

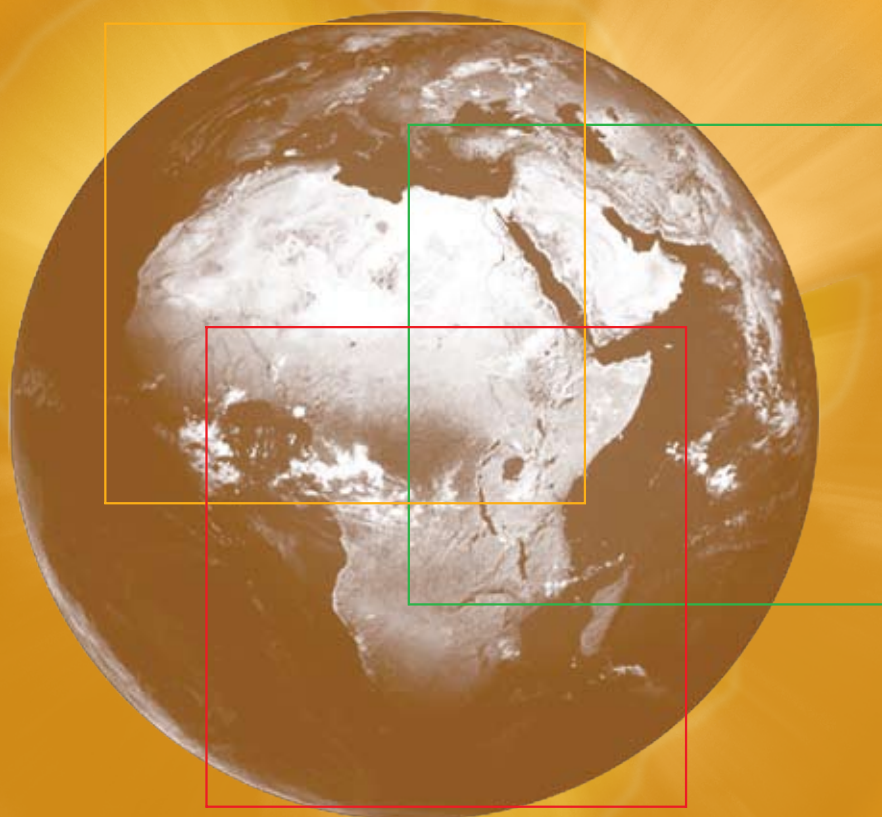


International
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Coop^{AFRICA} Working Paper No. 9

Cooperatives: a path to economic and social empowerment in Ethiopia

Bezabih Emana



COOP
AFRICA



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List of acronyms

ACDI/VOCA	Agricultural Cooperatives Development Initiative / Volunteers for Overseas Cooperative Assistance
AISCO	Agricultural Inputs Supply Corporation
ETB	Ethiopian Birr
FCA	Federal Cooperative Agency
IFAD	International Fund for Agricultural Development
ILO	International Labour Organization
NGO	Non-Governmental Organization
PASDEP	Plan for Accelerated and Sustainable Development to End Poverty
RUFIP	Rural Financial Intermediation Programme
SACCOs	Saving and Credit Cooperatives
SNNPR	Southern Nations, Nationalities and Peoples Region
TVET	Technical Vocational Education and Training
USD	United States Dollar

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Executive summary

Traditional cooperatives associations existed in Ethiopian society centuries ago in the form of *iqub* and *idir*. *Iqub* is an association of people having common objectives of mobilizing resources, especially finance, and distributing it to members on rotating basis. *Idir* is an association of people that have the objective of providing social and economic insurance for the members in the events of death, accident, damages to property, among others. In the case of funeral, *Idir* serves as funeral insurance where community members elect their leaders, contribute resources either in kind or in cash and support the mourning member.

However, the history of formal cooperatives in Ethiopia dates back to 1960, when the first directive of cooperatives was enacted. Since the introduction of the cooperative directive, Ethiopia has enacted four new proclamations and an amendment act: Directive No.44/1960, Proclamation No.241/1966; Proclamation No.138/1978, Proclamation No. 85/1995, Proclamation No. 147/1998, and Amendment act No. 402/2004. The latest proclamation ensures that cooperative policy is fully consistent with the Universal Cooperative Principles and the ILO's Promotion of Cooperatives Recommendation 193 (2002).

Aside from enacting cooperatives proclamations, Ethiopia has formulated a five year cooperative development programme. This demonstrates that the federal and regional governments have realized the contribution of cooperatives to economic and social development, food security and poverty reduction in Ethiopia. However, at the district level - where most decision making on capacity building programmes, budgeting and resources allocation takes place - lack of awareness about the role of cooperatives in economic and social development, and lack of awareness regarding cooperative law has made it difficult for integrated promotion of cooperatives in all sectors.

The cooperative network in Ethiopia is extensive. The number of primary cooperatives increased from 19,147 in 2005 to 24,167 in 2007, while the total number of primary cooperative members increased from 3,911,834 in 2005 to 4,668,564 in 2007. As of December 2007, primary cooperatives had a total capital of 1.475 billion ETB (USD 147,944 billion).¹ The total number of cooperatives unions was 143 in December 2007 (increased to 147 in July, 2008), which is a significant increase from the figure in 2005 of 91. Currently, the cooperative unions have 3,289 member primary cooperatives. A cooperative bank, namely the Oromia Cooperative Bank, has been functional since March 2005. On June 2008, it had a capital of 132.9 million ETB (USD 13.3 million), 73.51 per cent of which is owned by 1,303 primary cooperatives. The Bank is the major source of loans needed by the cooperative unions in Oromia. The Bank has created permanent jobs for 492 people and in 2008 it was responsible for distributing 9.37 million ETB (USD 0.94 million) in wages. Another cooperative bank named "Addis Cooperative Bank" was newly established in Addis Ababa City Council in 2009.

An exceptional increase has been observed in the number of consumers' cooperatives formed in Addis Ababa, primarily in response to the high cost of goods and services that occurred due to increases in commodity prices during 2007/08. Of the 159 total

¹ The data collection for this study was conducted in October 2008. One USD was exchanged for 9.97 Ethiopian Birr (ETB) in October 2008. In year 2007, USD 1= 9.23 ETB was used in the text.

consumers' cooperatives currently operating in the Addis Ababa, 115 are newly registered consumers' cooperatives that have been established for less than one year and only few of them are operational. Consumers' cooperatives are mushrooming in other regions as well. For instance, in Amhara National Regional State, 60 consumers' cooperatives with a membership of 12,992 (5,100 female), registration fee of 219,211 ETB (USD 21,987) and share capital of 1,585,667 ETB (USD 159,044), were established in 2007/08 alone.

Cooperatives play crucial roles in economic and social development. Cooperatives created approximately 82,074 jobs and generated approximately half a billion Ethiopian Birr in wages during 2008. The participation of cooperatives in agro-processing, marketing and finance (saving, credit and banking) is increasing. The social role of cooperatives is promoted through voicing of common goals, enhanced participation in value chains, and protection of producers from unfair pricing. Cooperatives also create opportunity for networking and working in partnership with other agencies.

There are four tiers of cooperatives, namely primary cooperative, cooperative unions, cooperative federation and cooperative confederation. In Ethiopia, the apex in many regional states is the cooperative union. However, there are motivations for the regional governments to establish Regional Cooperatives Federations. The Southern Nations, Nationalities and Peoples Region (SNNPR) of Ethiopia recently established the first Regional Farmers' Cooperatives Federation in Ethiopia, which became functional in early 2009. The Oromia Region also just recently formed the Regional Federation of Farmers' Grain Marketing Cooperatives.

The cooperative policy is largely determined by the Government and the role of cooperative unions in making policies is currently minor, as most of the cooperative union's lack the capacity to make independent decisions. The role of the union as an apex body is likely to increase once the union's human and financial capacities increase. Currently the role of unions as service provider is quiet immense. The production of the "*Black Gold*" documentary film by Oromia Coffee Farmers' Cooperative Union is live evidence of this.

The regional cooperative federations focus on major economic and social services that individual unions cannot effectively accomplish. The influence and advocacy role of cooperative federations are expected to be effected once functional cooperative confederations are established. Government institutions, colleges, universities and NGOs assist cooperatives to build capacity through short and long term training opportunities. However, in practice, apart from the training contracts given by the Federal Cooperative Agency and training of cooperatives students in their regular programmes, the universities do not have their own scheduled programme to assist cooperatives in a technical capacity.

The functionality of cooperatives is constrained by shortages in skilled human resources (especially in cooperative business development), due to high staff turnover and repeated structural adjustment of the cooperative promotion agencies. This has resulted in transfer of experienced cooperative experts to other economic sectors. The functionality of cooperatives is also constrained by shortage of capital and limited access to credit. An effective and sustainable cooperative movement requires overcoming major credit constraints and strengthening capacities of administrators and management staff associated with cooperatives. This capacity building should aim at empowering cooperatives so that they can make key decisions with minimum or no external support.

