Mobilizing Rural Institutions for Sustainable Livelihoods and Equitable Development

A Case Study of Farmer Cooperatives in Ethiopia: An Overview

By
David J. Spielman
International Food Policy Research Institute
Addis Ababa, Ethiopia

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International Food Policy Research Institute
2033 K St., NW
Washington, D.C. 20006
U.S.A.

P.O. Box 5689
Addis Ababa, Ethiopia
Executive Summary

The rural poor in developing countries are often at a competitive disadvantage in the wider economy because of deep and persistent market, state and institutional failures. However, there is growing evidence to suggest that membership-based rural producer organizations (RPOs) can help small-scale, resource-poor farmer to overcome these failures, participate more actively in the economy, and benefits from processes of growth and development. Policies and programs designed in recognition of this potential have succeeded in many parts of Asia, and have contributed significantly to reducing food insecurity and rural poverty, while also stimulating agricultural development and wider economic growth.

These issues are particularly relevant in Ethiopia, a country where food insecurity and rural poverty persist despite a range of forward-looking policies and investments in the agricultural sector. Indeed, Ethiopia represents one of the world’s greatest challenges in terms of agricultural development and economic growth. The country’s agricultural sector accounts for about 40 percent of national GDP, 90 percent of exports, 85 percent of employment, and 90 percent of the poor. Yet 37 percent of its farming households cultivate less than 0.5 hectares, 87 percent cultivate less than 2 hectares, and just 28 percent of total agricultural output is commercialized. Marginal productivity of rural labor is estimated at close to zero, while rural access to rural infrastructure such as roads, water, and electricity is extremely limited.

Over the 15 years, the Government of Ethiopia has embarked on an ambitious plan to promote farmers’ cooperatives throughout the country. The plan aims to extend cooperative services throughout the country to supply production inputs to smallholders and market surplus output from smallholders. What remains to be seen is whether the implementation of this plan is contributing to the improvement of rural livelihoods in the country.

This study provides attempts to fill this knowledge gap by examining how cooperatives in Ethiopia (a) facilitate commercial linkages between smallholders and markets, (b) manage scarce natural resources at the community level, and (c) strengthen local governance systems and the articulation of community voice. It does so by examining the following research questions. First, who tends to participate in cooperatives, how inclusive are they of smallholders, and how responsive are they to smallholder demands? Second, how do smallholders interact with cooperatives, and how does participation actually translate into benefits for smallholders? Third, what options are available to the Government and its development partners to strengthen the role of cooperatives in support of its overall policy objectives, and what types of interventions can be employed to enhance participation, inclusiveness, decentralized decision-making, and local ownership of cooperatives?

The data used to answer these questions are drawn from three sources: (a) a set of eight case studies conducted in selected cooperatives and woredas (districts) in 2007; (b) a large-scale survey of smallholder cooperatives conducted in Ethiopia in 2006; and (c) a nationally-representative survey of smallholder commercialization in Ethiopia conducted in 2005.

The study’s findings suggest that a range of “tensions” underlie the growth and promotion of smallholder cooperatives in Ethiopia. For example, 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.
Specific findings and recommendations are as follows. It should be noted, however, that these findings are drawn from an assessment of a cooperative promotion effort that is at an interim phase of development, using qualitative data from a small number of non-representative case studies and quantitative data from sources that were designed for varying (and sometimes different) research objectives. Thus, the conclusions given here are only meant to stimulate the discussion and exploration of innovative policy solutions to improve rural livelihoods through cooperatives.

1. The cooperative as a development partner. Cooperatives exist within a wide landscape of organizations and institutions involved in improving the welfare of smallholders in Ethiopia. This landscape includes public administrative, extension and financial services, nongovernmental and civil society organizations, private companies and industries, and traditional and party-based governance institutions. Yet few of these actors develop long-term relationships with cooperatives, instead preferring one-time interactions (e.g., transfers of crop/technology packages or irrigation equipment) over investments in capacity strengthening in areas such as cooperative management, social mobilization, or conflict resolution.

Recommendation. Federal and regional policies and investments to promote cooperatives should take advantage of this diverse institutional landscape to leverage more, and more long-term, resources and expertise for cooperative development. Closer and more productive linkages with industry and civil society may contribute to strengthening cooperatives, and thus the impact of cooperatives on rural livelihoods.

2. The limits on inclusion and representation. Cooperatives are unlikely to become as inclusive as the current Government efforts are hoping for. Inclusiveness is limited by factors including the history and legacy of cooperatives in previous regimes; the current processes of cooperative conception and formation; the terms and conditions of membership; the absence of sufficient economic incentives; and the tradeoff between scale economies and coordination costs in a cooperative.

Recommendation. Policies and investments made to promote cooperatives should be further developed in recognition of the reality that (a) alternative interventions must co-exist to respond to the needs of households that are excluded from cooperatives (e.g., the Productive Safety Net Program); (b) the unintended benefits generated by cooperatives means that all-inclusive membership may not be a necessary condition for improving rural livelihoods (e.g., seed and fertilizer supply); and (c) tradeoffs between specialized and diversified activities in a cooperative, making inclusiveness goals potentially incompatible with economic goals for cooperatives.

3. The internal governance challenge. Cooperative governance and management systems and capacities are still under development. While many cooperative members express some degree of satisfaction with the services provided by their cooperative, issues such as participation, responsiveness, accountability and adaptability are concerns raised often by members. Of particular concern is the high degree of upward accountability, i.e., to administrative bureaus located at the woreda level.

Recommendations. Greater investment is needed in strengthening the capacity of cooperatives to govern and manage themselves independently from administrative bureaus located at the woreda level. Paradoxically, this will require new and innovative investments in developing the skills of staff located in these administrative bureaus. This can be partly achieved by improving the curriculum and teaching practices in Ethiopia’s Agricultural Technical, Vocational Educational Training (ATVET) colleges, particularly with respect to topics such social mobilization, cooperative management, cooperative accounting and bookkeeping and community conflict resolution. This is one particular area that international donors can contribute by providing financial resources and international expertise to address urgent capacity strengthening challenges and priorities.
4. The external governance challenge. Cooperatives and local governance systems are closely linked by interactions at multiple levels. Cooperatives play a central role in providing smallholders with access to production inputs and collective marketing services, while also providing for the collective management of common pool resources and the implementation of government programs and projects. Their leadership often combines formal and informal governance systems at the local level, while also articulating some degree of community voice. These interactions have the potential to strengthen the role of cooperatives in local development. However, these interactions also run risks associated with the historically weak levels of trust between government and community in some parts of Ethiopia.

Recommendation. While continued support of functioning and nascent cooperatives from administrative bureaus located at the woreda level may be necessary, strategies are needed to graduate cooperatives to higher levels of independence and separate them from their ties to the state. Such strategies might include efforts to extricate local administrative and political intervention in cooperative management and governance, and efforts to invest more in capacity-building efforts to enhance the private-sector orientation of cooperatives and to link them with other organizations that can provide capacity strengthening support.
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Any and all errors are the sole responsibility of the author. Contact information: International Food Policy Research Institute, P.O. Box 5689, Addis Ababa, Ethiopia; e-mail: d.spielman@cgiar.org.
1. Rural institutions and livelihoods: an overview

The rural poor in developing countries are often at a competitive disadvantage in the wider economy because of persistent market, state and institutional failures. For example, smallholders may face difficulties in selling their small agricultural surpluses because of the prohibitively high transactions costs incurred in assembling, transporting and marketing these surpluses. Smallholders may be unable to access necessary public sector services needed to sustain and improve their livelihoods—services such as input supply, output marketing, credit provision, or conflict mediation—because the state’s infrastructure is insufficiently responsive to their needs. Smallholders may also face long-term difficulties in managing scarce common-pool resources because local socioeconomic institutions fail to emerge and establish commonly-accepted systems to govern the resources’ use and to resolve conflicts.

There is a growing body of empirical evidence to suggest that membership-based rural producer organizations (RPOs)—one among several types of rural institutions—can help overcome these market, state and institutional failures (World Bank 2007; Chen et al. 2006). For example, RPOs can help smallholders achieve scale economies in input provision and output marketing, thus reducing their costs of production and improving their bargaining power in the marketplace. RPOs can also lend voice to the needs of the rural poor, and thus improve their ability to demand public resources, resolve local conflicts, or manage their own development priorities (World Bank 2003; Berdegué 2001; Collion and Rondot 1998).

RPOs can potentially play a role in improving smallholder productivity and commercialization, managing scarce natural resources, and strengthening local governance systems. Policies and programs designed in recognition of this potential have succeeded in many parts of Asia, and have contributed significantly to reducing food insecurity and rural poverty, while also stimulating agricultural development and wider economic growth.

These issues are particularly relevant to Ethiopia, a country where food insecurity and rural poverty persist despite a range of forward-looking policies and investments in the agricultural sector. Indeed, Ethiopia represents one of the world’s greatest challenges in terms of agricultural development and economic growth. The country’s agricultural sector accounts for about 40 percent of national GDP, 90 percent of exports, 85 percent of employment, and 90 percent of the poor. Moreover, its agricultural sector is deeply dependent on smallholder subsistence production systems: Just 28 percent of total agricultural output is commercialized (Dessalegn, Jayne, and Shaffer 1998). About 37 percent of farming households in the country cultivate less than 0.5 hectares and about 87 percent cultivate less than 2
hectares (CSA 2003). Marginal productivity of labor in agriculture is estimated at close to zero, while rural access to rural infrastructure such as roads, water, and electricity is extremely limited (Table 1).

### Table 1. Key economic indicators, Ethiopia and sub-Saharan Africa, c. 2002–04

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Ethiopia</th>
<th>Sub-Saharan Africa</th>
</tr>
</thead>
<tbody>
<tr>
<td>GDP growth rate (%)</td>
<td>5.2</td>
<td>3.6</td>
</tr>
<tr>
<td>Agricultural GDP (% of GDP)</td>
<td>46</td>
<td>18</td>
</tr>
<tr>
<td>Rural population (% of total population)</td>
<td>85</td>
<td>66</td>
</tr>
<tr>
<td>Agricultural population density (persons/ha)</td>
<td>5</td>
<td>2</td>
</tr>
<tr>
<td>Cereal yield (kg/ha)</td>
<td>1,242</td>
<td>1,086</td>
</tr>
<tr>
<td>Foreign direct investment (% of GDP)</td>
<td>4</td>
<td>3</td>
</tr>
<tr>
<td>Cereal exports (in millions of US$)</td>
<td>1.73</td>
<td>-</td>
</tr>
<tr>
<td>Avg. export unit value of cereals (US$/ton)</td>
<td>330</td>
<td>-</td>
</tr>
<tr>
<td>Cereal surplus (exports - imports) (in 1,000 tons)</td>
<td>-52</td>
<td>-</td>
</tr>
<tr>
<td>Proportion of undernourished in total population</td>
<td>46</td>
<td>33</td>
</tr>
<tr>
<td>Poverty (% of population below national poverty line)</td>
<td>44</td>
<td>-</td>
</tr>
<tr>
<td>Literacy (% of population age 15+)</td>
<td>42</td>
<td>65</td>
</tr>
<tr>
<td>Gross primary enrollment (% of school-age pop., male/female)</td>
<td>76/55</td>
<td>102/88</td>
</tr>
<tr>
<td>Access to improved water (% of population)</td>
<td>24</td>
<td>58</td>
</tr>
<tr>
<td>Road density (km per 1000 population)</td>
<td>0.48</td>
<td>0.07</td>
</tr>
<tr>
<td>Electricity consumption (kwh per capita)</td>
<td>24</td>
<td>456</td>
</tr>
<tr>
<td>Telephone lines (per 1,000 persons)</td>
<td>5</td>
<td>15</td>
</tr>
</tbody>
</table>


*f Source: WDI 2006.

*g Access to improved water figures are for 2002; Road density figures for Ethiopia for 2002-03 and for sub-Saharan Africa, 1999; Electricity consumption figures for Ethiopia, 1998-99, and for sub-Saharan Africa, 2001; Telephone line figures for 2002. Source: FDRE 2005.

In recognition of this reality, efforts to enhance agricultural productivity, increase the commercialization of smallholder surpluses, and reduce rural poverty are a cornerstone of Ethiopia’s development objectives. The Government of Ethiopia (GoE) places high priority on agriculture and rural development as an engine of pro-poor growth through its economic growth strategy and the policies driven by this strategy.

As part of its growth strategy, the GoE has also embarked on an ambitious plan to promote RPOs throughout the country. The plan aims to extend cooperative services throughout the country to supply production inputs to smallholders and market surplus output from smallholders. However, what remains
to be seen is whether the rapid implementation of this plan is contributing to improving rural livelihoods in the country.

This study provides evidence on how smallholder cooperatives in Ethiopia contribute to the improvement of rural livelihoods by (a) facilitating commercial linkages between smallholders and markets, (b) managing scarce natural resources, and (c) strengthening governance systems at the local level. It does so by examining the following research questions.

- Who tends to participate in key rural institutions—how inclusive and responsive are rural institutions to smallholders and smallholder demands? This question focuses on the spatial, social, and economic determinants of participation and interaction.

- How do smallholders specifically interact with or link to key rural institutions—how does participation actually occur, and how does participation translate into smallholder commercialization?

- What options are available to the GoE and its development partners to strengthen the role of rural institutions in support of their overall policy objectives—what interventions can improve the responsiveness of rural institutions to smallholder needs, and what types of interventions can be employed to enhance participation, inclusiveness, decentralized decision-making, and local ownership of rural institutions?

