Self Help Groups in Ethiopia: Activities, Opportunities and Constraints

REPORT 11

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The Development Assistance Group (DAG) was established in 2001 to foster information sharing, policy dialogue and harmonise donor support to Ethiopia in order to enable the country to meet the targets set in the Millennium Development Goals (MDGs). DAG also assists in the preparation, monitoring and evaluation of the country’s Poverty Reduction Strategy (PRS). DAG currently comprises 26 donor agencies providing development assistance to Ethiopia within the Paris Declaration principles of aid effectiveness and harmonization.

Disclaimer: This paper was commissioned by DAG members through the Tracking Trends in Ethiopia’s Civil Society (TECS) project. The views presented in this paper are those of the authors and do not necessarily represent the views of DAG members.

Tearfund is a UK-based Christian relief and development organization. It was established in 1968 to enable churches in the UK and Ireland to respond to the needs of the poor around the world. It now works with partners in over 40 countries. Tearfund has funded work in Ethiopia since the 1980’s and supported SHG formation in Ethiopia since 2002. Tearfund acknowledges the assistance of its partner, the Ethiopian Kale Heywet Church Development wing, in facilitating access to those individuals, groups and associations interviewed who are participants in its programme. The views presented in this briefing note are those of the researchers and Atos Consulting and do not necessarily represent the views of Tearfund or EKHC.
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1. Introduction

Community based organisations (CBOs) play an important role in civil society in Ethiopia. The Growth and Transformation Plan’s (GTP) commitment to expanding democracy and good governance, and promoting grass roots participation in the implementation and success of the Plan is premised on CBO support to enable grass roots participation.

A study of CBOs is timely for a number of reasons. Firstly, the guidelines and new ways of interpreting the Proclamation are increasingly restricting the scope for registered civil society organisations (CSOs) - charities, societies and networks - to operate in Ethiopia, with the exception of some larger charities, which tend to focus on service delivery and implement directly. Scope for changing the guidelines appears limited. It is therefore useful to consider how far donors and registered charities can support another category of CSOs more effectively. According to sociologist Dr Dessalegn Rahmato (2010), a variety of CBOs provide opportunities for grass-roots participation and empowerment of individuals who otherwise would not have any voice. Indigenous self help groups such as Idir and iquib have a long history in Ethiopia. They open up avenues for democratization for ordinary citizens, imparting democratic values, and enhancing the rights of citizens in general and rights for access to legally guaranteed public services.

Secondly, a particular type of CBO – self help groups (SHG) – appears to be growing in size and importance. There are estimated to be approximately 20,000 SHG, with total membership of about 400,000. SHG have provided many benefits for their male and female members, including individual and collective goods, and individual and group empowerment. There is a debate over regulating SHG – which could bring both benefits (easier access to loans) and drawbacks (unwelcome control and restrictions). It seems important to assess further exactly what the advantages and disadvantages of regulation could bring.

Thirdly, given interest from a foreign charity, Tear Fund (which supports about 12,500 SHG), in conducting research on SHG, TECS collaborated with the Tear Fund over the design, fieldwork and findings of the study. This report provides the full details of the findings and recommendations, while a shorter policy brief focuses especially on the policy implications of the study.

2. The Objectives of the Study

The objectives of the study were to:

- Analyse the activities of and benefits provided through SHG for their members;
- Assess the extent to which SHG engage in and promote grass-roots participation, empowerment of individuals, and democratization, including the claiming of entitlements to public services;
- Assess the benefits and disadvantages of regulation of SHG particularly with regard to accessing loans (micro-finance and banking), and identify whether the benefits outweigh the disadvantages;
- Assess the ways in which donors and intermediary agents (including foreign and resident charities) can best build capacity of SHG without funding them directly; and
- Advise donors and charities how they should engage with SHG in future.
3. Report Structure

The remaining part of this report is organized as follows: the next section focuses on the approach and methodology. Section five focuses on the main activities and benefits of SHGs. Section six assesses regulatory issues and challenges. Section seven analyses other internal and external challenges faced by SHG. Section eight covers conclusions and recommendations.

4. Approach & Methodology

The study was carried out as ‘rapid research’, with a view to providing policy relevant findings quickly which could either support further dialogue over SHG immediately or highlight the need for further investigation.

The research took place in two urban areas and two rural villages of the Oromia and SNNP regions. In Oromia, the study was carried out in Adama town and Woranana Megnaqo Kebele, West Shoa (Woliso area). Hawassa city and Dilla Aferara Kebele, Shebedino Woreda (Sidama area) were the two research in SNNPR.

The nature of the research - rapid assessment to be undertaken in 25 days – brought limitations to the number of research sites which could be covered. The four sites were selected in consultation with Tearfund on the following grounds: (1) availability of urban and rural SHGs in the same vicinity, again, to manage the study within 25 days, (2) availability of Tearfund contacts (the EKHC, the largest SHGs promoter in Ethiopia). In order to minimize research bias, interviews were held with the representatives of two SHGs promoters (WMCA and PIN) and COSAP (the only network that serves as an umbrella organization for 26 SHGs that are not covered by EKHC).

Four data collection methods were used:

(1) interviews with government officials, representatives of institutions promoting SHG, and members of SHG, focusing on both successful and moderately successful members;
(2) focus group discussions (FGDs) with SHG, members of CLAs, and members of FLAs,
(3) observation inside homes of successful SHG members, and
(4) document reviews.

The relevant government offices contacted for interviews include: Finance and Economic Development, Labor and Social Affairs, Micro and Small Enterprises, Justice, Cooperatives, Women, Children and Youth Affairs, and kebele council.

Representatives of the main SHG supporters - namely, Tearfund, EKHC, Consortium of Self-Help Group Approach Promoters (CoSAP), People in Need (PIN), and Young Women

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1 Attempts to locate members of SHGs who completely failed proved to be difficult, as such individuals are few and not available.

2 CoSAP is a network of 26 CSOs promoting SHG in Ethiopia. It is the largest and the first of its kind.
Christian Association – were interviewed. A representative of the Ethiopian Social Accountability Program (ESAP2) was also contacted. Details about the study sites, the number of informants interviewed, and the FGDs held are summarized in Table 1 below.

