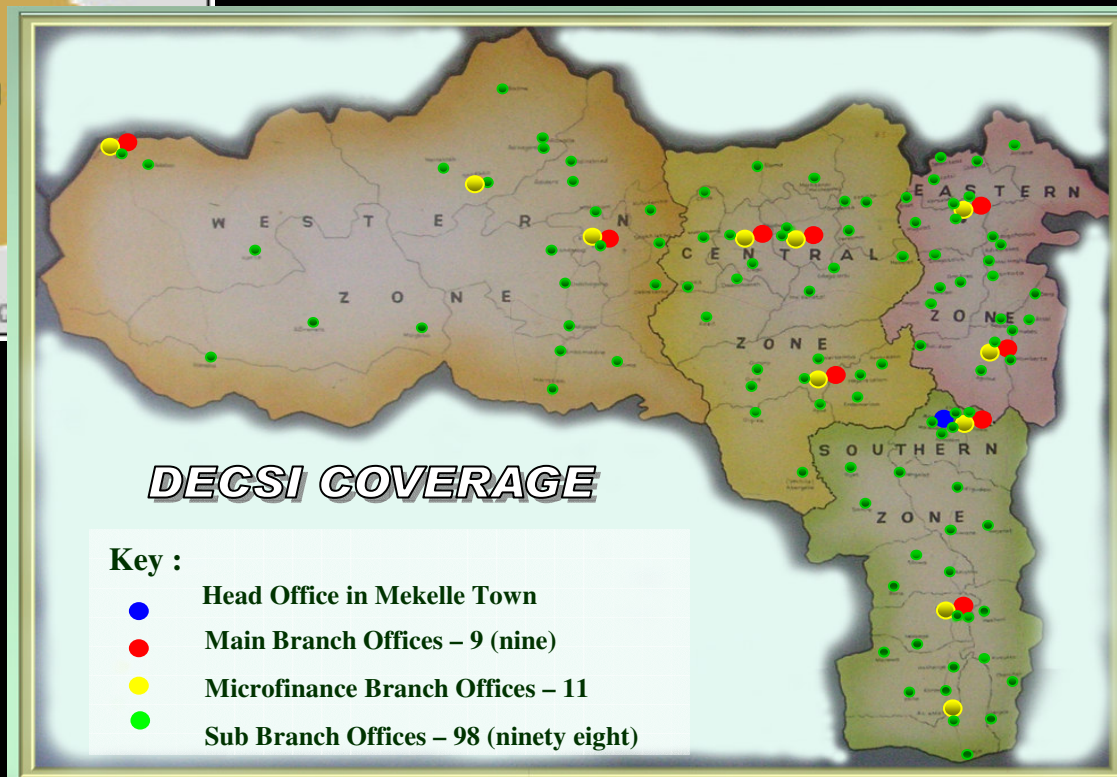
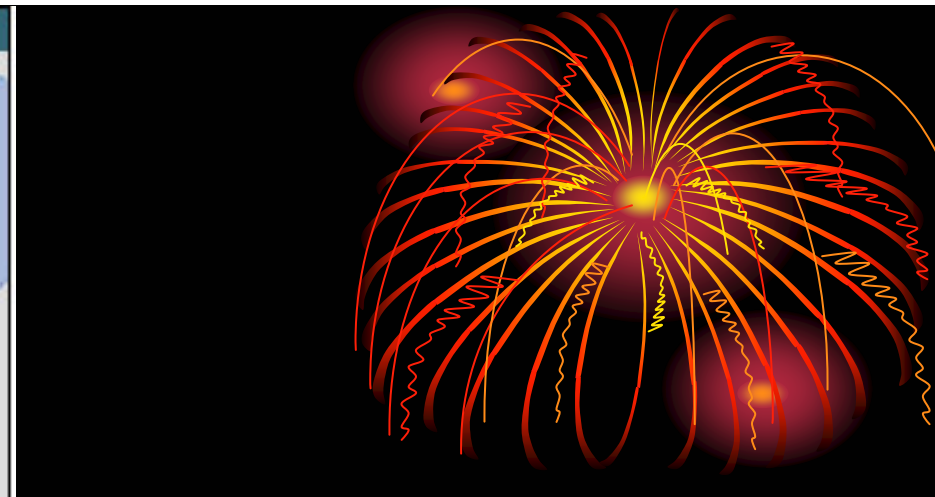