This study is an overview that summarizes separate thematic studies on the role of cooperatives with respect to agricultural marketing, irrigation, and local governance. It is meant to stimulate discussion and exploration of innovative policy options and solutions among policymakers and development partners to improve rural livelihoods through the promotion and strengthening of rural institutions.¹

This study is organized as follows. Section 2 provides insights into the relevance of this study by examining Ethiopia’s development strategies and priorities for the agricultural sector, with specific reference to cooperatives. Section 3 reviews the methods, data sources and data used in this study. Section 4 presents the main findings from the study, followed by conclusions and recommendations in Section 5.

It should be noted from the outset that this study is an analysis of a national cooperative promotion effort that is presently at an interim phase of development. It should also be noted that this study attempts to

¹ For a description of rural livelihood projects and investments undertaken in partnership by the Government of Ethiopia and the World Bank to which this study may be relevant, please see Annex 2.
provide analysis at both the national and local levels using several different data sources designed for varying (and sometimes divergent) objectives. Thus, the insights offered below should be viewed as tentative conclusions and recommendations that, at most, are meant to allow for reflection and exploration of innovative policy options and solutions.

2. Poverty, growth, governance and rural institutions

Poverty is an underlying theme in much of the research on rural Ethiopia. Factors such as extreme weather-related risk, highly dispersed populations, poor physical infrastructure, and history contribute to persistent failures in markets for production inputs, credit, insurance, and labor, and commodities, ultimately resulting in a low yield/low output agricultural system, volatile growth trends in the agricultural sector, and a vicious cycle of poverty affecting large portions of the country’s population.

Rural institutions such as cooperatives play a potentially important role in addressing these problems and improving social and economic welfare in Ethiopia. To put the study of cooperatives in its appropriate context, this section examines national strategies for rural development, local governance, and cooperatives in Ethiopia. The section begins by examining national strategies for rural development in the country and a review of governance reforms. This is followed by an overview of major actors in the country’s agricultural sector. The final sub-section ties these elements together with of discussion of the national effort to promote cooperatives and its relevance to both rural development efforts and local governance reforms.

2.1. National strategies and rural development in Ethiopia

Ethiopia’s economic growth strategy, formally set forth in 1995 as the “Agriculture Development-led Industrialization” (ADLI) strategy, places significant emphasis on agriculture and rural development as an engine of pro-poor growth (FDRE 2005, 2002). This strategy is part and parcel of GoE’s poverty reduction strategies, including the Sustainable Development and Poverty Reduction Program (SDPRP) approved in 2002, the 2004 Food Security Strategy (FSS), and, most recently, the 2006 Plan for Accelerated and Sustained Development to End Poverty (PASDEP) (FDRE 2002, 2006).

The strategy has also driven the introduction of policies in the 1990s that sought to generate: (i) a more supportive macroeconomic framework for growth and development; (ii) liberalized markets for agricultural products; and (iii) a strong extension- and credit-led push for intensification of food staples.
production through the use of modern inputs, especially seed and fertilizer. The resulting reforms have included tariff reductions, relaxation of import quotas, simplification of licensing procedures, easing of foreign exchange controls, privatization of state enterprises, establishment of private banks, discontinuation of compulsory grain delivery and forced membership in cooperatives by smallholders discontinued, and input supply programs to intensify cereal output and efficiency.

In support of the ADLI strategy, the GoE has allocated a greater share of its budget resources to agriculture than any other country in Africa since the early 1990s. However, recent studies suggest that the impact of public spending on agriculture has yielded limited returns in terms of economic growth or poverty reduction (Mogues, Ayele, and Paulos 2007). Meanwhile, specific strategies meant to increase yields through intensive use of modern inputs in cereal production, or commercialize surpluses from smallholder production through cooperatives have yielded mixed results to date (Bernard, Gabre-Madhin and Taffesse 2007; Byerlee et al. 2007; DSA 2006), while reliance on safety net programs continues to characterize rural livelihoods throughout much of the country.²

In fact, the early gains in agricultural production during mid-1990s resulted primarily from area expansion, and slowed in the latter part of the 1990s and the first part of this decade, with large annual fluctuations seen in both production and prices. Consequently, from 1996 through 2005, per capita agricultural GDP and per capita grain production were volatile, while their averages showed almost no change over time. The estimated growth rates of these two measures during this period were 0.48 percent and 1.38 percent, respectively. Yet at the same time, consumer prices for food staples increased in real terms.

Thus to date, Ethiopia has yet to experience the agricultural growth and improved food security expected to result from the policies implemented by the GoE (Byerlee et al. 2007).³ A growing body of literature that evaluates the promises and shortcomings of ADLI provide additional insights into key aspects such as land tenure policy (e.g. Deininger and Jin 2005), reforms in agricultural input markets (e.g. Jayne et al. 2002) and agricultural output markets (e.g. Dercon 1995), the agricultural extension system (e.g. Alene

² The largest of these programs is Productive Safety Net Program (PSNP), designed to provide households with transfers of basic food staples (or cash equivalents in some woredas) in exchange for working on the construction of stone terraces to prevent hillside erosion, area enclosures and woodlot management, land reclamation schemes, tertiary link roads, and other labor-intensive public infrastructure.

³ Although estimates of growth rates for per capita agricultural GDP and per capita grain production vary by source for the period in question, an analysis of data from the Ministry of Finance and Economic Development (MoFED) and Central Statistics Authority (CSA) indicates negative or stagnant growth. Estimates for the 10-year period 1997-2006 show stagnant or slightly positive growth for both measures, possibly attributable to adequate and timely rainfall during 2004-06.
and Hassan 2005; Belay and Abebaw 2004; Benin, Ehui, and Pender 2004), food security programs (e.g. Farrington and Slater 2006; Gelan 2006), rural energy policy (Wolde-Ghiorgis 2002; Teferra 2002), and cooperatives for smallholder commercialization (Bernard, Gabre-Madhin and Taffesse 2007), and returns to public investment (Mogues, Ayele and Paolos 2007). In general, these studies suggest that while the GoE’s commitment to agriculture and rural development as an engine of pro-poor growth is laudable, both incremental and far-reaching reforms to the actual policies and investments being made are needed. Rural institutions such as farmers’ cooperatives constitute a potentially important element of these reforms.

2.2. National strategies and rural governance in Ethiopia

In conjunction with its economic growth strategy, the GoE has also pursued several reforms to local governance reforms systems in an effort to improve government effectiveness. These reforms began with the fall of the military “Derg” regime and the establishment of the Federal Democratic Republic of Ethiopia in 1991, and were highlighted by the creation an ethnic federalist state that led to a country-wide process of decentralization. Ultimately codified in the 1994 Constitution, this process led to a relatively novel process of devolution in which political, fiscal and administrative powers were reallocated to each of the country’s nine regions and the urban administrations of Addis Ababa and Dire Dawa. Each region and administration is provided with wide executive and legislative powers, and is financed through a combination of transfers from the federal level and regional tax revenues.

Subsequent rounds of reform in 2001-02 led to decentralization of unrestricted block grants and civil servants to the woreda (district) level. This second wave of decentralization mirrored in many ways the earlier devolution of administrative, political, and fiscal responsibility to the regions, with line agencies established at the woreda level, which report to the woreda administration and which are assigned important service delivery roles in agriculture (especially extension), water supply, and the social sectors. Similarly, the block grants transferred from the regional governments to the woredas are resources provided for use in implementation of local development plans. As with the higher-tier transfers, these grants are distributed based on a predetermined formula, are given formally with few conditionalities, and can be used in conjunction with resources raised and held locally, e.g., tax revenues.

Ethiopia’s decentralized federalist system can be seen as a complement to Ethiopia’s economic growth strategy. For example, a potentially constructive combination of the federalist system and ADLI is manifested in the decentralization of rural services for smallholders, specifically agricultural extension,
input supply, credit provision and infrastructure development. If accompanied by improvements in the effectiveness of local governance systems, this combination can make rural service provision more responsive and accountable to the needs of smallholders, ultimately contributing to increases in smallholder productivity and commercialization (Mogues, Ayele, and Paulos 2007).

The rapid pace of decentralization in Ethiopia is driven by strong political will within the central government. However, capacity, finances, and local governance systems have yet to catch up with the responsibilities and assignments given to local governments. Various reform initiatives and large-scale donor-supported programs have been launched in order to align supply-side and demand-side features with the demands of decentralization.

Moreover, Ethiopia continues to be characterized by a mixed governance record. In terms of government effectiveness and control of corruption—two of six governance dimensions analyzed by Kaufmann, Kraay, and Mastruzzi (2007)—Ethiopia ranks globally in the 31st and 37th percentiles, respectively (where the country in the highest, i.e., 100th percentile, performs best). This is a somewhat higher ranking than the average for countries with income levels comparable to Ethiopia’s. In contrast, Ethiopia’s relative status in terms of voice/accountability, and in terms of political stability, is relatively weak (17th and 5th percentiles, respectively). These levels are very low even compared to countries with similar incomes.

2.3. Key actors in the agricultural sector

An understanding of the successes and failures of the GoE’s national strategy for economic growth described above requires an understanding of the key actors in the agricultural sector, and the roles they play in this national strategy. While the description of key actors that follows is by no means exhaustive, it should provide a sense of the landscape of key influences and agents in the sector. In-depth discussion of the key institution covered in this study—the smallholder cooperative—is provided in the next section.

A network map of the hypothetical extent of rural institutions relevant to the smallholder in Ethiopia is set forth in Figure 1. This map shows the primary linkages between and among key institutions with particular reference to the “typical” smallholder. Although significant intra- and inter-community variations exist, this map provides an idea of those rural institutions that provide smallholders with different types of information and resources. However, too little is still known about how rural institutions actually do so, for whom, how, and under what conditions. This is of particular concern given the
diversity and complexity of rural institutions in Ethiopia, and given the size of the rural population they serve.

**Figure 1. A hypothetical smallholder’s social network**

Note: ARC: Agricultural Research Center; BoARD: Bureau of Agriculture and Rural Development; CBO: community-based organization; CSI: credit and savings institution; DA: development agent; MFI: microfinance institution; NGO-G: government-associated NGO; NGO-I: international NGO; Kebele: kebele administration; NGO-L: Local NGO; RSO: Religious or social organization; iquob: rotating savings and credit association.

**Agricultural research and education.** Ethiopia is host to some of Africa’s oldest institutes of agricultural research and higher learning. Key institutes include Jimma University and the Ambo College of Agriculture (established as junior colleges of agriculture in 1947), and Haramaya University (formerly Alemaya University and founded as the Imperial College of Agricultural and Mechanical Arts in 1953). Today, the country’s agricultural research and education system is comprised of seven institutes of higher
learning specialized in the field of agriculture, 25 agricultural technical and vocational education and training (ATVET) colleges, the federally-administered Ethiopian Institute of Agricultural Research (EIAR), and seven regionally-administered agricultural research institutes.⁴

Notably, Ethiopia is one of the few countries in sub-Saharan Africa that provides continuous budgetary support (independent of donor funding) to its agricultural research and education system (Table 2). This is particularly true for the research system: Between 1992 and 2000, public expenditure on agricultural research doubled in real terms, as did the number of full-time equivalent (FTE) researchers employed in the research system, while expenditure as a percentage of agricultural GDP also increased significantly, from 0.23 to 0.38 (ASTI 2004; Beintema and Solomon 2003).

Table 2. Public resources allocated to agricultural research, Ethiopia and ROW

<table>
<thead>
<tr>
<th>Region</th>
<th>Expenditure on research as a share of AgGDP (%)</th>
<th>Public researchers per $100m of AgGDP (no.)</th>
<th>Farmers&lt;sup&gt;d&lt;/sup&gt; per researcher ('000)</th>
<th>Arable land per researcher ('000 ha)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sub-Saharan Africa</td>
<td>1.20  1.09</td>
<td>8.38  8.23</td>
<td>458</td>
<td>460</td>
</tr>
<tr>
<td>East and Southeast Asia</td>
<td>0.65  0.23</td>
<td>2.55  0.30</td>
<td>68</td>
<td>32</td>
</tr>
<tr>
<td>Central Asia, Middle East, and North Africa</td>
<td>--  1.82</td>
<td>--  29.18&lt;sup&gt;a&lt;/sup&gt;</td>
<td>10</td>
<td>22</td>
</tr>
<tr>
<td>South Asia</td>
<td>--  0.51&lt;sup&gt;b&lt;/sup&gt;</td>
<td>--  9.80&lt;sup&gt;c&lt;/sup&gt;</td>
<td>53</td>
<td>12</td>
</tr>
<tr>
<td>Ethiopia</td>
<td>0.23  0.38</td>
<td>2.30  3.50</td>
<td>32</td>
<td>14</td>
</tr>
</tbody>
</table>

<sup>a</sup> 1996 figures.  
<sup>b</sup> 1990 figures for India and Pakistan only.  
<sup>c</sup> 1989 figures for Pakistan only.  
<sup>d</sup> Defined as agricultural laborers in FAOSTAT 2005.  
<sup>e</sup> 1992 figures

*Source: ASTI 2005; FAOSTAT 2005.*

As a result of these investments, the public research and education system has introduced numerous technological improvements in support of Ethiopian agriculture over the past five decades. EIAR researchers, for example, has contributed to the release of 364 new or improved varieties of 29 different crops.⁴ Although private university education is also expanding throughout Ethiopia’s urban areas, the emphasis is primarily on business management and administration, information and communications technology, and other popular fields. None provide instruction in the agricultural sciences, although the Rift Valley University offers courses on agribusiness-related topics. Similarly, the NGO sector provides little in terms of formal agricultural education, although it is worth noting that Menschen für Menschen, a German NGO well established in the country, is credited with piloting the model for the government’s ATVET colleges with their Agro-Technical Training College, established in 1992 in Eastern Ethiopia to provide practical skills training in agriculture and related fields.
crops (wheat, maize, barely, sorghum, coffee, and sweet potatoes, among others); 17 packages that
combine technology and knowledge to improve dryland agriculture; 18 packages to address soil and water
management; 86 packages to improve livestock production; and other packages silviculture, agroforestry,
and forestry (EARO 2003). And in partnership with federal and regional extension services and local
cooperatives, the public research system has also chalked up several recent successes in promoting high-
value commodities such as pulses, legumes, oilseeds, bread wheat, and potatoes (Abate 2006).

