

**ADDIS ABABA UNIVERSITY
SCHOOL OF GRADUATE STUDIES**

**AN ASSESMENT OF THE PERFORMANCE OF CO-OPERATIVES AND THEIR
IMPLICATIONS FOR LOCAL ECONOMIC DEVELOPMENT: THE CASE OF
SELECTED CO-OPERATIVES IN ADA'A WOREDA,
OROMIYA REGIONAL STATE**

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Local Development Studies (RLDS)**

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Acronyms and Abbreviations

AGIUC	Alpha-Goa Irrigation Users Co-operatives
APCs	Agricultural Producers Co-operatives
ASCs	Agricultural Service Co-operatives
COPAC	Committee for the Promotion and Advancement of Co-operatives
CSA	Central Statistical Authority
DDC	Debre-Zeit Dairy Co-operatives
FAO	Food and Agricultural Organization
FCA	Federal Co-operative Agency
FGD	Focus Group Discussions
FGDs	Focus Group Discussants
GDP	Growth Domestic Product
ICA	International Co-operative Alliance
ILO	International Labor Organization
IMPS	Improving Productivity and Marketing Success
LED	Local Economic Development
MC	Mineral Producers Co-operatives
MOFED	Ministry of Finance and Economic Development
MPC	Multi-Purpose Co-operatives
NGOs	Non-Government Organizations
OXFAM	Oxford Committee for Famine Relief
PAs	Peasant Associations
PMAC	Provisional Military Administrative Council
PS	Purposive Sampling
SAP	Structural Adjustment Program
SCC	Saving and Credit Co-operatives
SPSS	Statistical Package for Social Science
SRS	Simple Random Sampling
USAID	United State Agency for International Development
VOCA	Volunteers in Overseas Co-operative Assistance

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ABSTRACT

The study is conducted with the main objective of assessing the performance of co-operatives and their implication for local economic development. An attempt is made to see the place of co-operatives in providing input and output marketing services, capital accumulation and asset building, employment creation and community income diversification. To this end, nineteen primary societies (which are broadly divided in to five categories depending on the area of their activities) are selected and studied.

The study used primary data from in-depth interview with the leaders of study co-operatives, interview with officials from relevant bureaus, focus group discussions with member beneficiaries, personal observations and documentary materials. Secondary data are also collected from different co-operatives bureaus and other sources and used to supplement primary data. Simple descriptive statistical tools such as percentages, averages and the like are used in presenting the results.

Generally, the study found that agricultural input supply and product marketing (such as dairy products, minerals, and vegetables) are among the valuable marketing services being provided by some study co-operatives to the local community (especially the members), though the grain marketing service, which is provided by some of them, is far from being adequate. Besides, some co-operatives are doing well in the area of developing rural finance proper, local resource mobilization and capital accumulation, asset building, employment creation and communities' income diversification; while some others are not performing remarkably with this regard so far. Moreover, the role being played by some study co-operatives in the area of technology diffusions, linking local communities with different stakeholders within and outside the locality, and provision of social safety net services sounds promising starts. It is also realized that the services by these co-operatives are encouragingly contributing towards the betterment of local communities' livelihood, and the development of local economy.

Yet, it is understood from the study that myriads of problems are deterring the realization of the development potential of these co-operatives. Some of the major problems indicated in many cases are inadequate financial capacity; lack of human resources (such as qualified, visionary and committed leadership); inadequate awareness and participation of members in

various affairs of their co-operatives; and absence of adequate, sustainable, relevant action oriented training opportunity (both for the leaders and the members); lack of dependable market; and no or limited access to various technologies. Besides, others problems such as intensive competition from private sectors; limited information communication networks with different parties; and lack of infrastructures such as office, warehouse, roads; and inadequate government support are also mentioned in some cases with varying degrees of seriousness.

Hence, to realize the immense development aptitude of these institutions in the area of input and output marketing, resource mobilization, capital accumulation, employment creation and communities' income diversification, and in other socio-economic arenas, to the best merit of the locality and local community, priority based reaction to the aforementioned problems should be given appropriate emphasis.

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

Ethiopia is characterized by high population growth rate, high fertility, and mortality rates. The population of the country was estimated at about 65.3 million in 2001. The growth rate was estimated at about 2.7%, and projected population number was 73 million as of the year 2005 (MOFED 2002). The proportion of peoples who are absolutely poor (those whose total consumption expenditure was less than the total poverty line of 2200 kcal per adult per day) during 1999/00 was 44%.

Moreover, there is high level of unemployment, widespread poverty, inadequate provision of various socio-economic services, and infrastructures. Such problems are manifested both in rural and urban areas eventhough the magnitude varies. The proportion of the people who are classified as poor are 37% in urban areas and 45% in rural areas indicating that rural poverty is higher than urban poverty (Ibid). The economy of the country is predominantly based on agriculture, which accounts for about 50% of GDP, 85% of exports, and 85% of total employment of the country. It has undergone continuous change i.e. from a liberalized economy (till 1974) to a controlled one (1974-1989/90), and again back to a liberalized one after (1991)(Getachew et.al, 1994). In spite of this, the agricultural practice of the country is still predominantly subsistence oriented which is undertaken by traditional mode of production. As Fassil, (1993) indicated, the history of Ethiopia has been the history of how it has become more and more difficult for increasing number of rural producers to meet their minimum requirement of subsistence.

Since recently, Ethiopia is undertaking structural adjustment programe and decentralized governance. The programe involves a host of policy measures, which include macro economic stabilization, privatization and public sector development and others. In short, it is a transformation from centralized command economic system to a decentralized free market economic system. Accordingly, the Federal Government of Ethiopia has set a fundamental development objective aimed at building a free-market economic system in the country, that is meant to ensure rapid development of the economy of the country, enable the nation to extricate itself from dependence on food aid, and ensure poor people to be the main

beneficiaries from economic growth (MOFED, 2002). According to World Bank Development Report, (1991), such decentralized governance and development approaches are very essential in ensuring the participation of the public in the diverse affair of their locality, in allowing local governments to effectively attend to the tastes and needs of local peoples, in enhancing inter- jurisdiction competition and innovation in the provision of the public services, and also in ensuring the consistency of various mixes of public services with voters' preferences.

Historically, developing countries, being characterized by highly centralized governance, bureaucratic control, and high degree of local levels dependence on centers, had little concern for local institutions (Tegenge, 2001). Nevertheless, this could not bring any significant development. Thus, the new development perspectives are arguing that any meaningful development initiative should be emanated from grass root level (local community level). In line with this argument, Helmsing (2005) noted that local economic development (LED) initiatives, which were formerly shaped centrally, have radically changed since 1980s in low-income countries. According to him, LED encompasses three interrelated initiatives: community based economic development; business or enterprise development; and locality development.

Community economic development activities consist of the creation of local safety nets, housing improvements, basic service delivery, and stimulation of community economy. On the other hand, enterprise development initiatives are basically targeted at attraction of firms from elsewhere, formation of new firms, expansion of existing firms, and innovation and graduation of micro and small enterprises. Besides, locality development programs are meant to deal with activities such as physical planning, urban planning and design, infrastructure development, and development of various socio-economic overhead capitals (Helmsing 2001).

LED has been described as a dynamic process in which partnership between local government, the private sectors, and community based organizations are established to utilize and manage existing resources to create employment and stimulate the economy of a well-defined area (Helmsing, 2001). As Esman and Uphoff (1984), cited in Abebe (2005) argued, such partnership is indispensable as the state alone may not have full capacity to undertake all development activities such as addressing all socio-economic problems at local level, and bring improvement in the lives of the local peoples. According to them, this is because of

constraints such as lack of fund, skilled manpower, distributive capacity and so on, which are very pertinent in the case of developing countries. Hence, as Helmsing (2001) noted, the formation of such partnership among different actors make it possible working directly with building up of the economic strength of a local area so as to improve its economic future and the quality of the life of the inhabitants. Promotion of local economic development in this way is crucial in making local community adaptive to, and competent in the prevailing dynamic and competitive nature of the free market economy.

Inline with the above argument, Arafa (1988) cited in Abebe (2005) mentioned that, co-operatives are among the important actors of local development, which have indispensable role in all areas of socio-economic activities. According to him, developing co-operative associations is an appropriate means of organizing local people into a self-managed, participatory institution at the local community level. This enables local people to get access to various goods and services that are essential in their daily life. For instance, access to various input markets such as loan and other credit facilities, fertilizers, selected seeds, and other augments can be facilitated by co-operatives. Besides, agricultural and other production outputs can be marketed through co-operatives in a way that better address the benefit of member communities.

Furthermore, Alemayehu (2003), cited in Abebe, (2005) argued that co-operatives even have advantages over the state to undertake the aforementioned development activities if they are organized properly, managed democratically, allowed to operate independently of government intervention, and with other necessary preconditions. As he noted, this is due to the fact that such local membership organizations are best adapted to the local conditions in which members live and work. This nature of co-operatives is helpful to mobilize local resources, access to technology, and other various socio-economic services. Generally, many researches indicated that genuine co-operatives are indispensable institutions in improving the overall living condition of local communities, which inturn responds to the overall local and even national economic development. Hence, it is indicated in Sustainable Development and Poverty Reduction Strategy paper of Federal Government of Ethiopia, that the government has currently recognized such developmental role of co-operatives and given a special emphasis for their reestablishment (MOFED, 2002). Accordingly, the Federal Democratic Republic of Ethiopia has legally provided proclamation No. 147/1998 for the establishment of co-operatives, which was later on amended by proclamation No.402/2004.

As a result of the initiatives taken by the government, more than 21 different co-operative types are established and engaged in diverse areas of activities so far. Some of the types of co-operatives presently operating in various parts of the country and their relative proportion are: multipurpose agricultural co-operatives 31%, housing co-operatives 30%, saving and credit co-operatives 22%, arts 8%, livestock marketing and dairy co-operatives 2%, mineral producers co-operatives 2%, fishery, sugar cane, vegetables production, and other cover about 7%(FCA-2006). Some of these co-operatives are currently operating in Oromia Regional State. Ada'a Woreda is one of the districts found in the region, where a number of such co-operatives are presently organized and engaged in different activities. This research is, therefore, designed to study the role of such co-operatives in local economic development in Ada'a Woreda, with particular emphasis to community economic development issues.

1. 2: Statement of the Problem

Many scholars have indicated that co-operatives could play a very crucial role in various socio-economic development areas if they are formed voluntarily, and managed democratically. For instance, Alan (1984) said that co-operative link is important for several reasons such as developing high social capital, reduce labor mobility, and in utilization of indigenous resources such as local capital for local development. Moreover, Birchall (2003) also explained that co-operative organizations have a lot of opportunities in lifting the poor out of poverty and all other forms of deprivations. According to him, they can create opportunities both on the supply side and demand side. On the supply side, they can create opportunities for the poor through stimulating economic growth and making markets work for the poor. On the demand side, they help the poor people to take advantage of opportunities by building their confidence through education, training, and self-organization for various common interests.

Besides, Getachew (1978) also noted that co-operative movements have a paramount purpose in a country like Ethiopia, which is predominantly characterized by agrarian economy. As he noted, they can protect the interest of farming communities by pooling meager resources and through collective actions, by displacing meddle men who want to prosper at the expense of the farming communities, provision of agricultural inputs; and then by raising the members' productivity, income and overall living standards. In spite of such potential role of co-

operatives, the long time during which they were controlled and manipulated by the state has resulted in misunderstanding of their roles and functions. As Counture et al., (2002) noted, this led to lack of trust/lack of positive attitude/ towards such institutions by the society in general, and their members in particular. The consequence was gradual deterioration of support for co-operative development, which inturn has resulted in a huge challenge even for those genuine, members-controlled, and democratically managed co-operatives in many countries for many years.

As many studies indicated, the Ethiopian co-operatives were no exceptional to these problems in the past. For instance, as Yigremaw (1999), and Lellissa (2002) have described, during the socialist regime, the co-operatives in the country were beset by a number of problems. They were created by government fiat and not based on the consent of the members, and were subject to state control. Registration was compulsory and government appointees, violating members' democratic election filled managerial positions. During this time, co-operatives were unable to plan their own entrepreneurial strategies as they lacked the necessary autonomy and were dominated by government rules and orders. Their leadership was corrupt and unscrupulous which was not accountable to the majority of the members, and also not responsive to their demands. Consequently, they lost all their power to decide and to act, and became field agents of the government. Accordingly, they were forced to carry out unpopular government functions such as collection of grain quota, and obligatory contributions, and extraction of other resources from the members (Yigremaw, 1999; Lelissa, 2002).

Thus, because of such upper - handed government policies, their business transactions were limited to a small range of products and services, and also lacked the necessary conditions to be effective grass root organizations that can play an important role in promoting development. Hence, they became unpopular, and their members lost interest in them. Consequently, they become bankrupted and dissolved following change in government policy from command economy to mixed economy around 1991. Hence, as Yigremaw (1999); and Lellissa (2002) concluded, there were no genuine co-operative movement in Ethiopia in the past, and the so-called 'failure of cooperatives' in the country was rather a failure of such wrong government policies with this regard.

Eventhough the government of Ethiopia is taking initiatives by setting provision for the establishment of co-operatives societies in new forms since recently, large members of the

community still seems to have muddled ideas and suspicion about the genuine developmental roles that these institutions might have, beyond serving certain political purpose of state machinery. Hence, such reestablishment process needs prudent decisions and actions that are adequately backed by contemporary research outputs, contextualized experiences of other countries, and past lessons of the country.

However, the lack of upto-date research outputs with this regard could have its own drawback on the effort being made with respect to promoting the development of these institutions. Therefore, at this juncture, investigating the roles of the newly reviving co-operative movement in the country in various socio-economic arenas of the nation in general, and in local economy development in particular could valuably contribute towards bridging the prevailing information gap, and thereby enhance informed decisions making and action takings processes with this regard. Hence, this research is aimed at answering the question ' what roles are being played by newly formed and/or reorganized co-operatives institutions, and are they contributing to local economic development as to expectation, under the prevailing socio-economic and political environments?'. Responding to this question could be important in enhancing the awareness of the peoples, clearing their confusions, and enabling them to use the diverse development potential these institutions might have.

1.3: Objective of the Study

The general objective of this research is to assess and describe the roles of co-operatives in local economic development with particular reference to community economic development initiatives. More specifically, the study is aimed at:

- ♦ describing the role of co-operatives in facilitating access to various services such as loan and other credit facilities, input market, and output markets.
- ♦ assessing and describing local capital accumulation, and asset building ability of co-operatives for further development
- ♦ investigating the importance of co-operatives in local resource mobilization
- ♦ assessing and describing local employment generation role of co-operatives
- ♦ describing the role of co-operatives in promoting community income diversification as a way out to improve their livelihood

Accordingly, the following questions will be answered by the study

- o Can co-operatives facilitate access to various services by local communities? What types of services are being provided to the local communities by co-operatives?
- o Do co-operatives promote capital accumulation? How, and what type of capital accumulation do they promote, and for what economic development purpose the accumulated capital is used?
- o What kinds of resources are used by co-operatives? From where the resources obtained?
- o Is there any significant employment opportunity created by co-operatives in the study area? What types of employment opportunities are created so far, and for whom?
- o Is there any diversification of communities' source of income, because of existence of co-operatives in the area?

1.4: Significance of the Study

The lack of adequate awareness and mixed feeling about the role of co-operatives on the part of different members of the community could undermine the potential role of such community organization in any development arena. This study is, therefore, meant to shed light on some realities about co-operative institutions with this regard; and expected to enhance our awareness about their role in any development endeavors in general and local economic development in particular. Hence, different stakeholders such as current and potential members, policy makers and implementing bodies are expected to be the users of the outcome of this research for their respective decision-makings with this regard. Moreover, the study is expected to contribute its level best to the academic world by enhancing the available body of knowledge (literatures) in this area. It may also provide some baseline information for any further research that might be made in related areas by any one else interested.