1. Introduction

1.1 Background

Cooperation among people has existed since history has been record. Traditional forms of cooperation involved community members voluntarily pooling financial resources through "*iqub*", which was an association of people having the common objectives of mobilizing resources, especially finance, and distributing it to members on rotating basis. There were also initiatives for labour resource mobilization that were to overcome seasonal labour peaks, known as "*Jigie*", "*Wonfel*", among others. There also was the *idir*, which was an association for provision of social and economic insurance for the members in the events of death, accident, damages to property, among others. These informal associations continue to operate in Ethiopia.

Modern forms of cooperatives were first introduced in Ethiopia in 1960. The new cooperative movement in Ethiopia was triggered by reforms made to the socio-political system. During the socialist government (the Derg regime), cooperatives were formed to assist in the implementation of the Government's policy of collective ownership of properties. Under this system, cooperatives were forced to operate in line with socialist principles, which meant that production and marketing of produce were undertaken through collective mechanisms. Membership to a cooperative was also compulsory, which contravened the basic cooperative principle of voluntarily participation.

Currently, cooperatives are recognized as an important instrument for socio-economic improvement of the community. This importance is recognized in their definition, which considers cooperatives to be:

An association of persons who have voluntarily joined together to a common end through the formation of a democratically controlled organization, making equitable contribution to the capital required and accepting a fair share of the risks and benefits of the undertaking, in which the members actively participate (FCA, 2007c: 1).

The Cooperative Proclamation No. 147/1998 identified clear goals and authorities, which supported a more conducive legal environment for the formation of Ethiopian cooperatives. The goals include social, economic and other motives that require joint actions for attaining a common target. However, the extent to which the cooperatives in Ethiopia have been able to attain these goals has not been adequately analyzed. Similarly, the actual extent of the cooperative movement is unknown. This paper therefore attempts to review the existing literature on the cooperative movement in Ethiopia and answer the following major questions:

- What is the current policy environment and how does it affect the functioning of cooperatives?
- What are the institutional arrangements for cooperatives in Ethiopia?
- What are the contributions of cooperatives to the welfare of their members and to national development?
- What are the factors affecting the performance of cooperatives in Ethiopia?

Thus, the objectives of the paper include:

- Describing the conditions in which the cooperatives in Ethiopia are functioning;
- Analyzing the contributions of cooperatives to social and economic development in Ethiopia;
- Identifying factors affecting the cooperative movement;
- Disseminating the existing knowledge of cooperatives in Ethiopia to broader audience interested with cooperatives.

1.2 Research methodology

Designed to obtain a quick overview of the cooperative movement in Ethiopia, the study relied heavily on qualitative techniques to collect primary data. Consequently, the bulk of the data was generated from semi-structured interviews and discussions with key informants that were purposively sampled on the basis of their leadership positions in the cooperative movement. Accordingly, interviews and discussions were held in October 2008 with representatives from the Federal Cooperative Agency (FCA), Oromia Region Cooperative Promotion Commission, Southern Region Cooperative Agency, Addis Ababa Cooperative Promotion Department, Tigray Cooperative Promotion Office, Southern Region Cooperative Federation, Oromia Coffee Union, Lume Adama Grain Farmers Cooperative Union, Merkeb Farmers Cooperative Union in Amhara region, Cooperative Bank of Oromia, Association of Ethiopian Microfinance Institutions, ACDI/VOCA, Self Help Development International, Tadde Farmers Cooperative, among others. The paper also benefited from an expert panel discussion and review. A half day discussion was conducted with three professionals, namely, Mr. Lelissa Chalchissa (ILO in Addis Ababa), Mr. Abraham Ejeta and Abey Meherka (FCA) to discuss the data gathered from the field.

A questionnaire was used for telephone and email based interviews conducted with coffee farmers' cooperatives, grain marketing cooperative unions, saving and credit cooperatives (SACCOs), four university/colleges and technical/vocational education training coordinators, among others. Although primary data collection covered only some of the cooperatives, the secondary data collected from the database of FCA covered all cooperatives registered in Ethiopia. Currently there is no map showing the distribution of cooperatives in Ethiopia, but cooperatives have been established in all of the nine regions of Ethiopia and the two city administrations, namely Addis Ababa and Dire Dawa.

1.3 Organization of the paper

The paper discusses the cooperative movement and covers the current level of cooperative development in Ethiopia, ranging from primary cooperatives to cooperative unions and federations, along with diverse activities performed by the cooperative movement.

This section has given a brief background and research methodology used to generate data that informs this discussion. Section two provides the legislative and policy context for cooperative development in Ethiopia. Section three discusses the status of the cooperative movement, while section four concentrates on the institutional organization and networking of the cooperative movement in Ethiopia. Section five deals with the contribution of cooperatives to socio-economic development and section six provides an overview of the partnerships for cooperative development. Section seven focuses on the vibrancy of the cooperative movement and the challenges to cooperative development in Ethiopia. Finally, section eight provides a conclusion for the paper and some recommendations for improving cooperative performance in the country. The lessons drawn from this study will be vital for enhancing the cooperative movement in Ethiopia, while also providing lessons for cooperatives in other countries in Africa.

2. The legislative and policy context

2.1 Cooperative legislation

Cooperative development in Ethiopia has been guided by a deliberate legislative framework. To this effect, the first legislation on cooperatives was issued in 1960 (FCA, 2005). This law was amended in 1966 into a Cooperative Proclamation (Proclamation No. 241/1966). In 1995, Ethiopia paid special attention to the development of agricultural cooperatives and issued specific legislation on agricultural cooperatives (Proclamation No. 85/1995). This proclamation outlined the rules and regulations for formation, membership, governance and dissolution of agricultural primary cooperatives in Ethiopia.

In 2002, the Cooperatives' Commission Establishment Proclamation (No. 274/2002) created the institutional framework for promoting and supporting the cooperative movement in Ethiopia. This legislation was further developed in 2004 with the issuance of the Cooperative Society Proclamation (No. 147/1998). This Proclamation conforms to the now universal ICA cooperative principles and the ILO Promotion of cooperative Recommendation (2002) (No. 193). It clearly sets out general provisions for registration of cooperatives, legal form of registered cooperatives, rights and duties of members, governance and management of cooperatives, special privileges of primary cooperatives, assets and funds of primary cooperatives, audit and inspection, dissolution of cooperatives and other miscellaneous provisions.

Regional states of the Federal Democratic Republic of Ethiopia have also enacted their own proclamations for the promotion of cooperatives. Three of the nine regions of Ethiopia, namely the Southern Nations and nationalities People's Region (SNNPR), Tigray and Amhara have enacted their own cooperative proclamations. The Oromia Cooperatives Promotion Commission was established with Proclamation (No. 15/1997) to promote and support cooperative movement in Oromia National Regional State.

2.2 *Cooperative development policy*

The recognition that cooperatives have received has depended on the policy of the governing regime in Ethiopia. During Emperor Haile Selassie's regime (before 1974), cooperatives were few in number and were less recognized. They were mainly engaged in production of industrial crops, such as tea and spices. Members of cooperatives during this period included just a few producers of these crops and land owners.

The Derg (1974-1991) and the current governments of Ethiopia have given special recognition to the cooperatives in Ethiopia. The Derg regime considered cooperatives as a mass movement that could ensure equitable mobilization and distribution of resources. They were thus viewed as instruments for planning and implementation of socialist policies. Cooperatives were, therefore, established to achieve these objectives. It was in the same vein that cooperatives would also be used as a means to mobilize community support for the ruling party. During the Derg regime, this was more conspicuous as cooperatives were forced to operate in line with socialist principle, where production and marketing of produce were done collectively and members pooled their land resources under communal tenure.

With the downfall of the Derg regime, most rural based cooperatives were abolished by members and their resources were looted and misused. The current regime gave no attention to cooperatives during the transition period, meaning that cooperatives were relatively stagnant between 1991 and 1993. Since then the government has acted as a facilitator for cooperative development. This involves enacting legislation, developing cooperative policy and maintaining law and order.

Generally the role of government should be more oriented towards support than control. However, in practice this is hardly possible in Ethiopia. The frequent restructuring of government institutions involved in cooperative promotion has quite often hindered the growth and development of cooperatives.

In cognizance of the importance of cooperatives for economic development in Ethiopia, the Government of Ethiopia has increased its involvement in cooperative development through policy formulation, including a five year cooperative development plan and many proclamations on cooperatives. It enacted cooperative proclamations and established federal and regional government institutions that promote and support the cooperative movement. To improve cooperatives' functionality and operational efficiency, FCA has prepared 18 guidelines, five operational manuals and ten by-laws to guide cooperative development.

Increased involvement of the Government is based on the premise that the cooperative movement can mobilize human and financial resources to enhance economic and social development through production, marketing, processing and distribution of commodities. It is in this regard that the Government attempts to

use cooperatives as an instrument to achieve its poverty reduction strategy. For instance, in the ‘Plan for Accelerated and Sustainable Development to End Poverty’ (PASDEP) it was planned to increase the number of beneficiaries receiving services from cooperatives from 30 per cent in 2004/05 to 70 per cent in 2009/10. To achieve this target, it envisaged to assign 5,000 development agents to support cooperatives during the PASDEP period. It aimed to increase the number of primary cooperatives to 24,677 and the number of cooperative unions to 646.

