

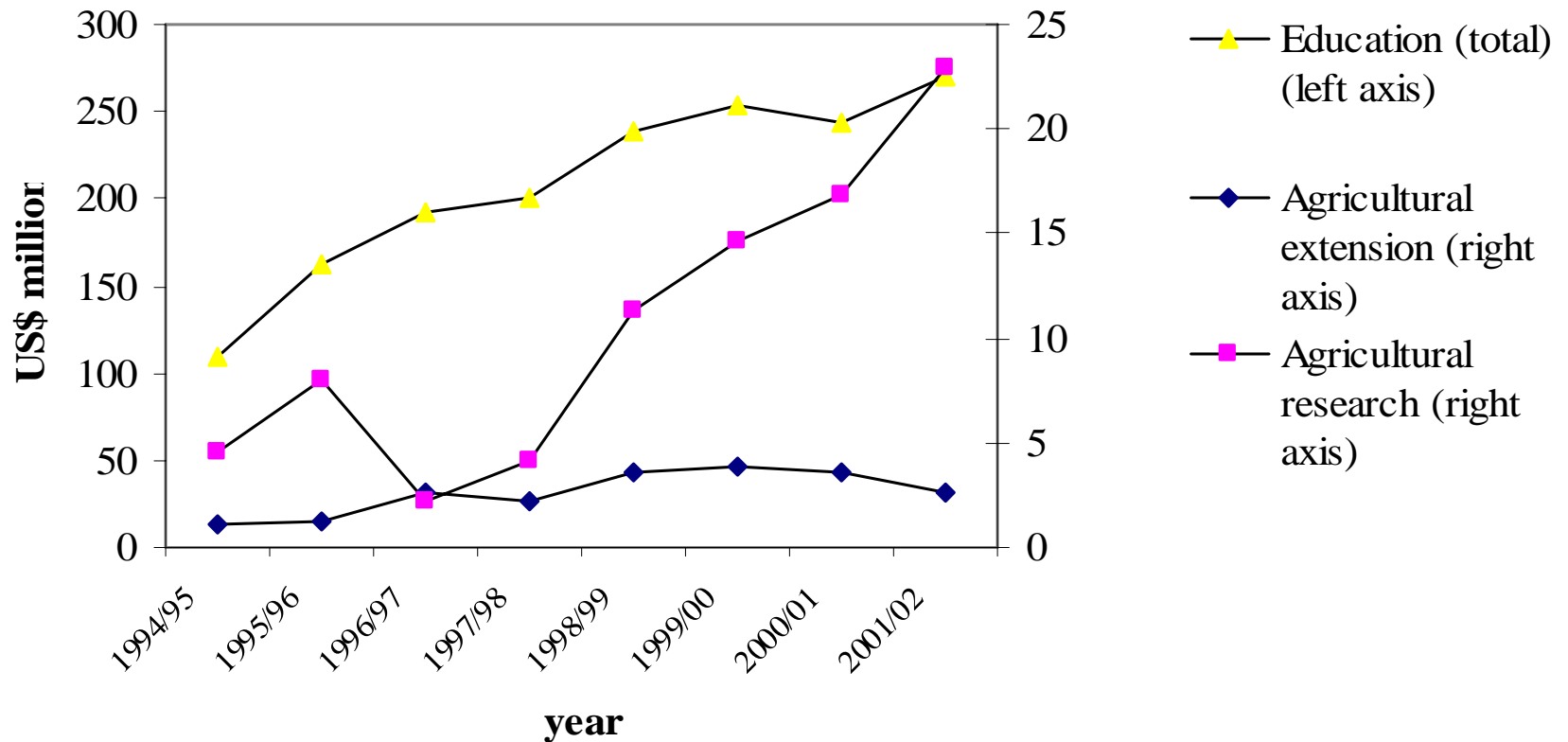
# **Rural Institutions and The Commercialization of Smallholder Agriculture: A Case Study of Ethiopia**

Prepared for a  
World Bank workshop on  
“Mobilizing Rural Institutions for Sustainable Livelihood and  
Equitable Development”  
Washington DC  
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# Ethiopia's Development Context

- Primary Government development strategies
  - Agricultural development led industrialization
  - Administrative decentralization
- Corresponding PASDEP priorities
  - modernization of the research & extension
  - enhance competition and efficiency in input/output markets
  - strengthen the rural credit system
  - improve irrigation and water management
  - increase land tenure security
  - create a conducive investment climate for commercial agriculture
  - reduce vulnerability in regions prone to drought

# Positive investment trends



**Public expenditures in Ethiopia, 1994-2002**  
(2000 US\$, PPP adjusted, in millions)

Source: MoFED

# Key study questions

- What is the role and impact of rural institutions on agricultural productivity and rural livelihoods in Ethiopia?
  - Who tends to participate in key rural institutions?
  - How do they interact with or link to key rural institutions?
  - What options are available to Government to strengthen the role and impact of rural institutions in support of its policy objectives?