The Experience of DECSI in its innovative model in financing agriculture

*By Atakilt Kiros
DECSI*



- *Total area 53386 sq.kms*
- *Total Population about 4 m*

Food Security Situation



- ***The Population of the Tigray region is about 4.5 million with 2.19m and 2.26F***
- ***or in terms of households, it is estimated to be 750000-800000***
- ***Still about 82% of the total population depends on agriculture***
- ***At national level, agriculture and allied activities has remained the major constituent of the economy contribute about 47% the GDP.***
- ***Specific to the Tigray region, about 45% of the HHs produce less than 50% of their annual food demand.***
- ***The region is also characterized by a low performance of Agriculture***
 - ***land holding size <1 ha***
 - ***Oxen holding: 34% do not own an ox.***
 - ***Average productivity <7 Qts/ha***
- ***Other food security/poverty related indicators do also show low level of performances***

Causes of Food Insecurity



- ***Environmental related Problems (eg. Soil Degradation, deforestation, etc)***
- ***Frequent and prolonged civil war in the region***
- ***Recurring drought and dependency on erratic rain falls.***
- ***Absence or slow process of applying modern agricultural Technologies.***
- ***Lack of entrepreneurial skills, innovative capacities of the poor***
- ***Limited source of alternative incomes***

New mechanisms adapted



- **Being a severe poverty situation, reversing the condition was found very absolute**
- **To this effect, DECSI was launched in 1994 as a key player in the process of the regional economic development and the fight against poverty and hunger.**
- **The vision, mission, objectives, strategies and the core values are expressed in a way they address tackling and reversing the poverty situation in the region**
- **Towards this, the program is designed in a way all its efforts are geared towards the achievements food security at household level**
- **As a special focus, the agricultural activities here are taken as the main area of financing for the institution as the majority of the population live in this sector**

Main Objectives

- *Improve food security at household level both in the rural and urban areas.*
- *Creating job opportunities to unemployed/ underemployed part of the population*
- *Stimulate the local economy through offering an adequate and efficient financial services.*

Strategies



- **Community participatory approach**
- **Priority to the rural areas and the women**
- **Massive mobilization of savings**
- **Cost Coverage**
- **Integration with other development actors**

Target Groups



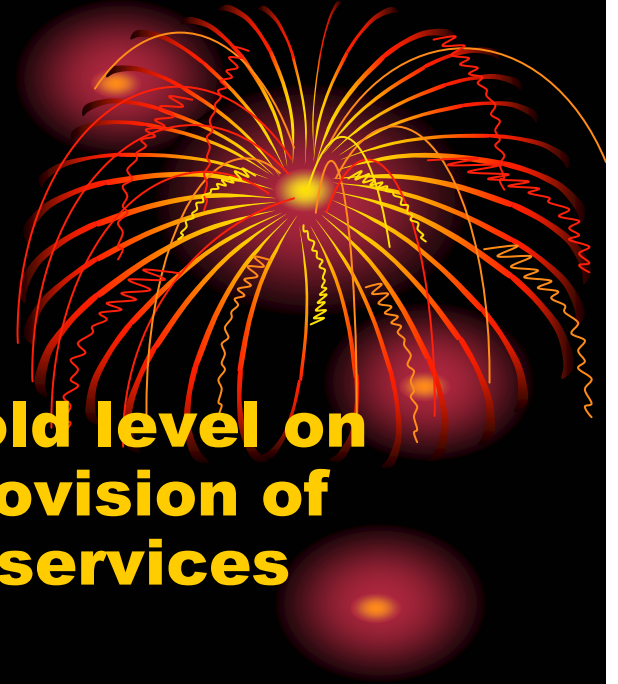
- ***Poor people capable of using credit for productive purposes***
- ***Poor people dynamic enough to get away from their poverty.***
- ***Micro, Small and medium enterprise operators***