The policy and strategy document of PASDEP outlines the different types of cooperatives to be organized and the type of supports that will be provided to cooperatives, including training, technical support, loan provision and networking. The institutions of government were also to create links with international organizations to support cooperative development. A typical example come from the Rural Finance Intermediation Programme (RUFIP), which was designed by the Federal Cooperative Agency and funded by International Fund for Agricultural Development (IFAD) and the African Development Bank, to build the capacity of cooperatives involved in rural financial services.

3. The cooperative movement in Ethiopia

3.1 Development of cooperatives: An historical overview

The introduction of a free market economy posed many challenges, particularly for smallholder farmers and youth entrepreneurs that have limited bargaining power, skills and capacity. Thus, collective efforts through cooperative organization have been chosen by many disadvantaged groups as a means for accessing the benefits associated with a liberalized market system. As a result, different types of cooperatives have been formed to meet different objectives over the years.

Though there is a dearth of consistent time series data on cooperative development in Ethiopia, available data indicates the number of registered cooperatives in Ethiopia has generally increased overtime. There are also several non-registered groups or associations that provide functions similar to the cooperative model. For instance, microenterprise groups and associations are steadily increasing, especially in urban areas. Chalchissa (2000) found that in 1974 there were approximately 149 cooperatives, including:

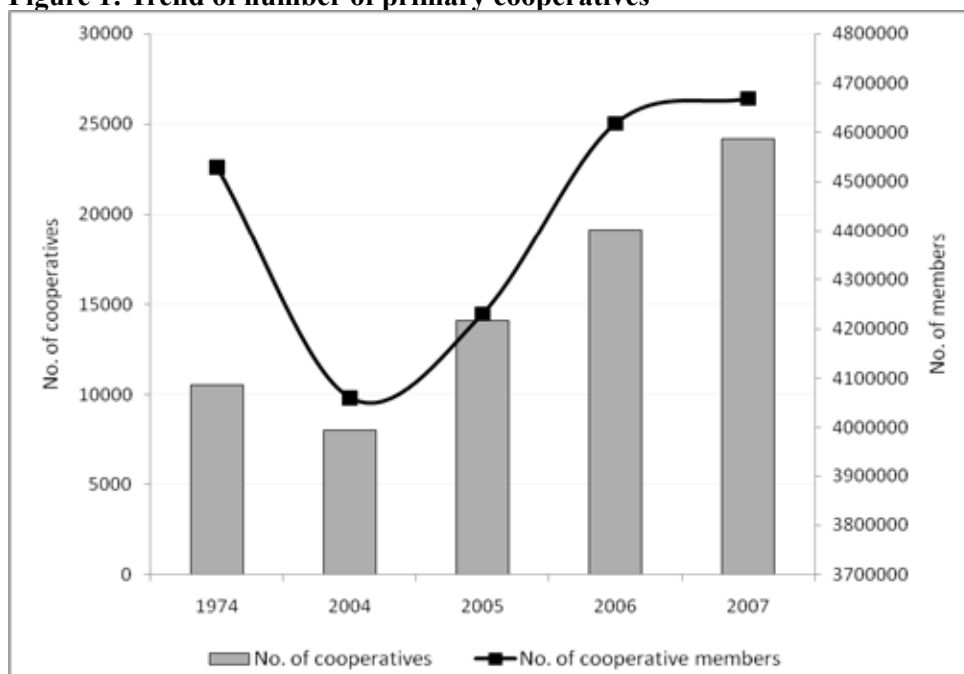
- 94 multipurpose cooperatives;
- 19 SACCOs;
- 19 consumers’ cooperatives;
- 17 handicraft cooperatives.

The number of cooperatives significantly increased during the Derg regime (1974-1991), with approximately 10,524 primary cooperatives having 4,529,259 members recorded. Cooperative organization was highly political during this time and many cooperatives were dismantled following the downfall of the Derg regime

in 1991. According to the FCA and estimates made by Lemma (2009), the number of cooperatives in Ethiopia declined from 10,524 during the Derg regime to 7,366 cooperatives in 1991. Policy support for cooperatives provided by the current government has seen the number of cooperatives start to increase again. Figure 1 below illustrates this trend.

Data obtained from FCA indicates that up to 2004 there were 8,009 primary cooperatives with 4.06 million members and a turnover of ETB 327.12 million (USD 32.81 million). In 2005, an additional 6,072 new cooperatives were established, raising the total number of cooperatives to 14,081, with a membership of 4.23 million. The interest of the people to join cooperatives continued to increase steadily, with 5,066 new cooperatives established in 2006. This made the total number of primary cooperatives rise to 19,147 and the capital base of cooperatives expand to ETB 1.475 billion (USD 147.94 million) (FCA 2007a). The number of primary cooperatives further increased from 19,147 in 2006 to 24,167 in 2007. Approximately 18 per cent of members are female.

Figure 1: Trend of number of primary cooperatives



Source: FCA (2007a)

An exceptional increase was observed in the number of consumers' cooperatives formed in Addis Ababa in 2008. This was primarily in response to the high prices of goods and services that occurred in commodity markets in 2007/08. Within a year approximately 115 new consumers' cooperatives were registered in Addis Ababa, which brought the number of consumers' cooperatives in the metropolitan to 159 in 2008 (Ministry of Information, 2008). Altogether, these consumers' cooperatives had 251,423 members and a capital of ETB 39,204,266 (USD 3,932,223). These

consumers' cooperatives were established mainly to stabilize the market and supply consumable goods at fair prices for members and other consumers.

Due to a favorable policy environment, primary cooperatives of common interest have formed cooperative unions. In March 2006, there were 112 cooperative unions with 2,303 affiliated primary cooperatives. In the same period, there were a total of 19,147 primary cooperatives. This shows that in the past approximately 12 per cent of the primary cooperatives have been represented by cooperative unions. As of December 2007, some 143 cooperative unions had been established in Ethiopia. Table 1 below reveals that the multipurpose farmers' cooperative unions (44 per cent) and grain marketing farmers' cooperative unions (24 per cent) dominate the development of secondary cooperatives in Ethiopia.

Table 1: Number of cooperative unions by region in 2007

Type Cooperative Union	Benisha- Addis						Total	Per cent
	Amhara	Oromia	SNNPR	Tigray	Gumuz	Ababa		
Multipurpose farmers cooperative union	24	16		22	1		63	44.1
Milk production and marketing	2	2					4	2.8
Honey products	1						1	0.7
Saving and credit	6	6	8	1		2	23	16.1
Food processing						1	1	0.7
Coffee		1	5				6	4.2
Grain marketing		23	11				34	23.8
Forest products		2					2	1.4
Livestock marketing		2	1				3	2.1
Sugar cane		1					1	0.7
Fruits and vegetables		2	1				3	2.1
Minerals		2					2	1.4
Total	33	57	26	23	1	3	143	100.0
Per cent	23.1	39.9	18.2	16.1	0.7	2.1	100.0	

Source: Compiled from unpublished data of FCA (2008a)

The number of cooperative unions and affiliated primary cooperatives has continued to increase since then. In July 2008, the total number of unions had increased to 147 and affiliated primary cooperatives represented by unions had increased to 2,955, making the number of primary cooperatives represented by unions to rise to 12.75 per cent.

There is a significant difference in the distribution of cooperative unions among regions in Ethiopia. Oromia accounts for large proportions of unions (39.9 per cent), followed by Amhara (23.1 per cent) and Tigray (16.1 per cent).

3.2 The current status of the cooperative movement

Cooperatives in Ethiopia are classified on the basis of activities in which they engage. The cooperatives could engage in a single activity, such as production and marketing; or could be involved in multiple activities. Accordingly, there are producers' cooperatives, marketing cooperatives, SACCOs, consumer cooperatives, handcrafts cooperatives, mining cooperatives, housing cooperatives, construction cooperatives, multipurpose cooperatives and services cooperatives, among others.

The data collected from the Oromia Cooperative Commission and from the FCA shows a total of 24,167 primary cooperatives are registered in Ethiopia with approximately 4.7 million members (FCA, 2007b). The cooperatives are engaged in 36 different types of activities, including grain marketing, coffee marketing, saving and credit services, vegetables and fruits production and marketing, dairy production and marketing and livestock marketing, among others. Table 2 shows the number of primary cooperatives by activities in which they engage.

Table 2: Type of primary cooperatives and their proportion, 2008

Agri-based cooperatives			Non-agricultural cooperatives		
Type of cooperative	No. of coops	per cent of total	Type of cooperative	No. of coops	per cent of total
Multipurpose farmers cooperatives	6,851	28.35	Saving and credit cooperatives	6,236	25.80
Livestock production cooperatives	256	1.06	Consumer cooperatives	303	1.25
Milk production and marketing	180	0.74	Mining cooperatives	1,166	4.82
Irrigation cooperatives	816	3.38	Rural electricity	72	0.30
Urban agriculture	93	0.38	Hand crafts	627	2.59
Livestock marketing	585	2.42	Housing cooperatives	3,892	16.10
Coffee production and marketing	48	0.20	Fishery cooperatives	50	0.21
Abettor service	8	0.03	Honey and honey products	47	0.19
Khat marketing	47	0.19	Incense and gums	15	0.06
Vegetables and fruits	53	0.22	Construction	239	0.99
Sugar cane	12	0.05	Salts	25	0.10
Grain and seed production and grain banking	36	0.15	NR and echo-tourism	11	0.05
			Forest products	101	0.42
			Service cooperatives	266	1.10
			Education and training cooperatives	5	0.02
			Small scale and micro-enterprises	2,123	8.78
			Traditional healers	4	0.02
Total	8,985	37.18		15,182	62.82

Source: Oromia Cooperative Commission (June 2008) and FCA (December 2007)

Despite the dominant role of agriculture in the Ethiopian economy, the number of non-agricultural cooperatives outweighs the number of agricultural cooperatives. As shown in Table 2, approximately 37 per cent of the primary cooperatives are engaged in agricultural activities. Multipurpose agricultural cooperatives dominate the list of primary cooperatives (28 per cent) followed by SACCOs, which are organized both in the rural and urban centers (26 per cent).

