

The SSE Programme

NORAGRIC
BIBLIOTEKET
Postboks 2
N-1432 AS-NLH

Review of
SSE Project 001-260
Rural Credit Scheme in Tigray
(RCST), Ethiopia

Supported by

Norwegian Peoples Aid

implemented by

Relief Society of Tigray (REST)

October 1996

The SSE Programme

**Review of
SSE Project 001-260
Rural Credit Scheme in Tigray
(RCST), Ethiopia**

Supported by

NORSK FOLKEHJELP (NORWEGIAN PEOPLES AID-NPA)

and implemented by

RELIEF SOCIETY OF TIGRAY (REST)

OCTOBER 1996

ACKNOWLEDGEMENTS

The Noragric review team would like to express its sincere gratitude to Norwegian People Aid (NPA), Relief Society of Tigray (REST) and the project staff in Rural Credit Scheme in Tigray (RCST) for the well-organised field trips and meetings we were able to undertake during the period 28 May to 3 June 1996. The discussions both in the field and at the headquarters were frank and informative. The openness and assistance given to us by REST staff at all levels were thoughtful and indispensable for our mission. Thanks for taking good care of the team and providing good transportation during the review and all the way to Asmara.

We are also grateful to the representatives of the beneficiaries who gave us insight into their problems and shared with us their thoughts of how to face the challenges.

Noragric, October 1996

Aregay Waktola

Arild Ø. Hansen

TABLE OF CONTENTS

ACKNOWLEDGEMENTS	2
EXECUTIVE SUMMARY	4
ACRONYMS	6
1. INTRODUCTION	7
2. BACKGROUND	7
2.1. The SSE Programme	7
2.2. Overview of the project: Rural Credit Scheme (RCST)	8
2.3. The partners	9
2.3.1. Norwegian Peoples Aid	9
2.3.2. The Relief Society of Tigray (REST)	9
3. METHODOLOGY OF THE REVIEW	10
4. MAJOR FINDINGS OF THE MISSION	10
4.1. The development problem and issues in the project area.	10
4.2. The project objectives and strategies	11
4.3. Organisation and operational principles	12
4.4. The Inputs	14
4.5. Output/Result/impact	14
4.6. Constraints	15
4.7. Plans for phase out	16
5. SUMMARY, CONCLUSION AND RECOMMENDATIONS	16
ANNEXES	19
1. TERMS OF REFERENCE	19

EXECUTIVE SUMMARY.

" I feel like 30 years old again"

Tigrinia widow (45) with 3 children., beneficiary with some experience of credit use.

Since 1994 Norwegian Peoples Aid (NPA) has been engaged in Rural Credit Scheme in Tigray (RCST) implemented by the Relief Society of Tigray (REST).

Noragric has earlier expressed some concerns about the project profile:

- Do the beneficiaries in this program belong to the poor rural community that should be focused in the SSE context?
- Are income generating activities like petit trade and tea-shops relevant as to the SSE programme objectives?
- How does REST orient the credit programme towards agricultural activities?

As an introduction to the review, the REST director and his staff briefed the review team on different issues related to the project and REST's organisation. The team was informed about REST's new Five Year Plan 1996-2000, and from this we identified the following objectives set for RCST:

- To enhance agricultural production through providing credit for agricultural inputs
- To promote sales of agricultural outputs
- To promote savings and credits
- To stimulate the local economy
- To reduce exploitation of the rural community by the local money lenders
- To promote income generation and diversification among the rural poor.

NPA support establishing credit activities in 3 weredas, namely Wemberta, Tankua Milash and Enba Seneity. The team was able to visit branches in the two first weredas, but time did not permit for a visit to Enba Seneity.

The Review Team observed that the project beneficiaries mainly are farmers from remote and impoverished areas, with limited access for social and economic services. We got the strong impression that people want to get out of poverty, but the social, ecological and economical poor conditions do not allow progress and development.

The lending mechanisms are organised in groups, and the group is responsible for individual repayment. This result in a 95-100% repayment rate.

On the whole, RCST serves 14,000 beneficiaries in 1996, through 25 sub-branches as of

60% of the beneficiaries are women that form their own groups and have become economically active. 90% of the clients have improved their economic life and there are examples of beneficiaries who have already become self-reliant and food secure.

