Mobilizing Rural Institutions for Sustainable Livelihoods and Equitable Development: The Case of Farmer Cooperatives in Ethiopia

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SDV/ARD Brown Bag Breakfast Presentation
World Bank
Washington, DC
October 16, 2008
Study objectives

• To provide evidence on how cooperatives contribute to improving rural livelihoods by
  • Facilitating farmer participation in commodity markets
  • Managing scarce natural resources, e.g. land and water
  • Strengthening governance systems at the local level
Research questions

• Who tends to participate in cooperatives?
  • How inclusive and responsive are cooperatives viz smallholders and smallholder demands?

• How do smallholders interact with cooperatives?
  • How does participation actually occur, and how does participation translate into livelihood improvements?

• What can the gov’t do to strengthen coops in support of national development objectives?
  • What interventions can improve the responsiveness of cooperatives to smallholder needs?
Thematic emphasis

• Agricultural marketing cooperatives
• Irrigation cooperatives
• Local governance systems

➢ Incidence and inclusion
➢ Responsiveness and accountability
➢ Adaptability and adaptive capacity
Background: A turbulent history

• Cooperatives in Ethiopia
  • Imperial Regime (until 1974)
    • 116 cooperatives established, primarily for export crop promotion (coffee/oilseeds) from which smallholders were excluded
  • Derg Regime (1974-1991)
    • 3723 producers, 4,052 service cooperatives established.
    • Primary source for household consumables, agri inputs
    • Characterized by mandatory membership, production quotas, low sense of ownership among smallholders
Today: A resurgence in cooperatives?

Proportion of kebeles with at least one rural producer organization 1991-2005 (%)

Source: Bernard, Birhanu, and Gabre-Madhin 2006
A source of development capital?

<table>
<thead>
<tr>
<th>Region</th>
<th>No. of coops</th>
<th>Members</th>
<th>Total capital</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Male</td>
<td>Female</td>
<td></td>
</tr>
<tr>
<td>Amhara</td>
<td>4,223</td>
<td>1,637,069</td>
<td>258,996</td>
</tr>
<tr>
<td>Oromia</td>
<td>2,957</td>
<td>658,763</td>
<td>58,284</td>
</tr>
<tr>
<td>SNNP</td>
<td>5,512</td>
<td>892,788</td>
<td>126,076</td>
</tr>
<tr>
<td>Tigraye</td>
<td>1,335</td>
<td>356,868</td>
<td>282,425</td>
</tr>
<tr>
<td>All others</td>
<td>9,057</td>
<td>36,539</td>
<td>22,813</td>
</tr>
<tr>
<td>TOTAL</td>
<td>23,084</td>
<td>3,582,027</td>
<td>748,594</td>
</tr>
</tbody>
</table>

Source: Merkura, FCA (2008)
A diversified set of development institutions?

<table>
<thead>
<tr>
<th>Region</th>
<th>Multi</th>
<th>Irrigation</th>
<th>Savings &amp; credit</th>
<th>Housing</th>
<th>SME</th>
<th>Consumer</th>
<th>Dairy &amp; livestock</th>
<th>Other</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amhara</td>
<td>1,712</td>
<td>188</td>
<td>543</td>
<td>1,060</td>
<td>-</td>
<td>14</td>
<td>45</td>
<td>661</td>
<td>4,223</td>
</tr>
<tr>
<td>SNNP</td>
<td>1,025</td>
<td>-</td>
<td>869</td>
<td>119</td>
<td>-</td>
<td>52</td>
<td>59</td>
<td>3,388</td>
<td>5,512</td>
</tr>
<tr>
<td>Oromia</td>
<td>1,468</td>
<td>77</td>
<td>515</td>
<td>-</td>
<td>12</td>
<td>59</td>
<td>295</td>
<td>531</td>
<td>2,957</td>
</tr>
<tr>
<td>Tigraye</td>
<td>580</td>
<td>225</td>
<td>232</td>
<td>32</td>
<td>-</td>
<td>13</td>
<td>100</td>
<td>153</td>
<td>1,335</td>
</tr>
<tr>
<td>All others</td>
<td>486</td>
<td>40</td>
<td>3,076</td>
<td>2,681</td>
<td>2,099</td>
<td>100</td>
<td>125</td>
<td>450</td>
<td>9,057</td>
</tr>
<tr>
<td>Total</td>
<td>5,271</td>
<td>530</td>
<td>5,235</td>
<td>3,892</td>
<td>2,111</td>
<td>238</td>
<td>368</td>
<td>5,183</td>
<td>23,084</td>
</tr>
</tbody>
</table>

Source: Merkura, FCA (2008)
A resurgence on a national scale?

