add 10-15 per year	Earning from sale of products	Processing milk into cream, butter, waste water, and some cheese	Net Income B5,000 in 6 months while paying two FT staff	ILRA ILDLP	Demand not yet met in Dabat and already interest coming from Gonder market	Selective who they will include in association Replacing individual farmers by pricing B1 below their price.	Need financial analysis to confirm positive ROI Need market analysis to determine limits to market.



Business Development Services

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Dessie Street Children Project	Dessie, South Wollo	45 girls Indirect 43 mothers 105 siblings	None	Bulk purchasing of leather	Sold B45,00 Of products	Terres des Homme PACT CRD Swedish Development Council	Leather products looked to be of high quality.	Local marketing mainly to visitors of the center. Expensive package of services No future funding at present	Need to expand marketing reach if production can meet order demand. Could serve as marketing channel for self-employed graduates. This could be source of income to cover more costs of training and other activities.



Business Development Services

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Federal Micro and Small Enterprise Development Agency	Addis Ababa	NA	Cover material and some salary costs	Sales and promotion of MSE products, including graduates. Machine repair services Handicraft sales	B200,000 sales industrial products B400,000 machine repair services B200,00 Handicraft sales/services Cost recovery 25%	GOE GTZ	Have sales/display space for industrial and handicraft products Are providing repair services with demand.	Sales outlet inside compound and not visible to foot traffic Limited promotion	Need for marketing expertise to better promote availability of products. Market out of sales office and to local retailers. Might need to clarify with GOE ability to be non-profit retailer. Plan to expand to other regions including Amhara when regional governments come up with money for establishing REMSEDA



Business Development Services

Name	Locations	Number of Clients	Fees	Types of Services	Performance Indicators	Sources of Funding	Strengths	Weaknesses	Comments
Lutheran World Federation Started in 1999	Bugna, Habru, Kobo	900	None	Market assessment program(MAP) – track market prices and advise on better marketing strategies	900 coop members every 2-3 months	Lutheran Churches	Market assessment follow-up to training and credit services detects over supply in local Markets.	No fees Work through Farmers Coop Promotion	Consultative meetings with coops This activity could serve as a model for MFIs and other BDS providers for assisting in market awareness of their clients
Input Supply Services									
Dessie Street Children Project	Dessie, South Wollo	45 girls Indirect 43 mothers 105 siblings	None	Bulk purchasing of leather	Sold B45,00 of products	Terres des Homme PACT CRD Swedish Development Council	Comprehensive rehabilitation project for street children Have been able to place several cooking and leather work trainees in jobs	Limited capacity Expensive package of services No future funding at present	Results on an individual basis appear from observation impressive, but questions remain about the high cost and limited reach.



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Micro and Small Enterprise Programme	Addis Ababa and Nazareth	30 shiro kek producers (Fagulo) 23 blacksmiths (charcoal) 12 Kola glue makers 17 brush makers	None	Linkages to input providers to buy in bulk for groups of micro-enterprises	Total B4,740 savings to 30 shiro kek producers with only B900 loan and link to supplier.	GTZ	Direct links to Chambers of Commerce and private Minimal need of capital and human resources for managing, financing purchase and handling of materials.	Only one ME group appears to have established an ongoing bulk purchasing agreement	Business linkage type activity avoids getting into handling inventories and is recommended approach for supply of lower cost inputs. Social impact can be pushed on recruiting suppliers. Results from this activity could be valuable resource for Amhara activities.
Technology Services									
Bureau of Agriculture Regional Research Institute (RRI) Established 2001	Head-quarters in Bahir Dar RTPCs in Bahir Dar and Kombolcha (see below)		Marginal cost basis for sale price of produced technologies	Lift pumps, threshers, beehives, farm labor-saving technologies 20 Year Master Plan includes RRI		GFDRE	Nazareth very active in technology development – storage	Process for tech development not well developed Previous gov't maximizing production from inputs – put resources into low-potential areas – now more technology focus	Plan work on rural non-farm technologies and energy saving and promote mass production of them but won't go into handicraft tools Want exposure/study tours – e.g. Kenya beehives, treadle pumps, oil seed presses, small sugar cane processing



Business Development Services

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Rural Technology Production Center	Bahir Dar & Kombolcha		Cost of raw material and some salary costs	Production and distribution of improved, non-mechanized agricultural implements	Bahir Dar: NA Kombolcha: 195 beehives 40 chicken coops 57 broad-bed maker ploughs 36 mud beehive molds 36 top bar Kenya hives 35 potter's wheels 3 weaving machines	GOE Revenues from sale of products	Have a few products. Have trained and experienced technical staff. Claim there is more market than they can supply.	Recent policy has eliminated their role in MED technology development Lack sub-sector analysis approach No incentives for field agents for technology dissemination Lack adequate funding to produce larger quantities to products for which there is a market. Need better access to low cost inputs. Distribution depends on GOE ag extension service promotion and delivery. Do not actively look to decrease production costs below sales price	RTPC used to train farmers in producing bamboo products, which can be good ME. The head of the RTC was not acting proactively to set agenda for their work. Recent budget and planning uncertainties have almost halted production. Trying to produce <i>ApproTEC Super Money Maker</i> treadle irrigation pumps without proper jigs. Will defeat product in market if product not highly quality Needs revitalization, more business like operations and reentry into ME technology production and dissemination. Will need TA in production efficiency and marketing