Types of loan products



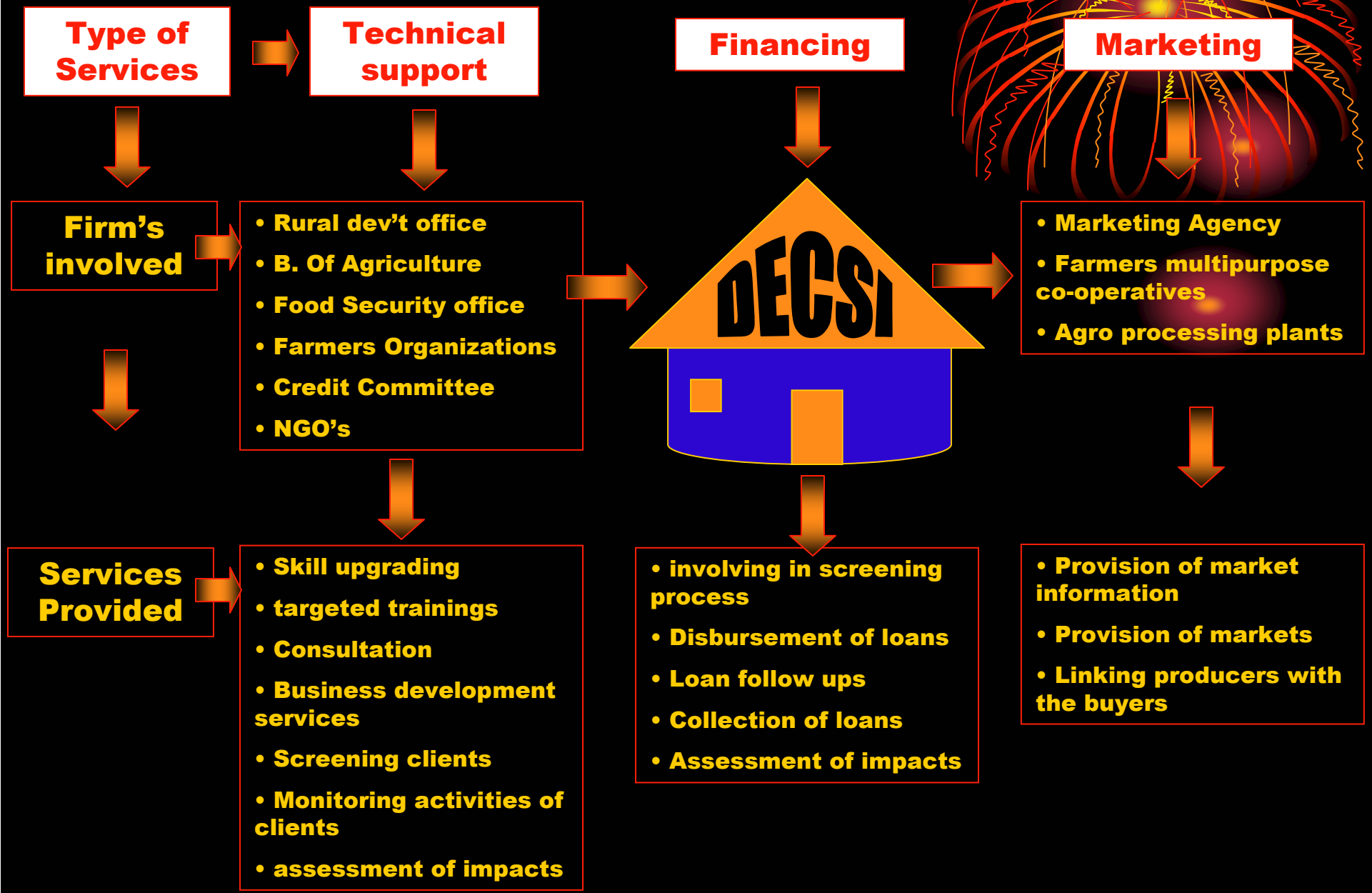
- **Regular loans**
 - **Loans to Regular borrowers, almost 70% are farmers**
 - **Loans are given on group collateral bases**
- **Agricultural input loans**
 - **To buy agricultural inputs (Fertilizer/ seeds)**
 - **This is 100% agricultural loans**
 - **Loans are given on group collateral bases**
- **Household package loans**
 - **Loans are given in the form of packages, on individual bases**
 - **Finances only agriculture**
 - **This represents about 70% of the total portfolios**
- **MSE loans**
 - **Loans to MSE operators, on group bases,**

