

LIVELIHOOD DIVERSIFICATION IN SOUTHERN ETHIOPIA

IDS WORKING PAPER 117

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SUMMARY

This paper presents research findings on livelihood diversification from southern Ethiopia. The history of livelihood diversification is outlined to show how specific key events can either trigger or inhibit diversification activities. The single most important diversification activity in our research sites is trading, which is most commonly carried out by women. With one exception it is found that the proportion of total income from non-farm activities is larger for poorer wealth groups in all sites, suggesting that diversification activities are particularly important for poorer groups. With many women involved in diversification activities, and most diversifiers keeping control over the income that they earn, the high rates of diversification and importance of the contribution of diversification to cash incomes clearly has implications for gender relations within the household. The paper outlines some key determinants of diversification, which operate at different scales. These include caste, household size, structure, and gender of household head, as well as wealth group, ownership and access to assets and access to transport, markets and services. In addition access to credit is important and the paper examines a key institution, *equb*, that enables access to credit. The paper concludes with some policy implications of the research particularly around credit and institutions. It suggests that there is a need for 'credit for livelihoods'. Credit needs to be made available which the user can spend in any way she or he wishes. Linkages between the formal sector and existing credit and savings systems are critical here, and for policies to support successful livelihood diversification by the poorest, institutional arrangements that mediate access to credit must be taken into account.

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1. INTRODUCTION

The contribution made by livelihood diversification to rural livelihoods is significant and has often been ignored by policy makers who have chosen to focus their activities on agriculture (Ellis 1998). Research undertaken throughout sub-Saharan Africa has highlighted the importance of earnings from non-farm activities (Reardon 1997; Turner *et al* 1993). Bryceson (1996) suggests that sub-Saharan Africa is becoming less rural in character, and associated with this process of ‘deagrarianization’ is a declining reliance by many rural households on income from farming and, in some areas, a net outflow of people from this sector. Clearly the situation is very diverse and the significance of such processes is highly location specific. In southern Ethiopia households that make a living from exclusively agropastoral activities are the exception rather than the norm. This paper will examine the contribution of diversification activities to livelihoods in those sites.

Using the Sustainable Livelihoods framework (see Scoones 1998 and Brock 1999) we can see how sustainable livelihoods are achieved in different contexts through access to a range of livelihood resources or ‘capitals’ (natural, economic, physical, human and social). These are combined in the pursuit of the different livelihood strategies (agricultural intensification, extensification, diversification and migration) resulting in different outcomes. A range of institutional processes determine access to the livelihood resources (or capitals) and so are critical to the following of the different strategies and achievement of a sustainable livelihood. The analysis of these formal and informal institutional and organisational arrangements is central to this research. Such institutional arrangements are essential, and often overlooked.

The research has an institutional focus. Institutions² provide the social context within which livelihoods are constructed. Both formal and informal institutions (some of which may have clear organisational forms) mediate the attainment of a sustainable livelihood. Examples of institutions that mediate access to resources include labour working arrangements or credit markets. Our approach sought to look at the historical and social contexts of livelihood change: it emphasised the embeddedness of practices in historical process and socio-cultural contexts. Examining different livelihood strategies through an institutional lens can provide us, not only with a greater understanding of the processes through which livelihoods are constructed, but how institutional configurations contribute to successful or less successful livelihood strategies. Using an institutional lens helps to entry-points for policy makers to tackle poverty, vulnerability and natural resource degradation.

2. LIVELIHOOD DIVERSIFICATION: KEY QUESTIONS

The literature on livelihood diversification, which crosses several related fields and disciplinary approaches, is characterised by many terms and definitions. For the purposes of this paper, a modified version of Ellis’ (1998) definition of livelihood diversification is used:

² By institutions we mean the regularised practices or patterns of behaviour structured by rules which have widespread use in society.

Rural livelihood diversification is the process by which rural households construct a diverse portfolio of activities and social support capabilities in order to maintain or improve their ability to make a living.

Livelihood diversification activities are commonly categorised on the basis of their roles as mechanisms for coping, adaptation, and accumulation. The differences between livelihood diversification of poor households who are struggling to survive, and that of better-off households that are diversifying to accumulate, have been observed. Ellis draws attention to the dangers of such superficially attractive typologies, noting ‘diversification obeys a continuum of causes and motivations that vary across families at a particular point in time, and for the same families at different points in time’ (Ellis 1998: 7). The reasons for diversification activities, the degree of conscious choice exercised by actors and the effects that they have on the household varies in different contexts. While some diversification activities may be seen to be more prevalent amongst poor struggling households (e.g. gathering of grass and firewood) and others prevalent amongst richer households, there are some activities for which such a distinction is not possible (e.g. trade). It is therefore impossible to form a simple typology of diversification. Whether a household chooses to diversify its livelihood in part depends on the security and returns of the household’s mainstay base activity. But this can work in two directions. For example the increased incidence of livestock disease in one Ethiopian site meant that pastoralists diversified their livelihoods into cultivation, while poor State Farm management meant that State Farm workers also started cultivating. On the other hand, a stable and secure livelihood in agriculture may mean that some households are more prepared to take risks involved in adopting diversification activities (see Ellis 1998; Dercon and Krishnan 1996).

To organise the wide and varied data collected in the course of this research, we adopted a very simple framework to classify the types of livelihood diversification activities (Brock 1998). This framework is based on two premises:

- Diversification is a relative term. In order to diversify a livelihood, it is necessary to have an activity to diversify away from.
- All activities have a spatial dimension: they are usually carried out within defined spatial boundaries.

The framework that arises from these two premises is shown in the table below, which uses material from the Ethiopian sites to illustrate the range of livelihood diversification activities.

Table 1 - Classification of livelihood diversification activities

	No change in space	Change in space
No change in activity	'Base livelihood': cultivation of maize, sweet potato, enset etc and livestock production of cattle and smallstock by the household.	Migration to work as agricultural labourer, usually of young men, during harvest. For example to State Farms.
Change in activity	Livelihood diversification: Trade, artisan activities (potter, weaver etc), casual labourer etc.	Circular migration –for women, as domestic workers (urban); for men, as urban labourers, work in mines.

Adapted from Brock (1998).

Under this definition a distinction is drawn between diversification and the two other centrally important elements of sustainable livelihoods (agricultural intensification and migration). Hence, several aspects of intensification were excluded from diversification, such as forms of risk-spreading activity within agriculture (planting crops of different cycle length, crop mixes, geographically dispersed fields) and livestock husbandry (mix of animal species, splitting of herds). Similarly, diversification activities that involve a change of location were studied under the migration element of the work and are treated in more detail elsewhere (see Carswell *et al* 2000, de Haan forthcoming).

3. THE ETHIOPIAN STUDY SITES

The research was carried out in three sites in southern Ethiopia that were selected to represent areas of contrasting agro-ecological resource endowments. There is a range of determinants of livelihood diversification, which operate at different scales, including at the level of the site. Different factors, such as market access, inhibit or facilitate the process of diversification, while differentiated access to resources necessary to diversify livelihoods gives rise to different ways in which richer and poorer households diversify their livelihoods. To understand contemporary patterns of livelihood diversification, these have to be set in historical context. This is the focus of the next section.

Table 2 - Key features of research sites in Ethiopia

Site	Rainfall (mm/yr)	Pop'n density (per km ²)	Population composition	Base livelihood	Livelihood Diversification
Admencho	1400	550	Old highland settlement with little ethnic differentiation. (But caste identity, and feudal system until Revolution).	Root crop/enset agriculture and sedentary livestock production.	Trade particularly important; long history of seasonal circular migration. Livelihood diversification possibly more important as population has become more dense.
Mundena	930	54	Site settled as part of gov't resettlement programme 30 years ago with little ethnic diversity.	Dryland agriculture (cotton and maize); inputs formerly provided as part of settlement programme, but now farmers receive little external support.	Some trade and migration, which have become more important as agriculture has become less profitable following loss of gov't support and loss of livestock to trypanosomiasis
Chokare	750	16 (not including Abaya State Farm workers)	Lowland zone populated by Sidama, Oromo and Wolayta agropastoralists. Site of Abaya State Farm which employs waged workers principally from Wolayta	Non-State Farm workers: dryland agriculture and both sedentary and transhumant livestock production. State Farm workers: agricultural labour.	For non-State Farm workers, wide range of activities including fishing and trade, especially since tryps reduced livestock holdings. For State Farm workers, own-account agricultural and livestock and petty trade.

4. HISTORICAL CONTEXTS

Travel accounts provide evidence that Wolayta has been strongly linked to the outside world for many decades. Vibrant markets existed in the pre-Menelik era, with trading in agricultural produce such as butter and enset products, as well as woven cotton. A local currency called *dorma*, which was a long thin piece of iron, was used (Wellby 1901: 140). A more far-reaching trade in slaves and ivory also dates back to at least the pre-Menelik era³. These two trades were intricately linked:

The inhabitants [of Wolayta] have commercial relations with Djimma and go there to sell the tusks of elephants killed beside Lake Abbala ... The ivory merchants of Lake Abbala are dedicated to commerce and make large profits. Menelik [the king] could indirectly restrain or destroy their hideous commerce, but has chosen not to. If the sale of slaves was prohibited, he would receive less ivory because the merchants, no longer having the same source of profits, would reduce their visits and their envoys (Borelli 1888: 343-6).

³ The importance of the slave trade as a factor contributing to the wealth of Wolayta chiefs, is described by Vanderheyem

Descriptions of the markets and the vibrancy of trading at the turn of the century could be from today:

I strolled [to the] market, where business was in full swing... The people had erected temporary stalls by sticking branches of trees into the ground and squatting alongside of them, displayed their goods for sale. These chiefly consisted of ...barley, ginger, onions, skins, cotton, ... ghi, buttons and beads ... cattle, sheep, goats and ponies (Wellby 1901: 140-42).