In an effort to accelerate the impact of these achievements, Ethiopia’s agricultural research and education
institutes are currently undertaking a range of reforms, including “business process reengineering,” an
initiative designed to strengthen organizational effectiveness through process-driven restructuring. At the
same time, the GoE is expanding the coverage and intake of the higher education system with the
construction of 13 new regional universities and the upgrading of two existing universities. There is also
some evidence that urgent reforms to curricula, learning philosophies, and teaching approaches are
underway, though generally on an ad hoc basis (see, e.g., UNCTAD (2002); Saint (2004); Abegaze, Tola,
and Demeke (2004); Kassa (2004a, 2004b); and Davis et al. (2007)).

The complex challenges facing Ethiopia’s research and education system suggest that a transformation
and modernization of agriculture in the country will take several decades to achieve (Byerlee et al. 2007).
Key challenges include how to promote and support cereal intensification in smallholder farming
systems; how to diversify the limited number of technology and input packages to meet the needs of a
larger number of crops, agroecologies, and farmers; and how to scale successes in food staple, livestock
and high value crop production to encompass a greater share of the rural population.

**Agricultural extension and advisory services.** Although Ethiopia’s extension system has been
historically marginalized, efforts to improve its reach have increased since the mid-1990s with the
introduction of the Participatory Demonstration and Training Extension System (PADETES) and
National Agricultural Extension Intervention Program. And since 2003, the GoE has been promoting a
similarly ambitious plan in the realm of extension and education: establishment of 15,000 Farmer
Training Centers (FTCs), one in each *kebele,* and training for some 55,000 development agents (DAs) in
one of 25 ATVET colleges to staff the FTCs. Already, extension services are fairly extensive in Ethiopia:
recent data from a nationally-representative survey of smallholders in Ethiopia shows that 30 percent of

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5 In Ethiopia, *kebeles* or peasant associations (PAs) are the smallest administrative unit below the *woreda* (district)
level. For purposes of comparison, *kebeles* correspond to a cluster of villages in most other sub-Saharan African
countries.

6 The 2005 Ethiopia Rural Smallholder Survey, described in detail in the next section.
all households received a visit from an extension agent in 2004/05, a level of coverage that is relatively high compared to many other countries in the region (see Roseboom 2004). The FTC plan would intensify this coverage with an extension-agent-to-farmer ratio of 1:800, far lower than estimates for many other developing countries.

The FTCs are designed as local-level focal points for farmers to receive information, training, demonstrations, and advice, and include both classrooms and demonstration fields. They are expected to form an important node between extension and farmers in the agricultural sector. Each FTC is to be staffed by three DAs (one each in the areas of crops, livestock, and natural resource management) and supported by a peripatetic DA covering several FTCs and trained in cooperatives management or a related field. Each DA is expected to train 120 farmers per year in his/her field of specialization.

Despite the GoE’s consistent emphasis on promoting extension, it is also the subject of healthy criticism in Ethiopia. Studies by DSA (2006), EEA/EEPRI (2006), and Byerlee et al. (2007) find that while extension system was instrumental in promoting the use of improved seed and fertilizer: under the PADETES approach, the resultant increases in cereal production came from area expansion rather than intensification, while cereal yields generally stagnated around 1.15 metric tons per hectare. A study by Gebremedhin, Hoekstra, and Tegegne (2006) argues that the country’s extension system continues to operate as a largely top-down, supply-driven, unimodal service; but will increasingly require extension agents with the skills and abilities to work with farmers through more participatory modalities and with a greater commercial orientation. Additional criticisms come from studies such as Efa, Gorman and Phelan (2005) that argues that the maize-fertilizer package promoted by the extension system in Ethiopia is having a noticeably negative effect on the cultivation of local maize varieties, the use of traditional pest and disease control practices, and the application of farmers’ indigenous knowledge.

**Private agroindustry.** Domestic and foreign firms, small-scale rural entrepreneurs, and industry associations are emerging as a potentially important force in Ethiopia’s rural economy. Private investment as a percentage of GDP in Ethiopia has risen significantly in recent years, as has domestic lending to the private sector. Between 1992 and 2004, 614 domestic firms and 23 foreign firms invested approximately US$310 million in the agriculture sector. Although the cumulative investment in agriculture during this period totals just 14 percent of all private investment in Ethiopia (compared to 40 percent for the manufacturing sector), it is a sign of investment growth. Moreover, changes in the business environment have yielded significant improvement in just a few short years (World Bank 2005a, 2005b).
The cut-flower export industry, for example, represents a significant growth area in Ethiopia’s modern agricultural sector, and has attracted the attention of policymakers and entrepreneurs alike. In total, the horticulture sector has also created around 26,000 jobs for skilled and unskilled workers on approximately 700 hectares of land. The share of horticulture to the total merchandise export has increased rapidly over the last five years, from 2.4 percent in 2001/02 to 3.4 percent in 2005/06. During these years, the total volume of floriculture merchandised increased from 6.7 million stems in 2001/02 to 21.9 million stems in 2005/06 (EHPEA 2006).

Other commodities are also targets of significant private investment in Ethiopia. Recent investments in improving value chains for pulses, oilseeds, wheat, potatoes, and small ruminants have drawn smallholders into new value chain relationships with research institutes, extension agents, input suppliers, food industry concerns, and export firms. The process has been highlighted by a series of partnership-based pilot projects to promote proven agricultural technologies, accompanied by plans to expand from a few thousand farmers to larger numbers across multiple districts (EIAR 2006).

Civil society. Modern and traditional civil society organizations are a common feature in rural Ethiopia. Traditional, informal organizations at the community level include funeral groups (idiir), work- or labor-sharing groups (jigie), oxen or land-sharing groups (mekenojo), and rotating savings and credit associations (iquob). More formal groups focused explicitly on development activities—community-based organizations (CBOs) supported by or partnered with local and international non-governmental organizations (NGOs)—exist side-by-side with these institutions (Table 3).

A motivating force behind the growth of CBOs is the extensive community of nongovernmental organizations (NGOs) in Ethiopia. NGOs are an important feature of Ethiopia’s agricultural innovation system: although their activities were generally limited to famine relief in 1970s and 1980s, many are now working on issues related to sustainable agriculture and rural development. As of 2000, some 368 NGOs operated in Ethiopia, of which a third were international NGOs (Rahmato 2002).
Table 3. Households reporting membership in traditional institutions

<table>
<thead>
<tr>
<th>Institution</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Households reporting membership in at least one traditional institution</td>
<td>47.0</td>
</tr>
<tr>
<td>Households reporting membership in the following traditional institutions:</td>
<td></td>
</tr>
<tr>
<td>Idiir (funeral group)</td>
<td>42.2</td>
</tr>
<tr>
<td>Iquob (rotating savings and credit associations)</td>
<td>6.9</td>
</tr>
<tr>
<td>Other credit and savings association</td>
<td>0.3</td>
</tr>
<tr>
<td>Mahaber (local association)</td>
<td>3.8</td>
</tr>
<tr>
<td>Senbete</td>
<td>2.8</td>
</tr>
<tr>
<td>Mosque group</td>
<td>0.1</td>
</tr>
<tr>
<td>Other</td>
<td>0.3</td>
</tr>
</tbody>
</table>

Source: ERSS (2005).


This approach has proceeded even in spite of the long and tumultuous history of cooperatives in Ethiopia that started during the Imperial era prior to 1973 and continued through the Derg regime (1974-1991), at the fall of which they were dismantled. The GoE’s current strategy aims to extend cooperative services throughout the country to supply production inputs to smallholders and market surplus output from smallholders. Legal reforms in 1998 and 2004 were introduced to strengthen membership incentives by improving member rights associated with ownership, voting, share transfers, and risk management.

Cooperative promotion efforts are guided by the Federal Cooperatives Agency, and managed by Bureaus of Cooperative Promotion (BoCPs) in each regional state. Woreda- and kebele-level cooperative promotion efforts are managed through woreda offices of the BoCPs which are commonly housed within the woreda offices of the BoARD. Given the integrated nature of their work, BoCPs and BoARDs maintain close working relationships that are supported by formal accountability systems at the local and regional levels.7

7 Given the integrated nature of the work undertaken by BoCPs and BoARDs, references made to BoARDs throughout this study also include BoCPs, unless stated otherwise.
At present, cooperatives play a central role in providing smallholders with access to inputs (seed, fertilizer and credit) typically provided by the government. Cooperatives provide these inputs where private traders do not operate, or at more favorable prices or better terms than those provided by private traders. This role necessarily links cooperatives to extension services provided at the kebele level; to credit disbursement and recovery by regional savings and credit institutions; and in some instances, to mobilization of community work teams for public works initiatives—all of which are associated state agencies or agencies with close relations to the state.

However, as of 2005-06, cooperative coverage was estimated at less than 35 percent of all kebeles, with only 17 percent of households living in a given kebele actually participating in a cooperative. And while cooperatives are not meant to be selective, participants tend to be better-off in terms of physical and human capital. Meanwhile, only 55 percent of the cooperatives that claim to be involved in marketing their members’ surplus cereals output had actually sold any produce in 2005 (Bernard, Gabre-Madhin, and Taffesse 2007).

2.4. The role of smallholder cooperatives

Having said this, it should be reiterated here that the national cooperative promotion effort is presently at an interim phase of development. Thus, the incidence and growth of cooperatives can only be viewed as an intermediate observation about the effort’s success to date.

More importantly, there is a need to view cooperatives not only in terms of their role in boosting smallholder commercialization, but also in a meeting point for the GoE’s economic growth strategies and its governance reforms. While their primary role is to serve as a mechanism to promote the modernization and commercialization of smallholder agriculture, they also play a variety of other roles. Cooperatives are, for example, the key channel through which smallholders access public services such as the supply of credit for agricultural production. They are a means of collectively managing scarce natural resources such as land and water. They provide a venue within which households and communities can make their collective voice heard, resolve local conflicts, and articulate their own development priorities. They offer nongovernmental organizations with access to the community and its collective action capabilities. Thus, given the range and variation of cooperatives in Ethiopia, we provide some additional insights below.

Cooperatives in Ethiopia also serve as venues for interactions between formal and informal governance. In effect, cooperatives lie at the intersection of state, market, and civil society. Although they are typically
established and organized for the precise purpose of increasing smallholder production and commercialization—activities that rely largely on the private entrepreneurship of individuals—many also seek to promote and manage community-based collective action. And although they are often managed as private enterprises—denoted by procedures such as the selling of shares and distribution of profits to individual members—they are also designed and managed based on clearly democratic principles of governance that are appropriate to collective action-based organizations. In short, cooperatives in Ethiopia share many characteristics with nongovernmental, membership-based civil society organizations even though they also seek to generate distinctly financial benefits for their members.

Importantly, cooperatives are also generally not perceived as government agencies, at least not in the most obvious or direct sense. While the GoE actively promotes and supports cooperatives, and while cooperatives were a means of extending state authority and control during the Derg, they are now functioning in Ethiopia as generally independent and voluntary entities. Indeed, there is a general recognition in Ethiopia that second generation (i.e. post-Derg) cooperatives are intentionally designed as private sector agents with the right to participate in market-based exchanges, buy and sell assets, and distribute dividends to their member-shareholders. And while these observations may vary between localities and cooperatives—with some cooperatives being more closely linked to the state apparatus than others—they represent the general intention of the federal and regional cooperative promotion strategy in Ethiopia.

Still, there is a close link between cooperatives and local governance systems. Firstly, cooperatives are often characterized by interlocking leadership between formal and informal governance systems at the local level. The number of individuals with the capacity or interest in leading such cooperatives and government institutions is often limited at the local level. Thus, only a small number of individuals with the “right” qualifications (e.g., age, status, wealth, literacy, risk tolerance, interest, social capital, party membership, etc.) are viable candidates for leadership roles, both formal and informal. This often means that the same individuals are engaged in multiple leadership positions that span across both formal and informal realms.

Secondly, cooperatives often engage in the collective management of common pool resources, typically under the direction of government programs and projects. Where the use of common land and water resources requires collective action, government schemes to exploit these resources often rely on cooperatives for their implementation. Thus, cooperatives represent one means of managing common
pool resources that are exploited for specifically developmental purposes, e.g., a river diversion scheme to irrigate existing land or to bring new land under cultivation.

