

**A Lesson of Success in Microfinance in Africa: the
Experience of ACSI in Ethiopia**

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Acronyms

ACSI:	Amhara Credit and Savings Institution
ADA:	Amhara Development Association
ADLI:	Agricultural Development Led Industrialization
AEMFI:	Association of Ethiopian MFIs
AWDA:	Amhara Women's Development Association
FDRE:	Federal Democratic Republic of Ethiopia
GMRA:	Global MicroRate Africa
IFAD:	International Fund for Agricultural Development
MFED:	Ministry of Finance and Economic Development
MIR:	MicroRating International
MOFED:	Ministry of Finance and Economic Development
NGOs:	Non-Government Organizations
ORDA:	Organization for the Rehabilitation and Development of Amhara
SDPRP:	Sustainable Development and Poverty Reduction Programme
SIDA:	Swedish International Development Agency
USAID:	United States Agency for International Development

Note: The author would like to note that the names of some of the informants of this research are replaced by pseudonyms for confidentiality reasons.

Abstract

ACSI (Amhara Credit and Savings Institution) is one of the largest MFIs that are found in the world. ACSI won a number of global microfinance awards and is emerging as the most efficient and sustainable MFI in Africa. This paper critically assesses the specific qualities of ACSI that enabled it to ration micro-loans to about a million of People in Amhara region, one of the most inaccessible and harsh environmental zones of Ethiopia, one of the poorest country in sub-Saharan Africa. It critically examines how the involvement of state and community members influences microfinance outcomes. The paper draws on an ethnographic research undertaken on ACSI's credit clients in rural agricultural and urban communities of Semen Showa Zone¹, Amhara region, Ethiopia.

Introduction

The establishment of long-lasting microfinance institutions serving a large number of poor people has been a crucial element of Ethiopia's development strategy (Sebstad, 2003). While non-governmental organizations' credit schemes and informal sources of finance have existed in Ethiopia for many years, the government instituted a legal and policy framework for microfinance in 1996. Although, in Ethiopia, the establishment of microfinance institutions is relatively a recent phenomenon, within the last decade the number of microfinance institutions, the funds which have been allocated to them and the number of people who have been benefiting from the services have been rapidly growing. 'Ethiopia has now the second largest number of microfinance users in sub-Saharan Africa' (Amha, 2000; Fekade and Alemu, 2008: 26)

Within the last decade the number of microfinance institutions that serves poor people in Ethiopia has reached twenty six and the scale of out reach of these organizations has also been expanding. Meanwhile, in comparison with the increasing demand for microfinance services, the number of served clients in the country has been limited. Despite the existence of enormous demand for small credit, especially in rural areas of the country, there has been a very limited supply. Amha (2007:2) assert

If we assume that there are fifteen million households in Ethiopia, targeting one person per household who requires micro-credit and also assuming half of the households are able poor then over 7.5 million active clients will require micro-credit.

Among the microfinance institutions that are found in Ethiopia, ACSI is the most popular and it operates in all the ten administrative Zones of the Amhara region. Amhara region is one of the poorest regions of Ethiopia and it has been the hardest hit by recent famines. Fifty-seven point seven percent of the people of the region live in extreme poverty whereby they cannot meet the basic needs for survival including food, water, clothing, shelter, sanitation, education and health care (Devereux; Sharp, 2003). About 85 percent of the population of the region live in rural area and it has the highest poverty level in the country. The region has a population of eighteen million and it covers an area of 170,752

square kilometres. ACSI has succeeded provide its services to about 10 per cent of the population of this region (USAID, 2006).