The team observed that income generation activities are especially tailored to the working poor and involve such agricultural activities like agricultural inputs (oxen, implements, seeds, etc.), livestock rearing/fattening as well as petty trade activities like buying and selling agricultural products, sheep, goats, oxen and the like.

Credit to establish small local bars, shops etc. are linked to the rural needs and help the beneficiary become self-reliant and food secure.

Wereda administrators and Baitos play significant role in promoting and coordinating the operation of the credit and saving system. This is reassuring for the consistency of the scheme with the SSE principles emphasising community participatory approach.

REST has planned a new structure for RCST comprising a rapid expansion of the project activities and target area. The expansion will require huge manpower that is not available in adequate numbers and qualification right now.

Therefore, the team wish to advise that REST be less ambitious. The announced expansion of project activities should be carefully planned and take into consideration the lack of qualified manpower, infrastructure and market limitations.

The Team conclude that:

- the project objectives are consistent with the SSE objectives
- the project is well targeted on the working poor, especially women which reportedly constitute 60% of the beneficiaries
- the income generation activities are basically tailored towards agriculture
- activities that may have the appearance of non-agricultural are essential and contribute of the rural economical and ecological development.
- The conditions attached to the grant are largely fulfilled.

ACRONYMS

CRDA	Christian Relief and Development Association
MOA	Ministry of Agriculture (in Ethiopia)
NGO	Non-Governmental Organisation
NORAD	Norwegian Agency for Development Co-operation
Noragric	Centre for international Environment and Development Studies at the Agricultural University of Norway
NOK	Norwegian Crowns
NPA	Norwegian People's Aid (Norsk Folkehjelp)
RCST	Rural Credit Scheme in Tigray
REST	Relief Society of Tigray
SSE	Sudan-Sahel-Ethiopia
TPLF	Tigray Peoples Liberation Front

1. INTRODUCTION

Since 1991 Noragric has been engaged to assist NORAD in the management and administration of the Sahel-Sudan-Ethiopia (SSE) Programme that funds projects implemented by Non-Governmental Organisations (NGOs) in Sudan, Ethiopia, Eritrea and Mali. In the agreement, Noragric's role and mandate is defined as advising NORAD after reviewing projects for their compliance with the SSE objectives. Noragric also act as technical advisors for the NGOs involved in implementing such projects based on knowledge and experiences gained to provide forums for the communication and sharing of experiences and increased collaboration among NGOs.

A Noragric team was sent to Tigray, Ethiopia to review the Rural Credit Scheme supported by the Norwegian Peoples Aid and implemented by REST on the basis of the above agreement. Norwegian Peoples Aid had received financial support from NORAD for this project amounting to NOK 3,200,000 for 1995 and NOK 3,664,434 for 1996 on the fulfilment of certain conditions attached to the contract signed on 21 February 1995. These conditions relate to questions connected to the project's target groups (which groups and for what activities are these credit facilities used) and an action plan for orienting the credit programme towards agricultural activities/inputs.

The review team consisted of Arild Hansen and Aregay Waktola. The terms of reference for the mission is shown in Annex 1. The visit to Tigray was conducted between 28 May 1996 and 4 June 1996. REST was kind enough to provide local transport and all other assistance needed for the review

2. BACKGROUND

2.1. The SSE Programme

The SSE Programme was established in a response to the catastrophic droughts and famines that struck the Sahelian countries in mid 80s. The main objective of the programme was to finance development initiatives in these areas through projects and research activities, to improve local food production and food security, and to improve the natural ecological base to develop sustainable production systems. The main principles to guide the Programme were:(a) minimised dependence on future aid i.e., sustainability; (b) recipient orientation; (c) specific targeting of women; and (d) poverty alleviation.

The implementation of the Programme was organised through three different disbursement channels, namely, multilateral organisations, NGOs, and research institutions. These three channels of disbursement were expected to have a degree of interaction from which it was expected that mutual benefits and synergy would result.

Approximately 50% of the SSE funds were intended to finance agricultural development and environmental rehabilitation projects implemented by

Norwegian and indigenous NGOs in Ethiopia, Sudan, Mali and lately Eritrea. The other half of the funds were channelled through multilateral agencies and regional NGOs, and to research projects with focus on sustainable agriculture. The SSE programme were to be implemented with a high degree of local participation, and activities should be targeted towards women as reflected in the objectives stated above. Furthermore, The fundamental policies of Norwegian Development Aid should be followed and the project would have to be designed in such a way that activities could be sustained by local institutions after external funding is terminated.