1.5: Scope and Limitation of the Study

The scope of this study is limited to assessing and describing the role of co-operatives in local economic development with special emphasis to community economic development initiatives. The assessment was made with particular focus on the role of such institutions in facilitating access by local communities to various services such as loan and other credit facilities, input and output market, capital accumulation and asset building. Moreover, it has

assessed the place of co-operatives in local employment creation, in diversification of communities' sources of income, and in mobilization of local resources for local development.

However, this study was highly constrained by financial and time factors. Moreover, there was also lack of adequate willingness and cooperation on the part of respondents in some cases. Besides, lack of organized data in relation with the various operational issues of co-operatives was very serious problem. Nevertheless, utmost effort was made by the researcher to avoid or minimize the impact of such constraining factors on the result of the study.

1.6: Organization of the Study

The study is organized in five chapters. The first chapter presents background information, statement of the problem, and objective of the study, scope and limitations of the study, and methodology of the study. Review of related literature is presented in the second chapter. The third chapter contains description of the study area, profiles of study area co-operatives, and background characteristics of the sample co-operatives and respondent leaders. Data presentation and analysis is presented in the fourth chapter. Finally, summary of major findings and recommendations are presented in the fifth chapter.

1.7: Methodology of the Study

1.7.1: Rationale for Study Area Selection, Study Populations, and Sampling Design

The study area (Ada'a Woreda) is purposely selected, as it was one of the pilot areas for reestablishment and organization of co-operatives, and also because of the presence of diversified co-operative types in the area, both of which are believed to be helpful to better address the objective of the study. Besides, past exposure of the researcher to the area, and the proximity and ease of accessibility of the area are believed to enable the undertaking of this study under the prevailing time and financial resource constraints. The study populations for this study are the legally registered rural and semi-rural co-operative associations with the minimum operational life of one year. Hence, the units of analysis for this study are the individual primary level co-operative societies. The list of legally registered co-operatives were obtained from the Woreda Co-operative Bureau and used as sampling frame. Based on the sampling frame, the existing rural and semi-rural co-operatives were first stratified in to five strata/categories/ based on the similarities of their activity areas as shown in table-1.1.

Table-1.1: Summary of Target Co-operatives, Sampling Method Used, and No. of Co-operatives Selected from Each Stratum

<i>Type of Co-operatives selected</i>	<i>No. of primary Level Co-operatives Selected</i>	<i>Sampling Method</i>	<i>Number of Respondents Selected</i>	<i>Respondent Selection Method</i>
Multipurpose	(38 % x19) = 7	SRS	7 (i.e. 1- from each)	Purposive
Saving & Credit	(38% x13) = 5	SRS	5 (i.e. 1- from each)	"
Mineral Producers	(38 %x13) = 5	SRS	5 (i.e. 1- from each)	"
Dairy Co-operative	1	PS	1	"
Irrigation users	1	PS	1	"
Total	19	-	19	-

Note. ' SRS' means Simple Random Sampling, and' PS' means Purposive Sampling.

The stratification was made to reduce the heterogeneity problems between co-operative with respect to their areas of operation, and to make easy the selection of representative sample co-operatives from each category, and thereby reduce sampling error. After stratification is made, a proportionate random sampling of about 38- percent of the total legally registered co-operative societies with a minimum operational life of one year was taken through lottery method from three of the five strata (i.e. from multipurpose co-operatives, saving and credit co-operatives, and mineral producer co-operatives). Simple random sampling technique was used to give equal chance of selection for all co-operative societies under each stratum, and to reduce sampling error accordingly.

However, simple random sampling method was not applied to two of the five strata (i.e. dairy co-operative and irrigations users co-operative), as each of this stratum constitutes only one co-operative society. Hence, the two co-operatives (i.e. Debre-Zeit Dairy, and Alpha-Goa Irrigations Users Co-operatives) were taken deliberately and included in the study, as their inclusions is believed to be important in better addressing the objectives of the research. Finally, after sample co-operatives to be considered are selected in this manner, questionnaires were administered to the 19 leaders. The summary of sample co-operatives selected for the study, the number of their members and their capital balance is given in annex-2.

1.7.2: Survey Design, Sources and Methods of Data Collection

1.7.2.1: Survey Design

Generally, this study is descriptive in type, and the survey design used is cross-sectional survey approximating longitudinal survey. This survey design is used to gather information about the role of co-operatives over time with respect to the research objectives. Accordingly, different data pertaining to the past and current time were gathered on the situation of input market and output marketing services of co-operatives, and also on the role of these institutions in capital accumulation, employment creation, and income diversification issues.

1.7.2.2: Sources and Methods of Data Collection

To properly achieve the objective of the research, primary and secondary data (both quantitative and qualitative) were used. The data were collected by using a combination of different methods as described below.

i) Primary Data-primary data were collected through different data collection methods such as in-depth interview with co-operative leaders and officials, focus group discussions, and field observations.

In-depth Interview with Leaders- it is believed that the respective co-operative leaders are believed to better know about the major activities being performed by their co-operatives. Hence, in-depth interview is conducted with the leaders on various activities regarding the quality and adequacy of input and output market, loan service provision, resource mobilization, employment creation, and communities' income diversifications among other things. To this end, mixed type questionnaires (i.e. both close ended and open ended) were used to gather information about the economic role of these institutions in their locality. But, more of closed ended questions were used so as to avoid complications that are inherent in open-ended questions during coding, summarizing and processing the obtained information. However, this is complemented with open-ended questions that were used where needed so as to allow respondents to express their feeling or ideas on some issues freely, and hence obtain more detailed information.

Interview with Officials - to substantiate the evidence through methodological triangulations, unstructured interview questions were held with selected officials from different government and non-government institutions. Accordingly, local, regional, and national co-operative bureau officials were interviewed. Besides, unstructured interview questions were administered to selected informants from different government and NGOs, that are working with co-operatives such as Debre-Zeit Agricultural Research Center, Ada'a Woreda Agricultural Bureaus, and IPMS-Ethiopia as summarized in table-1.2 below.

Table-1.2: Summary of Key Informants and their Organizations

No.	Name of Organizations	Number of Key Informants Interviewed
1.	Woreda Co-operative Bureau	1-official
2	Oromia Co-operative Promotion Bureau	1-official
3.	Federal Co-operative Agency	1-offical
4.	Woreda Agricultural Bureau	1-person
5	Debre-Zeit Agricultural Research Center	1-person
6	IPMS-Ethiopia	1-person

Focus Group Discussions (FGD)-to better complement information gathered through aforementioned methods, FGDs were made with the beneficiaries. Accordingly, about twelve FGDs were made with selected member beneficiaries, who are from different types of the sample co-operatives societies, as shown in table-1.3.

Table-1.3: Summary of Focus Group Discussants

No.	Type of Study Co-operative	Total No. of Sample Co-operatives Taken	Number of FGDs Made
1.	Multipurpose Co-operatives	7-Co-operatives	4- FGDs
2	Saving and Credit Co-operatives	5-Co-operatives	3- FGDs
3.	Mineral Producers Co-operatives	5-Co-operatives	3- FGDs
4.	Debre-Zeit Dairy Co-operatives	1-Co-operative	1-FGD
5	Alph-Goa Irrigation Users Co-operatives	1-Co-operative	1-FGD

Field Observations-to further complement the data collected through the aforementioned different methods, field observation was made with especial emphasis on qualitative information, during the time of fieldwork and occasional trips to the study area.

ii) **Secondary Data**- In addition to the primary data collected through the above-discussed methods, secondary data were also collected from different sources. Among these sources are:

published and unpublished secondary data sources such as audit and other operational reports and records of the study co-operatives, relevant documents of local, regional and federal co-operative bureaus, library documents, Internet web sites, and other pertinent sources. Generally, an utmost effort was made to gather relevant and reliable data (both quantitative and qualitative), from various sources through triangulation of the aforementioned different data gathering methods.

1.7.3: Data Processing, and Methods of Data Analysis

To summarize the collected data, tables and graphs were used. Moreover, SPSS program is used to process and analyze the collected data, and interpretations of the results were made accordingly. Based on this, the meanings of results were described by using the appropriate descriptive statistics such as percentages.

CHAPTER TWO

REVIEW OF RELATED LITRETURES

2.1: Theoretical and Conceptual Foundations of Local Economic Development

Nations of the world have experienced different development paradigms so far. However, these different economic development models can be grouped under two dominant development schools of thought: *development from-above*, and *development from-below* schools (Elias, 2005).

According to Nelson (1993), *development from-above* school is rooted in traditional regional and neoclassical economic models. It assumes that regional development occurs when stimulated by exogenous forces such as export market, investment from outside, and migration. In this context, regional development is seen as a product of price equilibrium and disequilibria. This school of thought argues that development cannot be effected at the same time in all places. They advocate the essentiality of core-periphery and center-hinterland dichotomy for regional development. Accordingly, regional development was believed to be materialized through diffusion/trickling down of technology, innovation, and investment from the core to periphery, from the center to hinterlands; and from the leading regions to the lagging regions. To this end, the lagging regions were supposed to allow the leading regions to access their resources. The idea was that the resources were supposed to be used for various development activities carried out in leading regions, and the lagging regions were thought to be benefited from gradual trickling down/filtering down/ effects of these development outcomes from core/center to national, sub national urban units and hinterlands.

The other school of thought is *development from-below* school. As Nelson (1993) noted, this school of thought do not necessary disputes development from above school, but argue that regions should take control of their own institutions to create the life style they desire. According to this school of thought, regional development patterns should be planned and carried out in a way that could fit into the socio-economic, political and cultural settings of regions. Unlike development from-above school which advocate exogenous development, development from-below school of thought argues that regionally created saving can be reinvested within the regions and promote endogenous development. Hence, small and labor

intensive industries that can fit into the regions socio-economic setting can be fostered. This helps to produce goods and services regionally, which otherwise would be imported from the core/center. To this effect, according to this school of thought, regions should use their own decentralized institutions and administrative organizations in collaboration with local and state government and business groups.

In whatever case, development efforts in the past were characterized by excessive centralization of planning and management whereby the majority of the stakeholders were virtually denied any sort of meaningful participation in any aspects of development issues. Initiation of development ideas, formulation of policies, and procedures for their execution were external to peoples who were supposed to implement it and/or benefited from such efforts. Hence, as Tewodros (2005) stated, decades of development experience were resulted in frequent failures particularly in bringing about any significant improvements in the livelihoods of the community, and in promoting momentous development at grass root level. This condition has necessitated the nurturing and fostering of new development thinking and approaches that are essentially participatory and people-centered in their nature. Hence, the notion of decentralization and Local Economic Development (LED) arises from the belief that centralized top-down development approaches have not been effective in addressing local communities' issues.

According to Helmsing (2001), One important components of local economic development is community economic development. It consists of activities such as creation of local safety nets, housing improvements, basic service delivery, and stimulation of community economy. On the other hand, community development is in essence about the development of a community so that the community can sustain itself socially, economically and environmentally. It can be thought of as intervention/process/ by which community members can obtain power to change social, economic or cultural situations.

Community development process involves local people striving towards priorities or goals established by themselves, for themselves, usually based on common geography, common experiences or common values. Generally, it is designed to promote better living conditions for a given community ofcourse with the participation, and preferably with the initiation of the community. In this sense, community members are meant to define their own realities, identify their own problems and determine their own futures (Paulson, 1994; Marsden and

Oakley, 1982;Cited in Gibson, 2005). According to Johnston (1982), community based program promote the greater welfare of the people, with human development will be successful if an increasingly greater number of the people are equipped, prepared and permitted to participate at increasingly higher levels of responsibility.

In line with the preceding argument, Elias (2005) noted that the recent phenomena of decentralization of authority to local government, creation and strengthening of good governance, organizing and coordinating different local actors and local development initiatives are believed to fetch sustainable local development. Likewise, Singh (1999) said that, decentralization creates especial opportunity for local community and their development practitioners by replacing lengthy and inefficient bureaucracies with efficient jurisdictions, and thereby enabling them to engage in community issues, without the bureaucratic hindrances under which they formerly harbored. As a result, regional and local governments become closer to the local people, and hence better address their socio-economic and political needs, of course with full participation of the beneficiaries (local communities). This could be an engine for the exploitation of local resources (both human and material) to their best advantages, which inturn helps to promote inter jurisdiction competition and innovation that can trigger local and national economic development. As noted by Sing (1999), this seems must during this time as it enable nations and localities to innovate and seize on their respective competitive advantages by properly embarking on their resource basis, and thereby compatibly move with prevailing phenomena of globalization and free market economy.

Accordingly, as a result of decentralization process being undertaken in Ethiopia, regions and localities are given with varying degrees of responsibilities and duties with respect to their jurisdictions. When seen in light of this process, the recent phenomenon of local economic development seems to be an important foot steep ahead towards enhancing the participation of local people in various developmental arenas. This could create a good window of opportunity towards utilization of the development potential of different actors such as governmental and NGOs, private sectors, and community based organizations like co-operatives, and others in undertaking various local development activities. As Elias (2005); and Helmsing and Tegegne (2005) noted, a combined effort of these different actors enable to strengthen local institutions, promote mobilizations of local resources, and attract other resources from elsewhere to ensure a meaningful and sustainable development at local level,

which in turn would positively contribute to national economy, and thereby responds to the changing global economic phenomenon.

In line with the preceding argument, Birchall (2003) also noted that, the use of community organizations such as co-operatives can serve as organizational means whereby a significant proportion of humanity could be able to take into its own hands the tasks of creating productive employment, overcoming poverty, achieving social integration and economic security, and ensuring an acceptable standard quality of life. Likewise, Alemayehu (1993) also mentioned that co-operatives could play crucial role in developing social cohesions among local communities, and in performing economically and socially viable functions in the emerging market economy if they are organized properly and managed democratically, and allowed to operate independent of government intervention. Through co-operatives, local community can pool together their meager resources to address their common interest, which if not combined cannot meaningfully contribute to the improvement of their livelihood, and can not appreciably leverage the local and national developments.

Moreover, as Akpoghor and Alameyehu (1993) stated, genuine co-operatives can be very important instrument of socio-economic development by way of improving access to various locally needed socio-economic services. For instances, through co-operatives, local community may better access financial services, extension services and get better access to input markets such as selected seeds, fertilizers, insecticides and herbicides; and output markets like grain and other output markets. Moreover, through such institutions, local communities can better participate in development of various social infrastructures such as school, education, health centers, roads, construction of water taps and the like. As a result, they may have better access to such social services like education, health, pure water and so on. Apart from these, co-operatives could help further processing of members production/value adding activities/, raising food production, increasing income, production of cash crops for local market as well as for export, feeding local manufacturers with raw materials among other things.

Moreover, co-operatives could provide short-term and long-term employment opportunities for local community. In this way, they may help the local community to upgrade their skill through workshops, training and other courses, and help the development of human capital. Above and beyond, co-operatives may open a window of opportunity for marginalized

segments of the community to take part in local development activities and enable them benefited from it.

Generally, co-operatives may promote equitable distribution of basic services to the community, developing various social and economic infrastructures for the community, and promote mobilization and accumulation of local capital, and utilization of local resources to the best advantages of the locality and the local community. By way of doing these, they can enhance the capacity of local peoples for realization of economies of scale and help them to collectively use the global opportunities by seizing up on their competitive advantages through organization of their resource. The aforementioned benefits could be materialized through linking national, regional, local state/governments/, and other non-government bodies with local communities; by promoting inter-nation and intra-nation interaction; and by fostering the linkage between urban and rural areas, and cooperation among other development actors among other things.

However, as Asaju, and Counture, et.al.,(2002) noted, the effectiveness of co-operatives in addressing the aforementioned and other development issues highly depends on various factors such as financial and economic issues; human resource availability and quality; conducive legal, policy and institutional environment; and appropriate co-operative principles and governance. According to them, the fact that they are voluntarily organized, democratically managed, and autonomous members' enterprise means that the community in general and their members in particular will trust and respect them. Consequently, they will be confident to take them as essential common enterprise to realize their socio-economic needs, problems, priorities, and aspirations. Hence, genuine organization established in this way seems indispensable in furthering local economic development in general, and community economic development in particular, especially in developing countries like Ethiopia where the economic capacity and activities of the majority of local peoples is very meager and subsistence oriented.