Table 1: Study sites and information sources

<table>
<thead>
<tr>
<th>Description</th>
<th>Oromia Region</th>
<th>SNNPR</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Urban</td>
<td>Rural</td>
<td>Urban</td>
</tr>
<tr>
<td>1 Interviews with Government officials</td>
<td>2</td>
<td>6</td>
<td>5</td>
</tr>
<tr>
<td>2 Focus group discussions</td>
<td>3</td>
<td>2</td>
<td>3</td>
</tr>
<tr>
<td>3 Interviews with successful SHG members</td>
<td>3</td>
<td>1</td>
<td>4</td>
</tr>
<tr>
<td>4 Interviews with representatives of institutions promoting the SHG approach</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

4.1. The SHG approach

In 2002, the SHG approach was introduced into Ethiopia by Kindernothilfe and Tearfund (two international organizations) in partnership with the Ethiopian Kale Heywet Church (EKHC) and Jerusalem Children and Community Development Organization. The approach recognizes that poor people have untapped potentials to help themselves with limited external support for capacity building (Eiden & Grothe 2012). A recent cost-benefit analysis carried out by Tearfund found that for every $1.00 of donor support earmarked for SHGs, the return could range from $200 to $300 (Venton, et al 2013).

The SHG approach aims at reducing poverty, improving livelihoods, empowering women and social inclusion. Today, more foreign NGOs, Civil Society Organizations (CSOs), and religious institutions are promoting the SHG approach in various parts of Ethiopia. Tearfund supports 12,500 SHG in partnership with local institutions such as EKHC, among others. EKHC has an impressive track record of supporting SHG in urban and rural areas. Of the

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1 People in Need is an international organization that promotes SHG with elaborate emphasis on social protection.


total 17,707 SHG in Ethiopia, 11,189 (63.2%) are supported by the Development Ministry of the Church.\textsuperscript{6}

The SHG system has a hierarchical structure. A total of 15-20 individuals who know each other from the same neighborhood and on a similar socio-economic level form one SHG and develop their own by-laws. Approximately 8-12 similar SHG living in close proximity establish a Cluster Level Association (CLA), which represents its members to lower levels of local government (Kebele and Woreda) and undertakes numerous other activities. A number of CLAs in a given area form a Federation Level Association (FLA) to represent membership to higher levels of local government (City, Zone, and Region) besides playing many other roles. The concept of the SHG approach thus refers to a harmonized system. See figure 1 for details about the organizational structure, functions, and partnerships of SHG.

**Figure 1: Structure, functions and partners of the SHG Approach**

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\textsuperscript{6} Figures adapted from reports of Tearfund, EKHC, and Consortium of Self-Help Group Approach Promoters.
5. SHG Activities and Benefits

5.1. Provision of trainings

Most informants who participated in this study acknowledged that SHG training programs led to attitude change and socio-economic empowerment. The training package offered by Tearfund and EKHC consists of 24 programs completed over a two year period. These include: self-help group concepts, saving and credit management, business planning, record keeping (financial statements), banking, cluster level association concepts, home management, entrepreneurship, basic business skills, awareness creation on HIV/AIDS, home-based care, family planning, environmental sanitation, training for CLA sub-committee, participatory rural appraisal (PRA) tools, literacy, urban agriculture, facilitation and leadership skills, operational planning, resource management, concepts of proposal writing, introduction to social insurance, federal level association concepts, and civil rights and advocacy.

To date, SHG promoters have been providing the various training programs. CLAs and FLAs are expected to take over the responsibility of SHG facilitation (when the promoters move out) thereby ensuring the sustainability of the SHG approach. Of the 640 SHGs under the management of the Urban Ministry of EKHC in Adama and its vicinity, more than 200 were organized by older SHG and their CLAs. The CLA/FLA claim to have competent and experienced facilitators/trainers (though this has not been verified). However, they lack budget, space and other resources/facilities to provide training on their own on a sustainable basis.7

5.2. Economic benefits

Savings

Saving is one of the principles of SHG, and many people in the study areas started with Birr 0.50/week. Three types of savings are recognized: regular, optional, and social. The initial challenge for most SHG members was to accept the idea that such a small saving would become a big enough sum to make a difference in their lives. To their surprise, however, the savings steadily increased, allowing them to take loans at a low interest rate to cover household expenses and/or engage in small businesses. Many informants saved funds which they had never before or never imagined to have in their lives. One woman (a member of Yahiwensi SHG) is reported to have saved Birr 27,733 in the last 12 years. Some members have effectively utilized the saving and loan opportunities provided by their SHG and attained remarkable changes in their lives. The experience of Firehiwot Taye is a case in point – see Box below.

7 The annual budget of the Yenege Tesfa (FLA in Adama) for 2013 was Birr 6000, and it operates from a poorly furnished small office given by the Urban Ministry of EKHC.
Box 1 - Firehiwot Taye

Firehiwot is a founding member of Tesfa SHG, which was established in 2002. She was a housewife without an income when she joined the SHG. She started saving Birr 0.50/week and later increased to Birr 1.00/week. She got her first loan (Birr 100) and started selling onions outdoor. The business was very profitable. When her saving grew to Birr 500, Firehiwot borrowed Birr 1,000. She started selling traditional Ethiopian garments to tourists visiting Adama and their SHG, and was making good money. Firehiwot borrowed Birr 1,700 to start another business: selling butter and other milk products. Her next business was fattening cattle and selling cooking oil. She also opened a small shop where she sells semi-processed food and serves coffee, and she erected a tent to sells belts, wallets and other leather products. Her last loan was Birr 70,000, the maximum amount ever given by SHG in Ethiopia. In 2014, Firehiwot had Birr 100,000 share with Enat Bank and a total capital of Birr 300,000.

Loans

Members of SHGs borrow money to cover household expenses (e.g., construction, furniture, education, health, etc.) and engage in business activities. Participants of FGDs and interviewees alike indicated that the advantages of taking loans from SHG (as opposed to banks, micro-finance institutions, and private money lenders) are multiple: low interest rate, no collateral requirements, fast disbursement, and non-bureaucratic procedures. Moreover, defaulters are tolerated or even given support if they have justified reasons. In Adama, an ox worth Birr 17,000 died before the owner (engaged in cattle fattening) sold it. Members of her SHG not only extended the repayment period but also contributed money to help her repay the loan. Such incidences were repeatedly mentioned in all research sites.

Taking loans has become a common practice among SHG. The frequency of taking loans and amount of loan disbursement has been increasing steadily, and many informants reported to have taken loans several times, up to 18 times in the Adama area urban. The total internal loan disbursement of all urban SHGs in Adama increased from Birr 15,000 in 2003/4 to Birr 375,000 in 2008/9. The loan disbursement of a single SHG called Idile Be’ije increased from Birr 46 in 2003/4 to Birr 35,500 in 2013/4. These illustrative figures confirm the steady increase in the demand for loans, which have quickly surpassed the growth in savings. The saving amounts, the total capital, and the minimum/maximum loans of SHG in the four research sites are presented below in Table 2 to provide a general picture about the scale of savings and loans services in urban and rural areas.