Thirdly, cooperatives serve an important governance role in that they are often an articulation of community voice. Cooperatives function in part as civil society organizations, representing both individual and collective interests. To the extent that cooperatives are able to carry the voice of their members to the formal governance realm, they play a potentially important role in articulating local development priorities and holding government accountable.

Finally, cooperatives are also implementing agencies for the public sector. The scarcity of financial, technical, and physical capital for development at the local level often necessitates government to carry out projects in partnerships with organizations such as cooperatives. In this context, cooperatives often serve as a development partner or implementing agency for government, e.g., in the distribution of seed, fertilizer, and credit, or the provision of HIV/AIDS awareness training.

Thus, this study does more than examine how smallholder cooperatives in Ethiopia contribute to the improvement of rural livelihoods by facilitating commercial linkages between smallholders and markets. Rather, it extend the scope of analysis to examine cooperatives with respect to the management of scarce natural resources, and in relation to efforts being taken to strengthen local governance systems.

3. Methods, data, and data sources

Data for this study are drawn from three main sources: (a) a set of eight case studies conducted in selected cooperatives and woredas in 2007; (b) a large-scale survey of smallholder cooperatives conducted in Ethiopia in 2006; and (c) a nationally-representative survey of smallholder commercialization in Ethiopia conducted in 2005. Each is described in detail below, followed by a comparison of descriptive statistics from households and/or cooperatives covered by each source given in Annex 2.

3.1. The 2007 Cooperative-level Case Studies

The primary source of data for this study is a series of cooperative case studies conducted in 2007. Purposively-selected case studies of eight cooperatives at four different sites were undertaken in October-November 2007 to provide both qualitative and quantitative insights into the role of cooperatives in Ethiopia (see Table 4 and Figure 2). Case study sites were selected to include: (a) a range of agroclimatic characteristics, namely highland/lowland and drought prone/reliable moisture areas; (b) a range of socioeconomic characteristics, namely food secure/food insecure and high/medium/low market access.
areas; and (c) the presence of a cooperative engaged in crop production/marketing, natural resource management, or social service provision (Table 4). Individual cooperatives at each site were selected from ECS listings of all cooperatives in the woreda, and were chosen based on their accessibility and relevance to the objectives of this study.

At each site, key informant interviews and focus group discussions were held with (a) the woreda office of the Bureau of Agriculture and Rural Development (BoARD), including administrators and technical specialists with the Natural Resource Management Desk and other BoARD units, (b) cooperative specialists with the woreda office of the Bureau of Cooperative Promotion (BoCP) and housed at the BoARD, (c) the cooperative leadership, typically the chairperson and members of the management committee, and (d) other organizations identified by the cooperative as important to their activities, including cooperative unions, nongovernmental organizations, and civil society organizations located in the locality. In addition, interviews were conducted with households that were members of the cooperative and households in the locality that were not members of the cooperative. A total of 68 member households and 53 non-member households were interviewed, or approximately six members from each group per cooperative. Issues covered in the key informant and household interviews included woreda and kebele development constraints and priorities, cooperative governance and management systems, and agricultural production and marketing practices.

An additional site, Dejen woreda in Amhara region, was included in the case study sites to delve further into governance issues that were not captured in the surveys conducted at the other four sites. However, due to time and resource constraints, the survey focused only on key informant interviews on topics relating specifically to the woreda’s governance system. Key informants included administrators, BoARD staff, and political leaders in Dejen woreda; along with a DA and focus groups composed of male and female farmers in Elajama kebele.
<table>
<thead>
<tr>
<th>Woreda, region -- cooperative name: membership size</th>
<th>Agroclimatic characteristics</th>
<th>Economic characteristics</th>
<th>Focal themes</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Highland/lowland</td>
<td>Reliable moisture/ Drought prone</td>
<td>Food secure/ insecure</td>
</tr>
<tr>
<td>Shebedino, SNNPR</td>
<td>High</td>
<td>Reliable</td>
<td>Secure</td>
</tr>
<tr>
<td>-- Leku Area Honey Products Marketing Cooperative: 127 members (all male)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>-- Taramessa Multipurpose Cooperative: 2,012 members (all male)</td>
<td>Yes</td>
<td>--</td>
<td>--</td>
</tr>
<tr>
<td>Goro Gutu, Oromia</td>
<td>High</td>
<td>Drought</td>
<td>Insecure</td>
</tr>
<tr>
<td>-- Kara Luku Multipurpose Farmers Cooperative: 380 members (360 male, 20 female)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>-- Medda Inciny Irrigation Users Cooperative: 140 members (all male)</td>
<td>Yes</td>
<td>Yes</td>
<td>--</td>
</tr>
<tr>
<td>Oromia, Dugda Bora</td>
<td>High</td>
<td>Reliable</td>
<td>Secure</td>
</tr>
<tr>
<td>-- Woyo Seriti Gebreal Multipurpose Cooperative: 48 members (42 male, 6 female)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>-- Tepo 140 Irrigation Cooperative: 38 members (all male)</td>
<td>Yes</td>
<td>Yes</td>
<td>--</td>
</tr>
<tr>
<td>Tigray, Ahiherom</td>
<td>High</td>
<td>Drought</td>
<td>Insecure</td>
</tr>
<tr>
<td>-- Thahetay Megare Tsemri Multipurpose Cooperative: 805 members (690 male, 109 female)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>-- Maigebeta Irrigation Users Cooperative: 25 members (23 male, 2 female)</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
</tbody>
</table>

Source: Authors; CSA/EDRI/IFPRI (2006).
Figure 2. Case study sites, by woreda
3.2. The 2006 Ethiopian Smallholder Cooperatives Survey

The 2006 Ethiopian Smallholder Cooperatives Survey (ESCS), also conducted by ESSP, was designed to examine the role played by cooperatives in the commercialization of Ethiopian smallholders. Data were collected in mid-2006 across four regional strata (the Amhara, Oromia, SSNNP and Tigray regional states) from 207 cooperatives in 54 woredas, and cooperative offices in each woreda. In each strata, 15 woredas were randomly selected, within which a maximum a four agriculture-related cooperatives were randomly chosen from the lists available at the woreda cooperative promotion office. For each cooperative, questions about the organization’s history, membership, activities (including marketing), governance structure, and external links were asked.

The 2006 ESCS also provides information from interviews with 540 randomly-selected household heads (10 households per woreda across 54 woredas) divided equally between (a) individuals who were members of a cooperative that was less than one year old, and (b) individuals who were not members of any cooperative but residing in close proximity to these cooperatives. Questions covered household asset portfolios, agricultural production and marketing practices, and perceptions about the cooperative.

3.3. The 2005 Ethiopia Rural Smallholder Survey

The 2005 Ethiopia Rural Smallholder Survey (ERSS) was conducted by the Ethiopia Strategy Support Program (ESSP) and the Central Statistical Authority (CSA). Data were collected mid-2005 from 7,186 households randomly drawn from 293 enumeration areas (EAs, roughly mapping to a kebele) based on a stratified two-stage cluster sample design. The sample is considered representative at the national level as well as at the regional level for four regions: Amhara, Oromia, Tigray, and the Southern Nations, Nationalities, and Peoples (SNNP) regional state. The ERSS survey was based on the CSA’s Annual Agricultural Sample Survey (AASS) which used a sampling frame of 25 agricultural households selected from each EA, and covered all of rural Ethiopia except Gambella Region, and the non-sedentary population of three zones of Afar Region and six zones of Somali Region.

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8 The Ethiopia Strategy Support Program (ESSP) is a collaborative undertaking of the International Food Policy Research Institute (IFPRI) and the Ethiopian Development Research Institute (EDRI), and was established in September 2004 to conduct policy research to address key knowledge gaps in Ethiopia’s rural development strategy, build an integrated knowledge support system, and strengthen national capacity for policy analysis.
4. Findings

This section reviews key findings from the study. Specific findings from the case study sites covered by the 2007 Cooperative-level Case Studies are set forth in Annex 3. It should be reiterated here that this study is an analysis of a national cooperative promotion effort that is presently at an interim phase of development. It should also be noted that this study attempts to provide analysis at both the national and local levels using several different data sources designed for varying (and sometimes divergent) objectives. Thus, the insights offered below should be viewed as tentative conclusions and recommendations that are meant to stimulate discussion on how cooperatives can improve rural livelihoods in Ethiopia.

4.1. The cooperative as development partner

Evidence presented in this study illustrates how cooperatives function within the wider landscape of organizations and institutions involved in improving the economic and social welfare of smallholders and contributing more widely to agricultural development, economic growth, and poverty reduction in Ethiopia. This landscape includes public administrative and extension services, nongovernmental organizations, civil society organizations, private companies, party-based political systems, traditional governance institutions, and informal credit systems. Table 5 illustrates the key non-state linkages for those cooperatives examined as part of the 2007 Cooperative-level Case Studies.9

Cooperatives are closely tied to many of these organizations and institutions, both directly and indirectly. For example, cooperatives play an important role as interfaces between farmers and the various woreda-level offices and services of the regional Bureaus of Agriculture and Rural Development. They serve as facilitators that bring communities into productive relationships with nongovernmental organization, cooperative unions, private agricultural and agroprocessing concerns, and private traders and brokers. They function as conduits not only for marketable surpluses of agricultural commodities, but also for

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9 As this study was funded by the World Bank, there is necessarily interest in the extent to which cooperatives are somehow linked to World Bank-funded projects in Ethiopia (see Annex 4). For example, there is anecdotal evidence from the case studies to suggest competition for farmers’ labor resources (i.e., time and effort) between the Productive Safety Nets Program (PSNP, to which the World Bank provides funding) and the GoE’s cooperative promotion efforts. However, other World Bank projects are either at a stage of implementation that is too early to comment on (e.g., the Rural Capacity Building Project); not present in the study area (e.g., the Pastoral Community Development Project); not directly observed in the study area (e.g., the Emergency Drought Reduction Project) even though it may have been present; or active only at a different units/levels of analysis than the one undertaken in this study (e.g., the Food Security Project).
agricultural inputs, credit, technologies, organizational innovations, and capacity strengthening. Thus, cooperatives may be viewed as a relevant partner to the wider development community—to both state and non-state actors—in Ethiopia, and a potentially useful means of meeting the GoE’s goals of increasing smallholder production and commercialization.

Table 5. Cooperatives and their key linkages

<table>
<thead>
<tr>
<th>Cooperative (woreda, region)</th>
<th>Associated NGO</th>
<th>Associated cooperative union</th>
</tr>
</thead>
<tbody>
<tr>
<td>Leku Area Honey Products Marketing Cooperative (Shebedino, SNNP)</td>
<td>Plan International</td>
<td>--</td>
</tr>
<tr>
<td>Taramessa Multipurpose Cooperative (Shebedino, SNNP)</td>
<td>ACDI/VOCA</td>
<td>Sidama Coffee Producers’ Cooperative Union</td>
</tr>
<tr>
<td>Kara Luku Multipurpose Farmers Cooperative (Goro Gutu, Oromia)</td>
<td>Catholic Relief Service (CRS); Comitato Internazionale per lo Sviluppo dei Popoli (CISP)</td>
<td>--</td>
</tr>
<tr>
<td>Medda Inciny Irrigation Users Cooperative, (Goro Gutu, Oromia)</td>
<td>Comitato Internazionale per lo Sviluppo dei Popoli (CISP)</td>
<td>--</td>
</tr>
<tr>
<td>Thahetay Megare Tsemri Multipurpose Cooperative, (Ahiferom, Tigray)</td>
<td>Relief Society of Tigray (REST)</td>
<td>--</td>
</tr>
<tr>
<td>Maigebetta Irrigation Users Cooperative, (Ahiferom, Tigray)</td>
<td>FARM Africa</td>
<td>--</td>
</tr>
<tr>
<td>Tepo 140 Irrigation Cooperative, (Dugda Bora, Oromia)</td>
<td>Oromia Development Association (ODA); ACDI/VOCA</td>
<td>Meki-Batu Cooperative Union</td>
</tr>
<tr>
<td>Woyo Seriti Gebreal Multipurpose Cooperative, (Dugda Bora, Oromia)</td>
<td>Oromia Development Association (ODA); ACDI/VOCA</td>
<td>Meki-Batu Cooperative Union</td>
</tr>
</tbody>
</table>

Source: 2007 Cooperative-level Case Studies

This discussion of the relationship between cooperatives, the state, and non-state actors raises the issue of roles and responsibilities. Evidence from this study suggests that external actors such as woreda offices of the BoARD and BoCP, NGOs, and the private sector can play an important role in cooperative promotion and development. However, their exact roles and responsibilities vary significantly, potentially resulting in varied livelihood outcomes.

A few observations from this study illustrate the variations in roles and responsibilities (Box 1). First, some external actors (namely, NGOs and the woreda offices of the BoARD and BoCP) work with cooperatives by relying on standard package-based approaches to group formation, irrigation design and
construction, productivity improvement, and marketing. Rarely do these actors give attention to developing and offering a wider range of packages that is appropriate to a given community and to a range of households and individuals within that community. Fewer still give attention to the opportunity costs of one package relative to other packages in a given locality. Excessive focus on a single package—a technology, a commodity, or an organizational structure—may reduce the number of livelihood options that different types of individuals, households, and communities can explore and diversify into.