...all the roads were crowded with people going to or coming from the market, as it was market day. I have never seen such dense crowds of natives anywhere in rural Africa, for there were literally streams on every road and path. ... the majority only carried one or two little packets. Perhaps one would have two rolls of butter, while another carried 2 or 3 pieces of banana root bread... the market place was a seething mass of humanity shouting and haranguing. Perhaps there were ten thousand or more. ... the chief article offered for consumption was banana root bread... one quarter [of the market] was devoted to livestock, and oxen were being slaughtered on the spot, and the meat cut up and sold. Sheep were offered for sale, as were also fowls. In another part were foreign goods exposed for sale ... such as calico, cartridges, looking glasses, and knives. Close to these were the leather dressers selling ropes of tanned hide... There were rows and rows of people, chiefly women, each having only a few pieces of bread to sell. (Stigand 1910: 303–305).

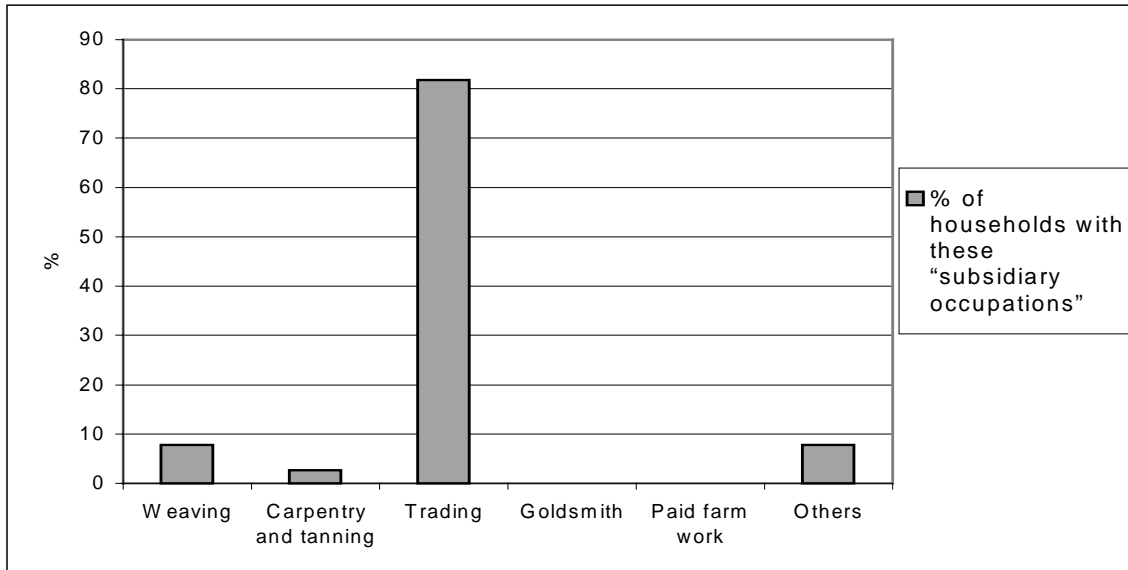
That many people traded small quantities is little different from today. Oral evidence suggests that today there are more very small local markets than in the past. A survey of nearly 5000 households, conducted in 1971 in Wolayta found that a third of 'wives' of household heads visited markets more than once a week, while just over 50 per cent visited them once a week. Fewer men visited the market more than once a week, but 72 per cent paid a weekly visit to the market (WADU 1976a). These weekly visits to the market were more than purely economic activities, particularly for men, and the survey noted:

When they reach the market the husband discusses with his friends and relatives at the local beer centres in the market, while his wife does most of the transactions. To most Wollaita people, the market is an importance socio-economic institution (WADU 1976a: 63).

Details of subsidiary occupations from this survey are shown in Figure 1.

(1896) and the trade continued well into this century (Vanderheyem 1896; Hodson 1927; Davis 1980).

Figure 1 - Percentage of households with 'subsidiary' occupation, highland Wolayta, 1971.



Source: WADU (1976a)

82 per cent of households were involved in trading as a 'subsidiary occupation'; 40 per cent of wives were involved in liquor brewing and selling and 8 per cent of wives in cotton ginning and spinning. The processing and trade in cotton has long been important for the Wolayta economy. Cotton grown at lower altitudes, such as around lake Abaya, was transported to the higher lands by donkeys (Hodson 1927: 31). It played 'an important part in the local economy not only at Soddo, but in many parts of [Wolayta] ... [and] was brought up to higher levels and spun by the country people at their homes' (Scott 1950: 32).

Some key events and trends that have had an impact on levels of diversification in southern Ethiopia are shown in the table 3 below.

The impacts of key events are not uniform: they affect different groups in different ways. Villagization may have been a disaster for some, but for others was highly beneficial – for example for those women who diversified their livelihoods by selling food and local alcohol in the new settlements. Similarly, veterinary drug smugglers benefited from trypanosomiasis, certain grain traders benefited from famines, and political upheaval and change provided some with employment opportunities (Data Dea 1998).

Table 3 - Historical events and their impact on livelihood diversification, Ethiopia

Event and year	Site affected	Impact on livelihood diversification
Amhara take-over (1892)	All	Wolayta more closely linked with rest of Amharic empire. Trade increased
Italian period (1936–41)	All	Slave trade banned, but probably continued ‘underground’.
WADU ⁴ (1972–82): World Bank funded integrated rural development programme	Admencho Mundena	WADU had many components including construction of feeder roads and markets, provision of rural credit, establishment of service co-operatives and support for post-harvest processing and trading of coffee. These activities provided a general stimulus to the local off-farm economy in Admencho and Mundena, as well as facilitating diversification activities outside the local area.
Revolution establishes the socialist Derg in power (1974)	All sites	Revolution had positive and negative effects on diversification. Improved infrastructure in transport and education improved chances for diversification, but the general depression of the highly centralised economy forced some to diversify out of necessity.
Mid-1970’s onwards	Chokare	Management of SF became more erratic, wages not paid or paid late, led to pressure to diversify. State Farm workers began to supplement their wages with own-account farming.
President Mengistu visits State Farm (1980)	Chokare	President imposed a ban on private farming and livestock ownership for State Farm workers: reduction in diversification activities.
Villagization (1983)	Mundena	The creation of clusters of villages provided opportunities for some who found new markets for diversification on their doorsteps.
Derg overthrown(1991)	Chokare	State Farm workers were again able to practice own-account farming
Drought (1984, 1994)	Mundena	Those worst hit adopted diversification strategies such as the collection and sale of wood and grass.
Trypanosomiasis outbreaks (1990/1)	Mundena Chokare	In Chokare was that many formerly transhumant Sidama herders were forced to settle and begin cultivating to support themselves when their animals were lost. In Mundena, agriculture became less viable because of the loss of draft power. Many poorer households were forced into diversification activities.
Changing economic policy (1990s)	All sites	This allowed for establishment of private businesses from 1990 and private fish exporting business began in Chokare in 1994, providing employment opportunities and a potential new trade.

5. LIVELIHOOD DIVERSIFICATION ACTIVITIES IN ETHIOPIA

The single most important diversification activity in the research sites is trading, the significance of which is illustrated by the following Wolayta sayings:

⁴ Wolaita Agricultural Development Unit.

'Giyan akenanea gitane shempenanea beyesae minena'

'Without stopping in the market [trading], and without resting on [being supported by] the rich, the poor cannot be strong'⁵.

'Zaleena dure manqes gogena hatay tinges'

'As water which does not flow ultimately smells bad, so a rich person who does not trade ultimately becomes poor'.⁶

Both the rich and poor are involved in trading. It occurs at various scales: at one end of the continuum are large scale traders, who own several donkeys, while at the other end are the many individuals (often women) who trade small amounts of produce between the various markets, carrying it themselves (see examples in Box 1).

Box 1: Wealthier trader, owner of a donkey, living in Mundena

Daboche Ashango, his wife and son use the family's donkey to go to the market: they get a better price by taking goods to the market than selling them to merchants who come to the area. The donkey is used at least 4 days in every week – making journeys to local small markets (of less than an hour's distance) and to larger markets such as Bele market (1½ to 2 hours away) and Gununo market (3 hours away). Currently one donkey load of sweet potatoes (2 sacks) can be bought in Gununo market for 5-6/- and sold in Bele market for 8-10/-. During the current season they do not take anything up to Gununo, but at other times people may take ginger and maize. The maize trade can be particularly profitable: maize bought in Bele from 40/- could be sold in Gununo for at least 50/-, or (if they are prepared to travel the 4½ to 6 hours) in Soddo for up to for 55/- to 60/-.

Small scale petty trade by a poor woman living in Mundena

Undene Utta is a young woman who has recently got married. She is involved in petty trading, and began to trade before she was married when she was living with her mother. She travels between local markets and markets in Bele and Gununo, trading in maize, spices and other agricultural produce. She estimates that her normal profit from a day's trading is between 1 and 3 birr, while 4 birr is considered good. She uses this profit to buy food, kerosene and salt and if there is any left over she will save it in an *equb*. She tries to save as much as she can, partly to provide an insurance in case she loses part of her 'base' that she needs to trade. With the profits that they made she and her mother bought chickens and a goat jointly. These were sold and invested in other livestock. Thus when she married Undene took some livestock to her married home with her. These animals were her own: '*tabaa*'. For young women, trading is an important way of building up a small herd of (usually) smallstock prior to marriage, and this establishes ownership over those livestock.

'Trade', encompasses a multitude of activities that demand quite different investments according to the scale of the enterprise. 1998 survey data shows how most individuals undertake diversification activities on a very regular basis: 32 per cent do them at least 3 times a week, and 52 per cent do them between once and three times a week. Over half (56 per cent) do the activity throughout the year, while 26 per cent do so in the dry season only.

The table below shows the range of diversification activities undertaken in the three sites in Ethiopia, together with the kind of livelihood resource or 'capital' necessary to pursue them. Certain activities have barriers to entry which close them to certain individuals. Similarly, various site level factors - the presence of roads,

⁵ Buje Bundasa, woman in Mundena, Wolayta.