Table 2: Self-help groups, saving amounts, and total capital by study areas

<table>
<thead>
<tr>
<th>SHG, Saving and Loan</th>
<th>Oromia Region</th>
<th>SNNPR</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Adama Area (urban)⁹</td>
<td>Woliso (rural)</td>
<td>Hawassa Area (urban)</td>
<td>Sidama Area (rural)</td>
</tr>
</tbody>
</table>

⁹ In 2009/10, the loan amount dropped to Birr 197,533 due to capital shortage caused by an earlier decision to extend the loan repayment period from one year to two years. That year, Birr 15,000 external loan was made available from the EKHC’s Tesfa MFI to address the shortage.

⁹ The financial data (total savings and total capital) came from August 2013.
| Number of SHG | 690 | 53  | 196 | 911 | 1850 |
| Number of CLAs | 43  | 1   | 15  | 42  | 101  |
| Members of SHG | 10,665 | 875 | 3,041 | 15,163 | 29,744 |
| Total Saving (Birr) | 13,619,705 | 59,468 | 1,731,644 | 2,843,605 | 18,254,422 |
| Total Capital (Birr) | 16,819,655 | --  | 2,201,910 | 3,197,555 |
| Maximum Loan (Birr) | 70,000 | 600 | 8,000 | 2,000 |
| Minimum Loan (Birr) | 200 | 100 | 300 | 100 |

Source: Analysis based on EKHC records in the research areas, 2014

5.3. Engagement in business: individual and group

SHG are engaged in different business activities often at a private level and sometimes as a group. The common activities undertaken by members of SHG are fattening/rearing animals (cattle, sheep, and goats), raising chicken, weaving, cotton spinning, producing and selling handicrafts, selling food and drinks, producing and selling fuel-saving and smokeless stoves, selling secondhand clothing, etc. While the overwhelming majority of urban SHG members operated from their homes and outdoors, very few managed to get land/rooms through rental arrangements. Some rural SHG members operated from homes or travelled long distance to buy and sell goods. The success level of members’ businesses depended on the intensity of training, the amount of saving, the support of SHG members, the support of family members (especially spouses), and the location. Hawi Bereket explained her success in terms of the support that she obtained from EKHC, SHG members, and her husband – see Box below.

Box 2 - Hawi Bereket

Hawi, a jobless housewife, joined the SHG in 2004. Back then, Hawi and her husband lived in a rental house and on the meager part-time income of the later. She joined the SHG without telling her husband. Initially, he was indifferent, but later he changed his mind and helped to increased her weekly saving from Birr 0.50 to Birr 10.00. Hawi was the youngest and most inexperienced woman in her group. The mature members were very helpful in terms of providing advice and electing her as their secretary. Hawi borrowed Birr 1000 to start animal fattening. Later, she opened a small shop to sell consumer items. She took loans six times, the latest being Birr 5500. Two years ago, her husband joined the men’s SHG. Recently, he borrowed Birr 30,000. He plans to increase his savings and apply for a Birr 90,000 loan. They took the last loans to buy a welding machine and two brick producing machines, and now they run brick producing and metalwork workshops. The couple own

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10 Rural residents have limited opportunities to generate cash income for saving and limited business options that can absorb many participants. In urban areas, on the other hand, self-motivated and recently formed SHG are reported to have more savings and more vibrant businesses without completing the training programs.
The only group business run by a few SHGs covered in this study were Kindergartens (KG). Four CLAs in Adama town have KGs for children of SHG members and other low-income families. In 2014, one of CLAs (named Besufekad) enrolled 300 children and charged Birr 60/month, while the private KGs are reported to be charging Birr 150/month.\textsuperscript{11} SHG serve as consumer cooperatives responsible for providing what their members need (e.g., oil, sugar, and other items on high demand and low supply), thereby avoiding exorbitant market prices.

Many SHG in the study areas aspire to engage in such group businesses as retail stores, bakery, poultry production, cattle fattening, dairy farm, internet café, and urban agriculture. However, most members of SHGs end up engaging in individual business rather than group business because the latter requires huge capital, registration/license to operate, working space (land, buildings), and organizational/management capacity. Most SHGs lack these requirements. On the other hand, individual businesses are easy to start: with small capital and operate from residential homes without licenses.

5.4. Social benefits

The SHG approach focuses on establishing strong social bonds and fostering mutual support among members. Some of the social matters that SHG address include: rearing and protection of children, education of children, sickness and health, death of family members, home management, psychological state of members, business activities of members, moments of happiness (birth, wedding, graduation, etc.), among others. SHG have special savings (also insurance savings) earmarked for social protection, and members come to the rescue of each other at times of sickness, business failure, loss of property and other events. The day the researcher visited Dilla Aferara village (Shebedino, Sidama), members of one SHG were preparing to visit a sick fellow member with a token of Birr 110 as their contribution towards medical costs. Members visit each other's homes to observe improvements and put pressure on each other to do better in home management. In Adama, for example, members of one SHG coerced a fellow member to renovate her kitchen, the roof of which was leaking. On the whole, SHGs have significantly strengthened social relations and support mechanisms, thereby revitalizing the traditional social insurance system that has been eroded partly due to urbanization.

\textbf{Case 3: Tigist Balcha}

Tigist, a mother of three daughters, used to depend on her husband’s income, Birr 950/month, before she joined a SHG called Inideg Betesfa. The income was inadequate to cover household expenses, school supplies for their children, and medical expenses. She started saving Birr 3/week and her first loan was Birr 500, which she took to start baking and selling injera. After some time, she borrowed Birr 1000 to expand the injera business. Tigist explained changes in her life as follows: “There is a significant change in my family. Our

\textsuperscript{11} Besufekad launched the KG program in 2008/9 with 110 students and three teachers. Besides providing care and education for children, the association has been creating job opportunities for its members – the KG teachers.
income has increased and we have enough to eat. Thanks to the SHG, I sent my children to school without any problem. I covered medical and other family expenses without any problem. Currently, I save Birr 20 per week, and my total savings are growing fast. In the future, I am planning to take a loan and open a small shop.*

5.5. Grassroots empowerment and democratization

SHGs play significant roles in promoting grassroots empowerment and democratization. Apart from awareness raising works on such issues as human rights, the Ethiopian Constitution, gender equality, and violence against women, the SHG approach is used to cultivate the culture of democratic participation in decision-making. According to EKHC sources, most SHGs in urban areas have a majority of female membership: 76.2%. Among the CoSAP members, the percentage of women is reported to be much higher (close to 99%). See Table 3 below.