The need to establish SACCOs and cooperative banks have been growing. One cooperative bank, namely the Oromia Cooperative Bank, was registered in 2004 and started operating in March 2005. In June 2008, it had a paid up capital of ETB 132.9 million (USD 13.3 million), 73.51 percent of which is owned by 1,303 primary cooperatives, while the remaining proportion is owned by other institutions and individuals. The bank is the major source of finance that is needed by the cooperative unions in Oromia. The bank has created permanent jobs for 492 people who earn an annual income of ETB 9.37 million (USD 0.94 million). This means that an employee earns approximately ETB 19,000 (USD 1,906) per annum, which is much higher than the national average per capita income of USD 120 per annum. Another cooperative bank named “Addis Cooperative Bank” was recently established in 2009 in Addis Ababa City Council.

4. Institutional arrangement of cooperatives in Ethiopia

4.1 Cooperative support institutions

The Government established federal and regional cooperative institutions that facilitate the organization of cooperatives. The Federal Cooperative Agency (FCA) is organized at the federal level to provide support and capacity building services to regional cooperative institutions. The FCA is the highest government structure for cooperative promotion in Ethiopia. FCA has a mandate that includes:

- overseeing the appropriate implementation of legislation for cooperatives;
- designing cooperative policies and legal procedures consistent with the international conventions on cooperatives;
- ensuring policy coherence between cooperative policy and the broader policy environment.

As of 2007, FCA had a total of 26 staff; ten of whom were agricultural economists, 11 were cooperative specialists, three were sociologists, one agronomist and one lawyer. However, it has been noted that the staff turnover is high due to low incentive when compared to other sectors.

At the regional level, cooperative promotion structures are found at the zone and district levels. The regional cooperative promotion institutions are organized as bureaus/agencies/commissions, depending on the region. Each regional cooperative government institution is autonomous in its operations. In bigger regions, such as Oromia, there are cooperative promotion offices in each zone. The districts (*woredas*)

are organized under zones, and in some regions they fall directly under regional cooperative promotion agency or office. The district offices organize, register and support primary cooperatives by locality. These zonal offices and regional bureaus/agencies/commissions monitor, regulate, conduct capacity building, register unions and federations, and provide technical backstopping, among others, to cooperatives. In Addis Ababa, parallel to the districts in the regions, each sub-city has a cooperative promotion team to organize and register primary cooperatives.

Although the exact number of cooperative staff by regions could not be obtained, it was indicated that the cooperative promotion offices are not fully staffed and that the turnover rate is high. For example, in Addis Ababa City Administration the cooperative promotion department is organized under Bureau of Trade and Industry and only seven of the 16 positions in the staff establishment are filled, leaving nine positions vacant as of June 2009.

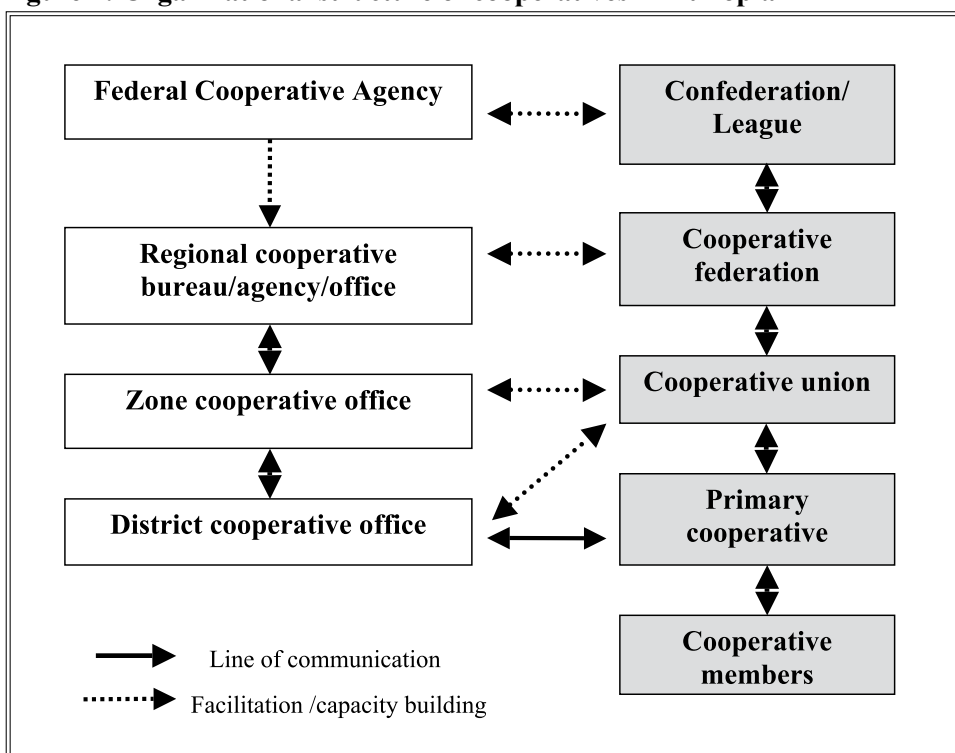
Cooperative promotion activities have unfortunately been undertaken by non-professionals. It is interesting to note that most of the staff working and managing cooperatives have not been formally trained in cooperatives. For instance, in Addis Ababa only one staff member has been formally educated in cooperatives at university level, while each of the sub-cities has just one graduate of cooperative studies. The others were assigned from related fields, such as economics, agriculture, and management, among others.

The most notable instability in the Ethiopian public institutions is wide spread and frequent organizational restructuring. For instance, in Tigray region the Cooperative Promotion Office was restructured and merged with the Rural Development and Agriculture Bureau. For the last four years, urban cooperatives were promoted by Trade and Industry Bureau, which did not receive adequate technical support due to the absence of trained experts in cooperatives in the Bureau. There are already indications that the cooperative promotion office is about to become an independent office with the mandate of promoting both rural and urban cooperatives under one umbrella. The restructuring has had negative consequences on the development and strength of the cooperative movement.

4.2 *Cooperative structure*

Cooperative policies and strategies are designed by the FCA and approved or enacted by the appropriate legislative body. The policies define how the cooperatives are organized and supported by cooperative promotion institutions. Though functionally they stand as independent institutions, cooperative organizations are closely linked with the supporting government cooperative institutions. The level of organizational hierarchy varies across regions. The figure below shows the common organizational hierarchy of cooperative organizations and the supporting government structures at different levels.

Figure 2: Organizational structure of cooperatives in Ethiopia



Source: Author’s own analysis

There are generally four organizational hierarchies of cooperatives in Ethiopia, namely,

- First level/primary cooperatives;
- Second level/cooperative unions;
- Third level/federation of cooperatives;
- Fourth level/ confederation of cooperatives.

However, only three of these hierarchies are currently functional. The confederation has yet to be established. The cooperative federations are established at regional levels and form the basis for establishment of the confederation. Once the confederation is established it will further develop partnerships among cooperative unions and primary cooperatives, in order to enhance the coordination of import/export activities. It will be an advocator for cooperatives, participate in policy dialogue and represent cooperatives in national and international forums. It will not be involved in usual cooperative business activities.

The Government has realized the importance of establishing cooperative federations and is providing technical and other supports through the regional cooperative promotion agencies/commissions. The FCA envisages establishing a total of 17 different types of cooperative federations at the national level over the next five

years. Five of these are to be established within the next three years. Planned federations include:

- A grain and input marketing farmers' cooperative federation;
- A coffee farmers' cooperative federation;
- A dairy and dairy products marketing cooperative federation;
- A vegetables and horticultural products farmers' cooperative federation.

Despite the FCA's intention to form national federations, regional governments are also seeking to establish regional cooperative federations. In the Southern Nations, Nationalities and Peoples Region (SNNPR), the Southern Region Farmers Cooperatives Federation was established in February 2008 and now serves as an apex cooperative body for the region. The federation has 13 cooperative unions and two primary cooperatives with approximately 85,000 farmers as members. The federation has raised a subscribed capital of five million ETB (USD 501,505). In Oromia region, the formation of Oromia Farmers Cooperatives Federation is under way. In the same region, the cooperatives promotion bureau facilitated the formation of a grain and input marketing cooperatives federation in which approximately 44 cooperative unions were members in 2009.