Household package Agricultural loans

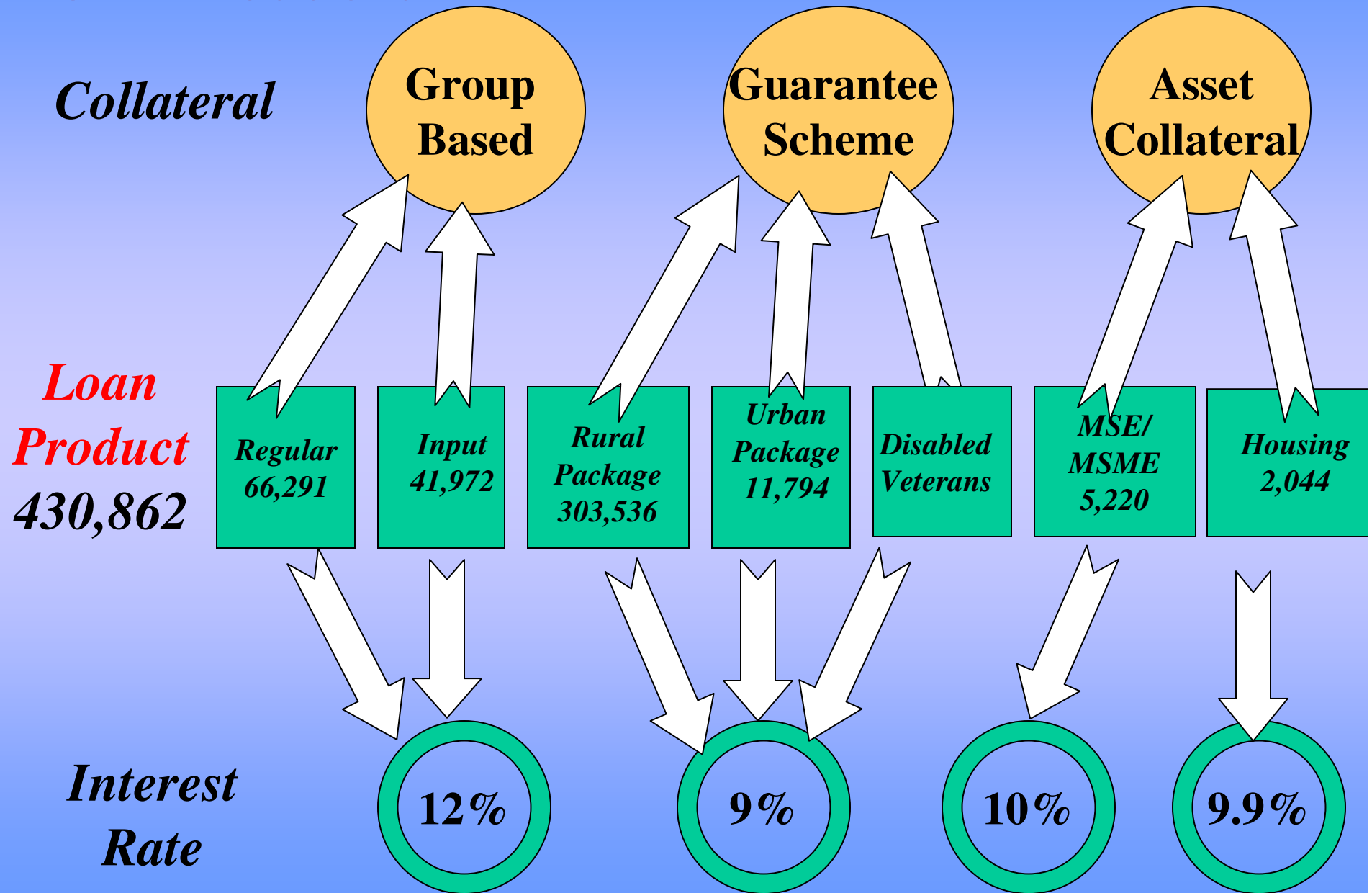


- **Objectives**
 - **ensure food security at household level on sustainable basis through the provision of adequate and efficient financial services**
 - **To increase and diversify income of the households and boost**
 - **the agricultural production or**
 - **productivity in the agricultural sector**
 - **To wards the achievement of the household package loans, a new model is designed and communicated to the main stakeholders of the program.**
 - **This model is now tested and confirmed as the most successful model for DECSI to finance agriculture with a very minimum cost**

The Agricultural package Model



Loan Products



Implementation procedures



- **Individual farmers have to be screened and trained in the package components**
- **Farmers have to be trained in different activities in relation to the agro-ecological advantages of the zones in the region**
- **Farmers are required to have an access to water resources**
- **Organizations involved in the process include:**
 - **The rural development office**
 - **The bureau of Agriculture**
 - **The food security office**
 - **The farmers association and**
 - **DECSI**

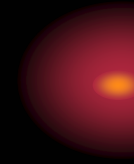