The SSE-Programme provides the NGOs with 100% financing from NORAD for their projects if they comply with the SSE objectives. As such the SSE-Programme deviates from NORADs NGO policy that demands a 20% contribution from the NGO itself. Where projects have a relatively larger focus on none-SSE activities such as health and education, SSE-funds have been used for activities that would comply with the SSE-objectives while the NGO would use their own funds or other external sources to finance such activities.

Therefore, the review of the REST's Rural Credit Scheme must be seen considering the above frame of reference.

2.2. Overview of the project: Rural Credit Scheme (RCST)

Tigray covers an area of approximately 80,000 sq. km. The topography is characterised by high plateau and rugged mountains rising to 4500 metres above sea level. The regional economy is based on rain fed agriculture. Although there are few areas that may have surplus production, Tigray, in general, is a food deficit region.

Administratively, there used to be 81 woredas in Tigray, but as the result of the recent restructuring this is reduced to 31 woredas with a population range of 50,000 to 100,000 each.

The agricultural problems of the region are associated with the following, among other things:

- inadequate rainfall;
- highly eroded soils;
- land fragmentation/small size of holdings;
- lack of agricultural infrastructure, particularly appropriate credit institutions and related facilities;
- lack of education, training and appropriate technologies.
- ineffective policy

The Relief Society of Tigray (REST) was established in 1978 as a relief and rehabilitation organ of the Tigray Peoples Liberation Front. After the war REST was reorganised as an NGO with close working relationship with the Government. The overall aim and mission of REST is stated as "To help the people of Tigray attain self-reliance based on the genuine participation of the

people, by tackling and overcoming the root causes and effects of poverty, drought and war, through promoting sustainable rural development.

Hence, the Rural Credit Scheme may be seen as one of the strategies of achieving the above goal.

The scheme aims to provide appropriate savings and credit services to the rural poor with the purpose of enhancing agricultural production through the provision of credit for agricultural inputs; promoting sales of agricultural outputs; promoting savings and credit; stimulating the local economy; and promoting income generation and diversification. The plan is to reach every woreda of Tigray by the end of 1997, through 12 branches and 216 sub-branches, serving a potential of 302,400 clients by the end of the year 2000. NPA's support is limited to 3 woredas, namely Wemberta, Tankua Milash and Enba Seneity. Wemberta is in Eastern Zone while the other two are in Central Zone of Tigray. The total target population is 112,680 or 32,496.

2.3. The partners

2.3.1. Norwegian Peoples Aid (NPA)

NPA has its roots in the Norwegian Labour Movement (LO) as a humanitarian organisation with different activities in more than 30 countries all over the world, and with strong focus on mine clearance.

The organisation also operate long-term development aid and emergency relief. NPA began operations in Ethiopia in the mid 80's with support to projects in Tigray province. The last years these have been internal purchasing programmes under the direction of the Relief Society of Tigray (REST). The development objectives are focused on strengthening local organisation's ability to deal with local and regional disaster and stimulation of local economy and production.

2.3.2. The Relief Society of Tigray (REST)

As noted above REST was established as an organ of TPLF in 1978. Presently, it is structured as an NGO operating in Tigray with its own membership and a Board. The Board is composed of 11 members including senior professionals and institutional leaders. This is considered, by REST, as a major phase in the organisational development of the Society.

The major programmes of REST are:

- **Environmental Rehabilitation & Agricultural Development** including soil & water conservation, reforestation, irrigation, rural access road construction etc.;
- **Rural water Supply;**
- **Rural Credit Scheme; and**
- **Relief and Social Development;**

According to the Director, there are 20-25 dependable, international NGOs collaborating with REST. It should also be noted that REST is a member of CRDA (the Christian Relief and Development Association) which is an umbrella membership association of more than 100 NGOs working in Ethiopia.

REST has a staff of 560 employees of which 280 are engaged in rural credit schemes. REST is indeed a huge development force in Tigray. Considering the scope of its activities and the capacity it has developed over the last 18 years of its existence.