2.2: Historical Overview of Co-operative Development

From time immemorial, human beings have practiced mutual aid in the business of leading their life. Hence, cooperation as a way of life seems to be as old as human civilization, as peoples in the history of humankind used to cooperate to solve specific problems that demand

energy and skills beyond individual's capabilities (Kimario 1992). For instance, the ancient societies were used to lead their communal life through collective activities such as hunting wild animals for food. However, the early traditional forms of cooperations were rural dominated and were informal in their nature that were mainly intended to satisfy social and economic needs such as conducting burial ceremonies, harvesting, hunting, etc) of only the members on the temporary basis (Kebabaw 1978; Digby 1984 cited in Abebe 2005).

On the other hand, the gradual changes in the socio-economic and political environments seem to have given an impetus to the emergence of formal and modern type of co-operative organizations overtime. Kebabaw (1978), Akpoghor (1993), and Trewin (2004) have linked the emergence of such formal and modern cooperation with advent of Industrial Revolutions, which brought immense wealth to the capitalists, and grinding poverty to the unorganized laborers. According to them, even though there were some attempts even before 1844 in England, the first successful formal and modern form of co-operatives began this time with the establishment of "Rochdale Society of Equitable Pioneers", which was formed by about 28 factory workers. According to Akpoghor (1993) and Trewin (2004), these workers, realizing that negotiations, protest and strike cannot bring any lasting solutions to their troubles, and also that individual worker's potential is not enough to solve their problems on individual basis, had decided to peacefully tackle their problem of low wage, poor working conditions and other common felt tribulations in organized way. Accordingly, they established the modern type of consumer co-operative known as the "Rochdale Society of Equitable Pioneers" in 1844, which has encouraged the replication of similar societies to different parts of England and other countries elsewhere then after.

Since then, the idea of cooperation has got significance over a period of time in different parts of the world, as peoples start to emphasizes such organizations to handle their various socio-economic needs. Consequently, co-operatives are believed to have indispensable instrumental values to mobilize individual resources under a single enterprise, and to create good opportunity for peoples to make collective effort to satisfy common felt needs, resolve common social, economic and even political problems on mutual basis for the purpose of mutual benefits.

Nevertheless, as Birchall, Pollet, and Develtere, (2004) noted, in the history of many countries in the world (especially in poorest ones), co-operatives had been misused as they were

required to serve the vested interests of various groups at different points in time. One of the major threats to co-operatives in the past was the phenomenon of colonialism and the incidence of cold war undertaken between the superpowers, as a result of which co-operatives were taken as instrument to achieve different ends, but often wrong ends. Generally, they were used by superpowers as a means to enforce courtiers to undergo stages of development towards 'modernization'. But, to achieve this purpose, co-operatives were used under varying ideological paths depending on the nature of the interest of superpower (the capitalist bloc and socialist blocs). The intention of the capitalist bloc was how to use co-operatives to move towards a free market capitalist economy; whereas, the socialist bloc questions was how to use co-operative as an instruments to move to state-planned socialist commonwealth (Birchall 2004, Pollet, and Develtere, 2004). Accordingly, co-operative movement always reappear again and again and present itself, but always being in a new jacket during a different points in time as discussed below.

2.2.1: Colonial Co-operative Paternalism

During colonial period, co-operatives were seen as instrument of education and changes and were meant to progressively uplift the so-called 'traditional community', particularly the rural population towards a more 'modern' level. Hence, they were not to be created by indigenous populations, but were created for them with compulsory membership requirement. In this way, the colonial officers created hundreds of co-operatives in almost every corner of their colonial regions based on their imported co-operative models/formulas/, and launched vast centralized /top-down/ administrative and technical apparatus. Accordingly, by undertaking strict control over the co-operatives, they used them in addressing their political and economic mottos in unpopular manners (Pollet, and Develtere, 2004).

Unlike indigenous co-operative institutions, which are established to manage and satisfy the needs of the members, the co-operatives established by colonial powers were aimed at accelerating economic development through promotion of cash crop productions that was used by European colonial governments to promote industrialization and economic development, and to consolidate their colonial rules over their colonies elsewhere. However such monopolistic behaviors of colonial business interests faced objections in some cases and resulted in perverse effect. Contrary to interest of colonial powers, the local population became opportunistic and passive, and used co-operatives as an instrument to getting certain

advantages or services, as these institutions were the only means to these ends. Hence, there was no pragmatic ownership of the co-operative projects, and peoples were antagonistic, but used to participate simply to avoid sanctions (Pollet, and Develtere 2004; Abebe 2005).

2.2.2: Post-Colonial Populism and Nationalism

Owing to independence, a populist-nationalist approach to co-operatives took place with a drastic change in ideology, while the colonial approach was not completely abandoned. This time, co-operatives were taken as key instruments in realizing national unity and in promoting national economic strategy controlled by central governments. As a result of such high ideals that co-operatives were meant to serve; the governments' control over co-operatives was even intensified. Accordingly, in order to accelerate the introduction of co-operatives, many governments used coercive measure to force people to set up co-operatives. This was the case in both East-bloc leaning and West-bloc leaning regimes. (Pollet, and Develtere 2004)

However, the effect of the populist nationalist strategy was also disastrous in many countries just like its predecessor colonial approaches. They created a co-operatives sector without co-operators as peoples were denied any meaningful participation regarding their management and operational issues. Hence, 'co-operatives by name' were formed as mere functional organizations of the state apparatus that controlled and incorporated popular sections of society. Consequently, co-operatives were not successful and not viable economically this time also, with the exception of very few ones (Ibid).

2.2.3: Adjusted Co-operative Strategies

After long debates have been undergone on the issues of co-operative identity, the co-operative development strategy has been acknowledged, but with a number of changes in its approach so far stimulated and applied. International agencies such as ILO, FAO and ICA, as well as non-governmental development organizations (NGOs) promoted those changes more than third world governments. First of all, co-operatives were no longer seen as instruments for national economic development, but assumed the principal role of reaching and organizing the poor. Secondly, a bottom-up approach to co-operative development strategy is designed to replace the top down approach with underlying rationale of enhancing participation and empowerment, ofcourse outside the confines of rigid bureaucratic structures. And, thirdly,

grass roots participation is meant to be complemented with appropriate co-operative scene in an accelerated way (Pollet, and Develtere, 2004).

Accordingly, the real structural adjustment with respect to co-operatives ironically took place with the advent of the Structural Adjustment programs/SAP/ in the 1980s, which has brought both opportunities and challenges to them. As opportunity, they are allowed to use their autonomy to exercise their responsibility of serving the interest of the members in democratic manner. On the contrary, SAP has also presented threats such as scaling down or complete removal of many advantages from central governments such as protection from external competitive environment (granted monopolies), granted price, subsidies, and other support from government, and NGOs, which were central to their survival by then. Consequently, many co-operatives went bankrupt; some were 'privatized' and came under the control of the member co-operators, while some others have competently survived the rough time of transformation (Pollet, and Develtere, 2004, Couture, et. al 2002).

2.3: Co-operative Movements in Africa

Even though the first formal types of cooperatives were created during the period of colonization to serve the colonizing countries' economic and political interests, there is a long tradition of solidarity in Africa even before adopting such western co-operative models. Many informal co-operative forms of organizations were developed before colonization in order to undertake various socio-economic life of the population (Couture, et.al, 2002).

However, there are some debates regarding the relationship between the traditional and modern modes of African co-operatives. Some scholars argue that there are significant differences between scope and character of 'traditional', and 'modern' types of African co-operatives, while others present counter argument. For instance, Hyden (1973) argued that, African traditional cooperatives were formed by groups, that were strongly adhered to their family lines, and also to their natural milieus (i.e. their social, and geographical settings). Moreover, he argued that African traditional co-operative units derive their legacy from the past and aim at repeating old patterns. Hence, they were characterized by subordination of individuals to a common conscience, incidental cooperation, non-collective actions, lack of a collection of individually defined goals, and operate along traditional lines (Hyden 1973).

On the other hand, Hyden said that, in modern form of cooperations, peoples are grouped according to their particular social activities, taking their occupational milieus as their natural environment, formed modern co-operatives that are characterized by domination of individual conscience, and mutual contractual agreement based solidarity. Hyden finally concluded that the traditional forms of African cooperations are simply appearing co-operative, but not a real type of co-operatives, and thus could not easily accessible to new practices that could put any base for the formation of modern types of co-operatives. Contrary to the Hyden's view, peoples like Julius Nyerere of Tanzania are among the many African leaders, who counter-argued Hyden's position, by claiming that the traditional forms of African cooperation are at least a possible basis for the creation of modern African cooperation (Ibid). In any case, Hyden (1973), distinguished between four different categories in which the modern African co-operatives have been formed in the past as been quoted below.

The first is during 'the early period' (i.e. 1910-1950), where co-operatives were started mainly on two grounds i.e. either through direct government initiative (where cooperatives were looked upon as convenient marketing mechanisms by the colonial administration); or in opposition to non-African middlemen (where spontaneous attempts is made by members of the emerging African middle-class to defend their interest vis-à-vis foreign capitalists). The second is during the 'price boom period' (i.e. 1951-1959), where co-operatives were primarily organized in response to favorable world market prices on a number of important raw materials. Expansion and growth was particularly significant in cocoa, coffee, and cotton-growing areas of Africa. The third is during the 'independence period' (i.e. 1960-1964), where large numbers of co-operatives were created in the spirit of political freedom. Many were the result of attempts by individual politicians to prove their service to the local community. Economic viability of the societies founded was often ignored. The fourth is during the 'Post Independence' period (i.e. 1965-1970), where most newly formed cooperatives reflected government attempts to put into practice their philosophy of "African Socialism". The emphasis is laid on quantitative expansion to as many geographical areas of the country as possible (Hyden 1973: 9).

In whatever cases, African co-operatives were formed in the past in line with the Western cooperative institutions models with very few exceptions. Hence, in most cases, they failed to fit with the local environment in which they have been set to operate. After independence, many national African governments followed their predecessor colonial styles and launched state control approach to cooperative development. Accordingly, they controlled all level of co-operatives activities i.e. from the appointment of directors and mangers, to their business activities; and treated these institutions as an extension of state political apparatus. Hence, they did not contribute to the advancement of any genuine, democratic and autonomous co-operatives, which can contribute meaningfully to national and local socio-economic developments, until the 1980s, and sometimes later (Hyden 1973, Counture, et.al, 2002).

However, since the mid-1980s, many African countries, perhaps like other countries of the world, have been exposed to policies of economic and political recoveries such as Structural Adjustment Program (SAP), which have forced governments to adopt the rules of the liberalized market economy and democratic political systems. According to Couture, et.al, (2002); and Pollet, and Develtere (2004), the political and economic changes undertaken under SAPs has entailed both positive consequences (e.g. regaining their autonomy); and negative consequences (such as removal of many privileges by government and NGOs). These threats have resulted in problems of stiff competition, lack of confidence on the part of the community, and serious financial problems, bankruptcy, and eventual dissolutions and/or abandonment to most of African co-operatives.

2.4: Co-operative Movement in Ethiopia

2.4.1: Traditional / Informal/ forms of Cooperation in Ethiopia

As many literatures indicate, co-operative life is very common and age-old practice among the Ethiopian communities. According to these literatures, the country has experienced various traditional/informal/ institutions both in rural and urban areas since long time. Some of such informal cooperations are *Dibo*, *Jigge* or *Wonfel*, *Iddir*, *Iqub*, *Mahiber*, and the like. These traditional forms of institutions are autonomous, and highly respected organizations, that perform diverse socio-economic and political activities (Kebabaw, 1978; Yigremew, 2000, Tegegne, 2001).

The various socio-economic activities that are undertaken through such organizations includes ploughing, weeding, mowing, harvesting, house construction, and conducting wedding and funeral ceremonies and the like. According to Tegegne (2001), the embedded social capital between the members of such organizations facilitates cooperation, flows of information, trust and linkage among members, all of which are very important to undertake the aforementioned functions. However, the development potentials of such institutions has not been fully utilized yet mainly because of absence supportive legal and policy framework (Yigremew, 2000; Tegegne 2001).

2.4.2: Modern Co-operative Movement in Ethiopia

The history of modern co-operative movement in Ethiopia dates back to Imperial regime, where government formally issued decrees for the first time to establish modern co-operatives (Kebabaw, 1978). The historical overview of such modern co-operative movement in the country is presented in the following sections.

2.4.2.1: Pre - Revolutionary Co-operative Movement

In the 1960s, two co-operative acts were adopted. The *first* was Decree No. 44 of the 1960 called the "Farm Workers Co-operatives". The spirit and provisions of these decree was to create collective production co-operatives under Ministry of National Community Development, for landless tenants. The creation of such co-operatives was taken as an alternative means to overcome pressure against an oppressive land tenure system, which was feared to entail land tenure reform, that if materialized could disturb the then existing domineering socio economic and political order. Accordingly, the government was to provide the co-operatives with government land, which was to be owned collectively as 'Rist' land, and thereby control the then prevailing serious unemployment and other socio-economic problems on a piece-meal fashion, ofcourse, without making any fundamental policy of structural change (Kebabaw, 1978).

In the 1960 decree, the farm workers co-operatives were considered to be important in implementing the First Five Year Development Plan of the government (i.e. 1958-1962), and were meant to serve purposes of arranging co-operative production, processing, transportation and marketing of agricultural production and commodities. Moreover, they were supposed to operate and administer the livestock, machineries and other agricultural properties of the co-operatives; promote good farming and other agricultural practices; and cooperation among members of co-operatives (Kebabaw, 1978; Tesfaye, 2005; FCA, 2007). But, government initiatives with respect to establishment of such co-operatives were not arise from genuine concern to improve the life of poor farmers. Moreover, the decree was limited in scope only to farmer-co-operatives, and could not allow the establishment of other types of co-operatives to solve the multifaceted socio-economic problems. Besides, there were a host of other constraints such as lack of trained manpower, non-existence of any agency that can provide credit service, lack of awareness on the part of peasants about the co-operative concepts

among other things. Consequently, only three co-operatives were started operation as of 1964, and other three were in the process of establishment. Generally, government's effort to establish modern types of co-operatives during the early 1960s has been unsuccessful (Kebabaw, 1978).

The *second* decree was the Co-operative Society Proclamation No.241/1966, which was part of the governments Second Five Year Development Plan (1963 - 1967). According to Kebabaw (1978); in 1966 decree, government aimed at the establishment of service co-operatives, where ownership of the means of production and cultivation remains independent, but agricultural inputs and marketing are performed co-operatively. The purpose and objectives of these co-operatives includes: reducing the cost of credit, reducing the cost of goods and services for production and consumption; minimizing and reducing the individual impact of risks and uncertainties, spreading knowledge of practical technical improvements; and other related activities. Accordingly, the proclamation has provided for two types of societies (i.e. primary and secondary societies), where both types were required by law to be registered under the Ministry of National Community Development and Social Affair (Kebabaw, 1978; FCA, 2007).

Moreover, there was also a legal provisions that time which provides for the way government would encourage co-operative movement by offering various incentives such as exemptions of societies' income from taxes, government assistance in the form of loan, advances, subsidies, or ad hoc grants; and allocation of government land to any society that request for it. However, only 11 co-operatives were established during the Second Development Plan of the Government (Kebabaw, 1978).

The Third Five Year Development Plan of the Government (1968 - 1973) had also set some target to expand co-operatives whereby at least 300 societies were envisaged to be established (i.e. about 250 multi-purpose agricultural co-operatives, and the remaining 50 were to be formed by artisans and small scale industries). It was envisaged in the plan to serve about 1.5% of total population by 1973. Accordingly, over 160 co-operatives were established as of 1971/72, out of which about 116 had gone fully operational (14-of them were established during the Second Development Plan), serving about 150,000 peoples. Of those that had gone operational, about 67 were multi-purpose co-operatives that were engaged in marketing, credit service, supply inputs, storage, purchasing and other related activities. The remaining

constitutes 16 thrift and credit co-operatives, 10 consumers, and 23 other types of co-operatives societies. According to the government publication dated November 1973 as been indicated by Kebabaw (1978), the total membership size had reached 33,400 peoples, while share capital was about 2,082,200 birr, and the total turn over was around 9,470,600 birr. However, there was high discrepancy between the plan and actual performance in all cases of the three consecutive development plans of the emperor regime.