Table 3: Self-help groups and members by gender

<table>
<thead>
<tr>
<th>Group Makeup</th>
<th>Oromia Region</th>
<th>SNNPR</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Adama Area</td>
<td>Woliso Woreda</td>
<td>Hawasa Area</td>
</tr>
<tr>
<td>Male only groups</td>
<td>13</td>
<td>13</td>
<td>1</td>
</tr>
<tr>
<td>Female only groups</td>
<td>627</td>
<td>29</td>
<td>171</td>
</tr>
<tr>
<td>Mixed groups</td>
<td>50</td>
<td>11</td>
<td>24</td>
</tr>
<tr>
<td><strong>5.5.1.1. Total</strong></td>
<td><strong>690</strong></td>
<td><strong>53</strong></td>
<td><strong>196</strong></td>
</tr>
</tbody>
</table>

Membership Makeup

<table>
<thead>
<tr>
<th></th>
<th>Oromia Region</th>
<th>SNNPR</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Female members</td>
<td>10,031</td>
<td>558</td>
<td>2902</td>
</tr>
<tr>
<td>Male members</td>
<td>634</td>
<td>317</td>
<td>139</td>
</tr>
<tr>
<td>Total</td>
<td>10,665</td>
<td>875</td>
<td>3041</td>
</tr>
</tbody>
</table>

Source: Analysis based on EKHC records in the research areas, 2014

At the initial stage, the promoters enlighten the SHGs on such issues as gender equality, human rights, and the Ethiopian constitution. After the formation of CLAs, it is believed that the CLA members would takeover the responsibility of recruiting new SHGs and strengthening the weaker ones. The CLAs are expected to provide training on different topics, including those issues listed above. At the moment, they are operating with the promoters (where CLAs focus more on the recruitment process, while the promoters provide
the trainings). The SHGs themselves and the documents of promoters claim that SHGs are right-based and are engaged in advocacy. The examples for such assertions include the participation of SHG members in internal dialogue and awareness raising activities on gender violence, the constitutional rights of women, human rights issues, etc. When the rights of women are violated, SHGs report to the police and/or Women, Children and Youth Affairs office for action.

All SHGs have by-laws developed by members through direct involvement. Matters related to savings, loans, interest, repayment, social issues, women’s rights, and community works are deliberated on democratically. SHGs do not have chairpersons. Ordinary members chair regular meetings on a rotational basis, thereby developing leadership qualities and management skills. During these meetings, participants are strongly encouraged or required to voice their views in front of others, thereby overcoming fears, worries, and timidity. Most informants expressed how they have grown assertive and confident over the years, and this was self-evident from their narratives. Hirut Gizaw, a member of Behibret Madeg SHG in Hawassa bought household furniture and become independent and confident because of her involvement in the SHG – see Box below.

**Case 4: Hirut Gizaw**

Hirut was a housewife and had no job before joining the self-help group. The family depended on her husband's meager income. She started saving Birr 1/week and borrowed first Birr 50 and later Birr 1500 to engage in a business selling injera. Hirut said, “With the profit I made, I bought a television, DVD, and Dish. I bought *lakech* (fuel saving stove)…. I also covered the expenses for house repairs. My husband did not support my decision to join the SHG. He thought it was a waste of time. After observing the money that I am making now, he changed his attitude towards SHGs. I do not need anybody’s assistance now. I do not depend on my husband. I can do whatever I want. My SHG taught me to be confident too. I was so shy in the past. Now, I can speak in public without any fear.”

On the whole, as a rights-based approach, the SHGs have taken encouraging and noticeable steps in the direction of democratization and grassroots empowerment of women. The critical question to be answered is whether SHGs are allowed to engage in advocacy given the federal law that requires rights-based membership organizations to register as Ethiopian Societies (Proclamation No. 621/2009). The challenges are as follows: (1) all but Amhara regions have not yet developed regulatory frameworks to register Ethiopian Societies and (2) registration in this category will have certain implications for SHG (see option 1 under section 6 below for details).

5.6. **Community services**

SHGs are engaged in community services such as neighborhood cleanups, environmental rehabilitation (e.g., tree planting), road construction, spring water development, supporting the destitute and the elderly (e.g., by repairing their houses), etc. More established SHGs are reported to be working with law-enforcement agencies in maintaining peace and order or creating a favorable environment for community policing. SHG members are advised to stay vigilant in their neighborhoods and report violence, theft, and other criminal/illegal activities to the relevant government agencies (e.g., police, gender office, etc.).
It appears that as a result of the empowerment process, some SHG are involved in activities beyond their original mandate. Running kindergartens is considered as providing a community service because children who would otherwise be on the street were now learning in the KGs, and the fees are low. Some groups in Adama and Hawassa reported to have approached relevant government offices for electricity and water for their members, although services will be extended to all community members. In short, SHGs are emerging as well-organized, highly disciplined, and active community forces.
6. SHG Regulation

6.1. Current status and need for legal personality

6.1.1. Current status

The majority of SHGs supported by Tearfund and EKHC in the four study sites lack legal personality except for one FLA (called Yenege Tesfa) in Adama town that has registered with the Office of Labor and Social Affairs. A previous study by CoSAP (2012:19)\(^{12}\) revealed that a FLA in Jimma town (called Anley) also acquired a license from the Office of Labor and Social Affairs. The same CoSAP report indicated that some CLAs in Hawassa were certified by the Bureau of Justice, while CLAs in Jimma registered as business organizations with Micro and Small Enterprise Agency (MSEA). There are two types of inconsistencies that deserve mention here: different government agencies were involved in the registration process, and self-help groups were registered at both CLA level and FLA level. This lack of uniformity reveals clear gaps in the regulatory framework and a lack of consensus among promoters on the principles of SHGs, and both challenges need to be addressed.

6.1.2. Analysis of the need for legal personality

All informants involved in interviews (individual members, facilitators, promoters, and government agencies) and the participants of FGDs (SHGs, CLAs, and FLAs) underlined unequivocally the need for securing legal personality. Without official recognition, conducting formal communication with government agencies proves to be difficult. Kebele offices do not recognize the existence of SHGs and respond to requests for space, services, etc. Many SHGs and CLAs reported to have been challenged by lower level authorities for organizing other SHGs without legal permission. In the absence of legal personality, the banks and micro finance institutions do not allow SHGs to open savings accounts or take loans. The Department/Bureau of Education will not license an entity that lacks legal personality to run KGs. The courts do not recognize the legality of SHGs without registration. Those SHGs that have not registered continue to rely on their promoters (Charities and religious institutions) for formal communication. Currently, SHGs are recognized as projects of the promoters, and this allows them to operate without too many restrictions.\(^{13}\) The real challenge will definitely surface when the promoters’ projects phase out. Thus, the issue of legalization becomes a critical question for the sustainability of SHGs.