3. METHODOLOGY OF THE REVIEW

The major features of the methodology used in this review may be outlined as follows:

- review of documents including REST's Five Year Plan, internal reports, workshop papers, etc. kindly provided by REST;
- field visits were made to get first hand impression of REST's operation of the scheme;
- interviews were conducted with field staff and beneficiaries to get comments particularly from the latter;
- briefing sessions were held with the Director of REST and his staff where the main features of the scheme were discussed;

4. MAJOR FINDINGS OF THE MISSION

4.1. The development problems and issues in the project area.

The woredas covered by the scheme are remote and inaccessible without any form of credit services from the formal sector. As described in the project documents, these areas represent one of the impoverished areas in Tigray. The settlements are scattered with limited access for social and economic services. Over the last few years, meaning since the take-over of power by the present Government, a number of infrastructure development are coming up like access roads, construction of dams etc., largely through mobilisation of the communities. The team was able to visit branches in two Weredas, namely, Wemberta and Tankua Milash. Time did not permit for a visit to Enba Seneity. Wemberta is located in the cool highlands well over 3000 meters above sea level while Tankua Milash is found in the lower and warmer areas.

An interesting observation of the people is their determination to get out of poverty even if the conditions of the natural resources and the economic base are extremely weak. Not only agricultural productivity is very low, but the marketing outlet is not there for those who may have some production for sale. We were told that the people who flourish out of this predicament are money lenders who are said to charge up to 120% interest rate. This was indicated both by project staff and the people we talked to in the villages. So from all indications, it is very clear that REST is addressing a critical rural problem through the credit scheme.

4.2. The project objectives and strategies

From REST's Five Year Plan (1996-2000), we have identified the following objectives set for the Rural Credit Scheme:

- (a) To enhance agricultural production through providing credit for agricultural inputs
- (b) To promote sales of agricultural outputs
- (c) To promote savings and credits
- (d) To stimulate the local economy
- (e) To reduce exploitation of the rural community by local money lenders
- (f) To promote income generation and diversification among the rural poor.

The above objectives are entirely consistent with the SSE objectives. The project is also well targeted on the working poor, especially women that reportedly constitute 60% of the beneficiaries. The income generation activities are basically tailored towards agriculture and even those activities that may have the appearance of non-agricultural activities (ex. shops, sale of kerosene, etc.) are essential and contribute to improve the rural economy and ecology. As outlined in the following section, REST follows a community participatory approach that seems to work well. We cannot be very assertive on this point because we have not observed the process in action because of limited observations we made mainly because of timing of our visit and the shortage of time.

After having said the above, we wish to air our concern over the rapid expansion of the credit programme. As we have indicated earlier, there is an immediate target for REST to expand and reach all weredas of Tigray by 1997. This may be because of pressure from the Regional Government, but the fact remains true whether REST is keen or not over this development. Tables 1 & 2 below show the scope and structure of the coverage within this short period.

Table 1. Structural Expansion of REST

Total offices	1996	1997	Total
Head Office	1	1	1
Branch	8	4	12
Sub-Branch	120	96	216

Source: REST

**Table 2. Projected Number of Beneficiaries and Credit Targets
For The Five Year Plan, 1996-2000**

Particular	1996	1997	1998	1999	2000
No. of loaners	132,000	132,000	259,000	280.800	302,400
A m o u n t for dispersal (*)	132	138.6	285.12	322.92	362.88
<i>Required loanable fund</i>	66.00*	124.74	142.56	161.40	181.44

Source: REST

*In millions of Birr

The team is indeed impressed by the present level of management and operation of the programme. This can be attributed largely to the qualification of the Branch Managers and the other staff. However, the number of qualified people to meet future needs are limited. We have observed that a number of young people with educational standing ranging from 8 to 12 grades are undergoing on-the-job practical training attached to the various branches. We fear that the time available is too short to instil reasonable competence in these trainees. A BA/BSc for Branch Manager and 12+2 diploma for the other technical staff are about the right qualifications for this job. Those who are in post, have these qualifications, at least in the NPA funded branches that we visited.

Therefore, we wish to advise that REST be less ambitious. It is better to consolidate the experiences and benefits acquired through the present pilot phase before venturing into the planned region wide coverage involving large number of beneficiaries scattered over wide areas without the proper infrastructure for communication and the like. Otherwise, effectiveness and efficiency of the programme may be sacrificed to the extent of threatening the sustainability of the scheme.

4.3. Organisation and operational principles

Community participatory approach is the key principle reflected in all of RESTs documents we have been able to review. This is reassuring for the consistency of the scheme with the SSE principles. There are structural arrangements that link the communities to the management of REST at the various levels. Wereda administrators and Baitos play significant role in promoting and co-ordinating the operation of the credit and saving system.