Cooperative unions have been established in Ethiopia with the objective of achieving greater economies of scale through increasing the bargaining power of primary cooperatives. Cooperative unions are a recent phenomenon in the history of cooperatives in Ethiopia. The Lume Adama Grain Farmers' Cooperative Union was the first cooperative union to be established in 1997, with the aim of increasing farmers' bargaining power in selling their grain. Since then, several unions have been established. Appropriate by-laws, articles of associations, minutes of the founding meetings, name and address of members and members of the management committee are a pre-requisite for the formal registration of both primary cooperatives and cooperative unions. Conditions set in the by-laws are binding and cooperatives are not allowed to undertake activities other than those stipulated in their by-laws. The Ethiopian commercial law provides the basis for cooperative by-laws.

According to the Plan for Accelerated and Sustainable Development to End Poverty (2006-2010), the government has planned to establish a cooperative union per district. When a cooperative union is formed at a district level it will have members from within one district and closely work with the district cooperative promotion office. Often however, the cooperative promotion office lacks technical capacity to support the unions and they are supported by the zone cooperative offices. When primary cooperatives in different districts form a union, they are often technically supported by the zone cooperative promotion office. Several cooperative unions, such as Merkeb in Amhara region and Oromia Coffee Farmers Union have primary cooperative members from different districts and zones.

4.3 Cooperative networking

Cooperatives like private and other organizations should develop viable horizontal networks and vertical linkages with partners, in order to deliver quality services to their members and increase their sustainability within a free and competitive market. They have to have up-to-date information exchange mechanisms on the price of products, the volume of production, the type of activities and government policies, so as to adjust their activities and services in line with supply and demand. However, the cooperatives in Ethiopia are poorly networked both locally and internationally. Knowledge sharing between representative bodies rarely exists, and the same pattern is observed amongst primary cooperatives. Even the existing cooperative unions rarely come together to voice the needs of their constituency. For instance, unions could not reverse the decision of the Government on importing fertilizer by AISCO in 2009. However, some cooperative unions, such as the Sidama and Oromia Coffee Farmers' cooperative unions, have an informal network to promote their products and mutual values in USA and Europe markets (Lemma, 2009).

In recent years, press coverage and media presence relating to cooperative development has increased in Ethiopia. The FCA has regular airtime in the Ethiopian radio programme called, 'the Voice of Cooperatives', which is transmitted in Amharic weekly for 15 minutes. This programme discusses the purposes of cooperation, different types of cooperatives, principles of cooperatives, the existing laws and legislations for cooperative formation and the history of cooperatives, among others. However, the majority of Ethiopians do not understand the language and the message is subsequently only communicated to a small portion of the population.

Another means of promoting cooperatives is also through exhibitions and panel discussions. Government agencies and ministries, such the Ministry of Agriculture and Rural Development and the Ministry of Information, also issue press releases on the contribution of cooperatives to economic development of Ethiopia and those activities of government will continue to support cooperative development. The latest evidence in this case is the press release given by the Ministry of Information in Addis Zemen Journal No.36 dated 16/10/2008, which iterated that cooperatives can be a facility for increasing competitiveness of farmers and that the Government continues to support cooperative promotion.

An annual magazine published by the public relations section of the FCA is also further evidence that reveals some improvement in media presence regarding coverage of the importance and development of cooperatives in Ethiopia. The press coverage and media presence should continue and be expanded to cater for a larger range of cooperative issues.

The networking among FCA, regional cooperative promotion bureaus, cooperatives and unions is not as desired. It operates on an *ad hoc* basis. Regular progress/performance review meetings should be established among these key stakeholders in cooperative development. There should establish a robust cooperative database,

by first establishing minimum cooperative data standard to enhance communication and consistency of data.

Networking among universities in Ethiopia in general, and cooperative departments in particular, is moderate. All universities/colleges are required by the Ministry of Education to adopt similar curricula. Although collaboration between universities exists, there is no well established networking between the cooperative departments. They have no practical or scheduled research programmes that look into cooperatives and have not developed technical linkage between universities and cooperatives. Most cooperative department teachers in universities do not have a cooperative educational background. They often come from fields of natural resource management, business and economics. For example in Mekelle University, there are 17 lecturers in the cooperative department, three of which have masters qualifications and three of which have a bachelor degree in cooperative studies. Thus poor staffing of universities can severely affect the effectiveness of the programme in terms of delivering proper education and knowledge generation that would enhance the cooperative movement.

5. Cooperatives and socio-economic development in Ethiopia

5.1 Economic significance

A large number of cooperatives in Ethiopia participate in marketing of agricultural inputs and produce. As a result, a significant proportion of cooperative unions are engaged in marketing of agricultural produce (Bernard et al., 2007). Cooperatives provide marketing options for the members and non-members, though the members receive higher prices for their produce. Cooperative unions are involved in export and domestic marketing activities, financial transactions and social capital development. The economic role of cooperatives is significant in terms of foreign currency earning for Ethiopia. For instance, four unions (Oromia, Yirga-Chefe, Sidama and Yeka-Chaka coffee farmers' unions) have generated a total USD 104,154,838 by exporting 36,593.36 tonnes of coffee between 2000-2007/08. This was equivalent to 0.9 per cent of Ethiopian GDP in 2006 (CSA, 2006).

Unions provide multiple services to their members. The major services delivered by cooperative unions to primary cooperatives include the following.

- Cooperative unions import agricultural inputs, such as fertilizer, seeds and chemicals, and distribute these inputs to members at reasonable prices. According to the information obtained FCA's annual survey, cooperatives accounted for 67 per cent of the total agricultural inputs that were imported by Ethiopia between 2000-2007/08. To further illustrate, 14 cooperative unions have imported a total of 906.2 metric ton of chemical fertilizers in the same period. It should be noted however that these achievements were possible due to the collateral provided by the Government, without which bank loans for importing fertilizer would not have been possible to obtain. Cooperatives were also responsible for distributing 75 per cent of

the total agricultural inputs that went to farmers during the same period. Seed multipliers cooperatives were able to satisfy 25 per cent to 35 per cent of seed demands in their locations.

- Some cooperative unions provide machinery renting services to cooperative members in order to introduce modern farming techniques at lower rental prices. For example, the Lume Adama Grain Farmers Cooperative Union in Oromia provides a tractor rental service, as well as seed and grain cleaners, harvesting machinery and transportation trucks to their members.
- Cooperative unions purchase agricultural produce from members at a competitive price and offer dividend on share capital to their members. The primary cooperatives get loans through unions and sell agricultural commodities to unions, which then sell the commodities in local and export markets. For example, coffee cooperatives purchase coffee in competitive markets, where the market price is determined by the competition between the traders and the cooperatives. Cooperatives sell the coffee to unions, which distribute 70 per cent of the profit as dividend and hold 30 per cent of the net profit including dividend from the unions (Kodama, 2007). These activities have increased the farmers' share of the commodity price margin. The existence of cooperatives in the coffee market has improved the purchasing price offered by private traders. But the activities and actual volume of coffee purchased by cooperatives is limited due to financial constraints.
- Other services cooperative unions provide to members include transportation of produce, storage of produce, credit, and facilitation of training to primary cooperatives.

The extent to which the services offered by cooperative unions meet the demands and needs of the members varies on a case by case basis. Some cooperatives unions have not provided the services demanded by member cooperatives at the level expected. A good illustration comes from the Geda Livestock Marketing Cooperatives Union in Oromia region, which could not render the required service to members due to management problems.

The achievements of coffee cooperative unions regarding development of business partnerships with Fair Trade are also worth mentioning. Of a particular importance is the dialogue made with Starbucks, an American giant coffee processor and retailer, in obtaining a trademark for the Ethiopian coffee - Yirga Chafe Coffee. The production of the “Black Gold” documentary film by Oromia Coffee Farmers’ Cooperative Union has also helped to raise the profile of Ethiopian coffee. These activities help to ensure that cooperatives in Ethiopia will hold the trademark and continue to help farmers earn premium prices from their coffee export.

The involvement of cooperative unions in economic activities is prominent in the following areas:

- Importation and distribution of agricultural inputs, such as fertilizers and chemicals;

- Export of agricultural commodities, such as coffee, oilseeds, and pulse crops such as haricot bean, among others;
- Marketing of agricultural produce for their members to the Government and private institutions.

The participation of cooperative unions in the economic activities is affected by their management capacity, experience and access to credit. Due to lack of a strong financial position and lack of a policy supporting their access to credit, cooperative unions are highly dependent on government collateral for accessing bank loans. It is in this regard that the government plays a key role in strengthening the financial capacity of cooperative unions, especially through allocation of foreign currency for the importation of agricultural inputs. For instance, the Government supported cooperative unions by allocating foreign currency and allowing unions to import fertilizers and pesticides in 2007 and 2008. However in 2009 the Government gave preference to the Agricultural Inputs Supply Corporation (AISCO).

In addition, the Government supports cooperatives for the purpose of stabilizing cereal prices. For instance, Lume Adama Grain Farmers' Cooperatives Union played a crucial role in the stabilization of prices by supplying food grain at a reasonable price during times of soaring food prices, as was seen in 2007/08. It appeared that cooperative unions acted in a socially responsible way as they did not take the soaring food price as an opportunity to increase prices.