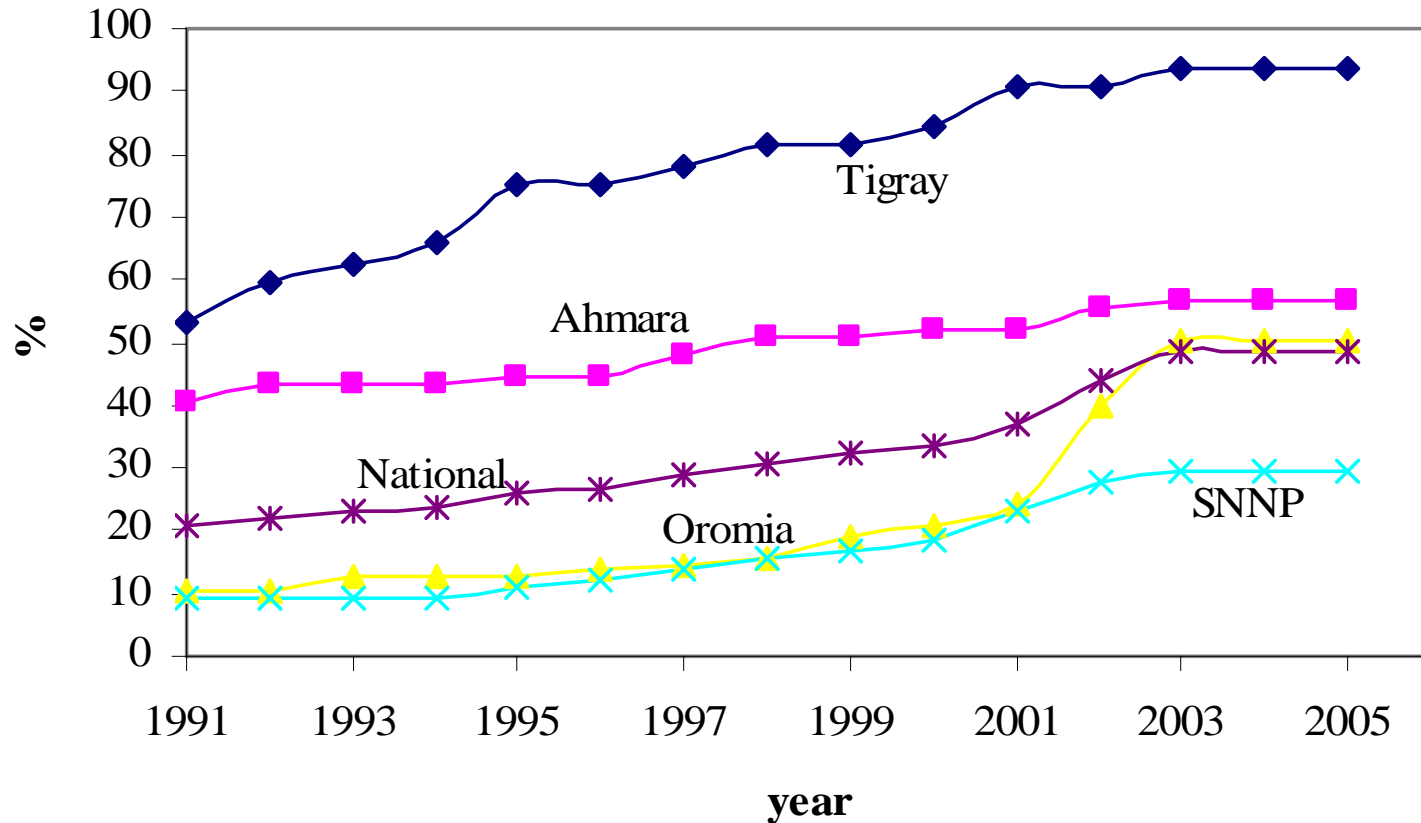
# Key institutions in Ethiopia

- Cooperatives and cooperative unions
- Extension and advisory services
- Rural credit and savings institutions
- Agricultural research centers
- Higher learning institutes
- Private sector
- Civil society institutions

# Cooperatives at the center

- Current coverage
  - 35% of all *kebeles* (local peasant associations)
  - Approx 4.5 million members
- Policy target
  - 1 cooperative per *kebele* by 2010
- Legal reforms
  - New legislation in 1998 and 2004 to strengthen membership incentives by improving rights of ownership, voting, share transfers, and risk management
- Key challenges
  - Free-ridership, membership commitment, optimal size and function, and independence