Structurally, at the top, there is the general assembly of REST that meets every two year to review the progress of work. The Board gives advice and direction on the course of action to be taken by the management of REST. The chain of command is clearly shown in the organisational structure and in our view is well thought out.

With respect to RCST, at the regional office, there are credit and saving officers respectively who are responsible for planning, monitoring and evaluation of the programme. At the Branch level there are technical staff who processes the credit and saving activities. According to the new structure each Branch will have 18 sub-Branchees to serve a total of 25,000 beneficiaries. The NPA funded branches would undergo changes similarly. It is projected that each wereda would require 2 to 3 sub-branches. The number of beneficiaries would be increased in the range of 2800 to 4200 in each of the weredas with a total target population of 112,680 or 32,496 households. With this it is argued by REST that the increasing demand for credit services could be met by ensuring access within walking distances from all villages (see memorandum from G/Gebremariam, Project Director, to Mr. Svein Olsen, dated April 15, 1996).

The expansion will obviously require huge manpower that is not available right now in adequate numbers and qualification. This is the basis of our concern as expressed above. We also understand that there is a strong encouragement and pressure from the Regional Government but without substantial resources. This temptation should be carefully planned, perhaps spread over the 5 year of the planning period.

The lending mechanisms are interesting and elaborated as follows:

- Focus on groups instead of individuals
- The number of groups should be five to seven
- Only one member of the same family can be a member of the same group but they can join other members
- Members should be from the same Tabia and Kushets
- Chairmanship of either the group or the centre should be rotated among the members every year
- All members will attend scheduled meetings regularly
- Five to seven groups will merge to form a centre.

It must be underscored that the collateral is the peer group that takes responsibility for any default. This arrangement has also the cultural weight to make it work. In view of this, it is unlikely that the rate of default would be high under the present conditions. Collection is made in a central location and the money is brought and deposited in the office where a safe is available. By policy, each office can keep up to Birr 40,000 beyond which should go to the nearby bank. Therefore RESTs report of high repayment rate is understandable.

We have noted that women are given priority and they form their own groups. We had the opportunity to witness the process of disbursement to both women and men's groups. The process is orderly. There were some who could sign their names and others use their thumbs. Reductions are made from the loan for

group tax, contribution etc. which is explained on the spot for those who enquire about the reduction. However, we were assured by the staff that continuous awareness creation goes on to enlighten the beneficiaries about the nature and implications of the specific reductions. In any case, the beneficiaries don't seem to raise any issue, but accept the provisions, because they had never had such experiences coming with good intentions.

A note about the types of loan is in order. We have observed that income generation activities are especially tailored to the working poor and involve such agricultural activities like agricultural inputs (oxen, implements, seeds, etc.), livestock rearing/fattening as well as petty trade activities like buying and selling agricultural products, sheep, goats, oxen and the like. Loans are also given for such enterprises like small local bars, shops etc. which we feel are linked to the rural needs and relate to the objectives of REST.

From our interviews with the beneficiaries, we understood that the system is working to the satisfaction of all concerned. Although the beneficiaries know that the interest rate charged by REST is higher than that of the banks, they don't seem to bother much because what they compare with is the rate that local money lenders are charging.

So it can be concluded that the conditions attached to the grant are largely fulfilled. The only uncertainty we have is pertaining to the implications of the expansion we described above.

4.4. The Inputs

In the opinion of this review team, the following may be considered as the key inputs to the project.

- awareness creation among the beneficiaries;
- introduction of the participatory approach;
- creation of appropriate lending mechanism and criteria that fit the local culture;
- intensive training of credit and saving officers and promoters;
- securing loanable funds and making it available to the target population;
- management and intensive follow up of activities.

As repeatedly mentioned by REST, the overhead cost may be high, but is paying in terms of the results and the potential impact that the future holds.

4.5. Output/Result/Impact

On the whole, it is reported that 14,000 beneficiaries are being served through 25 sub-branches as of April 1996.

It is claimed by REST that some 90% of the clients have improved their economic life and that access to rural credit has been widened. Although it is difficult to verify the economic benefits, there is no question about the access to credit

provided at reasonable rate. From the beneficiaries own statement, the scheme has positively influenced their agricultural and income generating activities. There are examples of beneficiaries who have already become self-reliant and food secure. We were told about the case of a 45 years old lady with three children and no husband that she had improved from destitution to self-reliance saving 5-10 Birr per week after satisfying her household needs. Before her participation in the scheme, it is told that the family could not even afford one meal a day. Now they can eat three times a day. This is a remarkable change.