Second, many external actors (primarily, though not all, NGOs) rely on one-time asset transfers to cooperatives (e.g., an irrigation pump, generator, or equipment) rather than long-term engagements with a cooperative that focus on individual and organizational capacity strengthening. While the former approach is an effective means of covering large numbers of communities in a short time, it is likely to be unsustainable in the long run without support provided by the latter approach. Investment in capacity building for cooperative governance, management, accounting, and conflict resolution—as well as more technical areas such as irrigation and water management systems design and maintenance—should be viewed as necessary investments to ensuring the success of cooperative promotion efforts in Ethiopia.

Box 1: New opportunities, limited choices in Maigebetta and Goro Gutu

To illustrate what external responsiveness means to cooperatives and their members, consider the Maigebetta Irrigation Users Cooperative in Ahiferom woreda, Tigray region, and the Medda Inciny Irrigation Users Cooperative in Goro Gutu woreda, Oromia region. The former is situated in a highland region characterized by steep hillside and valleys, short and variable rains, poor market and transport infrastructure, and high population densities; and is primarily host to cultivation of robust cereals (teff, millet, sorghum, and barley) with limited surpluses for market. The latter, though plagued with similar agroecological risks, is situated in a slightly more productive region with slightly better market access.

Both cooperatives have a proven track record in managing irrigation schemes, diversifying into production of cash crops, and marketing their products collectively. Now, building on their successes, both are trying to expand their respective activity portfolios. In the Maigebetta Cooperative, members are specifically interested in moving their cooperative into input (seed and fertilizer) provision and animal fattening activities to increase their livestock’s value in local markets. They are also interested in establishing a cooperative-owned shop to sell household consumption goods provision at prices typically below those of local traders. In the Medda Inciny Cooperative, members are interested in collective marketing of haricot beans to private processing companies for export to European markets; and construction of storage facilities to hold surplus output and take advantage of temporal arbitrage opportunities. In both cooperatives, there is evidence to suggest much enthusiasm among members for these activities.

What remains to be seen, however, is the extent to which cooperatives’ responsiveness is driven by their members’ own interests, or by the opportunities existing on the menu of services provided by the woreda offices of the BoARD and BoCP, or by local and international NGOs working in the areas. New activities in the Maigebetta Cooperative such as animal fattening (along with initial activities such as water harvesting and cash crop production) are standard items on the BoARD’s limited menu of services. New activities in the Medda Inciny Cooperative such as haricot bean marketing are similarly priority interventions for the Comitato Internazionale per lo Sviluppo dei Popoli (CISP), the cooperative’s main source of technical assistance.
4.2. The limits of inclusion and representation

Evidence presented in this study suggests that cooperatives are unlikely to become as inclusive as the current GoE efforts are hoping for. Inclusiveness in cooperatives is limited by several different factors including the history and legacy of cooperatives in previous regimes; the current processes of cooperative conception and formation; the terms and conditions of membership; the absence of sufficient economic incentives and the “middle-class effect” described in this study; and the tradeoff between scale economies and coordination costs in a cooperative (Table 6).10 These factors may present obstacles to achieving the objectives of the GoE’s cooperative promotion strategy.

This is particularly the case with respect to cooperatives engaged in irrigation and water management activities, where cooperative formation is typically a highly localized initiative based on a clear delineation of beneficiaries and member-households (Box 2). Membership is typically defined by geography, i.e., possession of landholdings in the irrigation scheme’s catchment area. It is also the case with certain types of marketing cooperatives, where cooperative formation revolves around those households with marketable surpluses only. A potential outcome of this reality is that cooperatives may not be inclusive of the poorest households in a community, e.g., households that reside on less-favorable land that is not part of the irrigation catchment area, households that are incapable of producing marketable crop surpluses, or households that face severe labor shortages.

10 Of course, few, if any, cooperative participants could be classified as “middle class” in terms of the broader distribution of income in Ethiopia. Rather, most participants would likely be classified as “poor” or “extremely poor,” and would likely fall within Ethiopia’s lowest income deciles. Please see the study of cooperatives and marketing that accompanies this overview for a detailed description of the middle-class effect.
Table 6. Reasons for not being a member of a cooperative

<table>
<thead>
<tr>
<th>Response</th>
<th>ESCS cooperatives (in percent, n=270)</th>
<th>Case study cooperatives (in percent, n=53)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Doesn’t think the organization could benefit him/her</td>
<td>39</td>
<td>9</td>
</tr>
<tr>
<td>Was not accepted as a member in the organization</td>
<td>14</td>
<td>9</td>
</tr>
<tr>
<td>Prefers to wait until he/she sees that the organization is benefiting other members</td>
<td>13</td>
<td>4</td>
</tr>
<tr>
<td>Scared that once money is invested in the organization, it will be difficult to get it back</td>
<td>11</td>
<td>0</td>
</tr>
<tr>
<td>Does not trust this organization’s management</td>
<td>9</td>
<td>2</td>
</tr>
<tr>
<td>Does not trust organizations in general</td>
<td>4</td>
<td>0</td>
</tr>
<tr>
<td>Is not aware that the organization exists</td>
<td>0</td>
<td>23</td>
</tr>
<tr>
<td>Does not have land (e.g., in the cooperative’s area of operation)</td>
<td>--</td>
<td>28</td>
</tr>
<tr>
<td>Does not have money to meet membership requirements</td>
<td>--</td>
<td>13</td>
</tr>
<tr>
<td>Other</td>
<td>9</td>
<td>11</td>
</tr>
</tbody>
</table>

Source: ESCS (2006); 2007 Cooperative-level Case Studies.
Note: Figures may not total to 100 percent due to rounding.

At the same time, the evidence presented in this study shows that in spite of limited inclusiveness, some cooperatives are still able to generate benefits for individuals and households that are not formally members of a cooperative (Box 2). The spillover effects occur in a number of instances, for example, where the cooperative supplies inputs (seed and fertilizer) to both members and non-members, or where non-members are able to access services through a family member who is also a cooperative member. These spillovers are an unintended consequence of cooperative design and implementation, and may contribute to improving the livelihoods of both members and neighbors by enhancing agricultural production and productivity, and generating income from the sale of marketable surpluses. Moreover, these spillovers may contribute to strengthening or expanding the social networks that smallholders need to access resources, adopt new technologies, search for new information, leverage external support, and otherwise improve their livelihoods.
Box 2: Cooperatives and irrigation management

The Woyo Seriti Gebreal Irrigation Cooperative in Dugda Bora woreda of the Oromia region illustrates the formal limits on inclusion and the potential spillover benefits accruing to excluded groups. The cooperative is situated within Ethiopia’s Rift Valley lowlands where soil fertility, erosion, limited and variable rainfall, small landholdings, and endemic diseases such as malaria are constraints on agricultural production. However, the area also boasts several distinct advantages, namely (a) available water for irrigation from Lake Ziway, and (b) proximity to primary transport arteries that link the central, south and eastern parts of Ethiopia. The cooperative’s location within the growing Ziway-Meki marketshed provides lucrative opportunities for its members who, by their own admission, have only recently realized the area’s potential.

The cooperative was established in 2000 by a group of 25 farmers (22 men and 3 women, all drawn from separate households) to improve agricultural production and marketing among its members. The cooperative’s key asset is a pump irrigation scheme that brought land that was formerly used for livestock grazing or cultivation of maize and sorghum into use for cash-cropping. The cooperative allocates 0.5 hectares to each member for the cultivation of tomatoes, chilis and onions for sale to local traders or the Meki-Batu Cooperative Union.

The cooperative has expanded its irrigation scheme in recent years, and the organization currently stands at 48 members (42 men and 6 women, drawn from separate households). Each member still holds an equal allotment of 0.5 hectares of irrigated land. While further expansion of the irrigation scheme is likely infeasible, non-members residing in the area can still benefit from the cooperative. Just like members, they can purchase production inputs (seed and fertilizer) from the cooperative, and engage in new activities that do not require access to irrigated land, such as maize seed multiplication on contract for the cooperative union (Figure 3). In such cases, the only difference between members and non-members is that the former receive annual dividends earned from the small profit margins earned by the cooperative from the sale of inputs.

Figure 3. Woyo Seriti Gebreal Cooperative: Input provision and output marketing networks

Note: Arrowheads denote direction of materials or services provided (e.g., from node “a” to node “b”). BoARD denotes Bureau of Agriculture and Rural Development; ACDI/VOCA is an international NGO.
Evidence presented in this study also suggests that representation varies among cooperatives. Significant differences exist in the extent to which cooperatives host frequent and open discussions on objectives, activities and performance, consultative decision-making processes, and regular rotation and/or election of leaders. In the case of irrigation cooperatives, for example, participation tends to be high because successful and sustainable use of the common pool resource in question—scarce water—requires some capacity to consult and coordinate among members. To do otherwise would be likely cause rapid failure, as illustrated by several cooperatives examined in this study (Box 3).

What remains to be seen is whether a trade-off exists between a highly representative cooperative—one that acts on a wide range of members’ interests—and the cooperative’s contribution to the livelihoods its members. In other words, does a tradeoff exist between specialization and diversification; and if so, how do these tradeoffs affect cooperative performance and the contribution of cooperatives to improving rural livelihoods?

Evidence from this study suggests a tradeoff between marketing-related activities undertaken by a cooperative and other non-production or non-marketing activities. Cooperatives may be taking on responsibilities and activities beyond the scope of either their mandate or capacity, potentially reducing their effectiveness is commercializing smallholders’ surplus output. This, in turn, may negatively affect the livelihood outcomes expected from marketing cooperatives in Ethiopia.11

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11 For more details on the empirical strategy used to test this hypothesis, please see the thematic study titled “A Case Study of Agricultural Marketing and Smallholder Cooperatives in Ethiopia” that accompanies this country study.
Box 3: Tepo 140: The rise and fall of an irrigation cooperative

The Tepo 140 Irrigation Cooperative in Dugda Bora woreda of Oromia region was established in 1998 and obtained its formal, legal status in 2002. The cooperative consists of 38 members who were organized with assistance from the woreda office of the regional BoARD. Their main purpose was to manage a pump irrigation scheme that supplied water from Lake Ziway for the cultivation of cash crops (onions, chilies, and tomatoes) that could be sold in the lucrative Ziway-Meki marketshed described earlier.

A driving force behind the cooperative’s inception was the Oromia Development Association (ODA), a local NGO that provided the cooperative with a small pump and other equipment need to bring land adjacent to Lake Ziway under cultivation. The cooperative’s strict membership criteria established at inception required that the prospective member be a resident of the kebele, an adult of working age, able to purchase a share in the cooperative worth 100 Birr, and possess landholdings within the irrigation catchment area.

These criteria were apparently relaxed at inception to allow several staff members of a local NGO to join the cooperative, rent land in the irrigation catchment area, and reap the benefits of the new irrigation scheme. Eventually, the woreda administration expelled these individuals because land rentals by persons residing outside of a given woreda—as these individuals apparently were—is generally not permitted. The example not only illustrates how incomplete enforcement of membership requirements in lucrative irrigation schemes can encourage rent-seeking behavior, but also how cooperative formation itself is subject to external influences that can affect the otherwise organic, participatory process of social mobilization and community organization.

4.3. The internal governance challenge

The evidence presented in this study suggests that cooperative governance and management systems and capacities are still under development. While many cooperative members express some degree of satisfaction with the services provided by their cooperative, issues such as participation, responsiveness, accountability and adaptability are concerns raised often by members. Given the checkered history of Ethiopia’s cooperatives and the large-scale initiative currently being pursued to again promote cooperatives, it is likely that these governance and management issues will remain a concern in country.

The majority of cooperatives examined in this study displays a high degree of upward accountability, i.e., to the woreda office of the BoCP and BoARD. This likely stems from a long history and tradition of top-down rural administration and state-led cooperative promotion and management. Moreover, at this interim phase of cooperative promotion in Ethiopia, it is likely that the BoCP’s and BoARD’s leadership role in cooperative promotion and formation is still necessary in many localities. However, the long-term success of a cooperative—and its long-term impact on rural livelihoods—is likely to result from greater responsiveness to members’ interests and needs. And, in light of the checkered history of cooperatives in Ethiopia, less upward accountability and more downward responsiveness is likely to contribute to building trust between communities and the state, and within communities themselves.
Box 4: Historical legacies and internal governance: The Taramessa cooperative experience

Historical legacies and internal governance challenges are key issues among members of the Taramessa Multipurpose Cooperative in Shebedino woreda of the SNNP regional state. The cooperative was first established in 1974-75 under the Derg regime not only to boost coffee production, but also to manage the economic activities of its farmer-members. At that time, farmers were obliged to supply and sell all their main outputs (coffee and maize) to the cooperative for a price set by the state. In return, they received access to the basic consumer items and grain milling services provided by the cooperative.

Following the fall of the Derg in 1991, the cooperative collapsed and its property was stolen, damaged or left idle. The cooperative was brought back to life in 1995 with a loan of 700,000 Birr from the Ethiopian Coffee and Tea Authority for the purchase of machinery and the construction of a new office. The cooperative now boasts over 2,000 members, is fully integrated into the export coffee marketing system, and receives support from the woreda offices of the regional BoARD and BoCP, the Sidama Coffee Producers’ Cooperative Union, several commercial interests that finance coffee production, and ACDI/VOCA for management and leadership training (Figure 4).