⁶ Data Dea 1998.

infrastructure and markets for labour and other goods – may provide restrictions. The final column in the table highlights which institutions are key to following that activity. These are discussed in more detail in the following section.

Table 4 - Diversification activities and necessary capitals

	Natural capital	Physical capital	Economic / financial capital	Human capital	Social capital	Key Institutions
Trade: livestock, coffee, drugs, lumber, food, cloth, soap, kerosene, honey, cotton, meat.		Donkey	Investment in stock	Labour ⁷	Trading networks	Markets; donkey accessing institutions; household labour arrangements
Unskilled wage labour (on daily basis): food for work, agricultural labour, painting, porter, sand collection, State Farm labourer				Labour	Networks to seek employment	Markets; Peasant Association (PA); household labour arrangements
Cultivator (for those for whom this is not a base activity – e.g. State Farm workers)	Land (and land tenure)	Draft power (oxen)		Labour	Networks to enable access to land	Land tenure, livestock accessing institutions
Herder (for those for whom this is not a base activity – e.g. State Farm workers)		Livestock				Land tenure, livestock accessing institutions, wudea
Artisanship: potter, blacksmith, tanner	Materials for transformation		Tools	Labour Skills	Membership of particular caste	Caste
Formally employed: teacher, health worker, vet, NGO worker, local agent of party, Woreda council member, maid, guard			Investment in skills or education	Skills or education	Networks for entry to occupation	NGO; labour market
Handicrafts: carpenter, spinning, basket making, roof thatching, mat making	Materials for transformation, often CPRs		Tools	Labour Skills	Networks to enable access to CPRs	Natural resource tenure institutions
Forest products: charcoal, wood, grass, lumber	Materials for transformation			Labour	Networks to enable access to CPRs	Natural resource tenure institutions

⁷ Labour for the purposes of this table refers to both the availability of labour to invest in an activity, and the gender of that labour.

Service provision: shoe shining, barber, trapping mole rat, butcher, mechanic, professional mourner, transport, musician, grain mills, traditional medicine, tailor, brokerage, conflict resolution, money lender, preacher, circumcision, rain maker, fortune teller			Investment in stock	Labour Skills	Networks for entry to occupation	
Fishing: fish catching, repairing nets and equipment, transporting fish	Proximity to fishing area		Investment in stock	Labour Skills		Natural resource tenure institutions
Rental income: animals, tools, bicycles, tents, land			Ownership of assets			
Migration			Investment in transport to make initial journey	Labour Skills	Networks to secure employment	

6. INSTITUTIONS FOR LIVELIHOOD DIVERSIFICATION

In the Ethiopian case study sites, households tend to be small (6 members on average) and rarely include the larger extended family. As a result there are few opportunities to pool and mobilise resources within the household, and there are plenty of inter-household institutional arrangements⁸. Households rely on the network of relations with kin and neighbours through which to negotiate access to what they need. This is reflected in the large number of informal inter-household arrangements that are found in all three research sites. Formal institutions play a limited role in livelihood diversification activities but, by having an impact on agriculture (through the promotion of capital-led paths of intensification that require inputs, and a credit component), there is an indirect role. The extension package promoted implies a need for cash (for down-payments) and there is evidence that access to additional sources of income facilitates the adoption of this package at a household level⁹. The table below shows some of the institutions that are key for accessing the resources necessary for livelihood diversification.

⁸ By contrast to the case of Mali (see Brock and Coulibaly 1999).

⁹ However, there is also evidence of coercion to adopt this package (see Carswell *et al* 2000 and Carswell 2000a).

Table 5 - Institutions to access key resources for livelihood diversification

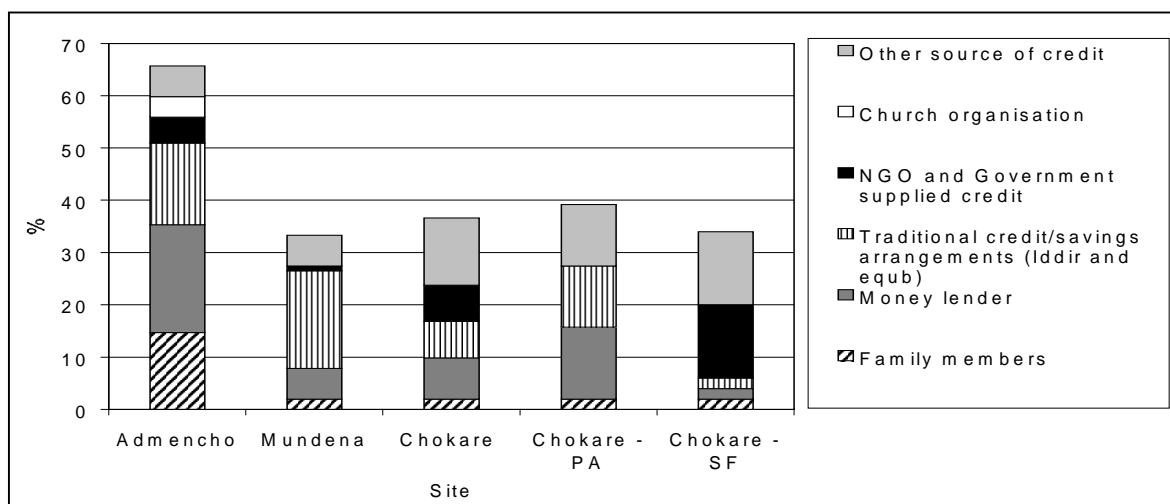
Capitals	Resources	Admencho	Mundena	Chokare
Natural	Land CPRs	Land sharing institutions; CPR institutions (few CPRs in Admencho)	Land sharing institutions; CPR institutions (firewood, grass)	Land sharing institutions; CPR institutions (firewood, charcoal, fishing)
Physical	Markets Equipment (e.g. donkeys)	Markets Inheritance; Purchase (whole or part); share ownership; borrowing under 'share-for-profit' arrangement; borrowing for free.	Markets Inheritance; Purchase (whole or part); share ownership; borrowing under 'share-for-profit' arrangement; borrowing for free.	Markets Inheritance; Purchase (whole or part); share ownership; borrowing under 'share-for-profit' arrangement; borrowing for free.
Economic / financial	Credit	Only formal credit available is agricultural. Some from Redd Barna (NGO savings and credit organisation) Traditional credit and savings groups (<i>iddir</i> , church <i>iddir, equb</i>), gifts, borrowing (kinship networks), money lenders.	Only formal credit available is agricultural. Some available from SOS Sahel (NGO savings and credit organisation) Traditional credit and savings groups (<i>iddir</i> , church <i>iddir, equb</i>), gifts, borrowing (kinship networks), money lenders.	Only formal credit available is through State Farm (SF workers only) Traditional credit and savings groups (<i>iddir</i> , church <i>iddir, equb</i>), gifts, borrowing (kinship networks), money lenders.
Human	Labour Skills Management skills	Household (demographic composition, rules and cultural traditions, indigenous knowledge transmission); labour pooling/sharing institutions (working groups: <i>hashiya, zayea</i> , <i>dago</i> , begging for labour: <i>woosa</i>); Church group (<i>asrat</i>); Apprenticeship; local labour markets; NGOs	Household (demographic composition, rules and cultural traditions, indigenous knowledge transmission); labour pooling/sharing institutions (working groups: <i>hashiya, zayea, dago</i> , begging for labour: <i>woosa</i>); Church group (<i>asrat</i>); Apprenticeship; local labour markets; NGOs	Household (demographic composition, rules and cultural traditions, indigenous knowledge transmission); labour pooling/sharing institutions (working groups: <i>hashiya, zayea, dago</i> , begging for labour: <i>woosa</i>); Church group (<i>asrat</i>); Apprenticeship; local labour markets, State Farm.
Social	Social networks	Ethnicity, Clan, Caste, Church, <i>Iddir</i> , Peasant Association	Ethnicity, Clan, Caste, Church, <i>Iddir</i> , Peasant Association	Ethnicity, Clan, Caste, Church, <i>Iddir</i> , Peasant Association, State Farm

There is not room here to examine all these institutional arrangements but see Carswell *et al* 2000 for illustrative purposes. More detail will be given here on the *equb*, a traditional savings institution, and on how access to a donkey may be gained through various institutions.

6.1 An example of an institution critical for diversification: *equb*

There are a number of different institutions that are used for savings and credit and which are particularly important for livelihood diversification. They include *equb*, *taqammaaciya* and *bankia*.¹⁰ These are essentially savings schemes that are usually used to build up the initial capital necessary to establish oneself in petty trade, or to save in order to invest in livestock. They may also be used in times of crisis for credit when a large sum of money is needed (typically to pay medical costs). In addition, there are other ways of borrowing money: *dicha* is borrowing from moneylenders with payment of interest, *taleeya* is borrowing from relatives and friends which often does not involve interest payments and *tirf yegara* is using someone's cash to make a profit which is then shared equally. The existence of savings institutions such as *equb* suggests that there is a demand for savings and lending services and some degree of excess liquidity (Aredo 1993). Figure 2 below shows the percentage of households that are currently in debt in each of the sites and the source of their loan.