Despite operating in one of the poorest regions of the world, ACSI has recently been predominantly mentioned on the headlines of virtually every major document that deal with success in microfinance. For example, according to a report of MicroRate² (2005) based on its growth (growth measured in terms of its loan portfolio and savings mobilized), efficiency and sustainability, ACSI ranked first among MFIs that are found in Africa. In a recent detailed analysis of **Forbes**, ACSI ranked sixth from among the world MFIs on the basis of return on investment, efficiency, operational scale and risk minimization, ACSI. ACSI has also won the ‘Gold Category International Quality Summit Award of 2007’³. Furthermore, ACSI is ‘an Excellence Award Honoree’ of the Grameen Foundation⁴. The following sections critically assess the specific qualities of ACSI, which helped it to emerge as one of the successful microfinance institutions that are found in the world. In assessing ACSI’s qualities, the paper will focus on the nature of internal organization of ACSI; its interaction with regional and local government; the extent of community involvement in its activities and the scope of competition it faces from other financial organizations.

Political Economic Shifts in Ethiopia: Locating Microfinance

Within the last one and half decade, Ethiopia transformed from centralized socialist country to free market ‘liberal democratic’ state and it has implemented privatization, currency deregulation, cut in social spending and other similar ethos of neo-liberalism. The government of the country has been focusing on the importance of the creation of employment and for the same reason it has encouraged domestic and international investment. It has also emphasized on expansion of income earring opportunities through promoting small scale industries and informal sectors (see MFED, 2002).

With the adoption of the neo-liberal model, the creation of private business enterprise and the essence of competition have come to be regarded indispensable to economic prosperity. At the same time loans as small as five hundred birr (about thirty three euro)

started to be rationed to millions of Ethiopians aiming at the creation of small private enterprises. In fact the primary mandate of most of the microfinance intuitions that are found in the country is the creation of opportunities for self-employment and income generation⁵. Microfinance has been seen as a system of deepening the essence of business at local level (Amha, 2008).

The Ethiopian government has in particular focused on improving the livelihood of the poor rural agricultural people. The key development strategy of the government as it is stated on its Sustainable Development and Poverty Reduction Programme (2002)⁶ is Agricultural Development Led Industrialization (ADLI). Taking into consideration that agriculture is the main means of livelihood for 85 per cent of the population of the country, who are primarily poor and who live in rural areas, ADLI is designed as a core development programme. The extensive utilization of the relatively abundant cultivable land resource coupled with the intensive utilization of human labour is believed to help improve productivity. The growth of agrarian economy is assumed to help the expansion of related industrial activity in the country. For the realization of these objectives, the roles of the expansion of financial services are given fundamental importance. The government has in particular been supporting MFIs that primary target at providing their services to rural agricultural people. And hence ACSI is one of the institutions that are entrusted by the government to help realize its broader development objectives (Amha, 2008).

ACSI and the Amhara Regional and Local Government

Twelve years ago ACSI was ‘established as a replica of the Grameen Bank of Bangladesh’⁷. Getaneh Gobezei, the then planning and monitoring department head asserts,

The fundamental principles of group lending system such as using group collateral to provide loans, peer pressure to ascertain repayment and center meetings to disseminate information are adopted from the Grameen bank (Interviewed on 4 July 2007).

Unlike Grameen bank, which was established during the 1970s whereby relatively micro-enterprise creation was not widely supported, ACSI was born during the time where microfinance was widely recognized as a key development strategy and neo-liberalism with its ethos of entrepreneurship, competitiveness and growth, was discoursed as ‘the only alternative to development’(See Fukuyama,1992). ACSI faced limited oppositions from politicians, aristocrats, government bodies and international agencies.

ACSI is also exceptional with its tendency to convert government involvement in its activities for its advantage. ACSI started its functions in 1995 as a unit of a local NGO (Non-Governmental Organization) called Organization for the Rehabilitation and Development of Amhara (ORDA). In 1997 with the objective of improving the economic conditions of the low income productive poor, through providing access to credit and savings services, it was licensed as a separate microfinance share company. ACSI got its seed capital from the regional governmental and other government backed institutions. The Amhara regional government contributed twenty five per cent of it and the other government backed institutions together contributed seventy five per cent of the seed capital⁸. The institution is administered by a Board of seven directors, three of whom are government representatives. While, the general manager is also the member of the Board, the other three representatives are from the government backed institutions. The representatives of the regional government, controlling three votes, dominate the strategic decision making (Getaneh Gobezei, interviewed on 5 July 2007).