<table>
<thead>
<tr>
<th>Region</th>
<th>No. of cooperative unions</th>
<th>No. of member cooperatives</th>
<th>Total capital</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amhara</td>
<td>33</td>
<td>696</td>
<td>37,474,778</td>
</tr>
<tr>
<td>Oromia</td>
<td>57</td>
<td>1,383</td>
<td>72,179,586</td>
</tr>
<tr>
<td>SNNP</td>
<td>26</td>
<td>490</td>
<td>22,040,182</td>
</tr>
<tr>
<td>Beneshangul</td>
<td>1</td>
<td>13</td>
<td>533,141</td>
</tr>
<tr>
<td>Tigraye</td>
<td>23</td>
<td>185</td>
<td>6,934,588</td>
</tr>
<tr>
<td>Addis Ababa</td>
<td>3</td>
<td>188</td>
<td>4,468,950</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>143</strong></td>
<td><strong>2,955</strong></td>
<td><strong>143,631,225</strong></td>
</tr>
</tbody>
</table>

Source: Merkura, FCA (2008)
Study methodology

- **General approach**
  - “Community diagnostics” of rural institutions w/in a given kebele or woreda

- **Research tools**
  - Key informant interviews with farmers, coop/coop union managers, woreda officials, DAs, etc.

- **Site selection**
  - Purposive sample of food secure/insecure woredas with high/low market access

- **Additional data sources**
  - 2006 Ethiopian Smallholder Cooperatives Survey
  - 2005 Ethiopia Rural Smallholder Survey
## Site selection

<table>
<thead>
<tr>
<th>Woreda, region, cooperative</th>
<th>Key characteristics</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Shebedino, SNNPR</strong></td>
<td>Highland, reliable moisture, food secure, medium market access</td>
</tr>
<tr>
<td>- Leku Honey Marketing Coop</td>
<td>127 members (all male)</td>
</tr>
<tr>
<td>- Taramessa Multi Coop</td>
<td>2,012 members (all male)</td>
</tr>
<tr>
<td><strong>Goro Gatu, Oromia</strong></td>
<td>Highland, drought prone, food insecure, low market access</td>
</tr>
<tr>
<td>- Kara Luku Multi Coop</td>
<td>380 members (360 male, 20 female)</td>
</tr>
<tr>
<td>- Medda Inciny Irrigation Coop</td>
<td>140 members (all male)</td>
</tr>
<tr>
<td><strong>Oromia, Dugda Bora</strong></td>
<td>Lowland, reliable moisture, food secure, high market access</td>
</tr>
<tr>
<td>- Woyo Seriti Gebreal Multi Coop</td>
<td>48 members (42 male, 6 female)</td>
</tr>
<tr>
<td>- Tepo 140 Irrigation Coop</td>
<td>38 members (all male)</td>
</tr>
<tr>
<td><strong>Tigray, Ahiferom</strong></td>
<td>Highland, drought prone, food insecure, low market access</td>
</tr>
<tr>
<td>- Thahetay Megare Tsemri Multi Coop</td>
<td>805 members (690 male, 109 female)</td>
</tr>
<tr>
<td>- Maigebetta Irrigation Coop</td>
<td>25 members (23 male, 2 female)</td>
</tr>
<tr>
<td><strong>Dejen, Amhara</strong></td>
<td>Highland, reliable moisture, food secure, low market access</td>
</tr>
<tr>
<td>- Elajama Multi Coop</td>
<td>1,339 members (1,117 male, 222 female)</td>
</tr>
</tbody>
</table>
Caveat

1. This study is an analysis of a national cooperative promotion effort that is presently at an interim phase of development

2. This study relies on several different data sources designed for varying (and sometimes divergent) objectives

➢ The conclusions given here should be viewed as tentative and only intended to facilitate reflection and exploration of innovative policy options and solutions
Key findings for discussion

1. The limits of inclusion and representation
2. The cooperative as a development partner
3. The internal governance challenge
4. The external governance challenge
1. Why not join a cooperative?

- Does not have money to meet membership requirements: 13%
- Does not have land (e.g., in the coop’s area of operation): 29%
- Is not aware that the organization exists: 23%
- Does not trust this organization’s management: 2%
- Doesn’t think the organization could benefit him/her: 9%
- Other: 11%
- Was not accepted as a member in the organization: 9%
- Prefers to wait until he/she sees that the organization is benefiting other members: 4%
- Other: 11%

Source: 2007 case studies (n=53)
The limits of inclusion and representation

- Inclusiveness in cooperatives is limited by:
  - The history of cooperatives in previous regimes
  - The current design of cooperatives
  - The absence of sufficient economic incentives and the “middle-class effect”

- A tradeoffs between scale economies and coordination costs exists
- Positive spillovers and unintended benefits also exist
The organization helps to improve the community as a whole
The organization is working for the benefit of its members