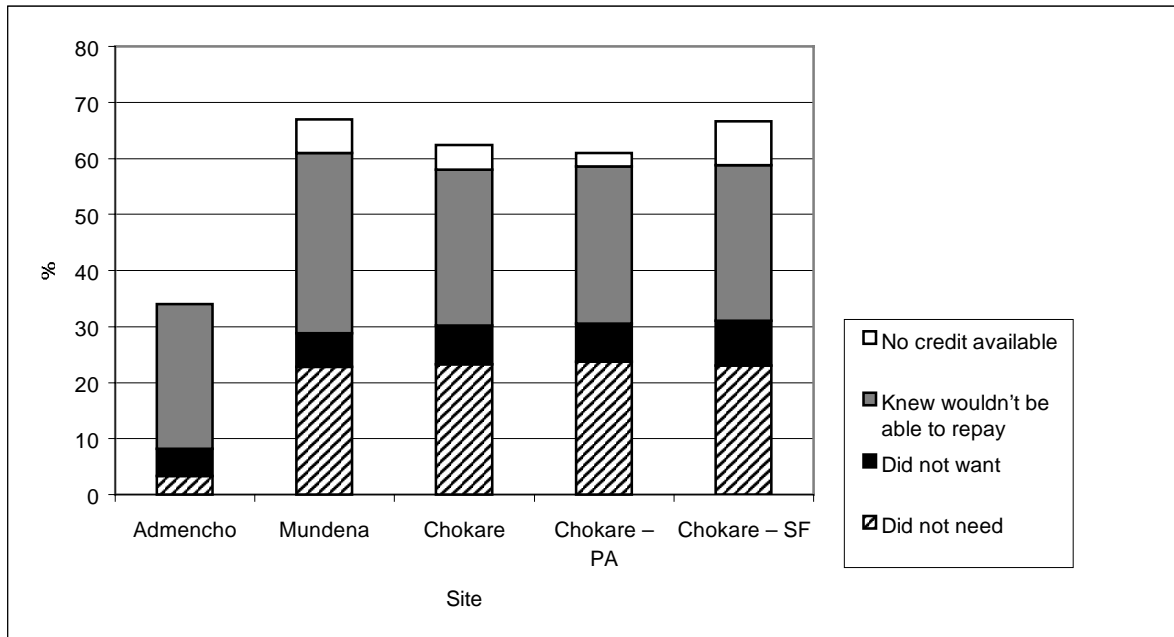
Figure 2 - Percentage of households currently in debt, and source of the loan



This chart shows clearly that Admencho has by far the highest proportion of households in debt, with over 70 per cent currently in debt compared to less than 40 per cent in the other sites¹¹. In all sites moneylenders and traditional credit and savings groups are the most important means of accessing credit. Family members are most important in Admencho, while NGO and Government supplied credit make a small contribution in Admencho (where Redd Barna runs a credit scheme) and in the State Farm at Chokare. Figure 3 below shows the percentage of households who were not currently in debt, and the reason why they had not borrowed any money. In all sites it was not the lack of availability of credit, but fear of indebtedness that was the major reason for not borrowing money. Thus, while people feel that credit is available through moneylenders and traditional institutions, the fear of indebtedness prevents many from taking out loans.

¹⁰ In addition *iddir*, which are traditionally burial societies, have developed into credit funds but these are only used in times of crisis, and should not be seen as savings institutions. (See Carswell *et al* 2000).
¹¹ Informants do not appear to consider Global credit as a debt.

Figure 3 - Percentage of households who were not currently debt, and the reason why they had not borrowed any money



An *equb* (known as *shufuwa* in Wolayta) is a rotating fund whereby group members put in a regular sum of money and pull straws to see who gets the lump sum each week. Traders commonly belong to an *equb*, paying a regular sum immediately after visiting the market. The lump sum is often invested in livestock and membership of these institutions by women is an important way for them to keep control over their profits from trade, as is illustrated by the following case studies.

I buy goats and chickens with profit from trading arakay and tala (drinks). First I save it in the *equb*. I put in however much profit that I can after we have bought food, kerosene, salt etc. It is usually between 1 to 3/-. When I get money from the *equb* I use it to buy clothes or put it towards buying livestock. Also I keep some in case I lose part of my base [capital] for trading. ... At the moment I owe 40/- to one of the *equb* members. She is a friend and it was her turn but I took it because I needed it for food, treatment for animals etc. I'll have to repay her when it is my turn. (Buje Bundasa, widow, Mundena).

I give between 3 and 5/- per week to the *equb*. This money comes from selling livestock products. Someone is responsible for collecting and each week the total is 40 to 45/-. The money 'rotates' so that someone takes it every week. You get from each person what you gave to them. I spend that money on clothes, cloth, hair cream, treatment for animals (Astera Ako, widow, Mundena).

The scale of *equbs* varies greatly. The cases above are of just a few birr each week, while others are larger:

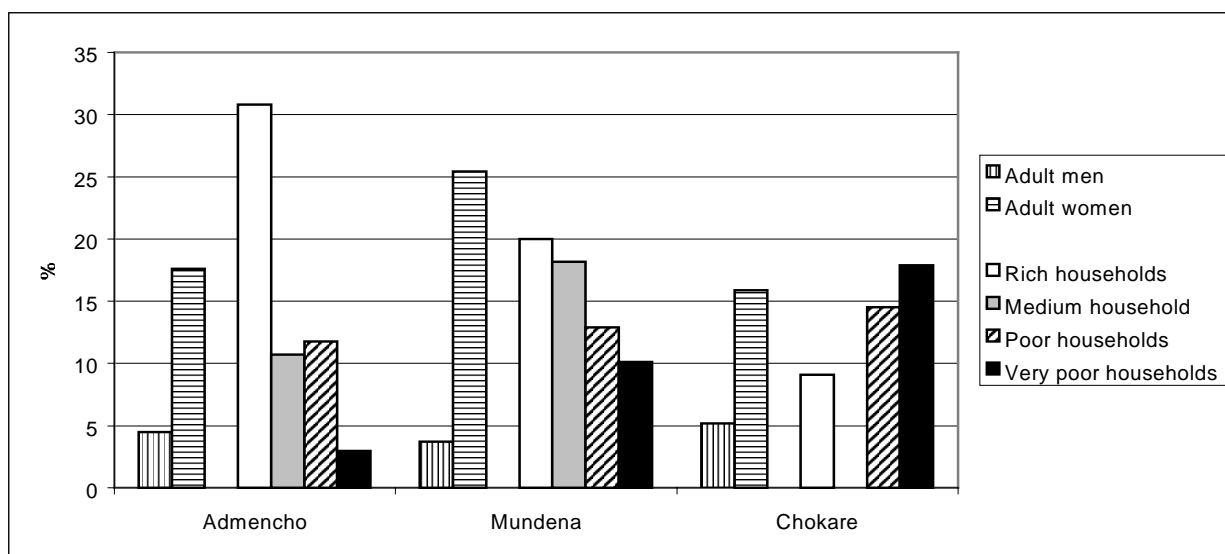
I put in 20/- per month into the *equb* to which I belong. There are 10 people who belong – so every 10 months get 200/- for whatever you need. We cannot borrow from the *equb* (Yaya Tigiru, State Farm, Chokare).

There is an *equb* in the State Farm that began a few months ago. It has 14 members (4 men and 10 women). The chairperson is Aster Masresha, who was elected by members. She collects money and gives to the person who got the lottery. Members put 10/- per week – so in a week someone gets 140/-. ...The *equb* helps people to save money and then to buy animals or clothes. If one of the *equb* members has a problem and if the lottery doesn't come out for that person then they can beg the one who won the lottery and may get the money (Alemayehu, State Farm, Chokare).

The amount of money each member puts in varies between *equb* and also within the same *equb*. For example, in a woman's *equb* in Mundena with 11 members – 9 of them put in 5/- birr per week, and the other two put in 2/- per week. Some *equbs* only last a few months, while others carry on for years. *Equb* arrangements also exist for produce, rather than cash. For example women contribute butter weekly and take it to the market turn by turn. Each woman in the group will have her turn of earning all the profit from the butter.

Equb are established as a means of saving rather than borrowing, but as Figure 2 above shows *equb* and *iddir* are a significant source of credit amongst households currently in debt. A member of an *equb* may ask the member who has won the lottery that week if they can take their turn – but this is entirely up to the person who got their money. Non-members cannot borrow from the *equb*. The members can be different age and sex, although women's *equb* are more common. Qualitative evidence suggests that, while men's *equbs* are still rarer than women's, they often involve larger sums of money.

Figure 4 - Membership of *equb*: adult men and women, and wealth group of households



As the chart above shows, in all sites a higher percentage of women belong to *equb* than men. In both Admencho and Mundena a higher proportion of wealthier households belong to *equb* than poorer households, while the opposite pattern is found in Chokare PA.¹²

A survey of highland Wolayta in 1971 found that just 8 per cent of households belonged to an *equb* (WADU 1976a), compared to almost 50 per cent of households in the area neighbouring Mundena (WADU 1976 b). Thus, in some areas *equbs* appear to have increased in prevalence, while in other areas they have decreased. Whereas in the past, *equbs* were more common amongst groups of women, they have spread into the broader population, as explained by Endrias Deka of Mundena:

When we first settled here there ...were women who put butter together as *equb*, but over time, since people started to face problem, the number of people who put *equb* also increased. Now both women, men, young or a mixture are all using *equb* (either money or other things).

Institutions exist not only to gain access to cash, but also to gain access to other resources. For example, access to a donkey greatly increases the profitability of trading (see Box 2).

Box 2: Institutions that enable access to donkey for trading.

Ownership – whole or part-ownership (*kotta*). As with other livestock it is possible to part own a donkey with someone else, but the problem with sharing a donkey is that both owners are likely to want to use it at the same time (i.e. on market days), so generally people try to buy them outright.

Rent/hire – donkeys can be rented from owners for a flat fee. They may borrow it for a few days in order to do a circular route of different markets. Although owners can make a profit by renting out their donkeys they are often reluctant to rent them too much because they worry that people may overload it. Owners are very careful therefore about who they allow to use their donkeys.

Tirf yegeera – system of using a donkey for a share of the profits. All profits earned from the trading trip are divided equally between the donkey owner, and the borrower who has travelled to the market.

Lending for free – owners may be prepared to lend their donkeys to friends and neighbours for free, particularly for short journeys.

7. PREVALENCE OF LIVELIHOOD DIVERSIFICATION ACTIVITIES IN THE ETHIOPIAN RESEARCH SITES

Having described the type of diversification activities undertaken in southern Ethiopia, the resources that are necessary to carry them out, and some of the institutions that mediate access to these resources, we will now look at how common these different activities are. The table below shows the major secondary activities of all

¹² Only Chokare could be wealth ranked, so these figures are for Chokare Peasant Association (PA) only and do not include Chokare State Farm data.

adults (aged 15 and over) and shows that almost half had no other activity, while 31 per cent of all adults had a diversification activity.