Meanwhile, it is a common case scenario that wherever government directly intervenes and controls finance, financial flexibility gets constrained and businesses activities suffer. Ethiopia had experience of that during socialist Derg regime⁹. So how ACSI has managed the involvement of the regional government to its advantage? In the words of the general manager of ACSI, Mekonnen Yelewemwossen,

The regional government’s control of three votes on the Board obviously means it can influence ACSI’s strategic policies. For example, government representatives

often lobby to put interest rate down and this is with the intention of protecting the poor from paying competitive interest. But realistically, the creation of sustainable financial institutions cannot be realized without charging an interest rate that helps cover the cost of providing small loans to a large number of poor people who live in rural inaccessible areas (Interviewed on July 6, 2007).

However, despite the difference in approach, for both ACSI and regional government rural poverty reduction is a common mandate. The regional government is involved in strategic policy making at board level in ACSI means it has been noticeably influenced by the regional government. But on the other hand, the involvement of the regional government in the Board has opened a space whereby strategic policies of ACSI accommodate negotiated outcomes, which not only facilitate the sustainability of the organization but also better credit arrangements for the poor. For example, in comparison with most other MFIs which are found in different parts of the world ACSI's interest rate is lower. While most MFIs charge interest rates of between twenty five and fifty per cent per annum (see Sheryl, 2005), ACSI charges a flat rate of eighteen per cent per annum. This might indicate that in addition to addressing the financial service needs of about a million poor people, ACSI can be credited with living up to its mandate of poverty reduction.

On the other hand, although ACSI has an independent legal status, about eighty of the ninety seven individually interviewed people in Semen Showa Zone regard ACSI as a governmental institution. The majority of the people consider the loans and savings services which they get from ACSI as services provided by the regional government. This public perception of the organization relates to the involvement of Kebele (the smallest unit of a local government in Ethiopia) Committee members in recruiting credit clients.

Apart from the currently started Asset Loans which are given to individuals, ACSI primarily provides loans to men and women using the popular group lending methodology. Meanwhile, prior to forming groups, clients request for a loan individually. But the evaluation of the creditworthiness and repayment capacities of applicants are not

done by ACSI. It is credit and savings committees, which evaluate the creditworthiness of applicants and approve loans. A credit and savings committee is composed of two Kebele Committee members; three representatives from various community associations (including the women and youth associations, elders) and one ACSI employee, often one of its credit officers.

Further to the credit and savings committee members the process of loan review and approval involves the general public. Loans approval is often done in a public forum (usually in the premises of Kebele office) in the presence of the applicants and any member of the community can disapprove the loans based on the information they have about the applicant. The most important advantage of the credit and savings committee is that all its members, apart from ACSI's employee, work on a voluntary basis and this naturally help ACSI to reduce its administrative expenses. According to Getachew Yemere, head of ACSI' Semen Showa branch:

ACSI is a community institution. The community members involve in ACSI's work in different ways. They involve as clients (both credit and savings), as members of credit committees, as enforcers of repayments and as moral supporters. ACSI's efficiency and success significantly relates to its competence to mobilize community support (Interviewed on 26 July, 2007).

Nevertheless, once loans are approved by the credit committee, clients of similar sex, create groups of five to seven members, who co-guarantee each other. The groups again are organized into Centers and Centers typically bring together about ten to twenty groups together and center meeting takes place once in a month. Centers then serve as a means of disseminating information, loan disbursement and collecting compulsory savings.

Meanwhile, further to the local government's involvement in recruiting credit clients at the Kebele level, in some occasions, it also serves ACSI as a body that enforces repayment of loans. Fourteen staffs of ACSI who were interviewed in head office, in

branch office and in sub-branch offices of ACSI emphasized that ACSI ascertain repayment predominantly through continuous follow-up of its clients and through the mechanism of group pressure. However, in occasions where the follow up and group pressure appears unsuccessful, ACSI relies on the resolution of the Kebele social court, which is established by the Kebele to act as a local jury. The Kebele court helps ACSI in different ways. For example, it passes a decision that enforces confiscation of the property of the defaulter to settle repayments. This is done through using the Kebele Tataka(armed force of the Kebele, who work on voluntary basis). Kebele Tataka is also used in case of a 'domino-effect', when all the members of a micro-group refuse repayment. In these cases the credit officers are sent with Tatakes to investigate the situation.