Source: 2007 case studies (n=66)
## 2. Coops as partners in development

<table>
<thead>
<tr>
<th>Woreda, region, coop</th>
<th>Partner organizations</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Shebedino, SNNPR</strong></td>
<td></td>
</tr>
<tr>
<td>- Leku Honey Marketing Coop</td>
<td>Plan International</td>
</tr>
<tr>
<td>- Taramessa Multi Coop</td>
<td>ACDI/VOCA; Sidama Coffee Producers’ Coop Union</td>
</tr>
<tr>
<td><strong>Goro Gutu, Oromia</strong></td>
<td></td>
</tr>
<tr>
<td>- Kara Luku Multi Coop</td>
<td>Catholic Relief Service; Comitato Int’l per lo Sviluppo dei Popoli (CISP)</td>
</tr>
<tr>
<td>- Medda Inciny Irrigation Coop</td>
<td>CISP</td>
</tr>
<tr>
<td><strong>Oromia, Dugda Bora</strong></td>
<td></td>
</tr>
<tr>
<td>- Woyo Seriti Gebreal Multi Coop</td>
<td>Oromia Development Association (ODA); ACDI/VOCA; Meki-Batu Cooperative Union</td>
</tr>
<tr>
<td>- Tepo 140 Irrigation Coop</td>
<td>ODA, Mek-Batu Cooperative Union</td>
</tr>
<tr>
<td><strong>Tigray, Ahiferom</strong></td>
<td></td>
</tr>
<tr>
<td>- Thahetay Megare Tsemri Multi Coop</td>
<td>Relief Society of Tigray (REST)</td>
</tr>
<tr>
<td>- Maigebetta Irrigation Coop</td>
<td>FARM Africa</td>
</tr>
</tbody>
</table>
Maigebetta Irrigation Users Cooperative and partners
Source: 2007 case studies

Legend

- Red: Provision of social mobilization and organization services (i.e., cooperative promotion)
- Blue: Provision of productive capital assets (i.e., water pump and equipment)
- Black: Provision of transfer income (Productive Safety Net Program (PSNP) food-for-work activities)
- Gray: Coordination and cooperation
- Green: Provision of individual labor resources and/or community-level collective action
Taramessa Cooperative partners
Source: 2007 case studies

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
3. The internal governance challenge

- Cooperative governance & management systems and capacities are still under development
  - High levels of upward accountability, i.e., to the woreda offices of the regional BoCPs/BoARDs
  - Low levels of downward accountability, i.e., to members
  - Challenge of historical legacies of top-down governance
  - Members express concerns relating to issues of trust, transparency and accountability
Regular participation…

How many meetings of have you attended over the past one year?

Source: 2007 Case Studies
...But limited engagement...

How active have you been in your cooperative over the past one year?

Source: 2007 Case Studies

- Highly active
- Usually active
- Sometimes active
- Not active

Percent
...and limited decision-making powers

Distribution of coops by % of decisions taken by the general assembly

Source: ESCS 2006
4. The external governance challenge

• Interactions between local governance systems and cooperatives are common
  • Coops provide smallholders with access to inputs (seed, fertilizer and credit)
  • Coops often manage of common pool resources, typically under government programs and projects
  • Coops are often an articulation of community voice
  • Coops are often implementing agencies for public sector programs such as HIV/AIDS awareness training
  • Coop leadership is often interlocking with formal and informal governance systems at the local level
Interlocking leadership

Is/was the Cooperative Chairman a member of the following groups?

- Political party member
- Religious/traditional leader

Source: ESCS 2006
Dejen woreda

Source: 2007 Case Studies
4. The external governance challenge

• Interactions between local governance systems and cooperatives are important
  
  • *Both* play an essential role in promoting and implementing the nation’s strategies and policies for growth, development and poverty reduction

• But how close is *too* close?
Recommendations - 1

• Recognize what cooperatives can and cannot do

  • Coops are inherently non-inclusive, so cannot be expected to serve as the only vehicle for rural development
  
  • Acknowledge, identify and promote alternative interventions that respond specifically to the needs of *non-included* individuals, households and groups
  
  • Recognize that the existence of spillover benefits from cooperatives means that all-inclusive membership may not be a necessary condition for improving livelihoods
  
  • Recognize the tradeoffs between specialized and diversified activities in a cooperative
Recommendations - 2

• Diversify away from package approaches
  
  • Develop more extensive menus of more flexible packages that are responsive to local opportunities and challenges
  
  • This is true not only for cooperative promotion desks at the woreda bureaus of agriculture, but also for NGOs
  
  • Invest in more than physical capital (e.g., a water pump scheme) – invest in long-term human and organizational capital
Recommendations - 3

• Leverage the institutional landscape

  • Policy initiatives at the federal, regional and woreda levels should continue to encourage public to take advantage of this rich institutional landscape to leverage resources and expertise

  • Public officials = woreda administrators, BoARD officers, BoARD specialists, kebele DAs, etc.

  • Institutional landscape = private companies, NGOs, CBOs, traditional governance institutions, etc.
Recommendation - 4

• Slowly roll back the state’s role in cooperative promotion and management
  
  • Continued state support of functioning and nascent cooperatives may be necessary at this interim phase of coop development
  
  • But long-term strategies are needed to graduate coops to higher levels of independence and separate them from the state
Thank you