Main Features of the model



- **Loans are sanctioned in packages**
- **Only feasible projects are eligible for loans**
- **Components differ from one agro-ecological zone to another**
- **An individual can run more than two activities at a time including:**
 - **Dairy farm, poultry, horticulture and modern beekeeping**

Two major points for the success of the program



- **1. degree of integration among the different development actors and involvement of the government in the implementation process**
 - **the program is designed in a way it involves relevant organization. It requires**
 - **Involvement of the government**
 - **Involvement of NGO's**
 - **Involvement of DECSI**
 - **Involvement of farmers organizations**
 - **Involvement of market creators**
 - **Consistency of social mission and strong organizational culture**
 - **Coordinated work among the development actors**
 - **The diversification of the product services and benefits from economies of scale**
- 

Conti...

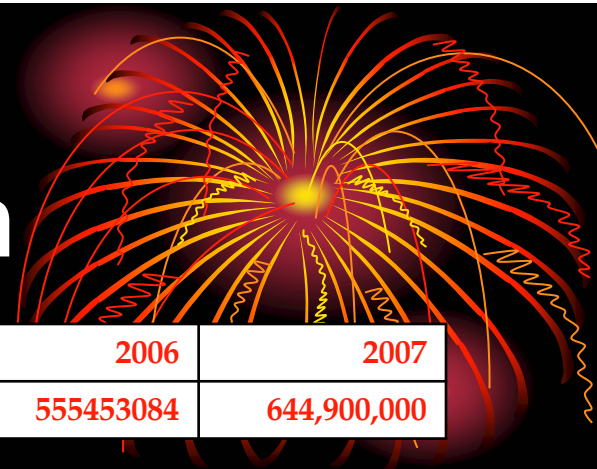


- **Clear demarcation and division of labor among the key players in the agricultural sector**
- **Existence of well defined responsibility and accountability among the main players**
- **Avoidance of the duplication of resources among the players**