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\(^{13}\) Since SHGs activities are consistent with government policy strategy on poverty reduction, Woreda, Zone and Region level government authorities seem to have favorable attitude towards them. However, there is no guarantee that informal SHGs will enjoy unrestricted official government support as a matter of right.
Disadvantages of regulation

Obviously, there will be some costs associated with official registration of SHGs. Firstly, they will lose their informality and flexibility due to the requirements to follow formal rules strictly.

Secondly, legalizing SHGs with their current functions intact (economic, social, and advocacy) would contradict existing laws such as Proclamation No. 621/2009 that requires the registration of rights-based organizations as ‘Ethiopian Societies’ or ‘Ethiopian Charities’; Proclamation No. 686/2010\(^{14}\) that requires the registration and licensing of any commercial activity; and other federal and regional laws. Unless a new regulation were introduced which overrode all previous laws (which seems an unlikely scenario), self-helps groups will be forced to compromise on their approach or to acquire different licenses for different activities.

Thirdly, the current limited access by SHG to donors through promoters could come under scrutiny if a new regulation does not provide for entitlement to external support. On the whole, formal registration will subject SHGs to close government inspection and scrutiny (or total control).

Experiences of Registration: SHGs, CLA, and FLA

As indicated above, there is lack of uniformity in the way SHGs have been registering, and the inconsistency has to do partly with lack of appropriate laws. The challenge for SHGs and their promoters is to determine how SHGs should be registered. Discussions with the relevant stakeholders (SHGs, facilitators, coordinators, and management of promoters) revealed the absence of consensus on this issue. While the top management of promoters favour legalizing FLAs, many SHGs at the grassroots demand legal recognition at all three levels. Some informants suggested the registration of CLAs as a compromise. The coordinators and facilitators, who appeared to be ambivalent, expected decisions to be made by the organizations promoting SHGs.

The rationale for legalizing FLAs is explained in terms building a strong constituency or gaining viability, visibility, the ability to be heard, and the ability to influence public policy as united groups rather than as scattered entities. With this in mind, the top management expressed concern that legal recognition at a lower level may render higher level(s) irrelevant, and the whole SHGs approach could crumble as a result. The SHGs fully supported the idea of having strong FLAs with legal personality. However, they indicated that it takes years to form FLAs and in some cases (e.g., in rural areas) there may not be any FLA, and this would mean long or indefinite delay in the legalization process. This was contrasted against the practice whereby grassroots groups organized by CSOs and government agencies got certification (without delay and complication), which helped them claim access to public resources and services. In one FGD, a participant asked why the

\(^{14}\) Proclamation No. 686/2010 (Commercial Registration and Business Licensing Proclamation) provides for the registration and licensing of business ventures in Ethiopia.
legalization process cannot evolve from SHGs to FLAs over time. This is the feeling of most informants.

Clearly the SHGs made convincing arguments about the merits and needs of registration, which must be considered further. However, the complexity of the SHG approach, the absence of an appropriate legal framework, and the limitations of this study (which is just a rapid assessment) warrant caution before reaching any hasty conclusion. Since the whole idea of the SHG approach is about trusting the potentials of people and empowering them, the promoters must listen to and discuss with the local people, analyze the objective conditions in Ethiopia, consult amongst each other, and come up with a realistic and acceptable modality.

Nevertheless, the researchers examine four options for regulation below, in order to facilitate further discussion over the issue.

**Option 1 (Ethiopian Society)**

The Charities and Societies Agency, which was established by Proclamation No. 621/2009, is responsible for the registration and regulation of charities and societies. Of the five categories of registration, the category that bears some resemblance to SHGs is the 'Ethiopian Society'. However, SHGs cannot register as Ethiopian Society for the following reasons. First, Ethiopian societies are not allowed to receive more than 10% of their budget from foreign sources (Article 2:2). Although SHGs do not receive direct funds, the monetary value of the trainings and other assistance schemes channeled to them (from foreign sources) may exceed 10% of their domestic revenues. Secondly, except for those operating in Addis Ababa and Dire Dawa, societies are required to have members from more than one regional state (Article 3:1a). SHGs are highly localized neighborhood groups without any cross-regional agenda to pursue. Thirdly, societies are organized to serve the rights and interest of individual members (Article 55:1) and that membership cannot be transferred to a third party (Article 56:2). SHGs are organized to serve the rights and interest of their members, families and communities, and membership can be transferred to family members.

**Option 2 (Cooperative Society)**

Cooperative societies and SHGs are organized to serve apparently comparable purposes, and some authorities suggested the cooperative option for SHGs. In its preamble, Proclamation No. 147/1998, which was promulgated to provide for the establishment of 'Cooperative Societies' in Ethiopia, recognizes the necessity to establish cooperatives societies by individuals with similar needs for savings and mutual assistance through pooling their resources, knowledge and property. A cooperative society is established by individuals "to collectively solve their economic and social problems and to democratically manage the same" (Article 2:2). Articles 4:9 and 5:5 state that cooperatives may provide education and training for members to enhance their efficiency.

Despite such resemblances, SHGs have features that render the cooperatives option as unsuitable. According to Articles 2(6), 23, and 24 of Proclamation No. 147/1998, cooperative societies require 'management committees' to take responsibility for managing the activities of cooperatives. This contradicts the ethos of SHGs, namely, direct participation and

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15 The five registration categories include: Ethiopian Societies, Ethiopian Charities, Ethiopian Resident Societies, Ethiopian Resident Charities, and Foreign Charities.

16 Proclamation No. 147/1998. A proclamation to provide for the establishment of cooperative societies.
collective decision-making. Article 2:1 specifies seven potential areas of cooperative registration (of which, only one can be selected by each cooperative): agricultural, housing, industrial and artisan producers', consumers, saving and credit, fishery, and mining. Although SHGs have interests in establishing group businesses (e.g., KGs), their primary objective is not running collective businesses. Instead, they enhance the socio-economic capacities of individual members through their own efforts and group support. Moreover, SHGs' engagements are far from a single economic activity - they participate in economic and social activities, and advocacy simultaneously. Hence, registration in one category (e.g., saving and credit) will not allow SHGs to engage in multiple activities as provided for in their by-laws.

**Option 3 (Micro and Small Enterprise)**

Some informants (authorities) suggested that SHGs could register with the Micro and Small Enterprise Development Agency, which was established by Regulation No. 201/2011 of the Council of Ministers. The Proclamation specifies the amount of capital and the number of workers both micro enterprises and small enterprises should have (Articles 2:1 and 2:2). According to Article 6:8, micro and small enterprises may organize themselves in associations in their respective areas of activities. However, SHGs are different from micro and small enterprises in many respects. First and foremost, during their formative stage, SHGs are not purely business enterprises with capital at their disposal or business ideas/plans developed. Secondly, most SHGs individually engage in petty trades that do not require business licenses. Thirdly, SHGs have non-economic functions (social, advocacy) that cannot be mentioned in the MSEA licenses.