# Cooperative prevalence



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

Source: Bernard, Birhanu, and Gabre-Madhin 2006

# Extension & advisory services

- Current coverage
  - Approx 4 million farmers covered by fertilizer-technology package under the Participatory Demonstration and Training Extension System (PADETES) in the mid 1990s
- Policy target
  - 5,000 farmer training centers (FTCs, 1 per *kebele*)
  - 55,000 development agents (DAs, 3 per FTC + 1 peripatetic)
  - DA training in one of 25 ATVET colleges
- Key challenges
  - Providing material and infrastructural support to FTCs and DAs
  - Building commercially-oriented capabilities among DAs
  - Creating linkages btwn farmers, DAs, private sector, civil society

# Agricultural research

- Continued growth in agricultural research 1992-2000
  - Public expenditure and staffing doubled
  - Expenditure as a % of agGDP increased significantly
- Recent successes in scaling up new crop technologies
  - Wheat, potato, legumes, pulses, dairy

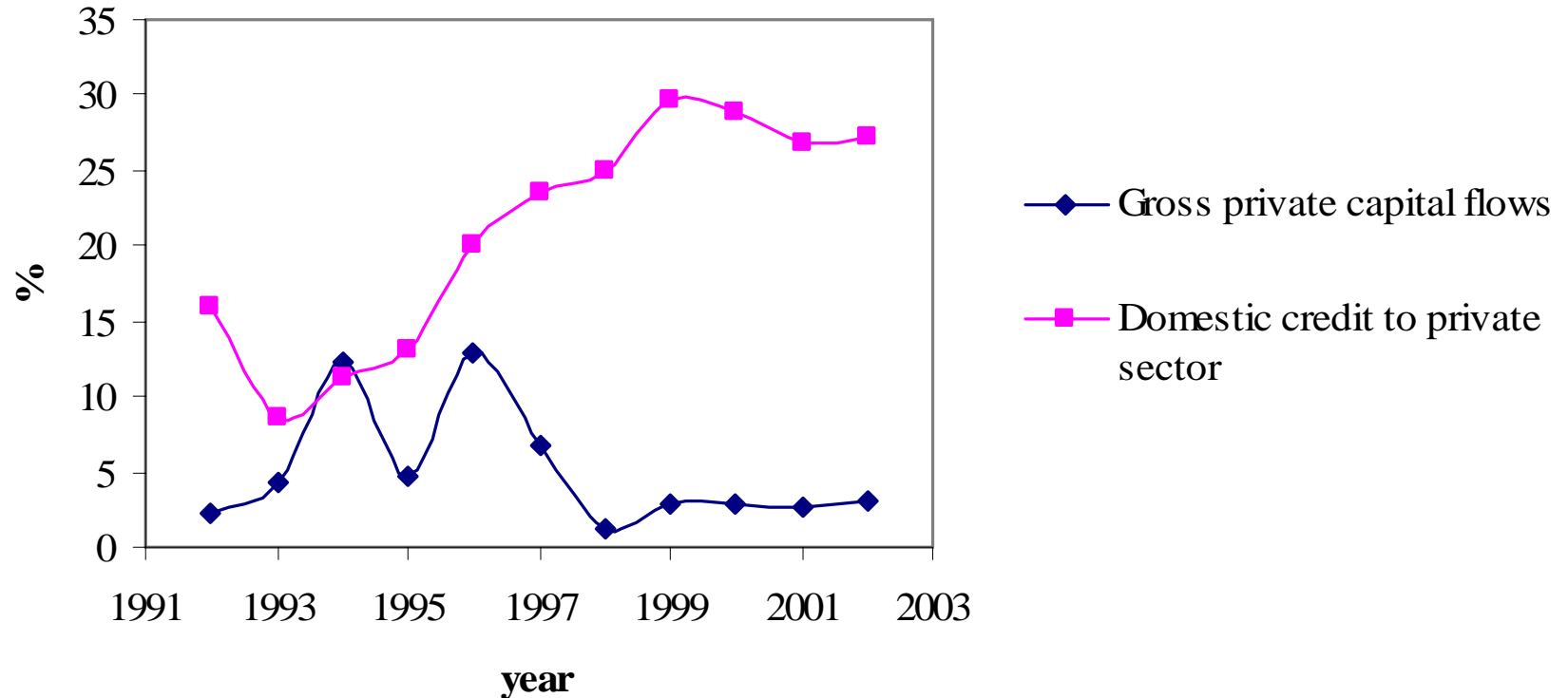
## Distribution of public researchers, 2000

Organization	Full-time equivalent researchers (No.)	Share of total (%)
Ethiopian Institute for Ag Rsrch	428.0	58
Regional governments	232.0	31
Higher learning institutes	80.2	11
<b>Total</b>	<b>740.2</b>	<b>100</b>