Table 6 – Major secondary activity of all adults

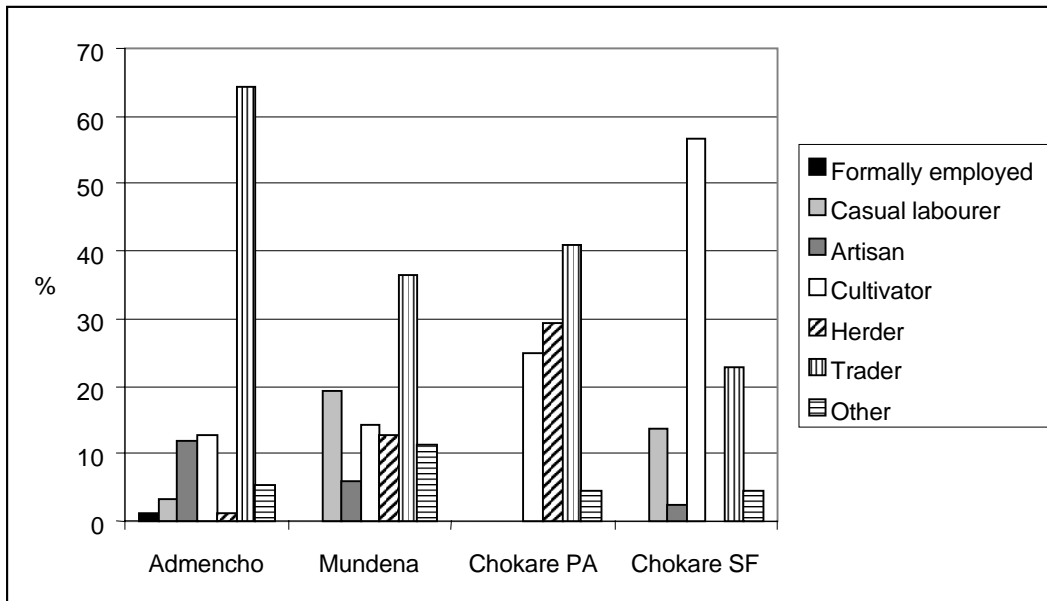
		% of all adults	% of adults
No LD activity	No other activity	48.6	49% no LD activity
Secondary activities categorised as livelihood diversification activities	Formally employed	0.1	31% with a LD activity
	Casual labourer	3.6	
	Artisan	2.2	
	Cultivator	6.8	
	Herder	1.7	
	Trader	13.8	
	Other	2.4	
Other activities not categorised as LD activity	Student	0.3	21% with another non-LD activity
	Housework	16.1	
	Retired/disabled	2.2	
	Don't know	2.0	

Table 7 - Key differences between sites in prevalence of diversification

	Admencho	Mundena	Chokare – All
% of households containing an individual that has diversified	62	76	64
% of individuals that have diversified	15	23	15
% of adults that have diversified	27	36	29

Of those individuals (of all ages) that are diversifying the prevalence of the different livelihood diversification activities in each of the sites is shown in the bar chart below.

Figure 5 - Diversification activities of individuals who are diversifying



In Admencho and Mundena trade is the single most important diversification activity. This includes both small-scale trade (human portage) and larger scale trade (with donkeys). The exception to this is in Chokare where a significant percentage of individuals classify cultivating and herding as their main secondary activities. In the case of State Farm workers their ‘base activity’ is employment with the State Farm (as formally employed workers or casual labourers). They thus classify cultivation as a diversification activity, and it is carried out by over half of all individuals who have a secondary activity. In the nearby Peasant Association (PA) many Sidama agropastoralists classify their ‘base activity’ as herding, and thus they also classify cultivation as a diversification activity. This needs to be seen in the context of a strong cultural identity with being a member of a pastoral group, and the high rates of ‘herder’ as a secondary activity reflects this. But for Sidama agropastoralists the shift towards cultivation might in fact be better described as livelihood transition or adaptation. For this reason cultivation and herding as diversification activities are separated out in the analysis below: once cultivation and herding are excluded, trading is by far the most important activity in all sites.

In Chokare the relatively large cash circulation through payment of salaries alongside high numbers of underemployed State Farm residents (many of whom have inadequate access to land) gives rise to large numbers who are willing to work as labourers – either for PA residents or for other State Farm residents. Casual labourers working on other people’s farm may be paid in cash, or in kind. For example labourers harvesting teff may negotiate to be paid a proportion of the harvest, a fixed amount of grain, or a cash payment.

The high rate of casual labouring in Mundena is almost certainly of a temporary nature, as there is currently an irrigation works under construction, which is providing opportunities to earn a cash income to many young men. In addition to providing opportunities for labour for men in the area, the works are also providing a market

for cooked food and drink, which many women are participating in.¹³ Comparisons with previous surveys suggest that there is a greater range of diversification activities available today than in the past (WADU 1976a), particularly in the form of casual labour.

When the case of adoption of cultivation is put to one side, it can be seen that a higher percentage of women, than men, are involved in livelihood diversification activities¹⁴ (Table 8). Amongst women by far the most important activity was trading, as is shown clearly in the figure below which shows the activities being undertaken by those adult men and women who diversified. This shows the importance of trading amongst women and casual labour¹⁵ amongst men.

Table 8 - Prevalence of a secondary activity of all adult men and women:

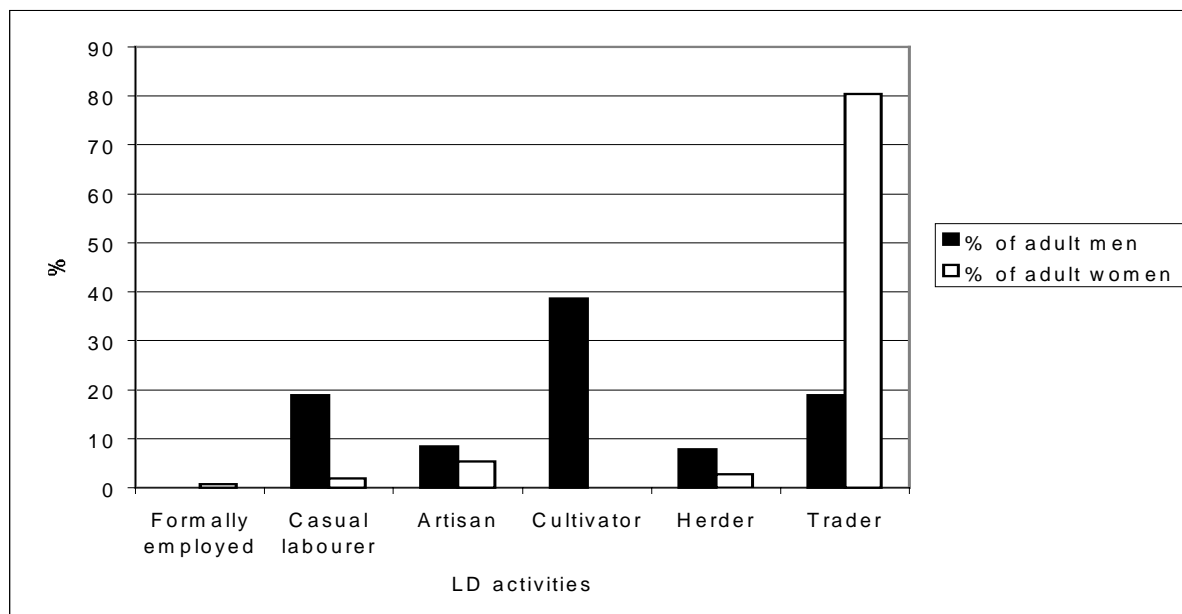
	% of adult men	% of adult women
No LD activity	43	54
Secondary activities categorised as livelihood diversification activities (includes formal employment, casual labourer, artisan, traders and other activity.	19	25
Other activities not necessarily categorised as livelihood diversification activity: Cultivator and herder	17	1
Other activities not categorised as livelihood diversification activity (includes students, housework, retired, disabled and don't know)	21	20

¹³ Some workers have been brought into the area from outside and are 'camped' in the PA. But there are other tradeoffs in that all 'spare' labour is working for cash on irrigation – and as a result households who need labour (usually under *kotta* or *woosa* arrangements) are losing out. (See Carswell *et al* 2000 for details).

¹⁴ This is also true for all individuals - i.e. not just adults - with a higher percentage of females being involved in livelihood diversification activities, when cultivation and herding are excluded, than males.

¹⁵ Casual labour is an activity that appears to be particularly common at a certain stage of the demographic cycle. It is particularly common for young men prior to marriage to work as a casual labourer on other people's farms, or to work under a share-cropping *kotta* arrangement on other people's land.