5.2 *Employment creation, income generation and poverty reduction*

Data obtained from FCA indicates that as of 2007, there were 23,000 employees of primary cooperatives in Ethiopia. In the same year the employees of cooperative unions were estimated at 838, making the total number of employees working in cooperatives to be 23,838 in 2007. According to FCA (2008a), cooperatives also support the self employment of 115,079 members. Interviews with cooperative union leaders and regional cooperative agencies of the SNNPR and Oromia reveal that employment created by the unions and primary cooperatives is actually higher than earlier projected. Hence, the estimate given above may understate the role of cooperatives in employment creation. The following evidences were used to produce revised estimates of the total employment created by the cooperative movement and the income accruing from this employment.

Every union has a manager and between ten to 35 permanent employees with different fields of specializations. If we assume the average number of permanent employees per union to be 20, then the total number of permanent employees would be 2,860, which is higher than the 838 estimate by the FCA. Discussion with the union leaders also reveals that grain unions employ between 200 and 300 casual workers per year per union, while the coffee unions also have limited number of casual workers. As there are some cooperatives which do not employ any casual laborers, it is estimated that on average 150 casual workers are employed for an average of 30 days per year. The casual wage workers undertake packing of goods

as well as other extraneous work that emerge occasionally. Converting the casual works into fulltime work, by dividing the total labour-days of casual work by 264 work days, results in 2,437 jobs per year (a total of 6,392 jobs created by the cooperative unions). In general the cooperative movement created approximately 82,074 jobs in 2007, which amounts to approximately 0.2 per cent of total employment in Ethiopia.

Moreover, primary cooperatives employ different numbers of permanent and casual workers. For instance, grain farmers' primary cooperatives employ between five and ten permanent staff and pay an average salary of ETB 500 (USD 54) per month per person. They also employ casual wage workers occasionally. Dairy cooperatives employ comparatively more staff on a permanent basis. For instance, Adi'a Liban Farmers' Cooperative Society employed 70 permanent staff in 2007 and paid a total of ETB 225,600 (USD 24,442) in salaries, which is USD 349 per person. It also employed seven casual workers, with total wages amounting to ETB 6,450 (USD 699) during the year.

Coffee harvesting is labour intensive. Coffee cooperatives in the SNNPR region employ approximately five permanent staff and some 1,000 casual workers for approximately three months of the year. Kenteri Primary Cooperative Society of the Jimma district of Oromia employed nine permanent staffs and paid a total of ETB 42,300 (USD 4,583) in salaries during 2007. It also employed 51 casual workers for 83 days that amounted to a total wage bill of ETB 24,271 (USD 2,630).

Rural Saving and Credit Cooperatives (SACCOs) employ some permanent staff and may not need casual workers. For instance, Hunde Challa Rural Saving and Credit of Lode Itossa in Arsi Zone of Oromia employed five permanent staff and had no casual workers.

As there is diversity among the primary cooperatives in terms of employment and payment for staff, some medium and average calculations were taken to estimate the economic contribution of cooperatives to employment and income. Hence, only 50 per cent of the primary cooperatives are assumed to employ permanent staff and the average number of staff per cooperative is assumed to be five persons. Moreover, 50 per cent of the primary cooperatives on average employ 20 casual workers for 30 days per year. Table 3 shows the estimated employment and related income of those associated with cooperatives.

Table 3: Estimated employment and related income in the cooperative movement

Employment variable	Union	Primary Cooperatives	Cooperative bank	Total
No. of self-employed		115,079		115,079
No. of permanent employees*	2,860	57,918	492	61,270
No. of casual employees (labour days)**	643,500	6,950,100		7,593,600
Total employment (persons)***	4,623	76,959	492	82,074
Permanent employment income (ETB)	71,500,000	347,505,000	9,300,000	428,305,000
Casual employment income (ETB)	9,652,500	104,251,500		113,904,000
Total employment income (ETB)	81,152,500	451,756,500	9,300,000	542,209,000
Dividend distributed to cooperative members (ETB)	N/A	N/A	N/A	15,000,000
Estimate of total economic benefits of cooperative (ETB)	N/A	N/A	N/A	557,209,000

* It is assumed that 50 per cent of the primary cooperatives effectively employ staff, others rely on committee work. This does not include self employment of 115,079 which was reported by FCA (2008a)

** Casual work is in man-days; unions employ on average 150 persons for a month while 50 per cent of the primary cooperatives employ 20 workers for 30 days.

*** Converted into equivalent of permanent job for a year (i.e. 264 work days)

Source: Own compilation from different secondary and primary sources.

In addition, cooperatives also make a surplus and distribute dividends to the cooperative members. For instance, during the year 2007 a total of ETB 15 million (USD 1.63 million) was distributed to cooperative members as dividends. These figures are indicative of the economic contribution of cooperatives to the economy. The payment of the dividend to the members by cooperatives has played a great role in changing the negative image of cooperatives during the Derg regime.

5.3 *Social protection*

Cooperatives in Ethiopia give a wide range of an implicit social protection to their members (FCA 2008b). They collect products from their members at fair prices during harvest time, when prices usually fall drastically. Produce is then sold when prices recover. This reduces the vulnerability of the producers to exploitation from traders, and thus provides an implicit insurance for the cooperative members, which means that the value of their produce will not fall below an acceptable limit. The services rendered to the cooperative members include input supply, marketing, processing and exporting of agricultural commodities. The other form of social protection that cooperatives offer to their members includes lending money when their members face unexpected expenses. These financial services protect cooperative members from selling their productive assets. For instance, cooperative unions borrow from banks and lend to primary cooperatives so that they finance the purchase of agricultural commodities and engage in business activities. These primary cooperatives cannot individually access credit from banks, so the cooperative unions enhance access to credit in order to decrease the vulnerability of their members. SACCOs are inclusive of the poor and enable them to save some of their income and support their access credit so that they may generate income and accumulate assets. Attempts to develop micro-insurance facilities are underway through projects initiated by organizations such as the ILO and others.

5.4 *Cooperative representation*

The strengthening of cooperative unions in recent times is likely to enhance the voice and representation of cooperatives in Ethiopia. Members are putting a lot of trust in strong cooperative unions. The problems faced by the primary cooperatives and unions have previously been conveyed to government bodies through the cooperative management committees. The forthcoming cooperative federations, and the envisaged confederation, are also likely to increase the voice of cooperatives through creation of relations/linkages with international sister institutions and participation in cooperative forums in local, national and international settings.

NGOs have also helped cooperative unions to be heard, so that producers get fair prices in the international market. A recent national phenomenon is the movement ignited by Oxfam America that sought to promote fair trade for coffee growers and particularly the Trademark for Yirga-Chefe coffee. The movement initiated by the NGO was supported by government and other stakeholders, and finally succeeded with the trademark being accepted and established.

To increase the capacity of cooperatives to influence government policy and legislation, it is of paramount importance to pay great attention to members' awareness creation, human resource development for cooperatives, and cooperative research. Suitable human capacity development and human resource management schemes for cooperatives need to be put in place. Promoting academic research amongst cooperatives is necessary to ensure that cooperatives use innovative methods and

develop competitiveness to enhance their effectiveness and efficiency. It is also important to organize an independent cooperative federation or confederation to ensure that the voice of cooperative members is heard.

6. Partnerships in Cooperative Development

Partnership with government and non-government institutions aim to overcome the bottlenecks associated with effective cooperative functioning. In recent times, many government agencies, donors and NGOs have shown great interest in supporting cooperatives in many different ways. Donors have used local NGOs or operate through government offices to support cooperative development.

6.1 FCA and institutional capacity building

The key service the FCA provides is technical advice to the regional offices and the cooperative unions. Generally, the FCA and the respective regional cooperative promotion bodies are involved in promotion, organizing, registration, regulation, inspection, auditing, and giving technical support to 2,437 cooperatives.

The FCA works more on capacity building and on improving the networking of cooperative organizations. The Rural Financial Intermediation Programme (RUFIP) is a support programme designed by the FCA and funded by the African Development Bank and International Fund for Agricultural Development (IFAD) to build the capacity of cooperatives engaged in rural saving and credit services. The RUFIP capacity building project started in 2004 and has two main components, namely training and credit service for cooperatives. The targeted beneficiaries for credit components are SACCOs, though this has not been implemented yet. RUFIP training has been facilitated and organized across two levels. Firstly, training of trainers for 147 Auditors, 43 senior cooperative union managers and 243 regional and federal cooperative experts was conducted. Ambo College and Mekelle University offered TOT training. Between 2009 and 2010, RUFIP has contracted Ambo College to give similar training for cooperatives. Secondly, training was conducted at zone and district levels and this training was given to 486 district cooperative experts, 11,200 rural SACCO management committee members, 46 union management staff and 11 union staff (FCA, 2008c). The training courses that were delivered included cooperative organization management, credit analysis, financial management, accounting and book-keeping.

The training given by government and other institutions (such as the FCA, the regional cooperative bureaus/ offices, NGOs and international organizations including the ILO) supports institutional capacity building and has helped create a more stable and functional environment for cooperative unions. RUFIP is also financing long-term training on cooperatives. Accordingly, 28 bachelor degree and 35 master degree students are pursuing long-term training in cooperatives. 30 of the students are drawn from regional offices, 28 from districts and five from the FCA. Moreover, RUFIP has facilitated and sponsored experience sharing visits abroad (Kenya and India) for 60 people (including four regional presidents).