There is also a story about another lady who has been divorced and having nothing sought assistance from the credit and saving scheme. She was referred to a group by REST and was rejected initially. But upon insistence by REST, she was accepted. The report now is that she is successful and well established. She has a shop with a capital of 1500 Birr with only 200 Birr outstanding from the loan she took. We visited the shop, and the household economy in general looks promising.

Such are good examples, and the story needs to be recorded in more detail for illustrative purposes. It is even more impressive to know that 60% of the beneficiaries are women and have become economically active. Remember, the project started only in 1994, and if the present level of performance is maintained, it is bound to exert a great deal of impact in the years to come on the economy and the life of the rural communities in Tigray.

The project has been beneficial in other ways also. According to the information we were given, 40 staff from the Amhara Region have been trained on the operation of credit and saving scheme drawing from the experiences of RCST. There were also others trained from Oromia as well as the Southern Region. Furthermore, REST has contributed to the preparation of the draft Proclamation on the establishment and operation of rural banks in Ethiopia. This is expected to be declared soon if not done already. These are healthy developments and contributions that have to be recognised as tangible results of REST.

4.6. Constraints

The most important constraint we see now is the ambitious expansion that REST is moving into. As noted elsewhere in this report, the manpower requirement is enormous and is neither available nor affordable at this stage if the present impressive work is to continue. A related problem is the infrastructural requirements as well as the need for increased loanable funds as indicated in Table 2 of this report. Another issue is that the range of income generating activities is narrow and may lose their essence if there are too many redundant producers in the market with few buyers. Export of such products to other parts of the country is limited, perhaps with some exceptions. By the way, this can be an area that should be explored.

All these problems are known constraints and drawn from their reports and briefings. But the team is not aware of RESTs plans on how to face these

challenges within the short period in question. It is therefore fair to conclude that the capacity and experience of REST are not ripe enough to undergo dramatic expansion as reflected in the Five Year Plan.

4.7. Plan for phase out

Long term sustainability is a key concern of REST. Although their strategies are not yet clear cut, they intend to transfer more and more responsibilities to local institutions and community organisations. The Proclamation may also provide possibilities for the participation and take-over of such responsibilities by private and/or public financial institutions.

5. SUMMARY, CONCLUSION AND RECOMMENDATIONS

There is no doubt that REST is addressing a critical rural problem through the credit scheme, and the project has the following **development objectives** for the future:

- To enhance agricultural production through providing credit for agricultural inputs
- To promote sales of agricultural outputs
- To promote savings and credits
- To stimulate the local economy
- To reduce exploitation of the rural community by the local money lenders
- To promote income generation and diversification among the rural poor.

The Review Team observed that the project beneficiaries mainly are farmers from remote and impoverished areas, with limited access to social and economic services. People have a strong determination to get out of poverty, but the poor conditions as to natural resources, the economic base, the marketing outlet and even greedy money lenders do not allow progress and development in the rural community.

The **lending mechanisms** are elaborated as follows:

- Focus on groups instead of individuals
- The number of groups should be five to seven
- Only one member of the same family can be a member of the same group, but they can join other members
- Members should be from the same Tabia and Kushets
- Chairmanship of either the group or the centre should be rotated among the members every year
- All members will attend scheduled meetings regularly
- Five to seven groups will merge to form a centre.

Concerning **project outputs** the team was informed that:

- On the whole, RCST serve 14,000 beneficiaries through 25 sub-branches as of April 1996.
- 90% of the clients have improved their economic life
- There are examples of beneficiaries who have already become self-reliant and food secure.
- 60% of the beneficiaries are women, they form their own groups and have become economically active.

We have observed that income generation activities are especially tailored to the working poor and involve such agricultural activities like agricultural inputs (oxen, implements, seeds, etc.), livestock rearing/fattening as well as petty trade activities like buying and selling agricultural products, sheep, goats, oxen and the like.

Loans are also given for such enterprises like small local bars, shops etc. which we feel are linked to the rural needs and relate to the objectives of REST.

REST has also provided training on the operation of credit and saving scheme to staff from the Amhara Region, Oromia and the southern region.