During the FGDs, SHGs expressed multiple risks associated with becoming micro and small enterprises. These include loss of identity as SHGs’ by-laws would be replaced by MSE rules; loss of control over capital and interest due to the requirement to transfer savings to Micro Finance Institutions (MFI); loss of freedom to decide on loan amounts, interest rates, and repayment period in favour of more formal, highly rigid, and bureaucratic procedures; and loss of freedom and flexibility to engage in private businesses with loans from group savings. Currently, the amount of loan provided by MFIs is reported to be lower than the amount given by SHGs (e.g., Birr 70,000 in Adama town). Informants also pointed out that many groups that had been licensed by MFEA and worked with MFIs fell apart due to internal squabbles.

**Option 4 (Association)**

The present study also explored the option of registering SHGs as non-profit associations with different government agencies in different regions. In Oromia Region, the Bureau of Labour and Social Affairs is responsible for registering associations formed to promote the needs and interest of their members (Proclamation No. 163/2011, Art 43:5), while the SNNPR and Amhara Region permits the registration for both charities and associations.

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17 Regulation No. 201/2011. Council of ministers regulation to provide for the establishment of federal micro and small enterprises agency.

18 Accordingly, a micro enterprise would have five workers, including the owner, and a maximum capital of Birr 50,000 for engagement in the service sector and Birr 100,000 in the case of industrial sector (Art 2:1). Likewise, a small enterprise would have 6 to 30 workers, including the owner, and a maximum capital of Birr 100,000 for service sector business and Birr 1,500,000 for industrial sector works (Art 2:2).

19 Proclamation No. 163/2011. A proclamation to amend Proclamation numbers 105/25, 132/207, 160/2010 and for the reorganization and redefinition of the powers and duties of the executive organs of the Oromia Region. According to this Proclamation (Article 22:13, 14), charities are registered by the Bureau of Justice, not by BoLSA.
under both the Bureau of Justice (Proclamation No. 133/2010, Art 11:9)\textsuperscript{20} and the Bureau of Administration and Security Affairs (Proclamation No. 176/2010, Art 23:3)\textsuperscript{21}. Relevant zonal, woreda and town level offices are mandated to issue certificates for associations operating in their constituencies. The legal personality allows associations to open bank accounts and receive supports and/or donations. However, they are prohibited from engaging in commercial businesses, giving loans with interest, and political activism. They are allowed to cater only for their members. An officer in Woliso stated, "We consider associations that register with us as non-profit, non-interest, and non-political groups providing free services to their members." However, SHGs differ substantially from the association profile insofar as SHGs are formed to promote the needs and interests of their members, families of members, and communities by engaging in business and advocacy. Thus, registration as associations would not enable SHGs to engage in commercial activities and political advocacy.

\textsuperscript{20} Proclamation No. 133/2010. The Southern Nations, Nationalities Peoples Regional State executive organs re-establishment and determination of powers and duties proclamation.

\textsuperscript{21} Proclamation No. 176/2010. The Amhara National Regional State executive organs re-establishment and determination of powers and duties proclamation.
7. Other challenges

7.1. External challenges

7.1.1. Absence of appropriate legal provision

The overwhelming majority of SHGs have not registered for lack of suitable registration option. Institutions promoting SHGs are reported to be making efforts to approach government authorities with the view to convincing them about the need for a new regulation for SHGs. Some SHGs promoters held informal meetings with town, woreda and zonal officials and certain ministries (namely, the Ministry of Trade and Industry and the Ministry of Women, Children and Youth Affairs). However, no formal requests have been filled and no concrete steps have been taken in the direction of formulating new laws or making the existing laws more accommodating. Since the existing registration options are not suitable for SHGs, the idea of having a new regulation makes sense.

7.1.2. Shortage of loan financing

The saving and credit experiences, the training programs and the success stories have increased the confidence level of most SHGs significantly to take loans to launch or expand businesses. However, internal savings remain insufficient to meet the growing loan demands, which can only be offset through external loan provision. Tesfa MFI was established (as an EKHC initiative) with the intention of making loans available to SHGs without collateral. However, Tesfa MFI could not satisfy the ever-growing loan demands of SHGs due to a shortage of capital; shortage of staff; and the limits of the amount of loans given. Some SHGs and their promoters noted that certain private banks showed interest in providing loans if the National Bank of Ethiopia (NBE) were willing to relax the existing restrictive regulations on loan provision. Individual banks can propose innovative banking ideas and practices to NBE with the aim of changing certain regulations. With this in mind, CoSAP hopes to bring an innovative lesson from India to the attention of NBE through a private bank.

7.1.3. Lack of access to space (land, building)

The absence of legal personality has limited the SHGs’ rights to conduct formal communication and claim public services and resources as a matter of right. Although very few SHGs in Adama and other places (e.g., Jimma, Debre Markos, etc.) received land or were promised land through their promoters or direct contacts, many SHGs are having problems in accessing space in their names.

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22 Likewise, Harbu MFI, which gives loan to SHGs, is affiliated with Facilitators for Change (FC), SHGs promoter.
7.1.4. Inadequacy of training

Some SHGs complained that they had only been able to attend two to four training programs (out of the 24 total), and facilitators/promoters explained the deficiencies in terms of budget constraints. It became apparent that the performances of inadequately trained SHG members are poor. Because of the success stories, the SHG approach continues to attract more and more people, who are now engaging in saving, credit, and business activities without taking proper training. The promoters and the SHGs’ associations lack sufficient resources and a long-term strategy to provide quality training on a sustainable basis. Hence, there is a need to devise viable alternative strategies, such as involving the existing training institutions (e.g., universities and colleges) to provide demand-driven, customized, and responsive training courses.

7.1.5. Variation in SHGs approaches

While SHGs are supposed to rely on their own savings, some promoters are reported to be injecting funds in the form of seed money, matching funds, competitive funds, and allowances for attending meetings. These tempting offers have forced some facilitators and SHG members to switch to those SHGs. In Sidama area, a facilitator working for EKHC is reported to have joined another promoter together with at least nine SHGs that he organized or facilitated.

SHGs promoters also exhibit differences over other issues: the number of FLA in a given town/city (some suggested one; others promote several); the registration of SHGs (some favoured FLA; others considered CLA); the inclusion of men in SHGs; and the inclusion of the non-poor in SHGs. Such differences are likely to weaken their appeal to the government for greater space and a new regulation for SHGs. It is important to note that the Women, Children and Youth Affairs Offices have been organizing similar groups that register as MSE or cooperatives. On the whole, these other efforts to promote the SHG approach have been poorly coordinated and the principles that guide the approach have lacked uniformity. In order to avoid confusion, resource wastage, duplication of efforts, and unnecessary confrontation, it would be useful for all SHGs promoters in Ethiopia to create a joint forum and develop a code of conduct.