However, these forms of local government's involvement in ACSI's activities have not always been welcomed by its credit clients. In fact, some interviewees expressed their resentments to aspects of ACSI's practices which are enforced by Kebele Tataka. For example, in Angolela Tera Woreda (district), five individually interviewed people who have never borrowed from ACSI regarded the organization as 'Eyayu Gedel'¹⁰. For example, one of the interviewees Tigest Meshesha, a forty five years old woman, expressed this judgment as follows:

T: Many people in our community call ACSI 'Eyayu Gedel'.

E: Why?

T: If you fail to pay back your debt you face a lot of trouble. In the first place your group members despise you and that is shameful. I would rather die. Also, its workers are not merciful.. If you have a house they force you to sell your house. If not they take your cattle or they sell whatever you have.

E: Did this happen to you or your family?

T: No, it happened to my neighbor. His name was Aba Wekawe. What was a pity was that, that man did not take loans at all.

E: So what was the problem if he didn't borrow?

T: He had a son and it was his son who formed a group with others and borrowed money; but he didn't stay even a month. He fled away with the money. You see, at the time he borrowed the money, he showed his father's two oxen as his own for his group members, with whom he borrowed. He registered the oxen in his name.

E: Didn't his father know about that

T: He did not tell his father; he was an old man and he had no energy; he hoped that his child would help him; but his son took the loans and escaped from the village.

E: Why did he do that?

T: He is a young man and these days Cobeles (Youth) do not care. As the oxen were registered in his name, ACSI enforced the confiscation of the oxen.

E: Didn't the father oppose that?

T: He did. The tragedy that happened to that man is something which I will never forget. He was crying, telling them that he owns the oxen. They didn't listen to him. They told him to bring his son if he wants the oxen.

E: So they took the oxen in lieu of the debt. Is that what happened?

T: Yes, the old man was so devastated and he died out of anger; he didn't even stay alive a week (Interviewed on 6 August, 2007).

In the opinions of the people who regard ACSI as 'Eyayu Gedel' it is apparent to examine that the success of ACSI to have a record of high client repayment rate is not only the out come of group collateral and peer enforcement. In some cases the local government involve in enforcing loan repayment. This same process sometimes results in the destruction of the livelihood of the already vulnerable people of the region.

Institutional Organization and System of Administration

Despite the fact that ACSI is significantly influenced by the regional and local government, it is organized in a decentralized manner and decentralized system of administration has played a key role in helping ACSI to emerge as successful MFIs in Africa. The head quarter of ACSI is located in Bahr Dar, the capital city of Amhara regional state and it has ten branch offices in all the ten administrative Zones of the

Amhara region. It also has one hundred seventy nine sub-branches which are organized under the ten branch offices (Garber and Gobezie, 2007).

The nature of the ACSI's decentralized administrative structure is evident in the power bestowed upon sub-branch offices. The sub-branch offices have autonomous authority in such away that without relying on the branch offices they make important decision on approving loans, determining the size of loans to be given to micro-groups and imposing levy on defaulters. Further to translating the policy objectives which are disseminated to them through the branch officers, the sub-branch officers make crucial decision on day-to-day basis handling hundreds of transaction and solving tremendous problems that relate to repayment, group conflicts and savings.

Among the sub-branch officers, on the organizational structure of ACSI, field officers are located at the lowest level. However, they play a major role in resolving problems that are created within micro-groups. Rather than appearing as solution givers to problems or adhering to 'one size fits all' management style, field officers encourage ACSI's clients to find their own solutions to the issues of their conflicts and by doing so they dissimilate the ethos of decentralized administration at local, village, level. For example, when a member of a group fails to repay loans or make monthly compulsory savings disagreements among group members have been common. In such scenarios, rather than intervening and suggesting solutions to the issues of conflicts, credit officers often encourage clients to solve the problems themselves. This pattern of making group members resolve their problems was in particular examined in fifteen center meetings that were studied in Semen Showa.