In total, the FCA has provided short-term training for 4,463 management staff, 233 employees of cooperatives and 2,170 experts on different cooperative related subjects. It has facilitated and coordinated long term training for 79 first degree, 10 second degree and 14 post-graduate diploma cooperative students. Moreover, FCA stated that it has facilitated an experience sharing tour in India and Kenya for 36 heads of regional cooperative promotion bureaus for ten days. The theme of the experience sharing visit was the significance of cooperatives for the economic and social development of Ethiopia.

Besides long term education/training at bachelor and masters levels, colleges and universities provide demand driven short-term training on cooperatives. For instance, Ambo College has given refresher and introductory courses on rural SACCOs and capacity building for 135 smallholder farmers. The available information on training given by higher education institutions is summarized in the table below.

Table 4: Short-term training offered to cooperatives by tertiary institutions

Training course	No. of trainees			Duration	University/College
	Male	Female	Total		
Capacity building of smallholders	100	21	121	-	Ambo College
Introduction to rural SACCOs	124	32	156	-	Ambo College
Cooperative accounting	7	-	7	2 months	Hawassa University
Cooperative management	7	-	7	2 months	Hawassa University
Business plan development	7	-	7	2 months	Hawassa University
Human resource management	7	-	7	2 months	Hawassa University
Total	252	53	306		

Source: Author's own compilation

Cooperative departments of universities are also expected to conduct research for cooperative promotion. In this regard, the Cooperative Department of Hawassa University, in collaboration with the SNNPR Cooperative Agency, played a crucial role in research that resulted in the establishment of the Southern Region Farmers Cooperatives Federation.

Capacity building programmes operate two projects in SNNPR and Oromia regions in Ethiopia with seven secondary cooperatives unions. The cooperative unions have been selected as entry points for the programme intervention, with the purpose of building and strengthening cooperative unions so that they can support

primary cooperatives in market oriented agriculture. This is to be achieved through developing linkages between the cooperative unions, market outlets and agricultural research centers, to ensure that farmers are producing high yielding and high value crops. This initiative is also strengthening the financial and management capacities of cooperative unions and primary cooperatives.

The involvement of NGOs in cooperative development in Ethiopia is of great value, as the Government's financial and administrative capacity is limited. NGOs provide support by arranging experience sharing among cooperatives locally and internationally, which helps the cooperatives to widen their perspectives. They also engage in capacity building activities through short-term training, especially for cooperative management in different themes, including:

- i) Business Planning;
- ii) Marketing;
- iii) Financial Management;
- iv) Cooperative Management;
- v) Production Techniques.

How the training needs of cooperatives are identified is worth further investigation. It has been indicated that trainings should focus to the needs of the cooperatives and should be provided using standard training materials. The training duration in the majority of the cases ranges between a week and one month. The duration is usually set by donors and depends on the availability of funding.

6.2 *International agencies and NGOs*

The international agencies that have been supporting cooperatives in Ethiopia include the ILO, IFAD, UNDP, FAO, World Bank and African Development Bank. More importantly, the ILO has been giving support for the cooperative reform in Ethiopia since 1990. USAID and GTZ are among the bilateral agencies that are involved in supporting cooperatives in Ethiopia.

Key NGOs involved in supporting cooperatives in Ethiopia include ActionAID Ethiopia, ACDI/VOCA, Self Help Development International, Oxfam America and GB, Hunde, SOS/Sahel International UK and World Vision, among others. NGOs implementing integrated rural development activities have components of income generation through micro or small scale business activities, which require farmers' cooperation to mobilize resources through SACCOs.

Although describing the activities of all NGOs supporting cooperatives is beyond the scope of this assessment, the experiences of ACDI/VOCA Ethiopia and Self Help Development International are outlined for demonstration. ACDI/VOCA is an American based NGO known for supporting cooperatives in Ethiopia. ACDI/VOCA previously provided exclusive support to cooperatives under the programme known as 'Agricultural Cooperatives Ethiopia' (ACE). This programme was phased-out

in 2006. Since then ACDI/VOCA, in partnership with the Government, has been involved in promoting cooperative organizations and supporting capacity building. In 2005 ACDI/VOCA initiated another project known as the ‘Pastoralist Livelihood Initiative’ (PLI), which supports livestock based cooperatives. The project is involved in constructing modern marketing infrastructures and establishing market linkages among cooperatives and export abattoirs and also provides experience sharing visits for cooperatives. ACDI/VOCA gave interest free emergency credit for livestock cooperatives during the 2006 drought in the pastoral areas of Somali and Oromia. This project wrapped-up its activities in August 2008. According to the information obtained from the programme officer at ACDI/VOCA, another project named ‘FEEDS’ is in pipeline. This project has been developed to work with cooperatives for fattening of livestock.

Self Help Development International is non-profit organization that was established in Ireland in 1984. The organization is currently operating in five African countries, including Ethiopia. It is currently implementing five programmes in Ethiopia, and two of these programmes have the explicit mandate to work with cooperatives (Capacity Building for Agricultural Cooperatives and Capacity Building for SACCOs). Self Help Development International implements its various rural development programmes in food insecure and drought prone areas of Oromia and SNNPR regional states. Self Help Development International’s strategic plan midterm review report indicates that the two programmes on cooperatives have achieved great success in supporting cooperatives to develop SACCOs and unions in areas such as east Hararghe of Oromia.

NGOs generally work with district cooperative promotion offices to facilitate the establishment of primary cooperatives and cooperative unions. They provide a wide range of supports to cooperatives, including material support, advocacy on fair trade, cooperative restructuring and/ or establishing new cooperatives, technical support, training and other capacity building supports.

In general, the donors and NGOs support training through programmes such as RUFIP, or work closely with government at the regional or local levels. The tasks accomplished by SOS/Sahel in promoting honey marketing cooperatives are exemplary.

6.3 Universities and cooperative training

Since 2003, four government universities, namely Haramaya University, Hawassa and Mekelle universities and Ambo College have been training students in cooperatives by establishing cooperative studies as an academic department. Ambo College began its first cooperative degree (BSc degree) in 2006 and second degree (MSc) programme in 2006. Up to August 2008, sixteen MSc students (all male) and 341 BSc students (100 females) graduated from Ambo College. As of 2008, 31 MSc students (1 Female) and 194 BSc students (103 Female) are currently enrolled in the cooperative department of the college.

Hawassa University began teaching its first cooperative degree (BSc degree) in 2003, followed by a diploma programme in 2004. Up to August 2008, 277 BSc students (65 female) and 40 diploma students (17 female) have graduated from Hawassa University. 322 BSc students (55 Female) are currently (2008/09) enrolled in cooperative programme at the university.

Similarly Mekelle University started a Bachelor of Science in Cooperatives programme in 2003 and a Master of Science degree in Cooperative Studies in 2006. So far 29 MSc (3 Females) and 334 BSc students have graduated from this university.

Haramaya University started cooperative education in 2004 and graduated a total of 330 (40 females) students with Bachelor of Science degrees. Currently, 232 students (57 female) are enrolled in cooperatives department. Overall 1,367 students graduated from the four universities/colleges in cooperative. Table 5 below provides a breakdown of this data. The graduation of students in cooperatives and entry into the labour market could have a great impact on the existing shortage of qualified human resources in cooperatives.

Table 5: Graduates from four universities in Ethiopia (2003-2008)

University	Diploma	B.Sc Degree	M.Sc Degree
Ambo		341	16
Hawassa	40	277	
Mekelle		334	29
Haramaya		330	
Total	40	1,282	45

Source: Author's compilation

Three Technical Vocational Education and Training (TVET) colleges namely Ardayta, Agarfa and Bokoji have offered training in cooperative at the diploma level since 2004. Ardayta College exclusively teaches cooperative education at the diploma level. The other two TVET colleges run cooperative certificate courses, as well as training in other fields/discipline. The TVET colleges offer training for two years under the Department of Cooperative Organization, Management, and Marketing. The TVET used to be managed by the Regional Bureau of Agriculture and Rural Development until 2007/08 when it was transferred to the Regional Bureau of Education. According to the data obtained from Oromia Agriculture and Rural Development Bureau, the colleges have seen a total of 1,022 persons graduate with a diploma over the last four years (2005-2008).

In general, the development of qualified human resources that specialize in cooperatives increases the linkages between the cooperatives and the universities/colleges. However, this linkage has not seen research partnerships between academy and cooperatives increase. It was also noted that due to high staff turnover due to institutional restructuring, the cooperative movement still lacks adequate human resources.

7. Vibrancy of cooperatives and challenges to cooperative development

7.1 The vibrancy of cooperatives

Coffee cooperatives are some of the most successful in Ethiopia. The most vibrant of these is the Oromia Coffee Union, which increased its coffee export by supplying quality coffee. The Oromia Coffee Union is in the process of establishing a coffee processing factory, which will employ approximately 161 permanent staff and several casual laborers.