Yet while the cooperative is considered a model organization, it must still contend with a weak internal governance. For example, there has been much concern among members over the accountability of its leadership. Members recognize that leadership is also a means of gaining personal benefit—employment for relatives, access to the cooperatives resources, and social recognition and stature. Thus, the BoARD and BoCP have intervened on several occasions to audit the cooperative and change the leadership. But there is still little capacity among members to hold the leadership directly accountable by investigating suspected wrongdoing, enforcing rules and regulations, or even discussing these issues in open forums. These problems have been compounded by occasional shocks such as the fall in international coffee prices during the early 1990s, and a fraudulent check worth ETB 117,000 (about US$ 13,340) received by the cooperative for its coffee—a transaction that nearly rendered the cooperative insolvent.

Given the growing global demand for coffee and the high prices that the Sidama region’s coffee fetches in export markets, it is likely that members of the Taramessa Cooperative will do well in the coming years. Still, their experiences in illustrate how, even among the larger cooperatives engaged in lucrative markets for high-value crops, governance and management issues can be a persistent threat to their success.

Figure 4. Taramessa Multipurpose Cooperative: Coffee production and marketing networks

Legend
- Provision/financing of inputs
- Provision of marketable outputs
- Management and leadership training
- Supervision and auditing
- Coordination and cooperation

Note: Arrowheads denote direction of materials or services provides (e.g., from node “a” to node “b”). BoARD denotes Bureau of Agriculture and Rural Development, and also refers to the Bureau of Cooperative Promotion.
4.4. The external governance challenge

The relationships and interactions between local governance systems and cooperatives are an important issue in Ethiopia because both play an essential part in promoting and implementing the GoE’s far-reaching rural development and poverty reduction strategies. These strategies include the GoE’s Agricultural Development-led Industrialization program, its ethnic federalism policy, its administrative and fiscal decentralization efforts, and a whole range of social welfare and capacity building programs designed to support these strategies.

Findings from this study suggest that local governance systems and cooperatives are closely linked by interactions at multiple levels and with varying effects on smallholders (Box 5). Cooperatives play a central role in providing smallholders with access to production inputs and collective marketing services, while providing for the collective management of common pool resources and the implementation of government programs and projects. Their leadership often combines formal and informal governance systems at the local level, while also articulating some degree of community voice. These interactions have the potential to strengthen the role of cooperatives in local development.

But these interactions also run some serious risks. For example, state intervention in cooperative design and management raises the historical issue of trust between government and community in Ethiopia. More specifically, to what extent do administrative interventions in cooperative affairs (e.g., credit-worthiness reviews by kebele officials, or credit recovery by DAs) reinforce the historical legacies of the Derg and play a destructive role in rebuilding trust between state and community? And to what extent do these interventions impede the ability of cooperatives to develop their own systems and structures that respond to the expectations and demands of their members, e.g., systems and structures that promote representation, responsiveness, accountability, and adaptability?

State intervention in cooperatives also raises the issue of whether scarce public and private resources are being put to efficient use. When kebele officials and DAs are used to disburse and recover credit on behalf of a cooperative, are they being diverted from the more essential tasks for which they were established and trained? When farmers are engaged in both cooperative-based development activities and Productive Safety Net Program activities, are their limited household labor resources overstretched?12

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12 For example, in both case study cooperatives examined in Ahiferom woreda, a number of cooperative leaders and members interviewed were preoccupied with ending their interviews quickly to go and work on Productive Safety Net Program (PSNP) activities. These food-for-work programs are an integral part of life in food-insecure woredas such as Ahiferom, and often require significant commitments of individual labor time and community-level collective action, potentially competing with the similar commitments required by the cooperatives.
Arguably, the roles and responsibilities outlined for cooperatives, councils, cabinets, DAs, safety net programs, farmers, and other local-level actors are built on investments in developing their respective skills and capabilities; to allocate these actors to overlapping roles may lower the returns on such investments.

**Box 5: Local governance and cooperatives in Dejen woreda**

Dejen woreda lies in a mid-altitude agroecological zone within the Gojam zone of Amhara region. The entire zone is considered food secure, and boasts high levels of both staple crop (teff, wheat, and maize), cash crop (chickpeas, lentils, grasspea, and linseed), and livestock (small ruminants) production.

A landscaping of key actors engaged in governance-related issues in Dejen woreda includes formal governance bodies (e.g., councils, cabinets and courts at the woreda and kebele levels), state-supported civil society organizations (e.g., “mass organizations” of youth, women and farmers), and traditional entities (e.g., the traditional elder’s assembly). These bodies interact closely with both the government’s administrative apparatus and the cooperatives in the area (Figure 5).

At the local level, the kebele council and its agricultural planning committee represent the operative governance structure that informs policy making and policy implementation. In reality, however, the woreda administration assumes a central role in developing plans and budgets at this local level. This partly reflects the fact that most of the human capacity required to undertake priority-setting and budgeting tasks lies within the administrative ranks at the woreda level. Moreover, there is evidence from Dejen to suggest that the ultimate plans and budgets are strongly influenced by planning targets determined at these higher levels.

Cooperatives in Dejen are an integral part of the woreda government’s rural development program, and thus an integral part of the local governance system. The cooperative’s primarily role is to supply seed, fertilizer and credit to their members—inputs that are difficult to obtain from other sources. Thus, with the exception of a few younger farmers, almost everyone in the area belongs to their local cooperative.

Dejen’s cooperatives have a particular comparative advantage in procuring fertilizer because they can negotiate fertilizer prices from the cooperative union that are more favorable than prices offered by local private fertilizer dealers, approximately 5-10 Birr lower per quintal. The cooperatives also supply credit to members for fertilizer purchases and other income-generating activities such as the purchase of water pumps, beekeeping and animal husbandry—a service that few private dealers can provide. Fertilizer loans generally require a 40 percent down payment, with repayment of the balance due in eight months. When fertilizer demand is slack, and especially late in the season, the cooperatives sometimes accept smaller down payments, including zero percent on occasion.

The cooperatives also work very closely with woreda officials, particularly with the BoCP to promote and supports cooperative formation and management throughout the woreda. Three DAs are assigned to the woreda to provide technical support to cooperatives in areas such as irrigation and animal husbandry, complementing the other 63 DAs distributed to the kebele level. The cooperatives also cooperate with the local governance system at the kebele level, particularly in the area of credit disbursement and recovery.

Cooperatives also interact with the Amhara National Development Movement (ANDM), a member-party of the ruling political front. This interaction is, however, more informal than the interactions described above, and varies from member to member based on their affiliation with the party. About half of the 800 farmers in Elajama kebele are members of the ANDM. Similarly, the kebele cabinet and kebele council are all drawn from the ANDM, as is much of the cooperative leadership. Party membership provides cooperative members with access to agricultural extension advice and services beyond what is available from local government and the woreda. For example, the party provides members with advice on agricultural technology and natural resource management, and also mobilizes party youth to provide labor support to older farmers and female household heads.
Figure 5. Agricultural development actors and networks, Dejen woreda

Public sector (provision of seed, fertilizer, credit and technical information)

Amhara Bureau of Agriculture and Rural Development
Woreda Bureau of Agriculture
Woreda Cooperative Promotion Desk
Woreda Agriculture and Gender Desk
Woreda Agricultural Technology Specialists
Farmer Training Center
DAs
Female DAs
Model Farmers
"Family Package" Groups
Young Farmers
Female Farmers
Farmers
Kebele Peasant Association
Woreda Farmers' Association
Kebele Agricultural Planning Committee
Woreda Council
Kebele Council

Cooperative sector
Cooperative Union
Local Cooperative

Private sector
Fertilizer Traders

Formal governance institutions
State-supported civil society organizations

Note: The size of each node is determined by the node’s degree centrality, or the number of ties that the node has relative to the total number of ties in the network as a whole.
5. Conclusions and recommendations

This study provides an overview of recent evidence on how smallholder cooperatives in Ethiopia contribute to the improvement of rural livelihoods. In doing so, it examines the specific role of cooperatives in facilitating commercial linkages between smallholders and markets, managing scarce natural resources, and strengthening governance systems at the local level. Key issues examined include the historical, institutional and policy context in which the current effort to promote cooperatives is evolving, and how issues such as inclusion, representation, responsiveness, accountability, and adaptability affect the contribution of cooperatives to livelihood improvements in Ethiopia.

The study’s findings suggest that a range of “tensions” underlie the growth and promotion of smallholder cooperatives in Ethiopia. For example, 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.

Note that the study’s findings are drawn from an assessment of a cooperative promotion effort that is at an interim phase of development, using qualitative data from a small number of non-representative case studies and quantitative data from sources that were designed for varying (and sometimes different) research objectives. Thus, the recommendations given here are meant to stimulate consideration and exploration of innovative policy options and solutions to improve rural livelihoods through the promotion and strengthening of rural institutions.

**Leverage the institutional landscape.** Policies and investments made at the federal, regional and woreda levels should continue to encourage cooperative promotion. These same policies and investments should also encourage elected and appointed public officials—woreda administrators, BoCP/BoARD officers and specialists, kebele development agents, woreda council members, kebele council members, and others—to take advantage of the diverse institutional landscape in Ethiopia to leverage resources and expertise in support of cooperatives and the smallholders they represent. Closer and more productive linkages with industry and civil society may contribute to strengthening cooperatives, and thus the impact of cooperatives on rural livelihoods.
**Acknowledge what cooperatives can and cannot do.** Because they are inherently non-inclusive, cooperatives cannot be expected to serve as the primary vehicle for rural development. Thus policy and investment initiatives should do more to (a) acknowledge, identify and promote alternative interventions that respond specifically to the needs of individuals, households and groups that are excluded from cooperatives, e.g., groups facing extreme economic and social vulnerability; (b) recognize that the existence of spillover benefits from cooperatives means that all-inclusive membership may not be a necessary condition for improving livelihoods; and (c) recognize the tradeoffs between specialized and diversified activities in a cooperative. This first recommendation makes a strong case for continued investment in targeted interventions such as the Productive Safety Net Program (PSNP), which could be developed further to recognize their complementarities with cooperatives in Ethiopia. The second recommendation makes a case for sustaining the commitment to establishment of cooperatives based on a non-compulsory membership as set forth in revisions to the laws and regulations governing cooperatives in Ethiopia today. The third recommendation makes the case for more careful consideration of what is expected from cooperatives, and what their capacity is to manage a diversified activity portfolio: too many activities that are too heterogeneous in character could reduce a cooperative’s performance and, in the long run, both its viability as an organization and its livelihood impacts.

**Diversify away from package approaches.** Public, private and civil society actors that are external to the cooperative need to develop more extensive menus of more flexible packages that are responsive to local opportunities and challenges, rather than to the priorities of the external actor itself. These same actors need to invest in longer-term partnerships with cooperatives to provide both the physical capital investments to improve their natural resource management capacities, and the human and organizational capital investments to improve their ability to govern, manage, and act collectively. Formal coordination bodies such as *Woreda* Coordination Committees, as well as informal communication and collaboration between actors may contribute to such efforts, especially if local-level interactions are supported and reinforced at the regional and federal levels.

**Invest in capacity strengthening.** Efforts to replicate successful cooperative experiences in Ethiopia will require greater investment in strengthening the capacity of cooperatives to govern and manage themselves independently from the BoCP, the BoARD, or other external actors. Paradoxically, this will require new and innovative investments in developing the skills and knowledge of BoARD/BoCP officers, specialists, and *kebele* DAs to convey governance and management expertise to cooperative leaders and members. This requires more investment and improvement in the curriculum and teaching practices in Ethiopia’s Agricultural Technical, Vocational Educational Training (ATVET) colleges, particularly with respect to
topics such social mobilization, cooperative management, cooperative accounting and bookkeeping and community conflict resolution. This is one particular area that international donors can contribute (and currently are, through such projects as the World Bank’s Rural Capacity Strengthening Project (RCBP)), specifically by providing financial resources and international expertise to address urgent capacity strengthening challenges and priorities.

**Roll back the state’s role in cooperative promotion and management.** While continued BoCP/BoARD support of functioning and nascent cooperatives may be necessary at this interim phase of cooperative development in Ethiopia, strategies are needed to graduate cooperatives to higher levels of independence and separate them from their ties to the state. Such strategies might include efforts to extricate local administrative and political intervention in cooperative management and governance, and more capacity-building efforts to enhance the private-sector orientation of cooperatives.

In summary, this study recognizes the potential contribution of smallholder cooperatives to increasing agricultural production and improving rural livelihoods in Ethiopia. In the long run, these contributions are likely to play a role in meeting Ethiopia’s wider objectives of agricultural development, economic growth, and poverty reduction. A range of innovative policies and investments are needed to ensure that this contribution ultimately play a part in meeting these goals. If efforts to promote cooperatives can focus on defining the right role for cooperatives, strengthening local capacity to govern and manage cooperatives, and building trust between government and community, there is much cause for hope. Efforts to get this balance right will require the long-term attention of policymakers at the federal, regional, and woreda levels of government.
6. References


Kassa, B. 2004b. Linkages of higher education with agricultural research, extension and development. Unpublished manuscript, Alemaya University, Ethiopia.