7.1.6. Development-induced membership dispersal

The members of certain SHGs (in Hawassa) are reported to have dwindled (while others faced disruption) due to urban development that has led to the displacement and the consequent dispersal of SHG members. Dispersal represents a major challenge for those moving out and those staying behind in the old neighbourhoods. The difficulties of working together have forced some SHGs to distribute all their savings reluctantly and break up the

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23 Differences in SHGs approach are explained partly in terms of donor demand to include SHGs in partner projects or partners’ own decision to embrace SHGs to win donor support.

24 In recognition of this challenge, Tearfund and its partners established Self-Help Coordination Network (SCoN), while CoSAP is planning to develop a code of conduct. Such timely and commendable efforts need to be harmonized, though. SCoN and CoSAP should work together!
group. The risks of SHG disintegration could be averted by relocating people as groups, and by allowing displaced members to join other SHGs in the new neighbourhoods.

7.2. Internal Challenges

7.2.1. Dependency syndrome

When the SHG initiatives were introduced some 12 years ago, according to informants, many people attended orientations with the expectation of receiving free handouts. While some participants wanted to give it a try, many left because they were totally discouraged by the idea of gradual change based on their own efforts and small savings. Others joined SHGs at the time in the hope that they were likely to receive some aid at some stage. The injection of funds by some promoters reinforced the expectations of these members, who soon changed membership. In one of the FGDs, the participants noted that such half-hearted members often become loan defaulters. The feeling of dependency has not been completely removed from the minds of all members of SHGs.

7.2.2. Default incidences

One of the challenges SHGs experienced relate to the refusal of members to repay loans, their disappearance before settling debts, and failure by some secretaries to deposit the weekly savings in banks. Default incidences were reported in all research sites. However, SHGs seem to be recovering their money easily by employing both social and legal means. In Hawassa, a woman who left for the Middle-East to work as a maid without settling her debt was pressurized through her family to repay the loan. SHGs also take default cases to the court (often to the social court), submitting their by-laws as contract documents and the list of all members as collective plaintiffs. Although statistical data are lacking, default incidences are described as rare occurrences and loan repayment performances of SHGs are almost perfect.

7.2.3. Suspicion about hidden religious agenda

During the early years of SHGs formation, the efforts of EKHC were misconstrued as a systematic recruitment strategy aimed at religious conversion. However, the actual participation of followers of different religions in SHGs helped to dispell the rumours. The composition of SHG members by religion in Adama in 2002/3 was: 300 Orthodox, 19 Protestant, 7 Muslim, and 9 followers of other religions. An EKHC facilitators in Adama town reported to have organized two Muslim SHGs upon request. Another EKHC in Dilla Aferara was invited by Mulu Wongel Church followers to facilitate the formation of SHGs.

7.2.4. Misunderstandings over interest

SHGs promote savings, loans, and payment of interest on money lent. However, initially, it was rather difficult for some Muslim members to associate themselves with SHGs that take a financial interest, which is translated in Arabic as *riba* (meaning ‘unjust and exploitative gain’) and thus a major sin (or *haram*) in Islam. It took facilitators quite sometime to convince SHGs
members that legal financial interest should be distinguished from unjust and exploitative gain.

7.2.5. Absence of banks

The savings of most SHGs in rural areas were kept with individuals partly due to lack of banks in close proximity and the lack of tradition of saving in the bank. In Sidama area, 860 of the 911 SHGs under the EKHC have not opened bank accounts. An informant noted, “For SHGs in Lukabaya and Boricha areas, the transportation cost to get to the bank would exceed the weekly savings of SHGs…. Keeping money with individuals has also risks. In the past, a few SHGs lost their savings to dishonest members.” According to an informant (SHGs promoter), the risk of keeping money with individuals is high during the first six months before loan disbursement begins. While some groups saved in safe boxes kept in private homes, the majority lent the whole or much of the savings to members. Some bought animals to be raised by members on sharing-holding arrangements. The introduction of a rural banking system should address this challenge.
8. Conclusions and Recommendations

8.1. Conclusions

The present study of SHGs in Oromia and SNNPR reveals that the approach has proved successful in fighting poverty without direct external funds; revitalizing the traditional social insurance systems; pioneering grassroots empowerment of women; and improving community life. The lessons from successful SHGs could be replicated and scaled-up. Close to 18,000 SHGs currently operate in Ethiopia and the numbers are on the rise partly because many civil society organizations and religious institutions are beginning to work as SHG promoters. The SHG approach promises to be a new frontier for future CSO interventions. Besides the non-state actors (NSA), the Women, Children and Youth Affairs offices have been organizing self-help groups in urban and rural areas. The interests of the state and the non-state actors appear to converge over SHGs, and this opportunity could be seized to forge genuine collaboration between the two.

It is equally important to reflect on some of the major challenges encountered by SHGs. Firstly, the implementation of the approach is characterized by a lack of uniformity. The difference in the SHGs approaches created confusion among the groups and unhealthy competition among the promoters. Also, it weakens the position of the SHGs promoters in their appeal for better policy space. All parties promoting SHGs should jointly develop a modality and code of conduct.

Secondly, the absence of a suitable regulation for SHGs has led to the registration of some with different government agencies, while the vast majority operate without legal personality. The ideal solution to this problem is to have a new provision (or an amended version of any exiting regulation) that recognizes the unique features of SHGs.

Thirdly, the shortage of finance for training and loans has hindered efforts to expand and scale-up the SHG approach. The challenges related to training programs need both a short-term solution (securing funds from donors to provide trainings by the promoters) and a long-term solution (establishing resource centres or involving existing educational institutions to provide needs-based/customized training). Loan scarcity could be addressed through donor intervention aimed at making capital available through banks/MFI, and government intervention aimed at relaxing regulations.

8.2. Recommendations

8.2.1. Recommendations for SHGs

1) Since the trust-based approach (absence of guarantor/collateral) has become a weak spot vulnerable to abuse by some defaulters, the practices of involving family members as guarantors and using social pressure should be adopted widely.

2) Members of SHGs who have pulled themselves out of poverty and are now engaged in gainful businesses should operate legally and pay taxes like other citizens.

3) CLAs and FLAs are weak (financially, in terms of infrastructure, etc.) and therefore dependent on promoters and meager contributions from SHGs, and this calls for
innovative strategies (e.g., engagement in income generating activities) to strengthen their capacity.