Figure 6 - Major secondary activity of those adult men and women who have diversified

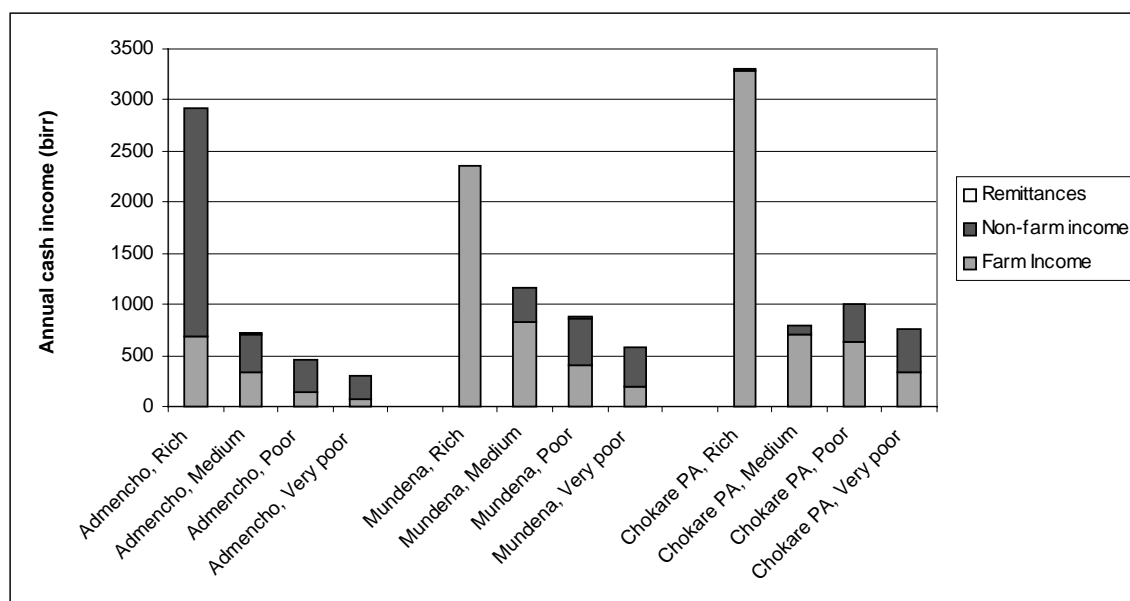


8. IMPORTANCE OF LIVELIHOOD DIVERSIFICATION ACTIVITIES

This section will examine how important diversification activities are in their contribution to household cash income. Whilst income diversity is not the same as livelihood diversity (Ellis 1998), the importance of non-farm activities to overall livelihoods needs to be assessed. Here ‘farm incomes’ were taken to include sale of crops, livestock, livestock products and livestock feed, while ‘non-farm incomes’ included income from petty trade, casual work, wage labour, contracting land out, remittances, sale of food, drink, charcoal, grass, timber, crafts and others¹⁶. Differences between sites and between wealth groups in the proportion of non-farm activities to income are shown in the figure below.

¹⁶ See Carswell *et al* 2000. Difficulties in gathering production data prevented us from calculating the cash equivalent data of total household production (i.e. including food for consumption) for all the households surveyed. Instead, more detailed information was gathered on a smaller number of households.

Figure 7 - Income sources amongst different wealth groups in each site.¹⁷



For richer households the picture across sites is mixed: in Admencho a very large proportion of total income is earned from off-farm activities in the wealthiest group¹⁸, while in the other two sites no income comes from such sources in the wealthiest group. With the exception of the wealthiest group in Admencho, the proportion of total income from non-farm activities is larger for poorer wealth groups in all sites.

In all sites remittances make a very small contribution to cash income (see also Kindness 1994). Apparently very few households receive remittances, and amongst the Chokare State Farm population (which by its very nature is made up of ‘migrant workers’ who one would expect to be sending money home) no households were sending money to relatives. However, it is possible that estimates of remittance contributions were underestimated. Migrants often return once a year at Meskel (an important festival in September) and repay debts (for example for fertiliser) directly, so the cash never actually enters the household ‘pot’. Alternatively, the migrant buys ‘capital goods’ (often livestock) for the household. Additionally when such migrants return home for visits they would be expected to bring gifts such as clothes (Carswell *et al* 2000).

Many women find ways of keeping control over profits that they earn from trading. (See case study in Box 3). According to the survey, 90 per cent of diversifiers have control over the income they earn. Thus women have an independent source of income, over which they have full control (see also Dessalegn 1992 and Pankhurst 1993).

¹⁷ This table excludes Chokare State Farm (where a very high proportion of income was wages and therefore ‘non-farm’) because of the impossibility of wealth ranking in this site.

¹⁸ Proportional methods of sampling mean that there was only a very small sample in the richest wealth group.

Box 3: Buzuneh Lachebo, Mundena

A widow with 3 children, her husband died about 4 years ago. She was the third wife and her husband had once been very rich: he had owned 30 oxen and built a tin roofed house. However, difficulties began for the household around 1984 with the phasing out of WADU and the famine. Her husband's other two wives left soon afterwards. When her husband was alive she traded:

I bought grain in bulk, and divided it up ... and with the profit I was buying animals - the animals were mine 'tabaa'. It is common for women [who] do trading, [to use] the profit to buy chickens or goats. The animals belonged to me, but obviously we were using the products in the house, and if there was a problem and we'd had to sell it then the money would be for the house... I also owned a goat under ulo-kotta arrangement with a male relative ... [and when] we sold it I used the money for clothes for myself - although again if we'd needed the money then obviously I wouldn't have bought clothes. But if the animal hadn't been there then my husband would have had to buy me clothes. I even bought a cow and a bullock in secret! They lived at my father's house... but both died. By [keeping the animal] at my parents' house I could tell my parents to sell it, and buy me clothes and then I can say look what my father gave me! I did it because I was the third wife! If he divorced us he'd never give us anything - the two wives he sent them away with nothing! So if I get divorced then I have something. For polygamy it is more common to do this secretly - but I never told anyone! Not even my women friends.

Others choose to first invest such profits from trading in savings and credit schemes such as *equb* described above. The case of Buje Bundasa above illustrated how, by saving money in the *equb* she had a 'back-up' in case she lost part of her 'working capital' for trading, but if all went well, she could save that money to invest in livestock. Through a range of such institutions women have been able to keep control over their income and, sometimes covertly, to invest in livestock.

9. DETERMINANTS OF LIVELIHOOD DIVERSIFICATION ACTIVITIES

Differences between sites in the determinants of diversification include the availability of land and common property resources, access to transport, services, markets and related infrastructure, access to institutions through which to access credit and other inputs. At a broader level exogenous factors such as droughts, and macro-economic policies that affect prices (devaluation of the currency, political changes), access to services and development of infrastructure are also influential. The table below summarises some of the key determinants of diversification activities in each of the sites.

Table 9 – Key determinants of diversification

	Admencho	Mundena	Chokare
Markets ¹⁹	Many	Some	Local market (State Farm population); limited broader market
Transport links	Excellent	New road (Bele-Soddo) completed 1997 – recent significant improvement	Poor
Availability of CPRs	Very limited	Yes – grass, firewood	Yes – fishing, grass, firewood
Formal credit available	Yes: agricultural credit. Some for livestock purchases through Redd Barna	Yes – agricultural credit only.	Some for State Farm employees. None otherwise

Each household has its own range of choice about diversification activities, broadly defined by the community level parameters, but specifically defined by the bundle of capitals to which the household has access or entitlement. It is these household level characteristics that principally define whether members of the household will diversify out of choice or necessity in response to a particular event or context. Differences between households that may account for involvement in certain livelihood activities include ethnicity and caste, position in demographic cycle, household size, structure, composition and gender of household head, as well as wealth group, ownership and access to assets and the household's success in generating sufficient farm and off-farm income. A households' networks with other households and its status and position within the village regarding claims and rights to control access to key resources are also influential.

Of critical significance, in the context of southern Ethiopia, are the socially defined roles that are given to certain groups of people by 'accident of birth'. An occupational caste system exists in Wolayta society and there are three strata (each of which is in turn divided up): goqa (free citizens), hillancha (artisans) and alyia (slaves). The hillancha group consists of potters (chenesha), tanners (dogala) and blacksmiths (wogadgia). Even today members of these groups are stigmatised although, since the 1974 Revolution, all groups are supposed to be equal, and all may own land. However, fear of the stigma attached to being a hillancha means that people are unlikely to adopt these activities as diversification activities if they are not born into the caste. In this sense traditional authority and the implicit rules about what is acceptable for different people to do inhibit the uptake of various livelihood strategies.

Differences at the level of the individual include age and gender, responsibilities within the household, possession of certain skills, energy and determination, and again the linkages and networks through which to gain

¹⁹ Admencho and Mundena are better served with infrastructure than Chokare, most notably in terms of roads and thus access to a wider range of market. This is partly as a result of WADU activities in the 1970s and is likely to contribute to the higher levels of diversification in these two sites.

access to resources. The social definition of roles are also significant, particularly in relation to gender. For example, the preparation and sale of food and drink is considered to be a female task, and is thus dominated by women. Although, according to the Wolayta and Sidama perception of male honour an honourable man should be able to provide his wife with everything without her having to resort to work outside the household (Data Dea 1998), it has been shown that many women are involved in trade. While wives of wealthy men seldom undertake diversification activities which require frequent long-distance travel, in Admencho, located in the midst of a dense network of markets, the distances between markets are small and traders do not have to stay overnight at the markets. By contrast, in Chokare the nearest large market is at Humbo, some 6 hours walk away, which necessitates an overnight stay. For widows and divorcees, who seldom become or remain wealthy, this intra-household barrier to entry is often forcibly removed, leaving them to face the extra-household barriers to entry presented by the traditions of particular gendered occupations. But for such women lack of human capital more generally becomes a serious constraint. Astera Ako, a widow living in Mundena, explains that since her husband died she has ceased trading:

‘I used to trade in butter and flour ... but I no longer do that. I have to be around the house looking after the fields to prevent baboons eating the sweet potatoes. To be able to do trading a husband should be around the house to help with, for example, cutting grass for animals, looking after animals etc. Also I have small children, and have to look after them as well’.

Human capital is obviously necessary for all diversification activities, and making a choice about the way labour of a household should be invested is a key phase in the process of livelihood diversification. Most livelihood diversification activities are labour intensive, and even those that demand the input of another type of capital do so in addition to an input of labour. The shortage of labour gives rise to markets which occur in the late afternoon or evening. Children and teenagers are also involved in going to markets (often sent on ahead of their mothers) because of shortage of labour. Thus it is households who have a relative wealth of labour that have the broadest choice of diversification activities.

Those activities that rely principally or exclusively on an investment of labour however also tend to be those with a low potential return. An investment of financial capital is often necessary to establish a high return diversification activity. Successful livelihood diversification often depends on the capability to transform the mix of capitals available within the household into financial capital that can support the household. The following case studies illustrate very different experiences of livelihood diversification.