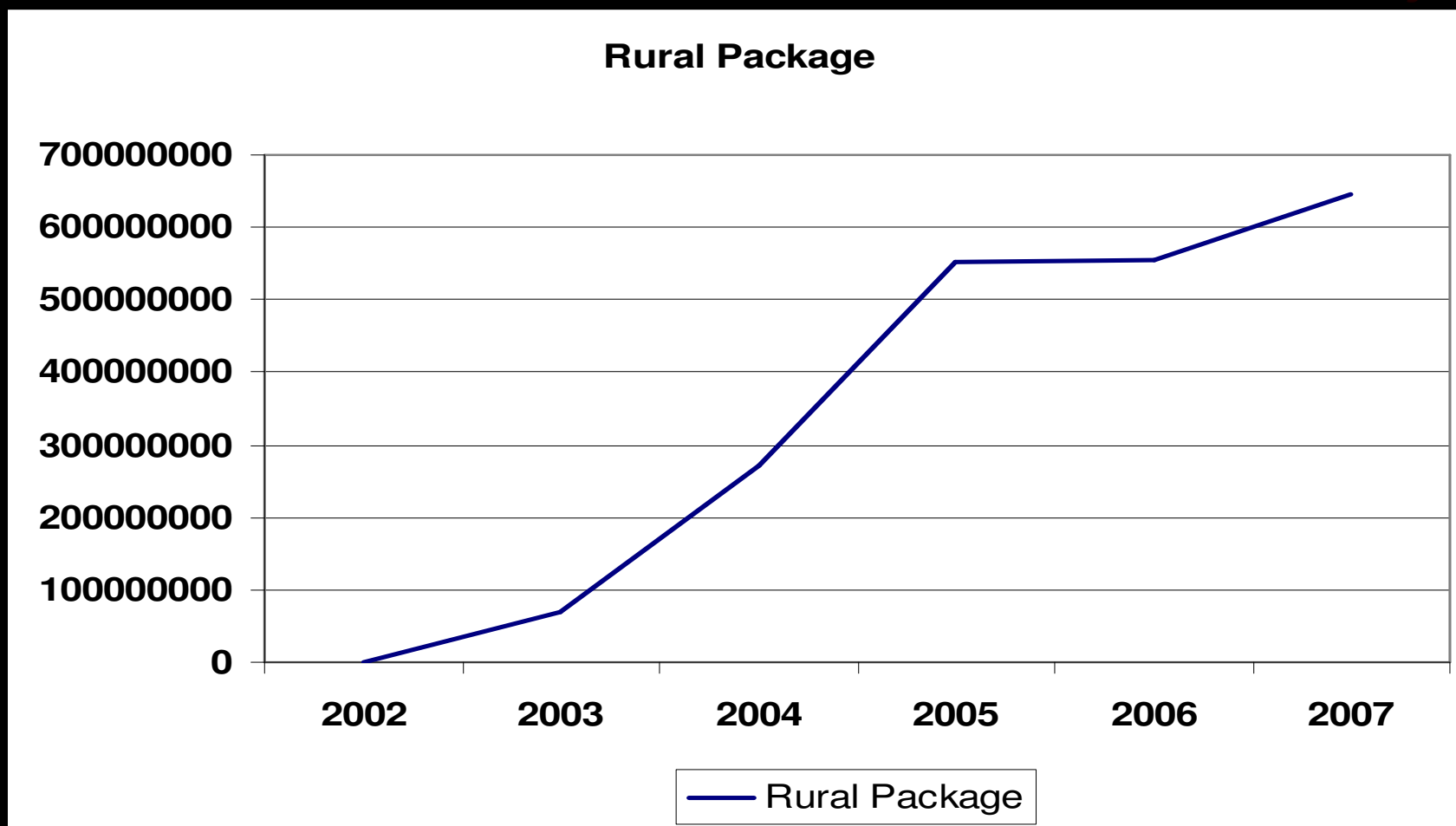
2.the program is managed with a minimum possible cost with the rate of administration expense accounted for 2.4%.