8.2.2. Recommendations for SHGs promoters

1) Establish a joint forum of SHGs promoters to iron out differences in approach and develop a code of conduct that will govern the actions and behaviour of all promoters
2) Assess the reality on the ground to determine the most desirable registration level - SHG? CLA? FLA? All?
3) Develop mechanisms to ensure the quality and sustainability of training programs for SHGs. Using existing education/training avenues for customized training could be an option.
4) Engage in dialogue with the government to enact a new SHG law or revise one of the existing provisions to make it more accommodative for SHG registration.
5) Work closely with the private banks on proposals innovative banking ideas/practices to the National Bank of Ethiopia to introduce changes in favour of SHGs
6) Sponsor further research on SHGs in Ethiopia to ensure comprehensive understanding of the achievements and challenges of SHGs and their promoters, and solicit feedback on regulatory options from government institutions.

8.2.3. Recommendations for the government

The following recommendations are made based on the premise/argument that SHGs deserve special attention of the government for what they represent, namely pro-poor initiatives of the poor.

1) Consider enacting a new regulation to ensure the legalization of SHGs without losing their identity and integrity and without compromising their approach.
2) Consider relaxing the loan regulations of banks and micro-finance institutions to ensure that SHGs have access to loan services.
3) Enhance the entitlement of SHGs to public resources and public services thereby supporting their fight against poverty.
4) Whenever possible avoid the displacement and dispersal of SHGs due to development activities, and if displacement is unavoidable, make efforts to move people as a group.
5) Devise mechanisms to make banks easily accessible to rural SHGs to minimize loss of money due to failure of group allegiance and to promote the culture of saving in banks.

8.2.4. Recommendations for partners (donors)

1) Support the short-term and long-term training programs of SHGs by providing financial, technical, and material support
2) Inject capital into banks and MFIs so that they can provide loans to SHGs under special arrangements (e.g., low interest, no collateral, etc.) to be approved by the NBE.
3) Engage in dialogue with Government to enact a new SHGs regulation and relax the existing loan policy to encourage the participation of the poor in the development process.
4) Refrain from encouraging local partners to include SHGs in their projects without prior and careful planning, guarantee for implementation, and mechanisms for evaluation.

5) Support further research on SHGs in Ethiopia to ensure comprehensive understanding of the achievements and challenges of SHGs and their promoters, and solicit information about regulatory frameworks from government institutions.
Rationale

TECS proposed at the start of the project in 2010 that it should carry out research into community based organization (CBOs). The rationale was linked to the Growth and Transformation Plan's (GTP) commitment to expanding democracy and good governance and promoting grass roots participation in the implementation and success of the Plan. One of the groups expected to enable grass roots participation was CBOs.

At the time, other research on the impact of the proclamation and guidelines on registered charities and societies was deemed more urgent. However, a study of CBOs now appears timely. Firstly, the guidelines and new ways of interpreting the Proclamation are increasingly restricting the scope for registered CSOs (charities, societies and networks) to operate in Ethiopia, with the exception of some larger charities, which tend to focus on service delivery and implement directly. Scope for changing the guidelines appears limited. It is therefore useful to consider how far donors and registered charities can support another category of CSOs more effectively. According to sociologist Dr Dessalegn (2010), a variety of CBOs provide opportunities for grass-roots participation and empowerment of individuals who otherwise would not have any voice. Self help groups such as Idir and iquib have a long history in Ethiopia. They open up avenues for democratization for ordinary citizens, impart democratic values, enhance the rights of citizens in general and rights for access to legally guaranteed public services and responsibilities in particular. See Annex 1 for more details on CBOs.

Secondly, a particular type of CBO – self help groups (SHG) – appears to be growing in size and importance. There are estimated to be approximately 20,000 SHG, with total membership of about 400,000. SHG have provided many benefits for their male and female members, including individual goods, collective goods, and individual and group empowerment. Specifically with regard to the Ethiopian Social Accountability Programme (ESAP2), they are engaging in Social Accountability Committees to discuss how service delivery should be improved. There is talk about regulating SHG – which could bring both benefits (easier access to loans) and drawbacks (unwelcome control and restrictions). It seems important to assess further exactly what the advantages and disadvantages of regulation could bring.
Thirdly, given interest from both an INGO, Tear Fund (which supports about 12,500 SHG), and the Ethiopian Social Accountability Programme, ESAP2 (some of whose Social Accountability Implementing Partners – SAIPs – work in partnership with SHG), TECS will be able to collaborate with these organizations and have good access to a representative sample of SHG in order to carry out a rapid research. TECS proposes to research SHG in two regions where Tear Fund and ESAP2 operate: SNNPR and Oromiya.

Objectives

The objectives of the study will be to:

- Analyse the activities of and benefits provided through SHG for their members
- Assess the extent to which SHG engage in and promote grass-roots participation, empowerment of individuals, and democratization, including the claiming of entitlements to public services
- Assess the benefits and disadvantages of regulation of SHG particularly with regard to accessing loans (micro-finance and banking), and identify whether the benefits outweigh the disadvantages.
- Assess the ways in which donors and intermediary agents (including foreign and resident charities) can best build capacity of SHG without funding them directly.
- Advise donors and charities how they should engage with SHG in future.

Approach

Two researchers - one Lead and one Assistant - will be contracted by TECS to carry out a rapid research study of SHG. The approach will include:

- Analysis of relevant documents on SHG
- Preparation of work plan and checklists for interview questions
- Meetings with Tear Fund and ESAP2, to gather further information about their projects and to agree on a sample of SHG to be interviewed.
- Meeting with the Consortium for Self Help Promoters (COSAP) to understand their approach to supporting SHG
- Interviews with a sample of SHG in two regions where Tear Fund is currently supporting these groups (and possibly where ESAP2’s Social Accountability Implementation Partners (charities) are working with SHG - SNNPR and Oromiya Regions).
- Interview with the Federation Level Association of SHG in Adama
- Interviews with BoFED and BoLSA in SNNPR and Oromiya regions
- Recommendations to donors and charities regarding options for further support to SHG

The approach also includes collaboration with Tear Fund (TF) (and possibly ESAP2), which will consist of:

- Sharing draft TORs for comment and agreement
• Liaising with Tear Fund and ESAP2 on the design of the study (questionnaire checklists for the study and sample of SHG and local partners to be interviewed)
• TF and ESAP2 facilitating access for TECS researcher to their SHG/SAIPs who work with SHG
• Sharing draft report with TF (and possibly ESAP2) for comments
• Collaboration over the dissemination of the report (likely to have restricted dissemination mainly to DAG, charities and ESAP2)

Output
The researchers are required to produce a short report (a maximum of 10 pages, excluding annexes) detailing the information gathered, and a PowerPoint presentation of no more than 15 slides.

\[x\] days of work are allocated for the task [time will depend on number of sites visited]

Timeframe
The work is to be completed by end June 2014