7. Annexes


1. Making 70 percent of the society user of the cooperatives’ services
2. Increasing the cooperatives’ input marketing coverage from its present level of 70 percent to 90 percent
3. Increasing the cooperatives’ output marketing coverage from its present level of 10 percent to 60 percent
4. Increasing the number of primary cooperatives from its present level of 14,423 to 24,677
5. Increasing the cooperative Unions from its present level of 105 to 646
6. Establish 6 cooperative Federations (crop, coffee, Saving & credit, milk & milk products, mining, and fruits and vegetables)
7. Establish one Cooperative league
8. Give professional support in the establishment of 3 other cooperative banks in regions. By so doing, increasing the number of regional cooperatives’ banks from its present level of 1 to 4. Also establish one national cooperative bank to solve the financial shortage of cooperatives and their members
9. Through organizing 420 rural electrification service cooperatives, enabling 1,260,000 households or 6.3 million rural population to get electric power
10. Through organizing 20 telecommunications cooperatives, enabling the rural population to get access to market information
11. Through organizing and strengthening cooperatives in pastoralist and semi-pastoralist areas based on their resources, provide professional support in getting right price for their produce as well as providing consumable goods and inputs with a reasonable price
12. Increasing women membership from its present level of 13 percent to 30 percent
13. Increasing the current low level of youth membership to 25 percent
14. Increasing the employment created by cooperatives from its current level of 7000 to 126,000
15. In training programs organized by the Federal Cooperative Agency, issues concerning HIV/AIDS will get coverage of 30 minutes up to one hour in the session. Support will also be made to newly established cooperatives to give trainings on HIV/AIDS to their members. The would be organized unions will allocate 0.5-1 percent of their social fund to their HIV affected members
16. Increasing the current level of 630 million Birr saving to 1.2 billion Birr through organizing saving and credit cooperatives both in urban and rural areas and build the saving and investment capacity of the society
17. Helping cooperatives get 13 billion Birr credit so that they raise their productivity and production, enable them provide agro-processing service and making member get better benefit from their produce

18. To enhance the execution and implementation capacity through the program of “building the capacity of cooperatives”: give capacity development training to 50186 employees and 3767 professionals. Also train 7763 and 4000 employees at diploma and degree level respectively. In addition to this, on-job training will be given for 2195 professionals, 20082 cooperative management bodies and 322 cooperative employees. 120 professionals will get a MSc degree training and 10 will get PhD training in cooperatives through RUFIP program.

19. Achieving better implementation of plans through undertaking experience sharing and consultative conference between the Agency and regions once in six months

20. Ensuring the continuity of information provision in the cooperative sector through facilitating cooperatives to have radio program transmission ownership
# Annex 2. Descriptive statistics

## Table 1A. Descriptive statistics from household- and cooperative-level data

<table>
<thead>
<tr>
<th>Characteristics</th>
<th>2005 Ethiopia Rural Smallholder Survey (ERSS)</th>
<th>2006 Ethiopian Smallholder Cooperatives Survey (ESCS)</th>
<th>2007 Cooperative-level Case Study</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of households</td>
<td>7,186</td>
<td>540</td>
<td>121</td>
</tr>
<tr>
<td>Number of cooperatives</td>
<td>--</td>
<td>207</td>
<td>8</td>
</tr>
<tr>
<td>Number of woredas</td>
<td>283</td>
<td>54</td>
<td>4</td>
</tr>
<tr>
<td>Mean age of respondent (years)</td>
<td>44.25 (15.24)</td>
<td>38.08 (10.73)</td>
<td>41.05 (11.83)</td>
</tr>
<tr>
<td>Mean land holding size (ha)</td>
<td>1.32 (1.24)</td>
<td>2.58 (9.83)</td>
<td>1.42 (1.55)</td>
</tr>
<tr>
<td>Travel time/distance to nearest market (minutes or kilometers) b</td>
<td>64.74 minutes (62.78)</td>
<td>14.14 km (56.78)</td>
<td>--</td>
</tr>
<tr>
<td>Female-headed households (%)</td>
<td>20.43</td>
<td>--</td>
<td>2.48</td>
</tr>
<tr>
<td>Female respondents (%)</td>
<td>--</td>
<td>8.72</td>
<td>4.96</td>
</tr>
<tr>
<td>Mean size of cooperative (no. of members)</td>
<td>--</td>
<td>881.01 (744.61)</td>
<td>432.50 (677.42)</td>
</tr>
<tr>
<td>Mean age of cooperative (years)</td>
<td>--</td>
<td>14.15 (4.32)</td>
<td>--</td>
</tr>
<tr>
<td>Mean number of meetings attended per year (no.)</td>
<td>--</td>
<td>9.13 (1.29)</td>
<td>12.33 (17.37)</td>
</tr>
<tr>
<td>Members who are satisfied with the services of their cooperative (%)</td>
<td>--</td>
<td>89.63</td>
<td>71.21</td>
</tr>
</tbody>
</table>

| Number of observations                                | 668                                           | 6,518                                                | 270                              | 270 | 68 | 53 |
| Number of woredas covered                             | 103                                           | 283                                                  | 54                              | 54  | 4  | 4  |
| Mean age of respondent (years)                        | 46.65 (14.06)                                 | 44.00 (15.34)                                       | 40.66 (10.07)                   | 35.50 (10.77) | 42.01 (11.65) | 39.79 (12.05) |
| Mean land holding size (ha)                           | 1.99 (1.73)                                   | 1.25 (1.16)                                         | 1.35 (1.60)                     | 1.31 (0.96) | 1.55 (1.56) | 1.26 (1.56) |
| Female-headed households (%)                          | 11.83                                         | 21.31                                                | --                              | --  | 2.94 | 1.89 |

a Standard deviations (std dev) given in parentheses.

b When measured in kilometers, denotes travel distance to nearest supply market.

Source: ERSS (2005); ESCS (2006); 2007 Cooperative-level Case Studies.
Annex 3. A comparison of key outcomes from case study cooperatives

<table>
<thead>
<tr>
<th>Indicator definition</th>
<th>Inclusiveness</th>
<th>Representation</th>
<th>Responsiveness</th>
<th>Accountability</th>
<th>Adaptability</th>
<th>Livelihood</th>
</tr>
</thead>
<tbody>
<tr>
<td>Whether the cooperative’s membership covers those who are supposed to be covered; or whether membership in the cooperative is accessible or open to different types of individuals</td>
<td>Whether the cooperative’s members are involved in decision-making processes of the cooperative; or whether the cooperative is governed and managed in a way that represents the interests of its members</td>
<td>Whether the cooperative and its decision-makers address the demands of their constituents; or whether the cooperative can change and adapt to changing demands or needs of its members</td>
<td>Whether the cooperative has systems to ensure that no one person can use the cooperative to obtain power or resources over another person; or whether the cooperative’s decision-makers are responsible and answerable to their members and/or higher authorities</td>
<td>Whether the cooperative can realize new opportunities or respond to threats that are external, e.g., providing new services or addressing new problems.</td>
<td>Whether the cooperative actually contributes to improving rural livelihoods as indicated by its objectives</td>
<td></td>
</tr>
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<table>
<thead>
<tr>
<th>Indicator</th>
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<th>Livelihood</th>
</tr>
</thead>
<tbody>
<tr>
<td>Responses</td>
<td>1. Open to any community member</td>
<td>1. High representativeness (Open discussions, consultative decision-making, elected leaders, etc.)</td>
<td>1. High responsiveness (changes in activities to meet members’ needs or interests)</td>
<td>1. High accountability: Good internal systems (e.g., transparent decision-making, good management, active member involvement); plus good external systems (Bureau of Agriculture and NGO oversight and support, etc.)</td>
<td>1. High adaptability (changes to new opportunities or threats)</td>
<td>1. Performing (achieves what it says it wants to achieve)</td>
</tr>
<tr>
<td></td>
<td>2. Limited by some basic criteria (fees, residency in kebele, age, etc.)</td>
<td>2. Medium representativeness (Open discussions, sometimes consultative decision-making, but generally permanent leaders)</td>
<td>2. Low responsiveness: (no change in activities or willingness to change to meet members’ needs)</td>
<td>2. Medium accountability: Weak internal systems but good external systems</td>
<td>2. Weak adaptability (unable to change to new opportunities or threats)</td>
<td>2. Internally non-performing (cannot achieve what it wants to achieve because of internal problems)</td>
</tr>
<tr>
<td></td>
<td>3. Limited by some strict criteria (asset ownership, land ownership, etc.)</td>
<td>3. Low representativeness (Limited discussion, non-consultative decision-making, non-elected or permanent leaders, etc.)</td>
<td></td>
<td>3. Low accountability: Weak internal and external systems</td>
<td></td>
<td>3. Externally non-performing (cannot achieve what it wants to achieve because of external constraints)</td>
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<td></td>
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<td></td>
<td></td>
<td></td>
<td>4. Totally non-performing (cannot achieve what it wants to achieve because of internal and external constraints)</td>
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<tbody>
<tr>
<td>Leku Area Honey Products Marketing Cooperative (Shebedino, SNNP)</td>
<td>Formally limited by basic criteria only. Informally limited by the fact that the organization is comprised of honey producers who are known to each other, e.g., a friendship solidarity group.</td>
<td>Low representation because the organization is generally dominated by a few large honey producers who have strong linkages with other associations in the area.</td>
<td>High responsiveness because the organization has expanded its activities into modern beehive construction and selling.</td>
<td>Low accountability because limited internal capacity and not much oversight from BoARD and Plan Int’l who provided mainly honey extraction equipment and technical training.</td>
<td>Weak adaptability because the organization has not been able to exploit opportunities to sell in the Awassa market or to sell on contract to Beza Mar PLC, a private company.</td>
<td>Performing in improving honey production and marketing for its members.</td>
</tr>
<tr>
<td>Taramessa Multipurpose Cooperative (Shebedino, SNNP)</td>
<td>Limited by the usual basic criteria (age, fees, etc.) only.</td>
<td>Low representation because there are few formal systems through which the cooperative members discuss, consult, or decide on key issues. Rather, the BoCP/BoARD tends to play the central role in advising the cooperative on decisions.</td>
<td>The cooperative is highly responsive in that it has expanded its activities into new value-adding coffee processing activities, input supply for maize production, and other services for members (and non-members in many instances).</td>
<td>Medium – good external oversight from the BoCP/BoARD, but weak internal oversight.</td>
<td>The cooperative is highly adaptable. It was quickly reinstated after the collapse of the Derg regime, it bounced back from a fraud that nearly rendered the cooperative insolvent, and it has continued to expand its scope of activities in response to market signals in the past 2-3 years.</td>
<td>Performing, especially over the last 2-3 years. Prior to this, internal leadership and external fraud limited its performance.</td>
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<tbody>
<tr>
<td>Kara Luku Mulitpurpose Farmers Cooperative</td>
<td>The organization’s change from being a chaat marketing cooperative (in which being a chaat farmer was the main membership criteria) to a multipurpose cooperative has expanded membership. Only basic criteria apply to membership, and few obvious informal exclusion mechanisms exist</td>
<td>Low representation because members are neither aware of, nor participating in, cooperative meetings or decision-making processes: They only approach the cooperative to purchase inputs or sell their surplus output, while most decisions are made by the cooperative management committee in consultation with the Cooperative Promotion Desk at the BoCP/BoARD.</td>
<td>Low responsiveness to members needs</td>
<td>Low internal accountability because members are neither aware of, nor participating in, cooperative meetings or decision-making processes; but high external accountability thanks to active oversight and support from the BoCP/BoARD</td>
<td>High adaptability because they shifted out of chaat marketing and into haricot bean marketing once the BoCP/BoARD recognized that the chaat traders’ bargaining power was too high to counter with collective marketing. Note, however, that the adaptive capacity is largely driven by external forces</td>
<td>Performing in haricot bean production and marketing, but largely due to external drivers (BoCP/BoARD) and not the members themselves</td>
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</thead>
<tbody>
<tr>
<td>Medda Inciny Irrigation Users Cooperative (Goro Gutu, Oromia)</td>
<td>Limited by the usual basic criteria (age, fees, etc.), but also by a strict criteria, i.e., that members have to have land adjacent to the irrigation catchment area and be “hard workers.” Cooperative leaders and members noted that women are not a member of the cooperative because the hard work associated with production on irrigated land cannot be done by women, although it is unclear as to whether any women who might otherwise qualify as members (by paying the fees, owning land in the catchment area, etc.) are not, in fact, members.</td>
<td>Highly representative because members are keenly interested in and thus closely involved with the leadership and management committee on matters relating to irrigation (e.g., the distribution of water, maintenance of the pump) and marketing of surplus output.</td>
<td>Highly responsive to members’ interests: The cooperative is trying to expand its membership and diversify its activities to satisfy members’ interests.</td>
<td>Highly accountable both internally (to members) and externally (to BoCP/BoARD and CISP, the Italian NGO).</td>
<td>Highly adaptable. The cooperative is changing its status filed with the BoCP/BoARD from an irrigation cooperative to a multipurpose cooperative so they can expand their membership and diversify their portfolio into haricot bean marketing, surplus output storage, and other services.</td>
<td>Performing well.</td>
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<tbody>
<tr>
<td>Thahetay Megare Tsemri Multipurpose Cooperative (Ahiferom, Tigray)</td>
<td>Limited by the usual basic criteria (age, fees, etc.) only.</td>
<td>Medium representation in that most discussions and decisions are taken in consultation with the BoCP/BoARD, while interactions with the members tend to be informal, i.e., conducted at local community or religious events rather than general meetings of the cooperative.</td>
<td>Highly responsive to members’ interest, particularly in exploiting local market opportunities to generate income, and local service providers to access technical assistance and financial resources.</td>
<td>Medium accountability because the cooperative tends to report to the BoCP/BoARD but not its members. Leadership remains unchanged since inception. Note that voting is on a one-share-one-vote basis, where 40 of the 805 members hold 2 shares each while the rest hold 1 each. There is no indication that larger shareholders gain any advantage over others or hold any special position. There are few opportunities to vote e.g., for new leaders, since the leaders remain unchanged. Their only advantage is in receiving larger dividend distributions.</td>
<td>Highly adaptable. The cooperative has moved from input provision in consumption services into output marketing (teff and millet) into honey production and a water pump rental service. At each step, the cooperative collaborated with various outside actors from the public sector (BoCP/BoARD, Ahiferom Cooperative Union, etc.) and, most recently, with Dema PLC for honey processing and marketing. Note that the honey from this area is well known for its quality and yields a premium price because of its traditional geographic indication.</td>
<td>Performing well.</td>
</tr>
<tr>
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<tr>
<td>Maigebeta Irrigation Users Cooperative (Ahiferom, Tigray)</td>
<td>Limited by the usual basic criteria (age, fees, etc.) and that members have to have land adjacent to the irrigation catchment area.</td>
<td>Medium representative because there is limited formal interaction between the leaders, management committee and members. However, because they are managing a collective pool resource, there does tend to be a lot of informal, day-to-day interaction between the leaders, management committee and members.</td>
<td>Highly responsive to members’ interests: Although the cooperative remains focused on irrigation management and collective marketing, the cooperative is looking to become a multipurpose cooperative so it can expand its activities into consumption goods provision, animal fattening, and input supply.</td>
<td>Medium accountability: The cooperative leaders and management committee consult extensively with the BoCP/BoARD on most cooperative-related decisions. However, their linkages with members on these same issues are (as noted earlier) informal and generally weak. Leadership remains unchanged since inception.</td>
<td>The cooperative is highly adaptable. When members realized that their surplus output was glutting the rather thin local markets in Sorro and Inticho (12 km away) and competing with surplus output from other, they introduced rules to diversify the choice of crop produced such that the cooperative no longer produces a single crop for sale in the market. This thin market problem is possibly compounded by the cost of transporting to the larger Adwa market (55 km away). Another sign is the introduction of new crops (e.g., alfalfa) which some members cultivate as fodder for home dairy production for own consumption purposes.</td>
<td>Performing well.</td>
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<tbody>
<tr>
<td>Tepo 140 Irrigation Cooperative (Dugda Bora, Oromia)</td>
<td>Limited membership based on ownership of land within the irrigation catchment area. Note that when the cooperative was established, several staff members of OSHA, a domestic NGO active specifically in the Oromia region, rented land in the irrigation catchment area to seize the benefits of the irrigation. Eventually, the woreda BoCP/BoARD expelled them because land rentals by individuals residing outside of a given woreda is generally not permitted.</td>
<td>Low representation: The cooperative suffers from weak lines of communications between its leaders and members, weak leadership capacity, and limited interaction on cooperative-related topics.</td>
<td>Low responsiveness: The cooperative has been unable to effectively meet the needs of the members through the management of a pump irrigation system.</td>
<td>Low accountability to both its members and the BoCP/BoARD.</td>
<td>Weak adaptability: Unable to exploit any new opportunities or resolve any problems arising from external factors.</td>
<td>Totally non-performing</td>
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</tr>
</thead>
<tbody>
<tr>
<td>Woyo Seriti Gebreal (Dugda Bora, Oromia)</td>
<td>Initially established with strict criteria, i.e., members must have land within the pump irrigation system catchment area. Since diversifying into activities such as input supply and seed multiplication, membership has been expanded.</td>
<td>Medium representativeness. While the management committee does most of its work without extensive consultation with members, the members are nonetheless well-informed of decisions being taken through informal communications and interactions.</td>
<td>Highly responsive. The cooperative has expanded its activities in response to the interests of its members, including marketing of perishable crops, storage, and plans to buy a tractor for renting out to members and non-members.</td>
<td>High accountability. This cooperative is one of the few coops studies where mandatory term limits on the leadership are actually imposed. The cooperative has held two elections thusfar and rotated its leadership at each election. The BoARD, the Meki-Batu Cooperative Union, and the Oromia Development Association also provide effective oversight of the coops activities.</td>
<td>Highly adaptable. The cooperative has expanded into new market niches in the Ziway-Meki marketshed with such activities as collective marketing, post-harvest storage, input supply, tertiary road construction, and maize seed multiplication. Note that the maize seed multiplication was conducted on contract for the Meki-Batu Cooperative Union which was contracted to supply the Ethiopian Seed Enterprise. The pre-production contract price from ESE was, however, lower than the local market price for maize seed.</td>
<td>Performing.</td>
</tr>
</tbody>
</table>
Annex 4. An overview of World Bank rural livelihoods projects in Ethiopia

