

### Role of Micro Finance Institutions in Food Security

Proper understanding of the nature of food insecurity in a given country is crucial for success in the effort to ensure food security. In this respect, there seems to be a consensus that food insecurity in Ethiopia is mainly structural, resulting from poverty. Accordingly, the Sustainable Development and Poverty Reduction Programme /SDPRP/ stipulates ensuring food security as one major government objective. The food security strategy identifies the following factors as causes for the problem: rainfall inadequacy and variability, soil degradation, conflict, poor infrastructure, tenure insecurity, lack of storage capacity, poor nutrition and health, heavy burden of work on women and pastoral related problems.

In case of Ethiopia, lack of finance is also one of the fundamental problems impeding production, productivity and income of rural and urban house holds. Since access to institutional finance is very limited, the majority of the poor obtain financial services through informal channels, such as money lenders, relatives and others. Microfinance, by offering a range of tailored financial and non-financial services to the poor, can reduce poverty and contribute to economic growth through the instrumentality of the following:

- Microfinance raises house hold income thereby enabling house hold members to have better access to education and health
- Participation in microfinance raises the awareness of individual rights and hence participation in community affairs.
- Microfinance increases entrepreneurial skills at community level.
- It also eases the burden on the already scorched land.

Based on these and other considerations, Microfinance Institutions /MFIs/ in Ethiopia are recognized /and being used/ as the key institutions to channel microfinance to the poor including funds under the food security program.

The development of the microfinance industry in Ethiopia can be traced back to the early 1970s, when NGO's in Ethiopia were delivering relief and development services such as emergency food, education, water and medicine to the under privileged. The NGO's were directly funding micro credit services as part and parcel of their relief programs.

However, NGO-based lending was believed to have some negative aspects. Accordingly, the government found it necessary to make microfinance services be business-like /rather than aid/ functioning under Ethiopia's monetary and financial policies"

Currently there are 26 registered micro finance institutions in Ethiopia.

## Best Practices

Table 1: Microfinance Institutions

No.	Microfinance institutions
1	Amhara Credit and Saving Institution S.C
2	Africa Village Financial Services S.C
3	Addis Credit and Saving Institution S.C.
4	Asser Micro finance Instituions S.C
5	Benishangul Gumuz Micro finance S.C
6	Bussaa Gonof Microfinance S.C
7	Dedebit Credit and Saving Institution S.C
8	Diredawa Micro finance Institution S.C
9	Eshet Micro finance Instituions S.C
10	Gasha Micro finance Institution S.C
11	Meket Micro finance Institution S.C.
12	Meklit Micro finance Instituions S.C
13	Metemamen Micro finance
14	Omo Micro finance Institution S.C
15	Oromia Credit and Saving Institution S.C
16	Poverty Eradication and Community Empowerment
17	Shasemene Eddir Yelimat Agar
No.	Microfinance institutions
18	Sidama Micro finance Institution S.C.
19	Specialized Financial and Promotional Inst.
20	Wasasa Micro finance Institution

## Best Practices

21	Wisdom Micro finance Institutions S.C
22	Agar Micro finance Share Co.
23	Letta Micro finance Inst. S.co
24	Harbu Micro finance S.C
25	Ghion Micro finance S.C
26	Digaf Micro credit Provider S.C

Their combined outreach in terms of number of clients accessing both credit and saving products in September 2006 reached close to 1.5 million. Outstanding loans, and saving mobilized respectively reached over two billion and close to 755 million birr.

Over 90% of the industry's customer bases are estimated to live in rural areas of which 40% are women. Microfinance institutions in Ethiopia consider household heads as a major recipient of the loan.

Yet, there is a big gap between performance and expectations of MFIs. The above mentioned outreach is only 10% of the estimated target population. However, the beginning is promising.

These institutions which were established since 1996 are showing tremendous growth in client outreach expansion.

The institutions have now organized themselves under the Association of Ethiopian Micro Finance Institutions /AEMFI/ with the objective of promoting financial transparency in the sector through the use of performance measures.

Indeed, the MTIS see poverty reduction and the attainment of food security as their main goal. Their achievement so far has been encouraging but their endeavor to break the chain of food insecurity must be further accelerated.