Further to a decentralized system of administration, ACSI is also endowed with well educated and trained staffs. The majority of the staffs of ACSI who works in its different offices are graduates of universities and colleges. Even ACSI's field officers, the staff at the bottom level in ACSI's organizational hierarchy, are at least high school graduates. In addition to setting educational qualification as a criterion to recruiting staff, ACSI has also designed a clearly defined carrier path along which promotion of staffs takes place.

The staffs that are recruited as field officers are provided promotional opportunity up in the hierarchy based on their seniority, their performance and their attendance of further education and trainings. This has played a remarkable role in boosting the morale of the staffs of ACSI and hence in helping ACSI emerges as a successful of the organization.

However, not all the staffs of ACSI are happy about working for it. Some of the staffs think that they overwork and are underpaid. With this regard one of the sub-branch officers of Angolela Tera Woreda(district) Demeke Belay, a thirty one years old man, who worked for organization for about two years explained the situation in the following manner:

We are responsible to a range of networked activities from client recruitment to follow up of defaulters. Sometimes we work overtime for which we do not get paid; our wages are so small; can only help us exist. The good thing which makes us work for ACSI is the experiences that we get; working for ACSI makes us easily employable. ACSI's staffs are known as hard workers and experience of working for ACSI help one get employed in NGOs and some of these organizations have attractive salary and they provide other benefits (Interviewed on 14 August, 2007).

Nevertheless, clearly decentralized administrative structures combined with well trained and motivated staffs have helped ACSI to be more profitable. Moreover, unlike privately owned microfinance institutions¹¹ that pay a portion of the profit they generate for their shareholders, as dividends, ACSI reinvest the profit it generates to further build its capacity and to expand outreach. This has helped it to be a sustainable institution that is independent of subsidies of government or other funding agencies.

Competition for Market: ACSI and other Financial Institutions in Amhara Region

As is the case in many parts of Ethiopia, the poor rural agricultural population has never been attractive to conventional banks in the Amhara region. In addition to ACSI there are six MFIs that provide credit and savings services in the Amhara region. In comparison with ACSI the other MFIs are small in size and do not function in all of the ten Zones of the Amhara region (Garber et al, 2006). This means the role of other MFIs in addressing the credit demand of the poor has been limited. This in turn implies that ACSI does not have potential competitors that challenge its success to get a large number of credit clients.

According to Getachew Yemere, the manager of Semen Showa branch, despite the existence of Six MFIs in the Amhara region, it is Wisdom,¹² which is a potential competitor of ACSI (Interviewed on 7th August, 2007). However, in comparison with ACSI, the numbers of credit clients which Wisdom served are small. For example in 2008 the total number of active clients of the organization was about 56,140 whereas ACSI during the same year had more than 834,503 active clients (World Vision, 2009; Grameen Foundation, 2008). Moreover, while wisdom operates in 15 areas throughout Ethiopia ACSI operates only in Amhara region, which relatively enable it to coordinate its activities. Getachew Yemere maintains that,

ACSI is worried about the relatively low interest rate which Wisdom charges. While Wisdom charges 12.5 per cent ACSI charges a flat rate of 18 per cent. This it is a problem which can affect the credit disciplining culture which ACSI tries to develop in Amhara region. Competition based on charging low interest rate is inappropriate. Charging low interest rate is against an institutions ability to cover its costs and to be sustainable (Interviewed on 7th August, 2007).

Conclusion

Despite the fact that ACSI has adopted the traditional microfinance practice including group collateral, peer enforcement and continuous follow up, it has a number of distinct qualities that helped it emerge as one of the most successful and sustainable MFI in Africa. Most importantly, the operation of ACSI has been both positively and negatively influenced by direct and indirect involvement of the regional and local government of the Amhara administrative region. Meanwhile, government involvement in credit provision has had down sides in many countries. These, in large part, due to the fact that when government involves in microfinance, low repayment rates, politically-motivated loan write-offs, and capture of subsidized credit by wealthy farmers' happened (Besley, 1994; Yaron, 2001). Meanwhile, neither the tragedy of stringent control nor financial crisis followed the involvement of government in the operation of ACSI. Evidently, the manner of the involvement of the Amhara regional and local government in the operation of ACSI has been distinct.