- **.the main reasons for such incredible cost structure are:**
 - **Commitment of the board, the management, the staff and the donor partners**

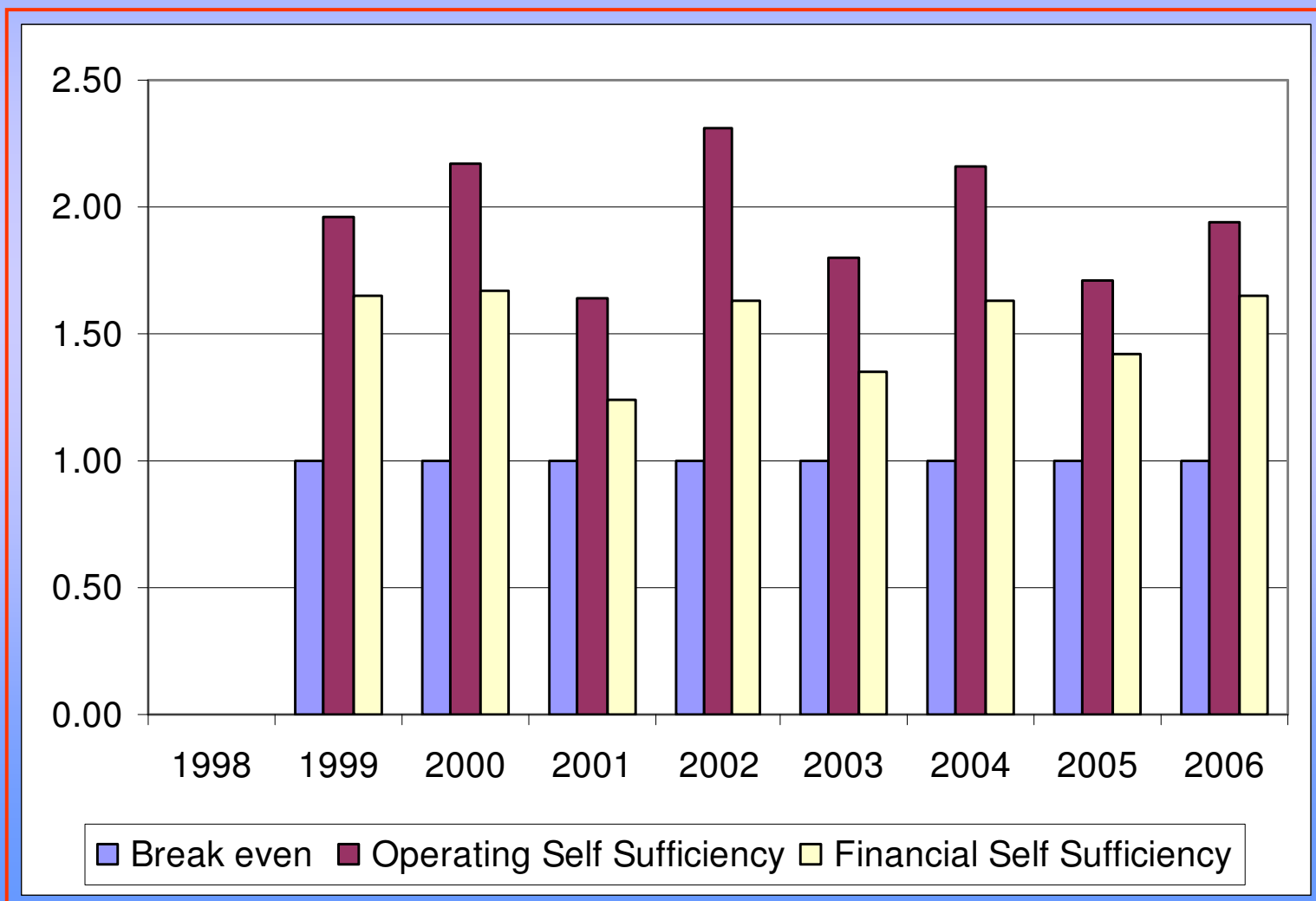
Rural Package Loan



	2002	2003	2004	2005	2006	2007
Rural Package		68936677	273042025	551713725	555453084	644,900,000



	1998	1999	2000	2001	2002	2003	2004	2005	2006
Break even		1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Operating Self Sufficiency		1.96	2.17	1.64	2.31	1.80	2.16	1.71	1.94
Financial Self Sufficiency		1.645722	1.6668998	1.2385085	1.6347325	1.3480746	1.632053	1.4225	1.646584



Financial Performances

	1998	2006
Financial Cost	0.0099	0.022
Loan Loss Provision	0.0122	0.0080
Operating Cost	0.0377	0.024
Imputed Cost of Capital	0.0110	0.0113
Operating Self-sufficiency	1.6500	1.7099
Financial Self-sufficiency	1.4258	1.4225
Average number of loans/loan officer	404.99	843
Average Portfolio/loan officer	357,706	1,211,443

Quantitative Impacts of the Program

Type	Amount	No clients/savers
Regular	118.6 million	66,291
Rural package	644.9 million	303,536
Urban Package	28.5 million	11,794
Agr. inputs	5.3 million	41,907
TVET	3.3 million	723
Business Loan	70.7 million	3,557
Housing Loan	39.5 million	2,044
Cooperatives	890,038	65 Groups
Micro leasing	9.4 million	94 Groups
Total	920.6 million	430,016
Net Savings	283.9 million	250,000

Qualitative Impact of the Programme

Impact on the Families	Clients	Non clients
Improvement of the family's living stand	59%	33%
Increase of the family's income	57%	35%
Increase of the family's assets	51%	30%
Improvement of the food's quality	54%	38%
Increase of the food's quantity	49%	32%

Strengths

- *Strong institutional net work and flexibility to implement any program at the grass root by any development actors in the region*