Generally, the pre-revolutionary poor performance of co-operatives in Ethiopia had been caused by a myriads of problems such as oppressive land tenure system, lack of access to market facilities, lack of trained man power, financial problems and high collateral requirement to access finance, high minimum capital requirement to join co-operative that marginalize poor peasants, lack of adequate awareness on the part of the people, lack of adequate information communication net work, unfavorable socio-economic and political orders, and lack of commitment on the part of the government to establish democratic and autonomous co-operatives among other things (Kebabaw 1978).

2.4.2.2: Co-operative Movement During the Military Regime (1974-1991)

The 1974 political revolution of Ethiopia had brought about fundamental structural changes in socio-economic and political order of the country. It has created a significant landmark by adopting socialist line of development in 1975. According to Kebabaw (1978), the revolution has considerably and effectively attacked some of the obstacles to co-operative movement during the pre-revolutionary period such as institutional (like land tenure system), and other financial and administrative problems. The abolishing of the relationship between the landowners and the tenants, and the formations of Peasants Association at Local Woreda, and Awraja levels were provided by Proc. No. 31/1975, which was issued by the Provisional Military Administrative Council /PMAC/ to put ground towards the implementation of agrarian reform. Accordingly, Proc.No.31/1975 proclaimed for public ownership of land by abolishing private ownership, and also provided for the establishment of Peasant Associations (PAs). Besides, PMAC issued Proc.No.138/1978, which was even more imperative for the development of co-operatives, that inturn were deemed to be crucial in addressing the intended agrarian reform (Tegegne, 1988; Tesfaye, 2005).

During the military era, the PAs were meant to perform a merge of economic and political functions such as distribution of land, administration and conservation of public property, rendering of judicial services, establishment of different co-operatives, building of schools, clinics and other similar institutions. Moreover, they latter on were assigned with additional responsibilities such as administrative, defense and tax collection activities among other things (Kebabaw 1978, Yigremew, 2000). With respect to co-operative development, PAs were supposed to facilitate transitional arrangements towards the development of socialist forms of co-operatives that can inturn be instrumental to government policy of transforming the subsistence agriculture into socialist mode of modern agricultural collectivization (Kebabaw 1978, Tegegne, 1988). Accordingly, as Dessalegn (1992) indicated, there were about 20,455 PAs through out the country as of 1988/89 with a total household size of 5.7 million peoples.

In line with socialist ideology of government, Proc. No.138/1978 also stipulated various provision concerning the establishment, registration, and supervision of all types of co-operative societies. These processes were meant to be done under different institutions of the state i.e., the agricultural service and producer co-operatives under Ministry of Agriculture; the artisans service and producer co-operatives under the Handicrafts and Small-scale Industries Development Agency; housing co-operatives under the Ministry of Urban Development and Housing; thrift and credit societies under the National Bank of Ethiopia (Tegegne, 1988; FCA, 2007).

Accordingly, Agricultural Service Co-operatives (ASCs) were taken as one of the most important rural institutions and hence established on massive scale following Proc.No31/1975, and Proc.No.138/1978 (Tegegne, 1988, Alemayehu, 1993). Some of the major objectives of ASCs as been given in Proc.No.138/1978 were procuring crop expansion services, marketing the produce of members at fair price, providing loan at fair interest rates, supply consumer goods to the members according to their needs, supply modern inputs, and linking state and peasants (Tegegne 1988; Dessalegn, 1992; Alemayehu 1993, FCA, 2007). Moreover, the ASCs were meant to enhance the political consciousness of the peasantry by giving education inline with the socialist philosophy and co-operative work; and providing political education with a view to establish agricultural producers co-operative societies, by forming and consolidating mutual aid teams (Tegegne, 1988; FCA, 2007). To these ends, upto 1990/91, there were about 3,233 ASCs throughout the country, half of which were registered

and entitled to bank loan services. These ASCs had a membership size of about 3,704,031 peoples; total capital balance of about 210,652,879 birr; and were severing over two-third of the farm households (Alemayehu, 1993, Yigremew, 1988; FCA, 2007).

Besides, a policy about Agricultural Producers' Co-operatives (APCs) was issued by PMAC in June 1979 in line with the Proc.No.138/1978. As Tegenge (1988) noted, the June 1979 edict was the most important and comprehensive one that provide for the stage-by -stage transformation of APCs to agricultural collectivization. Accordingly, the establishment of producers' co-operatives was started under three developmental stages i.e. Primary level (*Malba stage*), where the means of production was owned privately except a land size beyond 2000 sq.m; the Secondary level (*Welba stage*), where all means of production is owned collectively except land upto 1000 sq.m; and the tertiary level (*Weland Stage*), which was the amalgamations of Welbas. To this end, detailed stipulation was provided in the June 1979 edict with respect to various issues of the APCs such as their development, organization structure and guidance, planning, manpower allocation, villagization in the co-operatives, relations between producers' co-operatives and mass organizations, and the support they should get from the government, among other things (Tegegne, 1988).

This time, the APCs were supposed to address various objectives such as bringing an end to capitalist exploitation, transforming fragmented substance agriculture to large scale modern technology based farming, promoting small-scale industries, safeguarding the political, economic and social rights of the peasantry by creating socialism in rural areas, and to prepare the ground for national planning (Tegegne, 1988; FCA, 2007). To materialize these mixed economic and political functions, around 3732 APCs were established as of 1988/89, with a total membership size of around 300,000 peoples, total farm area of 488,400 hectares, and total capital balance of 90,000 million birr (Dessalegn, 1992).

Generally, Dessalegn (1992) noted that, PAs, ASCs, and APCs were the three major rural organizations established in Ethiopia before announcement of mixed economic policy in 1990. Even though it could not be justifiable to totally discredit the roles played by such association during the military period, none of them however, were successful in achieving their intended respective purposes as been anticipated by government, due to a host of constraining factors. On the one hand, all of them were set by government and party agents, and were serving against the wishes/interests/ of peasants whom they were supposed to

benefit. On the other hand, they lacked the necessary autonomy, dominated by government rules and orders, and deficient in having the necessary linkage with the government (Dessalegn 1992).

Hence, over the years, many peasants became more and more alienated from these organizations as they increasingly became field agents for channeling government directives to the peasantry, and performing unpopular functions such as collection of obligatory grain quota and other contributions (Dessalegn 1992, Yigremew, 2000). Moreover, they were area-based, non-genuine associations, which gradually lost their democratic features, and lacked any real decision-making power. In additions to the above problems, the ASCs and APCs were also constrained by problems such as lack of proper management and leadership quality, shortages of trained manpower, shortages of commodities, lack of proper accounting systems, embezzlement of properties by elected officials, lack of credibility in the eyes of the members, poor organization, and lack of efficiency among other things (Dessalegn 1992; Alemayehu, 1993; Yigremew 2000). As a result, almost all of them had gone bankrupt and dissolved, and many others have been looted and abandoned within a very short period of time, when the government stopped its support and protection for them, following its transformation announcement from agrarian socialism to mixed economy policy in 1990 (Dessalegn 1992, Yigremew, 2000).

2.4.2.3: Co-operative Movement During Post-1991 Ethiopia

Following the 1991 collapse of military government, many radical changes have been observed in socio-economic and political atmosphere of the country. For one thing, the country has changed from centrally planned command economy policy to free market economy. It has also undergone various political and economic reforms such as decentralization, democratizations, privatization, currency devaluation and economic liberalization (Berhanu, 1994; Loop, 2002; cited in Tesfaye, 2005). In line with these measures, the government acknowledged the decisive role of peasant associations such as co-operatives, and made some positive policy statements towards co-operatives. Accordingly, the transitional government of Ethiopian has enacted its first agricultural co-operative law (i.e. Proc. No. 85/1994), which provides for the establishment and reorganization of autonomous and genuine primary level agricultural co-operatives that are supposed to operate in accordance with the rule of free market economy (Yigremew 2000).

However, as Tesfaye (2005) indicated, the 1994 proclamation, though it has brought some positive effects on the co-operative movement, was not as successful as been anticipated. This was due to a number of problems such as bad attitudes of rural communities towards co-operatives, lack of co-operative training and education, lack of skilled personnel, lack of clear co-operative policy among other things. Such legal and policy defects have given an impetus to the formulation and issuance of the "Co-operative Societies Proc.No.147/1998, which is more democratic and comprehensive co-operative proclamation than the previous ones. This proclamation provides for the establishment of co-operative societies inline with the basic international co-operative values and principles, ofcourse with one or more of the following basic objectives.

- ☞ Solving problems collectively which members cannot individually address
- ☞ Achieving a better result by coordinating their knowledge, wealth and labor
- ☞ Promoting self-reliance among members
- ☞ Protecting, withstanding and solving economic problems collectively
- ☞ Improving the living standards of members by reducing production and service costs, by providing input or service at a minimum cost and/ or by finding a better price to their products or services.
- ☞ Expanding the mechanism by which technical knowledge could be put in to practice
- ☞ Developing and promoting savings and credit services
- ☞ Minimizing and reducing the individual impact of risks and uncertainties and;
- ☞ Developing the social and economic culture of the members through education and training.

Moreover, federal government, in 1996/97 prepared draft co-operative law with the mission to enable the rural and urban working people solving their socio-economic problems based on their local resource basis. To this end, the new law proposed for the pooling of the responsibilities of organizing and promoting all types of co-operative societies under a single administrative agency (i.e. a commission at federal level, and bureau at regional levels); unlike Proc. No.138/1987 of the previous government that segregates such responsibilities to different government organs (Yigremew, 2000). Accordingly, Federal Co-operative Commission is established by " Co-operative Commission' Establishment Proclamation No. 274/2002, which latter on renamed as Federal Co-operative Agency in 2006. It is established

as autonomous Federal Government Organ, which is accountable to the Ministry of Agricultural and Rural Development.

The FCA is responsible for various activities such as registering and supporting co-operative organized at federal level, conducting research, rendering training and other technical supports. Moreover, it has various powers and duties such as formulating draft policies and laws, establishing co-operative training centers at federal level, enhancing peoples awareness about co-operative values and principles, facilitating conditions for marketing productions of co-operative societies (Federal Negarit Gazeta, No.21/2006; Proc. No. 274/2002). Other co-operative Promotion Bureaus are also established at regional and local level to promote grass-root co-operative development in different parts of the country.

Co-operative society Proc. No.147/1998 provides a detailed policy rules with respect to issues such as: the formation and registration of co-operative societies; the rights and duties of members of a society; management of co-operative societies; and their special privileges. Moreover, it proclaimed for the issues of asset and funds of co-operative societies; their audit and inspection; dissolution and winding up of societies; settlement of disputes, and other miscellaneous provisions Accordingly, with some amendments made latter on to Proc.No.147/1998 by "Co-operative Societies (Amendment) Proc.No.402/2004, the Council of Ministers has provided for its implementation by "Councils of Ministers Regulation No. 106/2004 (*Federal Negarit Gazeta, No. 27/1998; and No. 43 & No.47/2004*).

Moreover, Co-operative Society Proc.No.147/1998 also provides for the establishment of co-operatives, according to their nature, at different levels into four-tier structures: the primary societies (i.e. the lowest level which is supposed be formed by ten or more persons who live, or work within a given area, and who have common interest); the secondary level (i.e. district and regional unions formed by two or more primary level societies); tertiary level (i.e. federation of different unions at regional and/or inter-regional level); and the quaternary level or co-operative league (i.e. the confederation of all level co-operatives in the country at the national level).

Accordingly, about 19,147 primary level co-operatives societies are so far established in different part of the country and engaged in various areas of activities. Of these, 5104 are multipurpose, 502- irrigation, vegetables and fruits, 4178 saving and credit, 149-livestock

marketing, 112- dairy, 36-fishery, 355 mining, 12-forestry, and 1514 artisans. Besides, there are 81-consumers, 8-slaughtering, 9-in sugarcane production, 5869-housing, 204-construction, and 1014 other types. Their total membership size is 4,617,800 peoples (i.e. 3,348,258 males and 869,542 females), while their total capital balance is around 1,475,252,047 birr (*FCA, 2007*).

On the other hand, there are about 124 secondary level co-operatives /unions/ in the country which comprise around 2559 primary level co-operative as their members, and have total capital balance of 99,260,155 birr. Out of these, 93 are engaged in grain marketing; 15-in saving and credit; 6-in coffee marketing; 3-in vegetable and fruit production, and marketing; 2-in dairy; 1-in sugarcane production; 1-in forestry; 2-in mining; and 1-in food preparation. As far as their regional distribution is concerned, 49 (or 39.52%) are in Oromia, 28(or 22.58%) in Amahara, 23 (or 18.55%) in Southern Nations and Nationality Peoples/ SNNP/, 20 (or 16.13%) in Tigray, 3(or 2.42%) in Addis Ababa, and 1(or 0.8%) in Benishangul Gumuz. But, there is no co-operative federation and/or confederation/league/ established in the country yet now, even though there are some activities being going on by FCA especially to establish federations of grain marketing co-operative unions (*FCA, 2007*).

To conclude, FCA (2006) noted that, Proc.No.147/98 is different from other proclamations in that it has incorporated internationally accepted co-operative values and principles, and provide detailed policy framework and rules for their implementation. Hence, in combination with the prevailing market liberalizations and other structural adjustments, the current policy ground is hopped to create good windows of opportunities for co-operative enterprises to realize their potential roles in various socio-economic, and even political arenas, which could have far-reaching impact on the national development in general, and local development in particular.

2.5: Co-operative Values and Principles

Co-operatives are an autonomous association of persons united voluntarily to meet their common economic, social, and cultural needs and aspirations through a jointly owned and democratically controlled enterprise. To enable them properly serve such ends, the ICA, by making some amendments to the original Rochdale Pioneers' co-operative values and principles, has come up with the following essential values and guiding principles.

Co-operative Values- co-operatives are people centered business enterprise; that operate in all areas of socio-economic activities in almost all countries of the world. However all of them are based on the values of self-help, self-responsibility, democracy, equality, equity and solidarity. In addition to their members, co-operatives also believe in the ethical values of honesty, openness, social responsibility and caring for others.

Co-operative Principles- co-operative principles are guiding rules of behaviors by which co-operatives put their values into practice. Akpoghor (1993), in expressing the importance of such principles said, *"If there is anything dearest to the heart of cooperators world-wide, it is the co-operative principles"*. In whatever case, co-operative principles are tied to the co-operative movements in itself. Thus, the Rochdale Pioneers, apart from their pioneering contributions to co-operative development, are also best remembered today for their co-operative principles. To make the comparison possible, Akpoghor's description of Rochdale Pioneers Co-operative Principles is quoted as follows.

The Rochdale Co-operative Principles may be conveniently stated as voluntary and open membership; democratic control; distribution of annual surplus in proportion to patronage of the co-operative enterprise; and limited interest on capital. Others are political and religious neutrality; cash trading; and promotion of education among members. In their original formulations, the principles also included supply of high quality and unadulterated goods, as well as promotion of Cooperation at local, national and internal levels (Akpoghor, 1993:16).

Currently, there are about seven internationally recognized guiding principles of co-operative societies worldwide, which are adopted from Rochdale Pioneers' co-operative principles. These principles, as been amended by ICA in 1995 are presented as follows.

1. Voluntary and Open Membership- This principle states that membership of co-operative society shall be voluntary, and available without artificial restriction or any gender, social, political, racial, or religious discrimination to all persons who can make use of its services and are willing to accept the responsibilities of membership.

2. Democratic Member Control- Co-operatives are democratic organizations controlled by their members, who actively participate in setting their policies and making decisions. Men and women serving as elected representatives are accountable to the membership. This principle is also known as the principle of one-man, one vote, which is to mean self-governance within the co-operative societies on the one hand; and one-man one-vote irrespective of the number of shares held (for primary level societies) on the other hand.