On the positive side, government involvement in the Board of ACSI has helped interest rates to be relatively lower, which can always be good in particular for poor vulnerable rural clients. The involvement of government has also made ACSI not to abandon its poverty reduction mandate and hence it charges relatively lower interest. Meanwhile, although ACSI charges relatively lower interest, its interest rate is above the commercial rate. ACSI is one of the institutions in Africa that has a largest number of credit clients' means it gets benefited from 'economy of scale'.

But on the other hand the involvement of local government at Keble level in the credit and savings committee, which undertakes the clients' recruitment, can have down sides. Because approval of loan clients is highly subjective, politically-motivated interests could counter weight creditworthiness and business proposal of the loan applicants. But on the positive side, because recruitment of credit clients is done by the credit and savings committee in an open forum with the participation of community members, ACSI's system of microfinance creates a space for community participation. This approach of

ACSI can be credited as a means of involving community members in development decision making. Moreover, because ACSI does not remunerate its credit and savings committee members (apart from the staff of ACSI), voluntary involvement of the community members and local government helps it to cut administrative costs required in recruiting 'diligent' clients.

Furthermore, the support, which ACSI gets from the local government, helps it to minimize the risk on default of its credit clients. As it is discussed in the paper, in exceptional circumstances the local government helps ACSI in disciplining its loan clients through enforcing loan repayments. Meanwhile, local government's involvement in enforcing repayment can have a long lasting negative impact on the already vulnerable poor. It can make the poor frightened about taking the risk of indebtedness.

In addition to winning the support of the community and the regional and local government, ACSI's decentralized system of administration has enabled it to avoid bureaucracy, which is a typical problem in many of government owned and controlled microfinance institutions. Moreover, ACSI got its initial capital from the regional government and government backed institutions means it is not owned by individual equity holders. Hence, its profits are only additions to its fluid assets; they are not dividends that get paid to equity holders. ACSI is also staffed with well trained and committed employees who effectively translate its policies into practice. Finally, the existence of relatively a few number of small microfinance organizations in the Amhara Administrative region has enabled ACSI dominate the untapped microfinance market.

Footnote

1. Amhara administrative region is composed of ten administrative Zones and ACSI has branch offices in all the Zones. Semen Showa Zone is one of the ten Administrative Zones of the region and it contains 28 Woredas (districts) and ACSI has sub-branch offices in all the twenty eight Woredas(districts). The ethnographic research was undertaken in two of the Woredas(districts) of Semen Showa Zone, namely, Angolea Tera and Debrebrehane Woredas (districts). While Angolela Tera is a predominantly a rural area, Debrebrehane is the capital city of Semen Showa Zone. Angolea Tera Woreda (districts) is one of the first places where ACSI started providing its microfinance services. Debrebrehane was chosen because as a capital city of the Semen Showa Zone it helps to broadly examine microfinance within urban context. From among the ten Sub-branch offices of ACSI, Semen Showa branch has relatively been under researched

2. MicroRate is one of the two largest microfinance rating companies. The other largest microfinance rating agency is M-CRIL. These two microfinance rating companies announced their amalgamation and the creation of a global alliance called MicroRating International (MRI) in February 2007. ‘The two agencies pioneered the rating of MFIs (MFIs) and have evaluated over 400 MFIs globally.’ (See MicroRate, ‘Micro rating international’ Press Release, February 2007 on <http://www.microrate.com/archivos/MICRORATING%20INTERNATIONAL.pdf>)

3. ACSI won the ‘Gold Category International Quality Summit Award of 2007 at the ceremony of the 21st International Quality Summit Convention held at the Marriott Convention Hall in New York, USA on May 27th, 2007. For a detail information about the award see