Box 4: Case Study A - Bonja Done, Mundena

Household of 9. Own over 3 hectares of land and 5 cattle, plus other livestock. Their biggest source of income currently is from livestock sales. Describing how the fortunes of the family have changed he recalled the 'good times' when WADU was operating in the area:

I had plenty of oxen power and I was cultivating all my land. Now I only cultivate about half of it, and the rest is bush. Things were very bad for us between about 1984 and 1990, I was sick and we lost all our animals to disease. I could only cultivate a small area with a hoe. One year I was so sick I cultivated nothing... We survived by my wife doing some petty trading, and we were selling grass and firewood in the town. We also took some money from our relatives in Bolosso and Humbo - it was for free but it was a very small amount! We gave some of our land to neighbours to cultivate under kotta, and saved money and then bought goats under ulo-kotta arrangement, and then bought oxen. I also used cows from hara - from my wife's family... From the time that I had no livestock it took about 4-5 years to buy oxen again - by gradually building up through ulo-kotta, hara etc. I bought this first oxen with a relative from Bolosso - as he was a relative he knew my problem - people in this area couldn't put money together with me to buy oxen as we all had problems. I talked to this relative and we put our money together and bought the animal. That man did not use any of the oxen power, but we shared the money when we sold it, and then I bought an animal of my own.

This case illustrates the importance of events over which the household has no control – disease and agricultural policy – as determinants of livelihood diversification. The case also clearly illustrates the barriers to entry that are imposed when there is a lack of healthy male labour within the household, and a lack of financial capital for further expansion. Opportunities for transforming the asset of female labour alone are limited, as is developing the natural capital which the household owns. Without any access to substantial financial capital the household relied on petty trade and participation in a diversification activity that is strongly associated with real desperation – gathering grass and firewood – to survive. Through these, and by participating in various institutional arrangements, they slowly rebuilt their herd and their fortunes improved.

The second case study, from Admencho, shows a household whose very different access to capital has allowed them to pursue a contrasting path to livelihood diversification.

Box 5: Case Study B - Household TT, Admencho

TT is a male-headed household of six people in the highest wealth group who live in Admencho. They own two oxen at home and several on *kotta*, two cows, two heifers, a bicycle and a high quality house. TT is a bible teacher in one of the protestant churches, and his wife is the secretary of a women's saving and credit group, although she does not herself pursue any diversification activities.

TT is a former soldier who joined the army after completing his secondary education. His family was well cared for by relatives during his absence. Upon his return, TT was given some cash by his father, which he used to set up a lumber trading business. He buys and stores local lumber at low prices, and once or twice a month hires a truck and transports the lumber to Boditi town, where he sells it to wood shop owners. Sometimes traders come to his home with their own trucks and buy lumber directly. He is currently investing part of his profits in the construction of a house in Boditi (Data Dea 1998).

The combination of access to financial capital and relatively easy access to transport has allowed the establishment of a profitable business. The lumber trade, however, is neither secure, nor universally profitable. Rumours of changes in policy regarding the felling of large trees abound, and one informant reported having to apply to the local Peasant Association to fell a tree, which he thought he owned. Local wood carvers reported

having abandoned their trade because it was no longer profitable in the face of competition from lumber traders, and others who have come into the area from outside.

The case studies illustrate only a small part of the wide range of institutions that mediate access to the capitals necessary for livelihood diversification in the Ethiopian sites. The structure of the household and immediate kinship networks are central in defining the breadth of choice they have about their diversification activities. Being a resettlement area means that households in Mundena do not have immediate and easy access to these kinship networks, but many call on them during times of severe hardship (see case study A above). In case study B access to the natural capital necessary to continue his business may ultimately depend on policy (towards the felling of trees) and the local political networks that implement policy. The role of diversification in the livelihoods of this family is thus mediated by institutions at the micro, meso and macro levels. A similarly broad range of institutions mediates the livelihood of AK, a fisherman in Chokare.

Box 6: Case study C - Household AK, Chokare

AK came to Chokare in 1978 to work at Abaya State Farm (SF). He worked there for 9 years, towards the end of this time supplementing his inadequate SF wages by fishing in Lake Abaya. Finally, under Mengistu's ban on diversification by SF workers, his formal employers forced him to make a choice between his two occupations. He gave up his SF job and became a fisherman, at the same time joining the Peasant Association and being allocated some land.

After 10 years of fishing and farming he has established himself in a position of relative wealth: he owns 20 livestock and 5 fishing nets. He buys fish caught by others and transports them from Chokare to Soddo by bus or truck. Once there, he has a licence to sell the fish to hotels and restaurants.

Recently however, transport has proved problematic. A regular truck travelling between Chokare and Soddo gave up the route because of bad road conditions, so AK is now having to rely on donkeys and human portage to transport fish to the main road. Fishermen have set up a camp on the opposite shore of the lake to minimise travelling distance to the road, and are said to be trying to establish a fishing co-operative. For the time being, the security of fishing as a viable diversification strategy is under threat (Data Dea 1998).

Access to key social networks may also be critical to determining a household or individuals' ability to diversify, as illustrated by the following case study.

Box 7: Case Study D - Hailu, Abaya State Farm, Chokare

One of the wealthiest individuals in the State Farm, Hailu works as Head of Store Section. He is in charge of giving out rations (in lieu of pay) to employees. In addition he owns many of the shops, bars and houses in the camp, and also owns the mill. He rents out the houses and some of the bars and shops for a flat fee. Others he hires out under a *tirf yegeera* arrangement, whereby he shares the profit equally with a manager. Alternatively he simply employs a manager, and keeps all the profit himself. This is the arrangement that he has for the mill.

The mill is located just outside the State Farm boundaries and is managed by the son of the State Farm administrator. It mills maize for both State Farm and Peasant Association residents. The State Farm itself has its own mill, but the quality of the flour that it produces is so poor that most people prefer to bring their maize to the private mill for milling. This mill also mills maize that Hailu brings from Soddo (at certain times of the year) and sells locally. With access to State Farm transport Hailu does not suffer the severe problems with transport that other traders suffer.

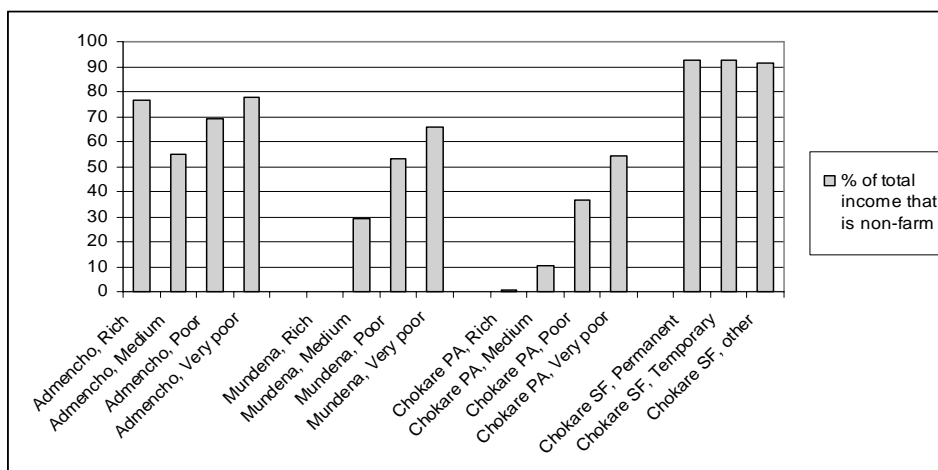
Hailu has invested some of the profits from these different activities in livestock, which he owns and loans out under longer term rearing arrangements. Additionally he rents out his oxen for ploughing to people for cash.

This case study illustrates the importance of membership of key networks. In Chokare there are a few people employed by the State Farm who have substantial cash incomes. Through the State Farm they are able to gain access to a variety of resources, such as transport, information and technical expertise (in particular about irrigation) which enables them to very successfully diversify their incomes. These case studies have demonstrated how particular households have constructed a portfolio of activities according to the bundle of capitals to which they have access, and how the process of transforming capitals into a more or less sustainable livelihood is mediated by institutions.

10. LIVELIHOOD DIVERSIFICATION AND SUSTAINABLE LIVELIHOODS

Non- farm incomes make a very important contribution to incomes, especially for the poor. See Figure 8. But involvement in diversification activities results in tradeoffs with other livelihood strategies that need to be considered. The two major ways that livelihood strategies are linked are examined in turn: loss of labour and provision of cash or capital for investment.

Figure 8 - Percentage of total cash income that is earned from off-farm sources



10.1 Loss of labour

Following one livelihood strategy rather than another (for example becoming involved in petty trade) has the effect of taking away labour that would otherwise be available for investment into the agricultural system (and vice-versa). The loss of young men who choose to migrate (for example from the highlands to State Farms) can obviously have a detrimental impact although this loss may be offset against any remitted income and acquired knowledge of migrants. The type of labour lost is relevant to the impact. For example, while many of the diversified livelihood activities are carried out by women, a large proportion of the increased labour demands involved in following the capital-led path of agricultural intensification through the Global package require

increased inputs of male labour²⁰. This is because the required ploughing is entirely a preserve of men and it goes against all cultural norms for women to become involved in ploughing. Conversely, many of the activities involved in labour-intensive strategies of intensification (more weeding, more assiduous harvesting etc) are activities which women are significantly involved in. The demands on female labour in relation to following this path therefore leads to clashes with demands for female labour for diversification activities.