3. Member Economic Participation- Members contribute equitably to, and democratically control, the capital of their co-operative. At least part of that capital is usually the common property of the co-operative. Members usually receive limited compensation, if any, on capital subscribed as a condition of membership. Members allocate surpluses for any or all of the following purposes: developing their co-operative, possibly by setting up reserves, part of which at least would be indivisible; benefiting members in proportion to their transactions with the co-operative; and supporting other activities approved by the membership. This principle is based on equity in a sense that those who support and patronize the society should be appropriately rewarded.

4. Autonomy and Independence- Co-operatives are autonomous, self-help organizations controlled by their members. If they enter to agreements with other organizations including governments, or raise capital from external sources, they do so on terms that ensure democratic control by their members and maintain their co-operative autonomy.

5. Education, Training and Information- Internally, co-operatives provide education and training for their members, elected representatives, managers, and employees so that they could contribute effectively to the development of their co-operatives. Externally, they inform the general public - particularly young people and opinion leaders - about the nature and benefits of co-operation.

6. Co-operation among Co-operatives- The success of co-operatives largely depends on their coordination and integration. Hence, in order to best serve the interests of their members and their communities, co-operatives societies shall actively cooperate in every practical way with other co-operative societies at local, national, and international levels.

7. Concern for Community- Co-operatives work for the sustainable development of their communities through policies approved by their members. Birchall (2004) noted that this principle reminds co-operative members that they should feel solidarity with the wider community in which their business is embedded.

2.6: The Potential Roles of Co-operatives in Development

Many literatures indicate that co-operatives have well recognition immense development potentials in overall socio-economic and other aspects of societal life. For instance, ILO,

(2001) noted that these institutions can serve an important role in creating (self-) employment opportunities, improving working and living conditions for millions of peoples, and providing essential infrastructures and services to areas in which neither state, nor investor-driven enterprises would venture. Cooperatives can also do much in integrating poor and marginalized members of the society, indigenous and tribal peoples, as well as women into the mainstream of economies, and in alleviation of migration pressures through employment creation (ILO, 2001). Moreover, co-operatives have special aptitude in drawing advantages from economic, social, ecological, and cultural progress by developing trust, and by fostering communication networks among peoples. They also enhance integration between different social and economic units at sub-national, national and international levels, and thereby facilitate optimum use of local natural resources. Besides, they can play crucial role in providing education, and in introducing technological advancements to remote areas among other things (Ibid).

With respect to the economic development, ILO (2001); and Birchall (2004) noted that co-operatives have significant contribution for the development of various economic parameters throughout the world. Their roles in various economic dimensions such as production and service delivery, employment creation, resource mobilization and income generation among other things are very enormous. Inline with this argument, ILO (2001) citing the United Nation's 1994 estimate, indicated that the life of nearly 3 billion people (i.e. half of the world's population) is made secure directly or indirectly by cooperative enterprises. It is also indicated that nearly 800 million individuals are members of cooperatives during the said time. Besides, according to ILO (2001), co-operatives have created job opportunities for an estimated 100 million peoples all over the world, and are economically significant in a large number of countries in providing foodstuffs, housing, financial and many other economic services, some of which are discussed below.

2.6.1: Credit Services Delivery, and other Agricultural Inputs Supply

Akpoghor (1993) noted that, in developing countries, the peasant farmers need the services of co-operatives in the field of agricultural credit among other things. This is mainly because, unlike their counterparts in advanced countries, either there are no banks in their areas or they have no access to banks if any. Hence, many are exposed to individual moneylenders, which provide the service in unorganized system at exorbitant interest rates. According to him, this

makes co-operative societies the only and/or main source of organized credit (especially in the rural areas) of such countries. As he noted, the significance of co-operatives in agricultural credit in developing countries lies in the fact that only such institutions can promote participation of individual farmers in the mobilization and management of rural savings proper on the one hand; and it is also such institutions that can effectively ensure the success of distributing any credit made available through local, foreign and international bodies on the other hand, which is basically due to their proximity to the local community at the grass roots level (Akpoghor,1993). Co-operatives are said to have considerable role with respect to financial service provision even on practical grounds. For instance, according to ILO (2001), they comprise about 33% of banking service in Finland; 27% insurance in Honduras; 35% of credit service in Cyprus among others as of 1998.

Another important role of co-operatives, especially to the rural area agricultural communities is in the areas of supply of various agricultural inputs supply services such as delivery of improved seeds, fertilizers, and other equipments and implements to farmers (Akpoghor, 1993). The delivery of these services by co-operatives creates access opportunities by rural communities to such services and/or helps to avoid supply side exploitation of the community by other suppliers (Ibid).

2.6.2: Production Activities and Marketing Service Delivery

Co-operatives in many countries around the world are at the forefront with respect to production and marketing activities too. They are said to be responsible for the production and marketing of substantial amounts of foodstuffs, electricity and consumer goods as well as other social services. For instance, with regard to production activities, the empirical evidence by ICA (2001) cited in Imoisili (2001) indicates that, co-operatives takes a market share of 100% of potato production in Netherlands; 90% of fisheries in Malta; 70% of the surplus wheat production in Uruguay; and 90% of national milk production, 77% of cotton production, and 70% surplus wheat production in Burkina Faso. Furthermore, as of 1997, they were responsible for 94% of milk processing, and 66% of cattle slaughtering in Denmark; 79% of agricultural production, and 31% of forestry production in Finland; 62% of dairy products in Canada, and 13% of electricity provision in U.S.A. among others.

Regarding the marketing role of co-operatives, many literature bodies indicate that their role is very vital in providing marketing service, especially for rural communities. For instance, Akpoghor (1993) has noted that such service of co-operatives are even better appreciated when one considers the incidence of illiteracy among farmers especially in developing countries, and the ancillary functions connected with marketing of agricultural produce such as grading, weighing, storage and looking for the best market. In line with this argument, Damardjati (2004) also noted that individualistic systems of agricultural product marketing remains inefficient for a number of reasons such as ineconomies of scale, lack of strong bargaining power, vulnerability to buyers side exploitation due to high dependence of farmers on traders, inappropriate post harvest handling (i.e. grading, transportation, storage etc), and processing and long marketing chains. Thus, as Akpoghor (1993), and Damardjati (2004) indicated, involving co-operatives in product marketing helps to overcome the aforementioned problems. Adding to this, Akpoghor (1993) stated that, co-operatives are helpful in addressing the interest of members, and therefore encourage productivity in agriculture, ensure steady supply of high quality produce to the market, and help to overcome the smuggling problem of agricultural products across boarder by other private dealers.

The empirical evidences from across-countries by ILO (2001) seem to substantiate such theoretical underpinnings. For instance, according to ILO (2001), 33% of the agricultural market in the United States; and 40% of local agriculture in Republic of Korea was marketed through cooperatives as of 1998. Moreover, during this period, the co-operatives were reported to have a share of 40% of total national export in Uruguay; 69% of farm supply in Denmark; and 37% of consumer goods supply in India, among others. Hence, such significant market shares hold by co-operatives in the production and distributions of various products and/or services validate their macroeconomic importance with these regards (COPAC, 2000; and Imoisili, 2001; and ILO, 2001).

2.6.3: Employment Creation Role of Co-operatives

Co-operatives can effectively create and maintain employment (both direct/salaried/employment, and Self employment) in both urban and rural areas of the world. They can provide self-employment through millions of worker-owned production and service delivery activities (producer co-operatives); by promoting resource mobilizing and saving for productive investment as in the case of (financial co-operatives); and provision of affordable

goods and services, and thereby enable the community to save a proportion of their income for investment (consumer co-operatives). Similarly, user-owned co-operatives such as housing, utility, health, and social care co-operatives provide affordable access to basic services and then by help them get access to various self-employment opportunities.

On the other hand, co-operatives can create enormous direct or salaried employment opportunities by engaging them selves in various sectors of the economy such as production, marketing, processing and so on. According to ILO (2001), in a number of African countries and some other countries around the world, cooperatives are said to be the second largest employer-surpassed only by the government. This theoretical foundation seems to be justified by the practical employment data of many countries around the world. For instance, the data on self-employment and direct employment indicated by COPAC (2000) for some African Countries shows that there were 220,713, and 58,468 self-employment and direct employments respectively in South Africa in 1997; while the 1996 corresponding figure for self-employment, and direct employment were 91,035 and 3,235 for Ghana; 27,792 and 42,709 for Morocco; 32,168 and 8,455 for Uganda; and 23,424 and 494 for Zimbabwe respectively (COPAC 2000;ILO 2001).

Moreover, according to ILO (2001), as of 1996/97, co-operatives have created around 13.8 million jobs in India (where 92% is self employment); 153,655 jobs in Japan; 5.01ion jobs (or 16.24% of total job market) in Philippines; 511,300 jobs in Russia; and over 5 million jobs in Europe among others. Hence, these empirical evidences show an impressive macroeconomic role co-operatives can play with regard to employment creation (Ibid).

2.6.4: Resource Mobilization and Income Generation

Co-operative form of enterprises can assure any group of individuals an effective means to combine their resource, however small they are (COPAC 2000). By doing so, they permit a larger resource mobilization than what could be possible within the capacity of most individuals and small enterprises, and can serve as a catalyst for local entrepreneurial growth; retain the capital mobilized by the communities within the communities and the surplus derived from outside transactions, both of which are very crucial in bringing further development to given local area. Moreover, ILO (2001) noted that, co-operatives have the greatest direct economic impact at the micro level in creating additional income for their

members. They achieve this by securing higher prices for members' products, lowering input costs for the members, by creating employment opportunities, and by introducing technological innovations. Besides, they can provide consumable goods, deliver education, housing, and other socio-economic services at lower price, and thereby help the local community save their income for further investment (ILO 2001; COPAC 2000).

Hence, successful co-operatives enable their members generate more income by improving the member productivity or the productivity of the member enterprise; and by improving market position of the members as producers, consumers, and employees. Besides, they can enhance income-generating capacity of members by improving their access to material and non-material resources; and by helping them sustaining their income, production level and prices. Furthermore, by improving the local communities' (members) overall living condition through provision of social and physical infrastructures, and by improving their know-how (i.e. through formal and informal education and training), and by enhancing their standard of information, co-operatives can encourage local resource mobilization and income diversification, and there by promote local economic development (Ibid).

2.7: Challenges and Comparative Advantages of Co-operatives

Co-operatives are one of the economic institutions, which face many challenges in the changing national and global economy. According to ILO (2003), some of these challenges include bad experience with the previous periods, shortage of experienced and trained manpower, high level of illiteracy, prevalence of subsistence culture, and lack of infrastructures. Moreover, other problems such as limited recognition of co-operatives as key development actors, poor governance and bureaucratic constraints, the dynamics of government policies, globalization of the market and the associated intensive market competition, deregulation and privatization, new trade groupings, pressures towards demutualization, and the autonomy of some regions within countries among other things (COPAC, 2000; Oktaviani, 2003).

However, ILO (2001) noted that, co-operative organizations do have comparative advantages over non-co-operatives, NGOs and conventional business organizations in various socio-economic aspects of societal life. According to ILO, such advantages are attributable to their organizational form that combine executive and implementing management bodies with democratic decision-making and market forces; their ability to lower information costs by

overcoming asymmetric systems of information; their ability to limit production and market-related risks for their members; and through their ability to carry out mutually dependent rather than one-sided investments (ILO 2001).

Hence, despite the challenges they are facing, there is growing potential of co-operative development and renewal in light of the limitations of the free market for social responsibility and equity. Moreover, the advantages of decentralization of power, the importance of stakeholders and community involvement in economic and social life, and the growing role of the civil society has given rise to the revival of co-operative movement all over the world these days (COPAC, 2000; ILO, 2001; and Oktaviani, 2003).

CHAPTER THREE

DISCRIPTION OF STUDY AREA, BACKGROUND CHARACTERSTICS OF STUDY AREA CO-OPERATIVES AND RESPONDENT LEADERS

3.1: Description of the Study Area

The study area is Ada'a Woreda, which is located in East Showa Zone of Oromia Regional State. As communication with Woreda officials shows, the Woreda was formerly known as Ada'a - Liban. But, since recent restructuring, Ada'a Woreda became independent. Presently, there are 27-rural kebeles and one city administration (Bishoftu City Administration with 9-urban kebeles) in the Woreda. Bishoftu town is also the administrative seat of the Woreda, which is located at about 47 kilometers to the South-East of Addis Ababa, and at about 53 km from the city of Adama.

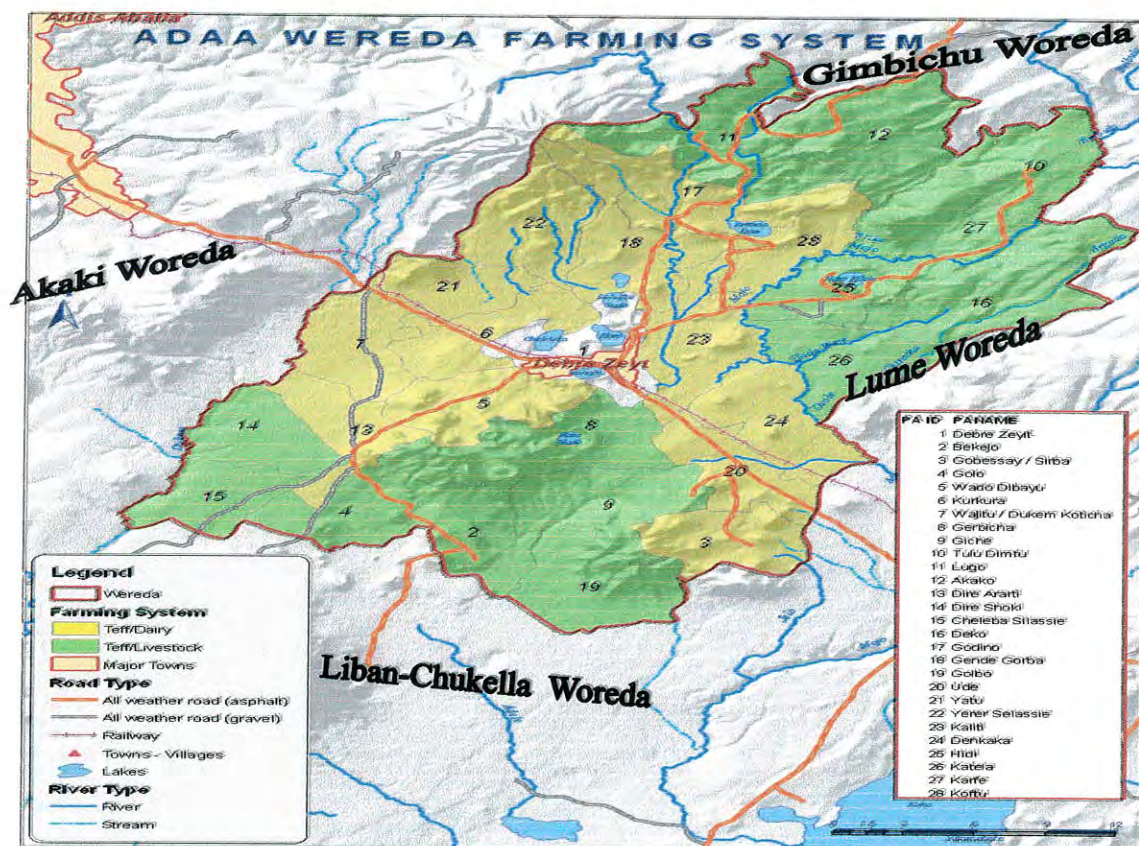
The Woreda is bounded by Lume Woreda to the east, Gimbichu Woreda to the north, Liban-Chukella Woreda to the south, and Akaki Woreda to the west. The railway from Addis Ababa to Djibouti; and the major road from Addis Ababa to the south and to the east pass through the town of Bishoftu. Since it is on the main trade route of the country, the geographic location of the Woreda is accessible and suitable to be center of business, for the establishment and expansion of development organizations, for the introduction of technological innovations, and for various socio-economic undertakings. Regarding the population parameter, the Woreda officials have indicated by citing 2006 survey made by the Woreda Health Office in collaboration with other NGOs, that the total number of population of the Woreda was estimated at about 291,426 peoples, (i.e. 141,426 rural peoples, and 130,000 urban peoples). Out of this, the total rural population constitutes 67,808 females and 73,618 males, while the total urban population constitutes about 62,140 males and 67,860 females.