# Private investment

- Current investment levels and trends
  - 1992- 2004: US\$ 310 million from 614 domestic, 23 foreign firms
  - Representing just 14 percent of all private investment in Ethiopia
  - Private investment showing upwards trends
- Key challenges
  - Creating an enabling legal/ regulatory environment for investors
  - Investing in the necessary infrastructure (roads, telcoms, etc.)
  - Linking investment growth to smallholders, rural institutions, and the wider rural economy

# Private investment trends



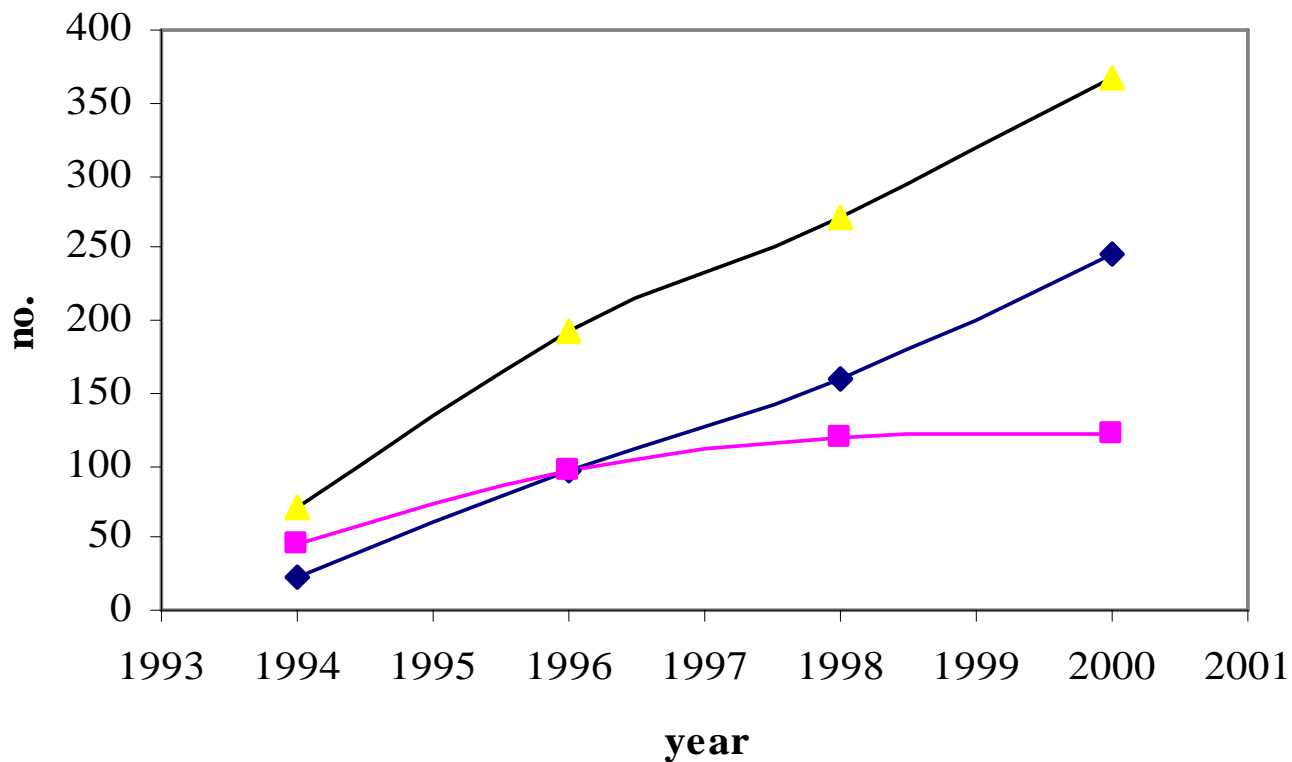
**Private investment in Ethiopia, 1992-2002**  
**(% of GDP)**

Source: WDI

# Civil society

- Emerging evidence of new roles for traditional institutions
  - funeral groups (*idir*)
  - work/labor sharing groups (*jigie*)
  - Rotating savings and credit associations (*iquob*)
- Growth of NGO/CBO role in rural development
  - Community mobilization
  - Rural service provision
  - Enterprise development
- Key challenges
  - Integrating and coordinating civil society activities with the activities of other rural institutions

# NGO activity in Ethiopia



—◆— Local NGOs —■— International NGOs —▲— Total

**NGO prevalence in Ethiopia, 1994-2000**  
**(no. of NGOs)**

Source: Rahmato 2002



# Conclusions

- A case study of rural institutions should include
  - Identification of roles and responsibilities of each institution
  - Relationships and interactions among institutions
  - Policy context and investment environment
  - A means of capturing the dynamism of institutions
  - Coherent recommendations for policymakers