Where labour is sought from within the household, the household head, in negotiation with other household members, will distribute household labour in such a way as is felt to be most beneficial to the household as a whole. This may not be straightforward, as individuals (particularly younger household members) may be eager to be involved in activities that enable them to earn some individual income. Greater involvement in one livelihood activity may necessitate reduced investment of labour in another for that household and these trade-offs have to be considered within the household. For households that rely on labour from outside the household the picture is more complex. In situations, for example, where a female headed household needs to access male labour through involvement in sharecropping (*kotta*) arrangements, a greater involvement in diversification activities by those people that she would normally call upon, can be problematic. In Mundena construction work on the irrigation scheme has proved to be very attractive to many young men. This is to the detriment of female headed households who need male labour, as Astera Ako, a widow living in Mundena, explained. The construction work on an irrigation dam has made it even harder than normal for her to find people willing to work her land on a *kotta* arrangement:

This year none of my land is done by *kotta*. I was looking for *kotta* but all people went to the irrigation work so no-one is available. ... I even said I'd cover the fertiliser and provide oxen, but no-one would do it.

Thus, while creation of jobs in the area has been highly beneficial to some – particularly for households with adequate male labour – there is a trade-off, and households that need labour who would usually enter non-reciprocal arrangements, such as share-cropping (*kotta*) or praying/begging arrangements (*woosa*) are losing out. This highlights the importance of accounting for unplanned or unexpected effects of policies. The provision, for example, of food-for-work might be beneficial to those that are able to work on such programmes. But in doing so such programmes attract labour away from such inter-household institutional arrangements that enable female headed households to gain access to (particularly male) labour.

10.2 Provision of cash or capital for investment.

Profits earned from diversification activities may be used for investment in the agricultural system. They may be used in a way that makes up for the loss of labour (e.g. through the use of hired labour). For example, Astera from Mundena uses cash from trade to hire labourers, and is then able to invest labour in her agriculture to intensify. Alternatively, such profits may provide cash to buy other inputs, such as fertiliser, oxen etc. Therefore

²⁰ For example by increased ploughing – see Carswell *et al* 2000 and Carswell 2000a.

such profits may enable following different strategies of intensification. Whether such profits are in fact used for investment in agriculture (or in other productive activities) will depend in part on the reasons behind the diversification activity, and whether the households is forced to use such profits for subsistence.

In Case Study A (see above) the household relied on diversification strategies during their crisis period: gathering firewood and grass for sale is seen as a sign of real desperation. By hoeing only they switched to intensification strategies that had low capital demands until they could rebuild their herd. In this they relied on institutional arrangements around livestock with their neighbours. Thus the household was forced into diversification activities that enabled them to survive, but not to build up capital. Indeed the household may be forced to disinvest in intensification activities or to switch to capital saving, labour intensive, agricultural practices. Thus, the way that profits from one strategy are used and whether they are used for sustaining the household (food or consumption goods), or for reinvesting in a productive strategy is critical.

Such profits may be invested productively in a number of ways. They may be invested in agricultural implements, fertilisers, livestock, or in land; in other diversification activities (a base for trading, a donkey); in paying for a household member to migrate; or they may be invested in tradition (such as festivals). Investment in tradition (Dessaiegn 1990 and 1992) is an important way to build up social capital during good times, which can then be called upon during leaner times. For example, people will participate in *iddir*²¹ activities, and in times of difficulties members may be approached for assistance. In recent times, the protestant churches are playing an increased role in these activities.

Thus, success in one livelihood strategy is likely to enable success in another. For example, a household that successfully diversifies has access to cash to enable them to repay fertiliser debts as soon as they are due. They can then delay selling the harvested crop until the price has risen. Similarly, an individual who migrates successfully and maintains contact with the home area, is likely to invest in their home through the purchase of livestock, which are kept by family members. These livestock enable that household to gain access to oxen for ploughing, manure and livestock products – all of which will facilitate both agricultural intensification and livelihood diversification strategies.

11. CONCLUSIONS

Diversification activities are critical to livelihoods in southern Ethiopia. The study area has long been at the centre of trading networks and there is a long history of trading in the area. Broad trends and events create the conditions for diversification at the level of the community, establishing the parameters of choice about potential diversification activities. A number of different historical events have had an impact on opportunities to diversify. For example, improvements in infrastructure have lead to increased marketing opportunities, while

²¹ *Iddir* were traditionally burial societies, but they have expanded their activities into other areas including working groups and credit groups. Churches have their own *iddir*, and it is through *iddir* that many churches are having an increased influence on a range of institutions (see Carswell *et al* 2000).

increases in livestock disease have forced primarily pastoral households to diversify towards agriculture. Such events do not have a uniform impact, but affect different households and individuals in different ways.

Determinants of livelihood diversification exist at a range of scales: at the level of the site there are a number of determinants which are beyond the control of individuals: notably access to markets and good transport links. At the household level the most important determinant to involvement in artisan activities is caste membership. The social definition of roles also operates at the level of the household and relatively few women are involved in, for example, long distance trade that necessitates overnight stays in market towns. Access to sufficient human capital is a critical determinant of a household's ability to diversify, and those households with ample labour have the widest choice of diversification activities. But it is access to financial capital that enables a diversification activity to be transformed into a high return activity. Informants frequently mentioned the need for a larger 'base' for trading if they were to have any hope of increasing profitability. Similarly, use of a donkey increases the amount of produce that can be transported between markets and the profits that can be made.

Access to such resources is mediated through institutional arrangements. These institutional arrangements facilitate the adoption of livelihood diversification activities. For example, savings institutions (*equb*) and institutions to gain access to donkeys for portage. Other key institutions include markets, informal credit institutions, and institutions around labour and natural resource tenures. The latter are particularly significant for poorer households, as activities such as the collection of firewood and grass from common property resources are especially important. Kinship and other social networks also have a critical role to play. The institution of caste, and the traditional authority which it implies, gives rise to a set of rules about what it is acceptable for different people to do, and these rules inhibit the uptake of various livelihood strategies for certain people.

While a large number of policies in southern Ethiopia have a major influence on agriculture, many fewer directly relate to livelihood diversification and migration. When we consider that diversification activities are clearly making an enormously important contribution to livelihoods (especially for the poor) this appears to be a significant gap.

A number of policy conclusions can be drawn. In all three sites respondents repeatedly cited lack of credit and lack of labour as the two key barriers to entry for diversification activities that they wished to pursue. While there is perhaps little that policymakers can do to address the question of lack of labour, a functioning credit market could be facilitated in several ways. The local institutions that mediate access to financial capital are congruent with social and cultural understandings of cash transactions and may provide useful frameworks for external interventions. The formal credit that is currently available focuses on accessing seed and fertiliser, but not on any non-agricultural activities. The key policy challenge identified here is how to find effective ways of articulating formal credit delivery and informal systems. Existing informal credit and savings systems are highly complex and continuously evolving, as new actors (such as churches) enter the arena. There are a number of indigenous approaches, mediated by a range of local institutions, which appear to provide important opportunities for linking with more formal systems. Indeed a few NGO initiatives of this sort have been tried

(for example Redd Barna²²) although with only some success. Here a sensitive appreciation of local institutional forms helped in the design of the formal credit system. It is an appreciation of local institutional arrangements that remains the challenge for initiatives: to help broaden credit provision, while linking formal and informal arrangements. An approach to credit is therefore needed that might be termed ‘credit for livelihoods’. In conclusion, the major policy findings around diversification are focussed around two key themes, each of which has significant implications for institutional arrangements.

Credit

In none of our sites have efforts to improve the availability of credit for non-agricultural activities proved to be successful. Furthermore, the attempts to improve government control of the financial services sector has led to the closure of NGO credit programmes, which were in many cases the only non-agricultural credit available. The only widely available credit is tied to a fixed package of fertiliser and seed with high levels of monitoring by Bureau of Agriculture officials²³. The research suggests a need for ‘credit for livelihoods’. That is, rather than tying credit to a particular agricultural activity (whether it is fertiliser or livestock) the poor should be able to decide on what they choose to spend their credit on. Linkages between the formal sector and existing credit and savings systems are critical here, and for policies to support successful livelihood diversification by the poorest, institutional arrangements that mediate access to credit must be taken into account.

Livestock disease, markets and infrastructure

Greater efforts are needed to combat the devastating effects of livestock disease in mid and low altitude areas²⁴. No policies will succeed in combating poverty unless and until this problem is confronted. Not only does livestock disease adversely effect efforts to intensify agriculture (through loss of oxen for ploughing and loss of manure), but also livestock products make a major contribution to incomes (especially those of women), and the loss of livestock has a knock-on effect on petty trade and other diversification activities. Improving infrastructure to provide a facilitating environment for the spread of non-farm income generating activities is also central.

Overall involvement in different institutions has been found to be critical for all livelihood strategies. Institutions mediate access to key resources (credit, inputs, land and labour). They are flexible and subject to change in the face of changing relative factor scarcity. They are particularly important in facilitating access to

²² Redd Barna established a savings group in Admencho, which has taken a mixture of various indigenous institutions as its foundation: *kotta*, *equb* and *tirf yegera*. This was established with 25 women members, with an initial sum contributed by the NGO. In addition all members make a small weekly contribution to the fund. The fund is drawn upon by members to invest in oxen for fattening. When the animal is sold half the profits are kept by the member and half are added to the fund. In addition the fund can be drawn upon to provide the capital for trading, and as a ‘crisis’ fund if members are in severe difficulties due to illness etc. The scheme has only been partially successful as some of the money has recently been stolen by a Committee member (see details in Carswell *et al* 2000).

²³ Under the previous fertiliser/credit package, which involved very little monitoring, farmers were able to sell the fertiliser, and effectively use the package as cash credit.

²⁴ For details of the devastating impact of trypanosomiasis on livestock numbers in mid and low altitude areas see Carswell 2000a, Carswell 2000b, and Carswell *et al* 2000.

resources that a household or individual does not itself own. One 'capital' type may successfully be substituted for another absent capital type through such institutional arrangements. Social capital is often central to facilitating this substitution, although social capital alone is not sufficient. Involvement in certain institutions facilitates the following of particular diversification activities. For example, involvement in petty trade is facilitated by involvement in savings institutions such as *equb*. A sensitive appreciation of such institutional arrangements is essential if policies that support further diversification activities for the poorest are to be successful.

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