As far as its geographical topography is concerned, Ada'a Woreda has two altitudinal zones i.e. (1) the mountain zone which refers to a place with a height of 2000m above sea level and constitutes about 9% of the total land area of the Woreda; and (2) the highland zone which refers to a land with a height of 1800m-2000m above sea level, and constitutes about 91% of the land area of the woreda. Concerning its climatic condition, the Woreda has a moderate climate. It is neither too hot as the rift valley areas, nor cold as highland areas. It has

minimum annual temperature of 12⁰c - 11.48⁰c, and maximum annual temperature of 28⁰c - 26.74⁰c, while the average annual temperature is about 20⁰c.

On the other hand, the woreda has a minimum annual rainfall of about 138 mm, while the maximum annual rainfall is about 815 mm. It experiences a winter season from mid June to mid September, while its summer season runs from the month of October to May. It has Dega, Weynadega, and kola climatic zones. The Woreda is among the surplus producing area of the regional state with a total of about 130,000 total agricultural populations, and a high potential for cereal and legume crops, livestock and dairy productions.

Fig 3.1: Map of Ada'a Woreda



Source: Ada'a Woreda Administration Bureau

As far as the socio-economic and institutional infrastructures are concerned, the Woreda has about 27 km asphalted road, and other all weather and summer roads. Moreover, there are two hospitals, health centers, clinics, pharmacy, Red- Cross, training and research centers, schools and other socio- economic, and administrative institutions in the Woreda. Besides, there are small and medium scale industries, factories, hotel and restaurant services, cafeteria services,

recreational places, and a number of co-operative societies. Most of these are located within the capital city of the Woreda (i.e. the town of Bishoftu) and within the surrounding vicinities. There are around eight lakes some of which are volcanic lakes, while other are artificial. These lakes are giving high recreational and other socio-economic services presently. Moreover, the Woreda has some rivers and streams especially in the northern and northwestern part of it. Generally, as the officials of the woreda indicated, the overall social economic activities of the Woreda are growing from time to time.

3.2: Profiles of Study Area Co-operatives, and Characteristics of Sample Co-operatives

I) **Profile of Study Area Co-operatives**-there are a number of co-operative associations in Ada'a Woreda, which are currently engaged in different areas of activities. As the information obtained from the Woreda co-operative office shows, presently, there are about 76 primary level co-operative associations in the study area, which are engaged in various areas of economic activities. This is summarized in table 3.1

Table-3.1: Summary of the Number and Activity Areas of Co-operatives in the Study Area and their Membership Size.

Type of Co-operatives	Major Areas of Activities	Total No. of Co-operatives Currently Operating	Members		
			Female	Male	Total
Multipurpose Co-operatives	Grain marketing, input supply (i.e. fertilizers, improved seeds, and agro-chemicals)	21 rural based (19 of which are legally registered)	2,921	16,828	19,749
Mineral Producers	Produce and sell sands and gravels	16 rural based (13 of which are legally registered)	16	792	808
Saving & Credit Co-operatives	Raising funds from members for saving and Provision of loan to members	30 (18 of which are rural based while 12 of them are urban based), all legally registered).	823	1273	2096
Dairy Co-operatives	Collection, processing and distribution of milk and milk products	1 –Semi rural and legally registered	383	433	816
Irrigation Users	Input supply, Marketing of vegetables, and grains	1- Rural based and legally registered	10	50	60
Housing Co-operatives	Undertaking group based construction of residential houses for members	NA	NA	NA	NA
Honey and Bee Keeping	Production and marketing of honey (Apiculture Farming)	3 – both rural and legally registered	4	57	61

Source-Woreda Co-operative Promotion Bureau

NA - Means data not available.

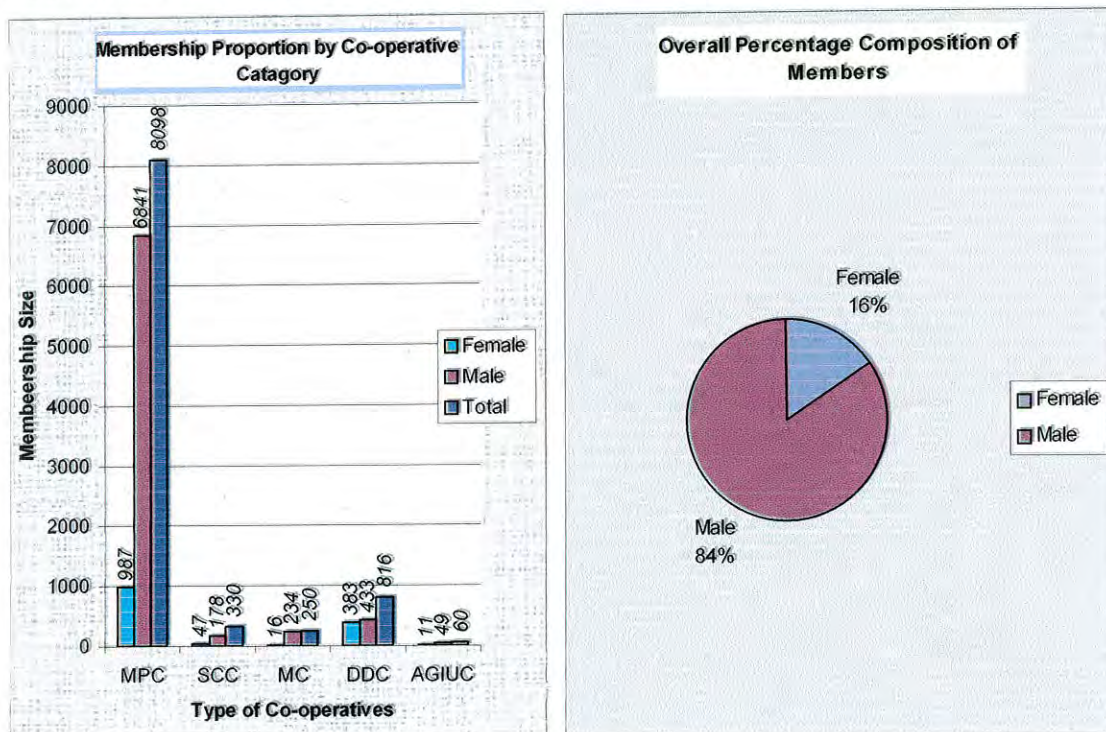
II) General Characteristics of Sample Co-operatives- a case study of 19 co-operative societies is made in order to investigate their performance and its implication for local economic development. The co-operatives are classified in to five major types. These are: Multipurpose Co-operatives (MPC), Saving and Credit Co-operatives (SCC), Mineral Producers Co-operatives (MC), Dairy Co-operative (i.e. Debre-Zeit Dairy Co-operative /DDC/), and Irrigation Users Co-operatives (i.e. Alph-Goa Irrigation Users Co-operative/AGIUC/). Eventhough all of the MPC were established during the military regime, they are made to be reorganized and registered once again starting from 1998 in accordance with Proc.No.148/1998 article 58 (2), which latter on is amended by Proc.No.402/2004, article 58 (2). The rest co-operatives (i.e. SCC, AGIUC, and all MC) are established since 2001, except DDC that was established some years earlier in 1997 as it can be seen from annex-2.

The objectives and types of economic activities undertaken by these co-operatives vary depending on the interest and economic/occupational/ backgrounds of their members. For instance, the majority members of MPC, and AGIUC are farmers with different economic positions, while that of SCC, and DDC are individual from different occupational and economic background. Almost all members of MC are the landless unemployed members of the community. The MPC are primarily engaged in input and output marketing services. Besides, they also have an objective of providing diverse services such as consumer goods shopping, milling services, tractor services and the like, though such services are not being provided in almost all of the surveyed cases presently.

Likewise, AGIUC is currently engaged in marketing of vegetables and grains purchased from members and other suppliers, and supply of fertilizers to members. It also provides restaurant services. On the other hand, the SCC are concerned with financial resource mobilization through members saving, and provision of loan services to the members, while DDC is primarily aimed at collection, and distribution of milk products, though it also provides concentrated animal feeds to the members as its secondary activity. Similarly, the MC, being established with the objective of creating self-employment opportunity for their members, are engaged in the collective production and selling of different types of minerals (like gravels and sands).

There is high variation in the membership size of the study co-operatives. For instance, out of the total membership size of 9554 peoples of the sample co-operatives altogether, 8098 (or 84.76%) belongs to the sample MPC, followed by DDC with 816(or 8.54%), and the SCC with 330(or 3.45%) respectively. The sample MC have 250 (or 2.2%), followed by AGIUC with 60 (or 0.63%). Besides, there is high gender disparity in almost all cases of the study co-operatives. The gender disparity varies among co-operatives, being highly manifested in the cases of MC, MPC and SCC with relative female membership proportion of 6.4%, 12.19%, 14.24% respectively. AGIUC and DDC follow with female membership proportion of 18.33% and 41.42% respectively. As far as the overall membership composition of sample co-operatives altogether is concerned, about 7735 (or 84%) are male members, while only 1444 (16%) are females as it can be seen from graph 3.1 and annex-2.

Graph 3.1: Relative Proportion of Male and Female Members of The Study Co-operatives



Source: Bureaus of the Respective Co-operatives

Eventhough co-operative types of enterprises are believed to empower all members of the society equally (including the marginalized ones) because of the principle of open membership and their inherent social values, the reality with this regard seems contrasting. As it is understood from respondents, such gender disparity is caused by many factors such as cultural norms, tendency of restricting females work to inhome activities, lack of access to

various assets, and overall dominance of males in various socio-economic issues of community life. In anyways, the prevalence of such gender disparity could obviously deter the effective utilization of the development potentials of such institutions unless the necessary affirmative action is taken.

Membership Criteria-the membership criteria of most of the co-operatives are more or less similar. As it can be seen from table 3.2, ability to make initial payments (i.e. registration fee, and purchase price of at least one share) is indicated as the most important criterion in all cases of the study co-operatives. In addition to such initial payments, willingness to make some periodic contribution is also a very important and/or critically important criterion in the case of SCC as the respondent leaders and FGDs have indicated. However, the amount of initial payment, and periodic contributions varies among the co-operatives according to the by-law of the respective co-operative and the members' agreement. Similarly, in all cases of MC, there is an obligation to save about 45% of their periodic earnings whenever there is sale of their produce. But, there is no periodic contribution and saving requirement /criterion/ in the cases of MPC, AGIUC, and DDC.

Table 3. 2: Membership Criteria of the Co-operatives

No.	Description of Criteria	Degree of importance of the criteria	Absolute No. of Respondents	Absolute percentage
1	Ability to effect initial payment	Moderately important	1	5.3
		Critically important	18	94.7
2	Willingness to make some periodic contribution and/ or save a portion of periodic earnings/	Not important	9	47.4
		Highly important	5	26.3
		Critically important	5	26.3
3	Promise to buy goods and services from the co-operatives	Not important	17	89.5
		Less important	2	10.5
4	Promise to sell products to the co-operatives	Not important	15	78.9
		Less important	2	10.5
		Critically important	2	10.5

Source: Own survey (2007)

On the other hand, promise to buy goods and/or services from the co-operatives are not important in 17 (or 89.5%) of the cases, and less important in 2 (or 10.5%) of the cases. Likewise, promise to sell products to co-operatives is a less important criterion in all cases of MPC and AGIUC, while it is not important at all in the case of SCC and MC. These show that the members have the right to get the service and/or sell their products from/to elsewhere they like. However, supply of products to the co-operative is critically important only in the case of

DDC, where members' ability to produce and supply milk is a must. Moreover, other criteria such as being the residence of an area, ones agreement with the by-laws of the society, and fulfilling the age limit of at least 14-years are important in almost all of the cases. And ownership of land (i.e. in the case of MPC and AGIUC); and being unemployed and/or landless (for MC) are among the additional important criteria considered for membership.

Reasons for Membership-as indicated by the leaders and FGDs, and personal observations, people become co-operative member for various reasons (see table 3.3). The reasons are basically related to people's need such as access to various services and opportunities like marketing services, financial services, access to resources and self-employment opportunities. Hence, it varies from co-operative to co-operative. For instance, getting access to input market is either highly important and/or critically important reasons for 13 (or 68.4%) of the cases, all of which belongs to MPC, AGIUC and SCC, since these co-operatives supply various material and financial inputs to their members as discussed earlier; while this is not important or less important in 6(or 31.6%) of the cases (i.e. for MC and DDC).

Table 3.3: Reasons for Becoming Co-operative Member

No.	Description of Criteria	Degree of importance of the criteria	Absolute No. of Respondents	Absolute percentage
1	Getting periodic dividend	Not important	8	42.1
		Slightly important	11	57.9
2	Getting access to input market	Not important	5	26.3
		Less important	1	5.3
		Highly important	6	31.6
		Critically important	7	36.8
3	Getting access to output market	Not important	8	42.1
		Slightly important	2	10.5
		Moderately important	2	10.5
		Highly important	4	21.1
4	To get access to employment	Critically important	3	15.8
		Not important and/or less important	14	73.7
		Critically important	5	26.3
5	For other reasons	Not important	15	78.9
		Very important	4	21.1

Source: Own Survey (2007)

On the other hand, output market accessibility is indicated as either highly important or critically important reason for membership in 7 (or 36.9%) of the cases (i.e., DDC AGIUC, and MC). As the leaders and focus group discussants from these co-operatives indicated,

marketing their produce through co-operatives has enhanced their negotiation capacity and access to better market opportunity. In contrast, this is said to be moderately important or less important reason in the case of MPC as there is no dependable market opportunity created by these co-operatives. Moreover, getting access to self-employment opportunity is critically important reason for 5 (or 26.3%) of the respondents, all of which belongs to MC. However, the issue of employment opportunity is either less important and/or not important reason for becoming a member in the case of other co-operatives. Besides, some respondents also indicated other reasons such as getting access to benefits that come through co-operatives in the form of loan or other supports from government and/or NGOs as additional important reason for membership.

In all cases of the study co-operatives, getting periodic dividend is indicated as none important or less important reason for membership. This is because; many of the co-operatives either did not pay any dividend at all, or did not pay any meaningful dividend to their members so far consistently. For instance, in 8 (or 42.1%) of these cases, there is no dividend payment at all so far, while in 11 or (57.9%) of the cases, the dividend is paid only once indicating that the economic participation of the members in their co-operatives is very low with this regard. This seems to contradict with article 33 (1&2) of Co-operative Society Proc.No.147/1998, which says that, any society, after deducting 30% of their net profit for reserve fund, should distribute the remaining balance to the members as per the decision by the general assembly. According to this proclamation, the dividend payment is supposed to be made on the basis of the number of shares held by a member in the society, the amount of goods offered for sale and/or goods purchased from the society by a member.

However, it is understood that the study co-operatives could not effect any meaningful periodic dividend payment to their members consistently due to various reasons such as lack of adequate surplus in 14 (or 73.7%) of the cases, which as they indicated is related to limited operational capacity of their co-operatives and lack of dependable market for their product; while 5(or 26.3%) of the cases said that they use the surplus for reinvestment purpose. Besides, 5(26.3%) of the respondents indicated that they could not effect dividend payment due to lack of adequate, timely and consistent audit service, which is essential for them to know the amount of their annual net profit or loss. This is in contrast with article 36 (1) of Co-operative Society Proclamation 147/1998, that require for the audit of accounts of any society at least once in a year. In any case, the implication of inability to effect periodic dividend to

members could be pervasive that adversely affect the overall participation, loyalty and confidence of members to their co-operatives (see below).