Table 3A. World Bank projects in Ethiopia related to rural institutions and livelihoods

<table>
<thead>
<tr>
<th>Project</th>
<th>Type/domain</th>
<th>Geographical area</th>
<th>Categories of RIs involved</th>
<th>Main approaches</th>
<th>Period covered</th>
</tr>
</thead>
<tbody>
<tr>
<td>Emergency Drought Reduction</td>
<td>Livelihoods and services – reduce vulnerability through</td>
<td>35 woredas in drought-vulnerable areas</td>
<td>Woreda Development Committee, Kebele EDRP Committee (expanded Kebele Development Committee)</td>
<td>Community assistance cash transfers and public works to build community assets for sustainable livelihoods</td>
<td>2003-2006</td>
</tr>
<tr>
<td>Reduction Project</td>
<td>assistance to Woredas to rebuild productive community assets and social infrastructure</td>
<td></td>
<td></td>
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</tr>
<tr>
<td>Food Security Project</td>
<td>Livelihoods and services – grants to Kebeles for asset-</td>
<td>60 drought-prone woredas</td>
<td>Kebele Development Committee, Woreda Development Committee</td>
<td>Grants to Kebeles and CB to Woredas and Regions</td>
<td>2002-2009</td>
</tr>
<tr>
<td></td>
<td>generating activities and nutrition programs</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pastoral Community Development</td>
<td>Governance/services and livelihoods - Strengthen capacity of woredas to address pastoral communities' needs; improve livelihoods of pastoralists</td>
<td>One third of pastoral woredas in four regions of lowlands Ethiopia</td>
<td>Woreda Development Committee, traditional/pastoral leaders</td>
<td>Community investment fund channeled through Woredas for participatory planning and implementation; participatory disaster management</td>
<td>2003-2008</td>
</tr>
<tr>
<td>Project</td>
<td></td>
<td></td>
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</tr>
<tr>
<td>Productive Safety Nets Project</td>
<td>Livelihoods – reduce vulnerability to shocks and prevent loss of livelihoods and assets</td>
<td>23 food insecure woredas in 7 regions</td>
<td>Kebele Food Security Task Force, Kebele Appeals Committee, Woreda Food Security Task Force, Woreda Food Security Desk</td>
<td>Community-based targeting of assistance (cash + public works) to Kebeles for transfer to households</td>
<td>2005-2010</td>
</tr>
<tr>
<td>Rural Capacity Building Project</td>
<td>Governance/Services – strengthen decentralized agriculture extension services</td>
<td>Yet to be decided</td>
<td>Woreda Subject Matter Specialists and Development Agents; Woreda Farmer Training Centers; Farmer-Researcher Extension Groups (FREGS) at FTC level; Farmer’s Groups</td>
<td>CB and institution building for improved decentralized advisory services</td>
<td>Effective 2006</td>
</tr>
</tbody>
</table>

Source: C. McSweeney, pers. comm.
Lessons from an overview of World Bank rural livelihoods projects in Ethiopia

1. Selecting rural institutions (RIs)

Intermediary-level institutions
- It seems essential for all the projects covered by the review to strengthen the institutions located at the interface level (Regional coordination offices and support teams) to ensure a better flow of information, technical support, coordination, financial transfer and financial transfer.
- Most projects initially neglected the regional level and later introduced regional coordinators, resulting in improved performance.
- A clear assessment of the meso level’s capacity to provide these linkages was made and its role strengthened to provide an ‘interface’ between the local and central levels. (give 1-2 examples of actions).

Targeting
- Community-based targeting at Kebele level is a common practice and seemed to have shown local ownership of the process. Opportunities for cross learning within and between these projects should be utilized to share best practice in community-based targeting.
- Ranking methodologies need to be flexible to accommodate different livelihood systems in mixed farming and pastoral communities. Eg in pastoral and agro-pastoral communities, ranking by wealth or age can have cultural and social repercussions where social interactions, clan and family ties play an important role.

Devolution of decision-making and ownership
- It seems essential for projects to time/phase the decentralization of implementation to lower levels (woreda and kebele) to take place after investments in systems and capacities have been made. This is necessary to ensure information flow, coordination and quality control. Most projects shifted responsibility for implementation to lower local governments, at the same time that government was devolving power to lower levels – there was not sufficient time to build up the required capacity.

2. Capacity building for RIs.

Capacity of local institutions to manage activities
- The requirement to create project-specific committees at each level puts a strain on capacity to coordinate, gather information on and manage multiple projects. A plethora of committees implementing government, donor and NGO initiatives, each with different approaches and procedures, coexist at Kebele and Woreda levels (eg Kebele Food Security Task Force, Kebele Emergency Drought Reduction Project Committee, Kebele Development Committee etc). This puts a strain on limited capacity at Kebele and Woreda levels.
- Harmonization/consolidation of local institutions and coordination of program and project approaches would reduce the strain on limited capacity and would provide an opportunity to strengthen mechanisms for inclusion and participation.

Capacity Building
- Most projects experienced delayed disbursement and implementation due to lack of preparedness for implementation at entry. Projects tended to overestimate the capacity of existing institutions and staff on the ground during preparation, and underestimate the time and cost of subsequent training and preparation needs. Most projects set their operational budget too low and had to increase after mid-term review.
Phasing: Provide up-front investment in capacity building, staff resources and public information campaigns earlier in the project cycle, to ensure adequate human resource capacity and information on the ground at project start-up.

Conduct needs assessment during project preparation to give a clear picture of needs and ensure sufficient resources are allocated to address them (most projects did not do this).

Delivery method: provide continuous ‘on-the-job’ training, reinforced by visits from local government technical staff. This is more effective than one-off training at the start of the project, which tended to be forgotten, particularly among pastoral and illiterate communities.

Where communities had a role in managing financial resources, as well as participating in identification of needs, the capacity building impact was greater, and contacts between communities and local government staff were more frequent.

Supplementing existing capacity: Where capacity is inadequate, think creatively about how capacity can be supplemented with support from intermediaries (NGOs etc) and from meso-level institutions (see below). For political reasons, Government tended to overestimate the capacity of the existing system and was reluctant to supplement with support from intermediaries (NGOs etc).

Linkages: Enhance linkages between community-level institutions and private sector, NGOs, other service providers and CBOs, who can provide sustainable technical assistance and knowledge transfer. For political reasons, these were largely excluded.

3. M&E and RIS

Monitoring

Incentives for participation: More attention to creating incentives for local institutions to monitor their progress and report downwards (to community) and upwards is needed. The M&E system were generally not designed with local participation in the identification of progress indicators.

Communities and local institutions tended to take a passive role in monitoring both their own activities and those of local government. Most project M&E systems were top-down. Even where participatory arrangements were designed, they failed to produce outputs due to non-responsiveness at woreda and kebele levels.

4. Inclusion and participation

Information and elite capture

Elite capture: the process of prioritising community needs can be appropriated by interest groups or local government officials seeking to ‘guide’ the process. Several projects are paying (?) more attention to building community skills to monitor implementation (bid processing, procurement, contract negotiation etc.) and to increasing awareness of their roles in the decision-making process.

Incentives for local officials to actively disseminate information and be transparent are often lacking – more attention is needed to increase these incentives.

Quality of representation of local institutions

Detailed analyses of the composition of the existing Committees and the processes through which they were formed is needed. Projects sought to broaden representation by establishing ‘elected’ committees at each level to manage project activities and provide a channel for interaction between local government and communities.

However these tend to be formed by ‘electing’ the same group of people to each committee and were generally an extension of the existing Kebele and Woreda Development Committees. Local government influenced the decision-making processes through its presence on the committees at Kebele and Woreda levels. This arrangement limits the representation of broader-based community opinion.
5. Services and approaches

Experience in building livelihoods

- Project menus should be broadened to include activities that can increase productive livelihoods. Most project menus restricted the choice to community assets and government owned/managed infrastructure.
- A dedicated livelihood component/intervention should be considered. Many projects did not have a dedicated component/intervention for livelihood development.

Business development skills

- Capacity to identify and manage income generation schemes is lacking and should be built, to ensure these are selected on the basis of viability and profitability.
- Training in appraising local market demand, identification of viable income-generating schemes, assessment of credit-worthiness and loan management should be provided before implementing the projects (example: how many projects are doing this or not).

Local institutions for delivering financial services

- Build and develop appropriate financial institutions to provide financial services at local level. Projects relied on local government (kebele) and multi-purpose cooperatives to provide these services, but they proved ineffective in collecting and revolving loans.
- Where communities were given responsibility for managing revolving funds, they tended not to be effective (interest rates set too low, administrative costs not recovered etc).

6. RIs and climate change

Community drought resilience

- Menu for drought mitigation projects should be broadened to increase the degree of agency available to communities in prioritising and pursuing local development initiatives.
- Communities tend to prioritize activities beyond typical drought mitigation activities (soil and water conservation etc). They highlight links between poverty, low educational and health status and vulnerability, reflected in selection of projects (health infrastructures, purchase of school clothing and supplies).