Several cooperatives and their unions are organized in the grain marketing sector. The most vibrant union in this sector is Lume Adama Grain Farmers Cooperative Union. The union provides a wide range of services to its members, including the renting of equipment and distribution of improved seeds and chemicals and fertilizer, among others. To overcome the existing challenges and exploit opportunities, cooperatives should be innovative and do business differently. In this line, there are few cooperatives in Ethiopia which are striving to build vibrancy. Lume Adama Grain Farmers Cooperative Union currently employs 35 permanent staff and 200-300 casual workers per year. It has a visionary management team and provides economic benefits to its members in terms of supply of agricultural inputs and distribution of dividends. Guzamen Union (Amhara region) and Inderta (Tigray region) are also vibrant cooperatives in Ethiopia. The highly vibrant grain unions participate in the importation of fertilizer for Ethiopia. Accordingly, seven unions in Oromia, three unions in Amhara, two unions in SNNRP and one union in Tigray imported fertilizer during 2008. This trend has ceased in 2009, when the Government opted to import fertilizer through AISCO.

Generally the vibrancy of cooperatives depends on the nature of activities undertaken, location, type of cooperative, purpose and the period for which the cooperative has been established. For instance, housing cooperatives exist only until the houses are constructed. There was, however, a high boom for housing cooperatives in Addis Ababa between 2003 and 2005. After 2005 the establishment of housing cooperatives in Addis Ababa was suspended. Similarly many consumer cooperatives are being established in many towns in Ethiopia, especially in Addis Ababa owing to current price inflation. However, few cooperatives have become operational. Exceptions include coffee and mineral cooperatives, which have already entered into export markets and become viable.

The vitality of cooperatives also highly depends on the financial and organizational management capacity of individual cooperatives. Primary cooperatives cannot generally afford to recruit highly skilled employees and are managed by management committees drawn from their members.

7.2 *Challenges to cooperative development*

The challenges that cooperatives face in their development are immense. Spielman (2008: 33) sums the challenges of cooperatives as follows:

Tension exists between the growing roles and responsibilities of cooperatives in Ethiopia's economy, and the limited capacity available to manage their roles and responsibilities. A similar tension exists between cooperatives' efforts to develop effective internal governance systems and decision-making processes, and their need to respond to external priorities, market opportunities, and general changes in Ethiopia's wider socioeconomic conditions. Other tensions emerge from the efforts to promote cooperatives as an inclusive solution to realizing market opportunities, and the limits on inclusiveness posed by the actual design and function of cooperatives.

The discussion below further illuminates why these tensions and challenges exist, particularly why cooperatives have struggled with capacity building and how their constraints are related to other institutions.

Cooperatives in Ethiopia have great affiliation with the Government. Cooperative formation often starts from a government initiative through its government structures. Government also facilitates support from NGOs to cooperatives, in terms of materials, finance and training. The formation of cooperative unions is also motivated by the Government, especially through regional and district level cooperative promotion bodies. Hence, most cooperative union managers are seconded from government. The current practice reveals that cooperative unions have little capacity for policy advocacy. Cooperative unions, as the apex of the cooperatives in most regions, are not strong enough to influence government policy. They are weak in terms of capacity and require government support. Only a few cooperatives, such as the Lume Adama Grain Farmers Cooperatives Union (Oromia region), Oromia Coffee Union, Sidama Coffee Union (SNNPR), Guzamen Union (Amhara region) and Inderta Union of Tigray, are strong enough to execute their activities independently. It was indicated during interviews with cooperative union managers that as capacity increases, political influence will usually decline.

The linkage with other member based organizations, such as workers' unions and employers' organizations, is very weak or almost negligible. Moreover the workers' unions do not promote importance of cooperatives within the community and most of them have very weak linkages with their own members because of poor managerial capacity.

Cooperatives also encounter technical skills constraints and capital shortages, which hinders the attainment of objectives. Lack of skills in cooperative development is also attributed the allocation of cooperative professionals to other sectors and replacing them with people who have no cooperative background, which affects

the performance of cooperatives. Human resources development is crucial for sustainable development of cooperative organizations.

Primary cooperatives lack access to financial services. Even unions need collateral from governments in order to borrow from banks. Thus, government attempts to support cooperative development through facilitating access to credit services. However, the credit service provided through this mechanism does not allow for long-term investment options that could potentially add value to farmers' products. Almost all cooperatives in Ethiopia do not have access to long-term credit service for investment purposes.

8. Conclusion and recommendations

8.1 Conclusion

The importance of cooperatives for social and economic development in Ethiopia has been recognized by the government of Ethiopia. As a result, the Government has been committed to the promotion of cooperative development through its cooperative support institutions. These efforts have seen a steady increase in the number of cooperatives in Ethiopia in the recent years. However, the level of support has been inadequate as demonstrated by the effort to increase the number of primary cooperatives and unions without giving due attention to improving their functionality and technical viability.

Without doubt, globalization has created new and different pressures, problems, challenges and opportunities for cooperatives. Continuing with a 'business as usual' approach will have repercussions for the vibrancy of many cooperatives in Ethiopia. The time requires a new mind set, quality leadership, modern cooperative management and modern financial management techniques in order to ensure cooperatives are sustainable and able to meet their multiple objectives. All stakeholders in cooperative development in Ethiopia should not only focus on increasing the number of cooperatives, but should also give due attention to enhancing cooperative functionality and technical viability. Coordination among stakeholders involved in cooperative promotion is necessary. The capacity to do this should be strengthened across the FCA and regional governments.

Vibrant and innovative cooperatives, such as the Oromia Coffee Union, are entering into a new product line to increase their share of the value chain. Involvement of cooperatives in new product processing and marketing lines should be encouraged. This will enable them to be more active in the value chain and increase their market shares and surplus margins.

Given the diverse range of activities that primary cooperatives and cooperatives unions are engaged in and the variation of these activities by regions, cooperative unions may have trouble providing a representative and coherent voice for their members. This calls for the formation of cooperative federations. The formation

of the Southern Region Farmers Cooperatives Federation is a breakthrough in this regard. The Oromia region cooperative promotion commission has made good progress in establishing agricultural marketing cooperatives federation. However, realization of a cooperative confederation is necessary for advocacy, policy and representation of the cooperative movement. All stakeholders should give the necessary support required for the realization of cooperative federations and seek to replicate this model within their own regions.

The cooperative movement has been facing critical shortage of skilled human resources. The institutions supporting cooperatives in Ethiopia suffer from frequent structural changes. This affects the performance of cooperatives and the data management system. Overcoming these problems will enhance the role of cooperatives in economic and social development.

8.2 *Recommendations*

- i) Strong support is needed for the formation and operation of regional/national cooperative federations and a national confederation. Continued capacity building work is needed, particularly through training. Material and technical supports are also necessary to put the cooperatives on a promising growth path. With the formation of a national cooperative federation, cooperative alliance with regional and international cooperative organizations can be built.
- ii) Efforts being made to support cooperatives should be consolidated. An in-depth study to understand the contributions of the different stakeholders and the economic and social contribution of cooperatives is necessary.
- iii) Statistics of cooperatives across regions could lead one to understand that the number of cooperatives, especially SACCOs established in rural areas, is smaller than they are in reality. Extra effort should be made to establish and strengthen rural cooperatives with priority given to cooperatives that can engage in value addition to livestock products and provision of services to the community.
- iv) Moreover, many primary cooperatives are usually managed by cooperative management committees that lack modern cooperative management skills. It is, therefore, important to build the capacity of primary cooperative management committees and their staff. Moreover, awareness creation for policy makers and officers of government cooperative institutions at different levels should be given emphasis so as to effectively promote and develop cooperatives.
- v) Partnership among higher institutions involved in teaching cooperative issues and cooperatives should be established and strengthened to overcome the human resources limitations. Universities and colleges should also be involved in applied cooperative development research, in order to find innovative ways of enhancing cooperative functioning.

- vi) Cooperative financial and physical data management system should be improved. A cooperative database should also be established and regularly updated to include newly registered cooperatives and deletion of deregistered cooperatives.
- vii) Emphasis should be given to promote participation of the youth and women in the cooperative movement. The participation of women and youth can be increased through awareness creation programmes.
- viii) The FCA should broadcast the “Voice of Cooperative” in multiple languages to reach a larger proportion of the Ethiopian population.

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Cooperatives: a path to economic and social empowerment in Ethiopia

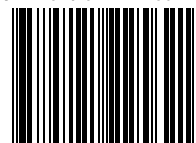
Bezabih Emana

Cooperative associations have existed in Ethiopian society for centuries. However, the history of formal cooperatives in Ethiopia dates back to 1960, when the first cooperatives' directive was enacted. Since this time cooperative policy and law has undertaken many reforms and cooperatives have come to play a crucial role in economic and social development. For instance, the cooperative sector created approximately 82,074 jobs and provided over half a billion Ethiopian Birr in income from this employment in 2007. The participation of cooperatives in agro-processing, marketing and finance (saving, credit and banking) is increasing. The social role of cooperatives is ensured through voicing of common goals via cooperative unions, enhanced participation in value chains and protection of producers from unfair pricing. However, the functioning and development of cooperatives and their support institutions is constrained by frequent reform, shortage of skilled human resources and limited awareness of cooperative approaches to development.

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