Participation of Members- In all of the cases, it is understood from the respondent leaders, FGDs, and personal observation that the members' participation in various affairs of their co-operatives is not as to expectation. For instance, in all cases of the study co-operatives, members' participation in making additional investment in the shares of their co-operative (beyond mere fulfillment of membership criteria) is very negligible or totally absent. This is because of absence of any meaningful dividend incentive for them as it is discussed in the preceding two paragraphs. Consequently, almost all of the study co-operatives are facing a problem of selling additional share to their members to raise additional fund. Besides, the absence of dividend incentives seems to have badly affected members' participation with respect to selling goods to their co-operative and/or buying goods from their co-operatives, especially in the cases of AGIUC and MPC, where members' supply of products is very minimal. This generally shows low economic participation of members in their co-operatives.

Moreover, it is understood that the members' participation in various decisions making activities is inadequate. For instance, it is known from the study that a good number of the members do not attend important meeting such as annual general members' assembly, where many decisive issues like annual performance reports, problems encountered during the operational period underconsideration, future action plan, and the like are presented, discussed and decided upon for future actions.

Generally, such low participation of members is caused by hosts of constraining issues such as lack of adequate and sustainable training at the grass-root level, lack of adequate economic incentives such as dividend, and bad image of past experience. Besides, it is understood from the FGDs that lack of transparency and accountability of the leaders to the co-operative members are also mentioned as factor that are still undermining the participation of members in the affair of their co-operatives (especially in the cases of MPC, that have taken their legacy from the past).

3.3: Background of the Respondent Leaders

To investigate the role of the study co-operatives in local economic development, questionnaires were administered to the leaders (the chairmen) of the selected co-operatives.

Accordingly, the background of the respondent leaders is presented in table 3.4 with respect to some factors that are believed to make a difference in their performance.

Table 3.4: Background of the Respondent Leaders

No	Description	Absolute No. of Respondents	Absolute Percentage	Cumulative Percentage	
1	Sex	Male	18	94.7	94.7
		Female	1	5.3	100
2	Age	26 - 35	3	15.8	15.8
		36 - 45	9	47.4	63.2
		46 - 55	6	31.6	94.7
		Above 55	1	5.3	100
3	Educational Level	1-6	8	42.1	42.1
		7-10	3	15.8	57.9
		Preparatory complete	6	31.6	89.5
		Others	2	10.5	100
4	Relationship with the Co-operative	Member and Full-time worker	1	5.3	5.3
		Member and Part-time worker	18	94.7	100
5	Compensation of leader	Non-salaried	18	94.7	94.7
		Salaried	1	5.3	100
6	No. of years served so far as a leader	Less than one year	3	15.8	15.8
		For 1-year	3	15.8	31.6
		For 2-years	2	10.5	42.1
		For 3- years	8	42.1	84.2
		For 6-years	3	15.8	100.0
7	No. of times training is received so far	No - training so far	5	26.3	26.3
		1-2 times	4	21	47.4
		3-4 times	7	36.8	84.2
		5-6 times	2	10.5	94.7
		7-8 times	1	5.3	100.0
8	Other work experience of leaders	Yes	13	68.4	68.4
		No	6	31.6	100.0
9	No. of years of other work experience	No-other experience	6	31.6	31.6
		1-2 years	3	15.8	47.4
		3-4 years	5	26.4	73.7
		5-6 years	2	10.6	84.2
		7-8 years	1	5.3	89.5
		Above 8 years	2	10.6	100

Source: Own Survey (2007)

The major factors discussed here include sex, age, educational level, work experience, access to training, and compensation issues. Regarding the sex of respondents, only 1 out of 19 leaders interviewed is female, indicating the prevalence of high gender disparity in the area of leadership of these institutions. On the other hand, about 94.7% of the leaders are in the economically active age category, while only one leader is above 55-years. However, being in

an economically active age category could not be an end in it self in discharging ones responsibility effectively, unless it is augmented by the necessary education, training, experiences and other elements. But, as it is understood from the study, the educational status of the majority of the leaders is far from being adequate for the positions they have assumed. For instance, about 8 (or 42.1%), and 3 (or 15.8%) of leaders are within the categories of grade 1-6, and grade 7-10 educational levels respectively. On the other hand, 6 (or 31.6%) of respondents are preparatory complete, while only 2 (or 10.5%) of them are above preparatory complete. It is also realized that about 57.9% of the leaders are within the category of grade 1-7, while about 89.5% of them have educational status, which is less or equal to preparatory complete.

Besides, most of the leaders either do not have work experience before and/or their work experience is not adequate and relevant for their current position. For instance, 6 (or 31.6%) of the respondent leaders have no other work experience before at all, while 3 (or 15.8%), and 5 (or 26.4%) of the respondent have 1-2 years, and 3-4 years of other work experiences respectively. And, the other 3(or 15.8%) have 5-8 years of other work experience before, while the remaining 2(or 10.6%) have above 8 years of other work experience. With respect to the type of work experience they had, 17 (or 89.47%) of the leaders have worked in Kebele administration and/or community leadership areas, while the other 2(or 10.53%) had served as government and non-government employee in military, and teaching areas. However, none of them have work experience that is as such relevant for co-operative business activities. This shows that the leaders and other committee members and/or workers of the study co-operatives generally lack adequate and/or relevant education, skill, experience, and other important qualities that their respective position demands.

As a remedy to such constraints, International Co-operative Alliance (ICA) principle No.5 requires that co-operative societies should provide education and training for their members, elected representatives, managers, employees, and for the general public at large. Inline with this, Akpoghor (1993) noted that, such training opportunities by co-operatives have wonderful practical purpose in equipping the office bearers with principles and practices of co-operation, and in tuning them to co-operative thinking and other general business knowledge; in creating enlightened membership (a membership that are capable of appreciating their rights and responsibilities or duties); and also in creating and/or enhancing general public awareness

about the aims, objectives, operational techniques and the overall socio-economic development contribution of co-operatives in micro and macro economic terms.

However, the information obtained with this regard also shows that only 3 (or 15.8%) of the total respondents have got training opportunity for five or more times so far, while 7 (or 36.8%) and 4 (or 21%) of them have got training only for 3-4 times and 1-2 times respectively. To make things worse, about 5 (or 26.3%) of the respondent leaders have got no training at all so far. Hence, this shows that the training opportunities given to the leaders is far from being adequate in bridging the gap between the existing levels of qualification and the demand for the same by respective leadership positions. Consequently, serious leadership capacity problems are observed in almost all cases of the study co-operatives, which are manifested in the form of inability to set adequate and clear operational plan, lack of any mission and vision, lack of scientific leadership concepts and co-operative business idea among other things.

Moreover, in 18 (94.7%) of the cases, the leaders are elected by members and have no salary or any other adequate compensation for the service they provide to their respective co-operatives. Hence, they are undertaking leadership activity occasionally on secondary basis/part-time basis/, and have no regular/official/ working hours. As it is recognized from respondents, these problems have also contributed towards the prevailing inefficiency in service provision, lack of the necessary courage, lack of commitment, and job dissatisfaction on the part of the leaders. It is only in one of the co-operatives surveyed that the leader is salaried employee and serves as full time worker (i.e. in the case of DDC), and that there is an official regular work hours followed by the workers. Almost all of the workers in this case are contractual salaried workers with better educational background at least relative to other cases. Hence, there is better operational performance and regular service delivery in this case.

Generally, the above discussed problems could obviously undermine the development potential of these institutions unless it is augmented with adequate, sustainable, and action oriented relevant training on various issues related to scientific management ideas, co-operative values, principles, and overall co-operative business concepts and practices, especially within the context of the prevailing competitive market environment.

CHAPTER - FOUR

DATA PRESENTATION AND ANALYSIS

4.1 Resource Mobilization and Input Supplies

Needless to say that the availability of adequate and quality socio-economic services of various types is indispensable in materializing any development objective, be it at national, sub-national and/or local levels. Some of such services include financial loan and/or other credit services; input and output marketing services; social services such as education and health services, utility services such as supply of pure water and electricity among many others. It is indicated in many literatures that co-operatives are among the important actors that can efficiently venture the provision of such services. Hence, this section is aimed at assessing the role being played by study co-operatives with especial emphasis to services such as loan/credit/ service, and input - output-marketing services.

4.1.1: Resource Mobilization Through Saving, and Provision of Loan Service

As Akpoghor (1993) noted, there is no access to credit service by rural communities of developing countries unlike their advanced counterparts. This is because, either there are no banks in their areas or they have no access to banks if any, and hence many are exposed to individual moneylenders, which provide the service in unorganized system at exorbitant interest rates. In light of this argument, the respondent leaders were asked if there were and/or are any alternative sources of finance in their area in the past and present times. In all of the cases, they indicated that individual moneylenders, friends and relatives, micro-finance institutions, and Iddir (in some cases) were/are the source of finance prevailing in their area. However, others such as banks (both private and government banks) are still absent. Hence, they indicated that they had no access to any sort of organized loan service until recently.

They revealed that before some ten years, the individual moneylenders were the sole providers of loan to local peoples at very exorbitant interest rate, which as they said ranges from 50% to 100%, and even more. However, micro-finance institutions have started loan provision since recently at high interest rate that goes up to 16% and more. These generally show that rural peoples in the study area have a serious problem in accessing financial services such as loan and others. Hence, an attempt is made in this section to assess the role of

SCC with respect to resource mobilization through saving and loan provision services. To this end, only the five saving and credit co-operatives surveyed will be assessed, as other types of the co-operatives under consideration are not providing loan service on regular basis.

It is realized from the response of the leaders and FGDs that their being organized in co-operatives has created good opportunity to develop saving culture, and to get access to loan at interest rate agreed up on by the members. As they said, some of them were previously taking loan from other sources at exorbitant interest rate and were facing with high problem upon repayment, while some others had no access even to such loan sources in the past. Consequently, it is understood that peoples are now shifting from other sources to SCC realizing the advantages of developing saving culture, and better access to loan facilities in the case of SCC. This has resulted in the increased membership size and capital balance of the study co-operatives from time to time, as indicated by the leaders and FGDs, (see table 4.1).

Table 4.1: Summary of Membership Size and Capital Balance of the Surveyed SCC

No.	Name of Co-operative	Initial size of members			Present size of members			Initial capital balance	Capital balance as of end of year 2006
		Male	Female	Total	Male	Female	Total		
1	Hiddi	NA	NA	NA	74	17	91	NA	60,678.50
2	Babogaya	-	40	40	2	85	87	800	6,198.41
3	Udee	33	1	34	56	2	58	1400	7,669.69
4	Dankaka	24	-	24	43	17	60	3,000	5667.13
5	Godino	2	25	27	3	33	36	NA	4864.23

Source: Woreda Co-operative Promotion Bureau Documentation

Note: NA- Means data is not available.

Capital balance refers to the indivisible portion of saving that belongs to the co-operative, while members personal saving is liability to the co-operatives, and hence excluded from the capital balance.

4.1.1.1: Resource Mobilization Through Saving

One of the very important objectives of SCC is promoting members' saving culture and mobilizations of resources for loan services. As McIntyre (2006) indicated, saving and credit co-operatives are more advantageous than country-level macro programs that are dealing with 'development finance'; and also over donor driven 'micro credit' and other similar schemes operated at local level. This is because SCC, by virtue of their aptitude to create locally rooted financial capacity, can better support local level economic development by promoting localized saving and investment cycles.

In line with the preceding argument, it is understood from the FGDs that almost all of them did not use to save many before they are organized in SCC, and access to loan was also a serious problem to almost all of them. Presently, the SCC underconsideration are playing encouraging role in developing the saving culture of local community, and in converting members saving in to loans, and thereby allowing them to expand their economic activities both inside and outside agriculture. Accordingly, the amount of total annual saving (i.e. both compulsory and voluntary saving) of the surveyed co-operatives is increasing from time to time (see table 4.2). As the leaders and FGDs have noted, the increase in the amount of saving is caused by increased membership size on the one hand; and improved awareness of members about the advantages of saving money on the other hand, that has even initiated voluntary saving in excess of compulsory saving in some cases.

Table 4.2: Total Annual Saving of Members

	Name of Co-operatives				
	Hiddi SCC	Dankaka SCC	Babogaya SCC	Udee SCC	Godino SCC
Compulsory Saving →	20 Birr	20 Birr	5 Birr	15 Birr	20 Birr
Year					
2002	7,220	-	800	NA	-
2003	9,520	2540	872	NA	785
2004	12,800	4860	2662	16,188.91*	2810
2005	17,480	11,620	3,684	9,161.15	4180
2006	18,090	12,770	5,007	11,718.94	7530
Total	65,110	31,790	13025	37069	15,305
Average	13,022	7947.5	2605	7413.8	3826.25

Source: Compiled from Documents of Individual Co-operative Records.

* Represent the cumulative saving upto end of year 2004

The average figures are taken from the number of years since the co-operatives started operation.

As it can be seen from table 4.2 above, the maximum total saving amount for the last five years period is 65,110 birr made by Hiddi SCC, while the corresponding minimum saving is 13,025 birr made by Babogaya SCC. Similarly, Hiddi SCC has the highest average annual saving of birr 13022 (both compulsory and voluntary components), followed by Dankaka SCC with corresponding figure of 7947.5 birr. Godino and Babogaya have the least average annual saving with birr 3826.25 and birr 2605 respectively.

The variation in the amount of saving among the co-operatives is due to variations in their membership size, and because of variation in the amount of monthly compulsory and voluntary savings. The monthly compulsory saving varies from the minimum amount of 5 birr (i.e. for Babogaya SCC) to the maximum amount of 20 birr (i.e. for Hiddi, Dankaka, and

Godino SCC), with a range of 15 birr, and mean of 16 birr per month (see table 4.2). In those cases where the membership size and amount of monthly saving is higher, the total annual saving is also higher, and vice-versa.

Yet, it is understood from FGD that many members are not saving the amount of money they could save even presently. As they noted, this is partly because of lack of access to grass-root level training and experience sharing opportunity that can give courage for more saving. Moreover, lack of adequate concern and follow up on the part of the government in providing necessary technical support such as timely audit services has caused dispiration and lack of confidence on the part of the members about their co-operative. Such problems have also hindered some peoples from becoming member of SCC as it is realized from the study.

4.1.1.2: Loan Service Provision

All the study saving and credit co-operatives are currently providing loan services to their members even though there is variation among them with respect to the availability of loan for the required amount, and at the required time. For instance, out of the five saving and credit co-operatives studied, it is only 2(or 40%) of the cases (i.e. Hiddi and Dankaka SCC), the respondents indicated that their co-operative can always satisfy the amount of loan requested by their members as per the by-law of their respective co-operative. It is known that these co-operatives are from the one with larger membership size and higher amount of monthly saving. As it is understood from the response of the leaders and FGDs, there is a better possibility of accessing even relatively larger amount of loan in these cases to venture more viable areas of activities that demand larger investment such as purchase of hybrid milk cows, for animals fattening, acquisition of hours cart, purchase of pumping generators for irrigations, and other activities.

In contrast, in 3(or 60%) of the cases (i.e. Udee, Babogaya, and Godino SCC), the leaders and FGDs have indicated that their co-operative can satisfy the loan request of their members only some times. The major constraint mentioned by these respondents is lack of adequate money. They noted that the limited amount of members periodic saving and/or low membership size, and lack of access to adequate loan from other sources such as union and other parties are also among their problems. Hence, they could not satisfy the loan request of their members sometimes, especially whenever the amount of loan requested by member is higher in amount.

Hence, this shows that pooling resources from reasonably large numbers of peoples (especially in rural areas where the individual saving capacity is generally low) seems to create better and dependable loan services opportunity than otherwise. In whatever case, the total amount of loan provided by the study SCC has generally shown increasing trend over the years in all cases, as it can be seen from table 4.3 below.