- *Presence of well defined and decentralized management and accounting systems, and financial controls*
- *Existence of common vision and commitment among the board of directors, the management and the staff*
- *Good understanding of client's needs and a better design of products*
- *Well defined and strong organizational culture and consistency of social mission(targeting the poor with the objective of fulfilling the income generation needs of the people)*
- *Critical on going monitoring and assessment of the clients and their impacts*
- *Cost efficiency in managing its financial and non financial services*

Opportunities

- *Existence of co-coordinated efforts among the development actors*
- *Existence of well defined and inviting regulatory framework in the country*
- *An excellent support from the regional government and stable political environment*
- *Relentless support from the donor partners*
- *The operation is well monitored and supervised by all the stake holders*
- *Rapid attitudinal changes among our borrowers in using the loans*

Threats

- *Seasonality nature of the agricultural loans are creating pressures on the markets*
- *Absence of well developed small, medium or large scale irrigation practices*
- *The presence of recurrent natural disasters such as drought*
- *Unmatched demand for loans with the entrepreneurial skills of individuals*
- *Absence of well qualified technical trainings to MSE and package borrowers*
- *Untimely and too much expectations from DECSI by the stakeholders*
- *Higher costs of borrowing from banks might lead for major changes in the cost structure*



Gebregergis Abreha, Wukro

30 Modern Bee hives , 1.5 hectar irrigated land





**Girmay Gebretsadik, Adikelebes,
one hectare irrigated land covered
with potato**





**Gebremariam Gebretsadik, Enderta,
8 milk cows**