<http://www.aemfi-ethiopia.org/NewsInDetail.aspx?id=219>

4. Grameen Foundation is a famous international MFI which has its headquarters in Washington, D.C. The foundation operates in many parts of the developing word. It was created to help share the philosophy of the famous Grameen Bank and speed up the impact of microfinance on the world’s poorest people. For further detail, see <http://www.grameenfoundation.org/>

5. To examine the primary objectives of the major MFIs see the AEMFI website:

<http://www.aemfi-ethiopia.org/NewsInDetail.aspx?id=227>

6. See the SDPRP(2002) document on the world Bank website, that is, http://siteresources.worldbank.org/INTETHIOPIA/Overview/20207639/2002_07_prsp.pdf

7. The current general manager of ACSI, Mekonnen Yelewemwossen, in a speech that he delivered while receiving the 2007 excellence honoree award of the Grameen Foundation emphasized how ACSI replicates the basic microfinance ideas of the Grameen Bank, adapting them to the specific characteristics of the Amhara region See Grameen Foundation's website: http://www.grameenfoundation.org/docs/mekonnen_speech.pdf This same point of view was made by the General Manager and Planning and Monitoring Head of ACSI in interviews in Wednesday July 4, 2007, Bahir Dar, Ethiopia .

8. The other share holders are Organization for the Rehabilitation and Development of Amhara (ORDA) (35%), Amhara Development Association (ADA)(20%), Amhara Women's Development Association (AWDA) (10%) and Endeavour (10%). The share holders are the ones that provided the seed capital which enabled the founding of the institution. ACSI was also supported other donors including SIDA, IFAD, USAID, Packard Foundation (Mekonnen, Yelewumwosen, Interviewed on July 5, 2007).

9. The Derg or Dergue was a military group that controlled power after the overthrow of emperor Haile Selassie I. Derg refers to a military committee composed of representatives from the Armed Forces, Police, and Territorial Army. Derg ruled Ethiopia from 1974 until 1991.

10. Eyayu Gedel is an Amharic proverb which means falling from a cliff down to the ground even though one is aware of the consequences. The proverb is used in this context to imply that if someone fails to repay ACSI's loans, that person will be publicly despised and also loses her/his property. Decision to take loans from ACSI is then equated as decision to fall down from a cliff.

11. Privately-owned microfinance institutions (share holder companies) are increasingly becoming common in many parts of the world. For a detailed list of these institutions, see the partners of microfinance mix-markets on the Mix- Markets website at <http://www.mixmarket.org/en/partners/partners.quick.search.asp>)

Although most MFIs in Ethiopia run as private institution, the majority of them are not owned by private individual equity holders and hence they do not pay dividends to their equity holders. See a study which was undertaken by CGAP in 2003 on http://www.cgap.org/regsup/docs/pro_Ethiopia.pdf. Most MFIs in Ethiopia capitalize on the profit they generate through reinvesting it.

12. Wisdom, established in 1998, is a MFI that emerged from the World Vision Ethiopia's micro-credit project. Following the Ethiopian microfinance law of the 1996, which halted NGOs direct involvement in microfinance, World Vision stopped its direct involvement in credit provision and it helped establish Wisdom, a private MFI. Wisdom remained a World Vision Ethiopia affiliate. It is owned and run by twenty-six individuals, most of whom were staff of World Vision Ethiopia. At the moment, it operates in its fifteen branches throughout (Getachew Abegaz interviewed on 29 August, 2007).

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List of Interviewees Direct Quoted in this Paper

Name	Sex	Estimated Age	Occupation	Location
Mekonnen Yelewomwoseen	Male	50	General manager of ACSI	Bhar Dar City
Getaneh Gobezie	Male	45	Head of Planing and monitoring department	Bhar Dar City
Getachew Yemere	Male	40	Head of Semen Showa Branch	Debrebrehane City
Demeke Belay	Male	31	Field Officer	Angolela Tera Woreda(district)
Tigest Meshesha	Female	45	Farmer	Angolela Tera Woreda(district)
Getachew Abegaz	Male	40	Debrebrehane Branch Manager	Debrebrehane