Wereda administrators and Baitos play significant role in **promoting and coordinating** the operation of the credit and saving system. This is reassuring for the consistency of the scheme with the SSE principles emphasising community participatory approach.

Long term sustainability is a key concern of REST, and they intend to transfer more and more responsibilities to local institutions and community organisations.

As REST has obtained positive experience from the pilot phase and the demand for credit services has increased, REST has planned a new structure for RCST comprising a **rapid expansion** of the project activities and target areas. According to this new structure each Branch will have 18 Sub-Branches. The number of beneficiaries would be increased in the range of 2800 to 4200 in each of the weredas with a total target population of 112,680 or 32,496 households. It is argued by REST that the increasing demand for credit services could be met by ensuring access within walking distances from all villages (see memorandum from G/Gebremariam, Project Director, to Mr. Svein Olsen, dated April 15, 1996).

The team is impressed by the present level of management and operation of the programme, but we wish to air our concern over the rapid physical expansion of the RCST. The expansion will require huge manpower that is not available right now in adequate numbers and qualification. There are young people undergoing practical job training, but we fear that the time available is too short to instil reasonable competence in these trainees. A BA/BSc for Branch Manager and

12+2 diploma for the other technical staff are appropriate qualifications for these jobs.

Therefore, the team wish to advise that REST be less ambitious. It is better to consolidate the experiences and benefits acquired through the present pilot phase before venturing into the planned region wide coverage involving large number of beneficiaries scattered over wide area without the proper infrastructure for communication and the like.

A related problem is the need for increased loanable funds.

Another issue is that the range of income generating activities is narrow and may lose their essence if there are too many redundant producers in the market with few buyers.

The Team **conclude** that:

- the project objectives are consistent with the SSE objectives
- the project is well targeted the working poor, especially women that reportedly constitute 60% of the beneficiaries
- the income generation activities are basically tailored towards agriculture
- activities that may have the appearance of non-agriculture are essential and contribute to development of rural economy and ecology.
- The conditions attached to the grant are largely fulfilled.

On the basis of our observations the team would like to give the following **recommendations**:

1. The announced expansion of project activities should be carefully planned, perhaps spread over the 5 years of the plan period.
2. A BA/BSc for Branch Manager and 12+2 diploma for the other technical staff are recommended qualifications for the respective jobs.
3. Plans for expansion should focus on consequences related to the lack of proper infrastructure and limitations in the market.
4. Although REST in general has a local approach in their projects , REST/NPA should work out a strategy for phasing out/ handing over without need for further support to re-establish funds.

ANNEX 1.

Terms of Reference Project Review of SSE Project no. 001-260 Rural Credit Scheme in Tigray, Ethiopia Norsk Folkehjelp / REST

1.0 Background

On Noragric's recommendation, financial support of NOK 3 664 434 was awarded by NORAD to Norsk Folkehjelp for 1996 provided that the conditions contained in Attachment 1 point 1.2 of the contract of 21 February 1995 are fulfilled. This amount will first be formalized on the fulfillment of these conditions.

These conditions are questions connected to the project's target groups (which groups and what activities use these credit facilities) and an action plan for orientating the credit programme towards agricultural activities/input in agriculture. Such conditions must be seen in relation to the general objectives of the SSE programme.

The amount applied for 1996 is reduced with NOK 328 654 in relation to the contract due to changes in the exchange rates.

The programme has a contract period of 1995-97. It is established in 3 districts and is planned as a support to establishing income promotion activities.

2.0 Project Activities

2.1 Schedule of work and time frame

Week 18:

22.4	Review briefing/planning with Waktola in Addis Ababa
26.4	Planning of review
28.4	Travel Addis Ababa-Mekelle
29.4	Meeting with REST
30.4-1.5	Visit project field
2.5	Discussion on findings
3.5	Travel Mekelle - Axum, Adiaferom

2.2 Participants

Noragric staff: Aregay Waktola, Arild Hansen

Other participants: Anne Dessingtho, NORAD, and local NF representatives

3.0 Expected Achievements

Noragric will be looking into the following aspects:

- who can advantageously use the rural credit schemes,
- which activities are being carried out,
- how effectiveness of the activities can be evaluated in relation to the general SSE objectives,
- how repayment/management functions.
- documentation of the 1996 phasing-out period and takeover by local participants must be supplied.