Table 4.3: Summary of Amount of Loan Provided by the Study SCC and Their Interest Rate

Interest rate/ Years	Name of Co-operative					Total No. of peoples who have got access to loan				
	Hiddi SCC <i>l</i> = 20%	Dankaka SCC <i>l</i> = 12%	Babogaya SCC <i>l</i> = 18%	Udee SCC? <i>l</i> = 15%	Godino SCC <i>l</i> = 10%	Total	Male	Female	Total	Female to male %
2002	8,590	-	-	-	-	8,590	11	5	16	31.25
2003	28,604	2,500	-	5430	-	36,534	20	8	28	28.57
2004	30790	6,450	-	28,918	-	66158	51	13	64	20.03
2005	32,400	8,750	3850	33,091	3300	81,391	48	28	76	36.84
2006	18,500	15,585	3850	49,300	9500	96,735	64	45	109	41.28
Total	118884	33,285	7700	116,739	12,800	289408	194	99	294	33.78
Average	23,776.8	8321.25	3850	29184.75	6400	-	-	-	-	-

Source: Woreda Co-operative Promotion Bureau Documentation, and Bureaus of the Respective Co-operatives

NB. The average is taken from the number of years since loan provision is started.

As the leaders indicated, amount of loan provided by each co-operative has increased overtime due to increased membership size, and increasing awareness of the peoples about advantages of saving and taking loan. Nevertheless, there is significant variation in the total amount and average amount of loan provided by the study co-operatives during the periods under consideration as discussed in the preceding section. For instance, Udee SCC is taking the lead among the study co-operative with average annual loan provision of 29184.75 birr followed by Hiddi SCC with corresponding figure of 23776.8 birr. On the other hand, Babogaya SCC and Godino SCC are among the least with corresponding figure of 3850 birr and 6400 birr respectively. The basic reasons for such difference among the co-operatives are variation in the loan provision capacity of the co-operatives, which inturn is related with variation in the membership size and amount of monthly compulsory and voluntary saving ability of their members.

On the other hand, the total amount of loan provided by the study SCC altogether has increased from birr 8590 (in 2002) to birr 289408 (in 2006) (see table 4.3). This is partly because of the fact that more number of study co-operatives started the provision of loan latter

on, and partly because of increased amount of individual co-operatives loan provision capacity over a period. The total number of borrowers has also increased inline with increased membership size and loan provision capacity of the co-operatives. For instance, it has increased from about 16 individuals in (2002), (which exclusively refers to Hiddi SCC), to around 109 peoples in 2006 (for all co-operatives underconsideration together).

There is also corresponding increase in absolute number of both male and female borrowers during these periods. However, the relative proportion of female borrowers is lower and also had declined between the periods 2002 to 2003. This is due to lower number of female members than male members on the one hand, and due to higher increasing rate of male membership and borrower than that of females on the other hand. However, the relative proportion of females has shown increment during the years 2005 and 2006 as Babogaya SCC (whose 97.7% members are female) has started loan provisions. Needless to say that successful achievement of any development endeavor definitely need the participation of all sections of the community. Hence, narrowing the prevailing gender gap with this regard seems to be a prior requisite in ensuring equal opportunity and effective participation of women's in local economic development and in effectively realizing the development role of such institutions.

4.1.1.3: Source of Fund for Loan

It is understood from the study that the major source of finance used for loan services are members' regular saving and/or surplus from operation. In all of the 5 (or 100%) cases surveyed, members own saving is indicated as the most important source of the money used for loan by their co-operatives, followed by the operational surplus i.e. interest income from loan service, which is indicated as the second important sources in 4 (or 80%) of the cases. However, only 2(40%) of the SCC have indicated that there is access to loan services from their co-operative union when there is a need for the same. But, the rest (those whose capital balance is low) noted that they cannot get access to adequate loan service from their union, as the amount of loan service provided by union also depends on the capital balance of the member co-operatives.

On the other hand, sources such as donation from NGOs, and subsidy or loan from government bodies are said to be less important or not important as many of them did not get

any financial loan or subsidy from such sources except Babogaya SCC that has got loan from one NGO in the past. Furthermore, other sources such as loan from bank (both private, government, and co-operative banks) are mentioned as non-important source of finance to the co-operatives under considerations. This implies that rural communities such as the peoples in the study area have no access to the financial services of such institutions. Hence, the best viable option of creating sustainable and dependable loan facilities in such cases seems organizing them in self-help institutions such as co-operatives. This is because; co-operatives can create sustainable and dependable loan service to the members by developing their saving culture and by pooling their meager resources.

4.1.1.4: Interest Rate and Procedure for Loan Provision

I) Interest Rate - as far as the interest rate at which the study SCC are providing loan is considered, it varies from the minimum amount of 10% per annum (i.e. for Godino SCC) to 20% per annum (for Hiddi SCC), with a range of 10% and average interest rate of 15%(see table 4.3). The amount of interest rate is agreed upon by the general assembly of the individual co-operatives. However, the interest rate being charged by most of the study co-operatives generally seems higher by standard of banks, which provide loan at about annual interest rate of 7.5% though there is no bank service in the study area. Besides, the interest rate of some co-operatives is even higher than that of some micro-finance institutions.

The leaders and some FGDs argued that such high interest rate could not affect the operation of their co-operatives as the interest income from loan services is not taken out by any external party, but accrues to their own capital balance in the co-operative. However, it will be worthy to take cautions with this regard as such high interest rate might have counter impact of entailing inability to convert members saving to loan, with could inturn result in high bank deposit at very low interest rates instead of using the money for productive purpose, as it is observed in some cases even presently.

II) Procedure for Loan Provision - as far as the loan procedure of the study SCC is concerned, the loan committee (which constitutes the chairman, secretary, and one independent member) first investigates members' loan applications. The loan committee investigate the amount of loan the applicant can take in relation with his/her saving amount; the purpose for which the applicant take the loan; duration of time since the applicant become

a members (i.e. whether a member has saving for at least six consecutive months); past repayment experience of a member, and ones being free from any unpaid loan taken earlier. After the loan committee has thoroughly analyzed the loan proposal based on the aforementioned criteria, the committee submits its decisions to board members who finally approve the loan request of a member.

In line with this, the leaders indicated that the amount of members saving is one of the very important criteria in determining the amount of loan that one can get. In all of the cases, member are entitled to loan amount which is equal to three fold of their saving balance, given that there is no financial shortage. However, this would be possible only if the applicant is able to have two persons as guarantor for the repayment of the loan. The two persons (guarantors) could not get loan until the person for whom they became a guarantor effect the repayment of the loan he/she has taken.

As it indicated by the majority respondents, such guaranty system of loan approval, eventhough it has the merit of facilitating loan repayment, deprives those members who become a guarantor for others from taking loan, until repayment of a loan taken by a person for whom they become a guarantor. Hence, the procedure is causing a serious problem in providing loan to all needy peoples, and thereby undermines the loan provision capacity of these co-operatives. It is understood that this has resulted in unnecessary high bank deposit as it is observed in some cases (e.g. Hiddi and Dankaka SCC), lack of trust and confidence on the part of members, and even retirement of some members from their co-operatives in some cases.

As far as the maturity period of the loans is concerned, in 4 (or 80%) of the cases, the loan taken by members can be used for six months before repayment, while it can be used for one-year before repayment as been indicated in one case. Even though such short loan terms can not be used for financing activities that takes longer periods before earning a return, it however seems reasonable when seen in light of the limited financial capacity, little lending experience, and their restrictive lending procedure that deprive some members from taking loan incase they became a guarantor for others.

Regarding the loan repayment situation of the studied SCC, in all cases, there is no serious problem of repayment default on their members. For instance in 4 (or 80%) of the cases, this

problem is encountered rarely, while in 1- of the cases, the problem happens some times. Such low repayment default is the result of many factors such as the loan procedure of the co-operative, the social cohesions and self-respect of the members among other things. However, as it is mentioned earlier, the repayment default is experienced rarely or some times in some cases due to reasons such as failure to use the loan for intended purposes (loan diversion), lack of awareness about productive use of loan, ones vulnerability to unprecedented adverse situation such as production failure (crop, vegetable etc), death of animals, and family problems and the like. The co-operatives handle such problems differently either by extending loan period, and/or by legally enforcing its repayment depending on the situation at hand.

However, the leaders and FGDs have indicated a number of problems that are still undermining full utilization of the development potentials of their co-operatives to their best advantages. For one thing, the inability of the co-operatives to adequately win the confidence of local people still now has resulted in the problem of limited membership size, and underutilization of saving capacity of the existing members, which has seen to undermine the capacity and viability of their operation in some cases. Furthermore, despite the improving loan provision capacity of the study co-operatives, it is understood from the leaders and FGDs that there is inadequate demand for loan on the part of members in some case. For instance, this problem is indicated in the case of Hiddi and Dankaka SCC. This is due to lack of adequate awareness about productive use of available loan facilities, and due to fear of default upon repayment.

Moreover, the restrictive credit procedures and high interest rate as discussed in the preceding sections seems to have their own adverse implication with this regard. Hence, in some cases, there is a tendency of maintaining considerable amount of money on bank account at very low interest rate, due to inability to covert such members saving in to loan. This has adverse effect of resource outflow from local area, which if reinvested locally could have paramount local development effect. In contrast, the problem of serious capital hunger is indicated by the leaders and FGDs in some other cases.

To overcome the above problems, some of the issues that seem to deserve prudent emphasis are (1) the need to promote local saving-investment cycle by developing saving culture and productive use of financial resources (loan) simultaneously through grass root-level members training and advocacy work (2) the need to consider the problem of leadership incompetence,

dissatisfaction and lack of commitment (3) the need to revisit the prevailing high interest rate and restrictive loan procedure of the co-operatives (4) the need to establish/or strengthen higher organ (i.e. union) that can deploy financial resources among co-operatives from capital excess to capital deficient one, and(5) the need to enhance partnership linkage between these co-operatives and other private sectors, and government and non-government institutions for efficient and effective inter-play in channeling financial resource for development among other things. Doing so seems essential in promoting sustainable and dependable locally rooted rural finance scheme that operate on sufficient scale to serve the best advantage of local community, and thereby trigger dynamic local level economic development.

4.1.2: Agricultural Inputs and Other Input Supply Services

As it is mentioned earlier under section 4.1 above, input supply service is one of the important areas of economic activity where co-operatives can play lucrative role. Oktaviani (2004) noted that co-operatives societies can reduce the uncertainty of farm inputs supply such as quality of seeds, fertilizers, credit extensions services, and the like, and thereby promote economic change with this regard. In line with this argument, this section is aimed at assessing the types and mode of input supply service rendered by co-operatives to their members, the adequacy and quality of the service they render, and its implication for local economic development. To this end, the role of seven MPC that are primarily engaged in agricultural input supply will be discussed in detail. Moreover, the other two co-operatives i.e. AGIUC (that supply fertilizers), and DDC (the supply concentrated animal feed) to their members will also be assessed latter on under this section.

4.1.2.1: Input Supply and Other Services Provided by MPC

The type of input supplied, and the mode of supply is the same in all cases of MPC. Being based on rural farming communities as their members, all of the seven-surveyed MPC provides agricultural inputs such as fertilizers, improved seeds, and agro-chemicals to their members. Besides, they provide storage service to their members especially to keep the replicated improved seeds by farmers until they resell it to their co-operative union. However, the provision of other services such as milling and tractor services are presently provided only by one of the seven multipurpose co-operatives studied (i.e. Udee MPC), while consumable goods shopping is non-existent in all cases. The leaders said that they could not provide these

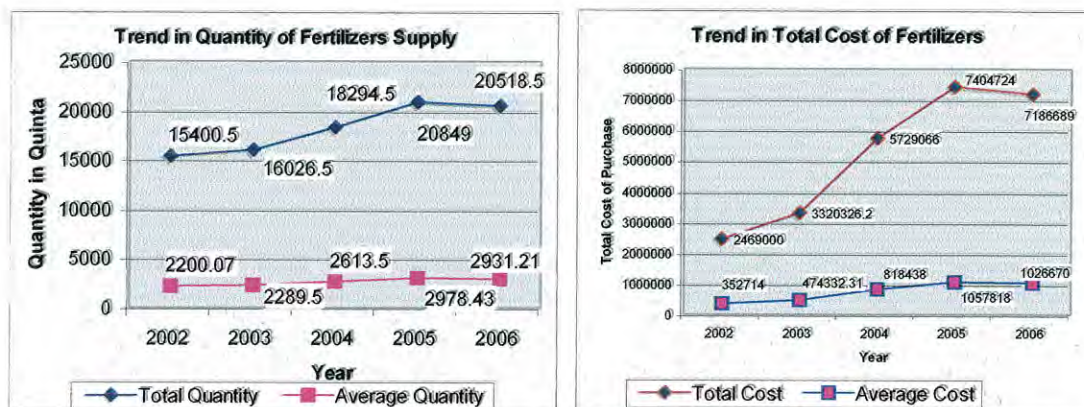
services because of various problems such as financial shortages, lack of commitment on the part of the committee members, and intensive competition from private traders (especially for consumable goods). Besides, as the respondents indicated, lack of qualified human resources, lack of members' commitment, and lack of integrity on the part of workers among other things have collectively made them inefficient and incompetent to provide such diversified services.

As far as the mode of input supply is concerned, there are credit facilities in all cases of the sample MPC. They provide agricultural inputs to their members on partial credit basis (i.e. with certain percentage of down payment). The amount of down payment varies from year to year due to variation in input price, and bank loan service availability to co-operative union, that either purchases the input locally and/or import from abroad and resale to these primary level co-operatives. All of the samples MPC distribute fertilizers to their members with a commission of 7-birr per quintal. However, other inputs such as improved seeds and agro-chemicals are provided to the members at their total cost of purchase without any commission or profit margin.

I) Fertilizers Supply - One of the most important inputs supplied by MPC is fertilizer. As the study by Tesfaye (2005) indicates, co-operatives are taking the lion share with this regard by supplying more than 85% such inputs (fertilizers) to the community since recently. It is understood that all of the surveyed MPC supply two types of fertilizers to their members (i.e. DAP and UREA). Accordingly, the seven samples MPC altogether have distributed a total of 91,089 quintals with a total transaction cost of 26,109,805.1 birr over the last five-year periods (see annex-3 and graph-4.1).

Moreover, the total quantity supplied by the seven samples MPC altogether has increased from 15,400 quintals (in 2002) to 20,849 quintals (in 2005) with a percentage change of 35.38%, while the related total transaction cost has increased from around 2.5 million birr (in 2002) to over 7 million birr (in 2005) with a percentage change of about 200%. Likewise, the amount supplied by each co-operative on average per year has increased from about 2200 quintals (in 2002) to about 2978.43 quintals (in 2005), while the related transaction cost has increased from around 0.35 million birr (in 2002) to over 1 million birr (in 2005).

Graph 4.1: Trend in Total Quantity and Cost of Fertilizers Distribution by the Study MPC (2002 -2006)



Source: Bureaus of the Respective Co-operatives

NB. The quantity of fertilizers distributed is given in Quintal

The cost of fertilizers distributed is given in Birr

MPC - means Multipurpose Co-operatives

Average = Total quantity/cost/ ÷ No. of co-operatives (It shows the amount supplied by each co-operative on average each year).

As the information obtained from respondents shows, such increase in the volume of transaction by the co-operatives is caused due to increasing membership size, and increased consumption level of the members (especially upto the year 2005). Likewise, the total transaction cost of fertilizers has increased during the periods underconsideration, partly due to the increased total volume of the supply, and partly because of the ever-increasing cost of fertilizers. These also show that the volume of transaction being carried out by these co-operatives is growing overtime.

However, both quantity and cost figures has shown a slightly declining trend between the years 2005 and 2006. As it is understood from the interview held with Woreda Agricultural Bureau Officials and FGDs, some farmers were forced to reduce their fertilizer consumption level partly because of ever-increased price and the related higher amount of down payments required, and partly due to serious shortage of the improved seeds encountered at national level during this period. Similarly, the volume of transactions carried out during these periods varies among the co-operatives due to variation in their membership size, and variation in consumption level of their members (which might be related to factors such as the members' economic capacity, land size and/or fertility level of their farm land) among other things.

It is also understood from all respondents that one of the important causes of increased consumption level of the input is the improved availability of fertilizers for required amount through co-operatives. Regarding the present situation of fertilizers supply, the respondents

have indicated that their co-operatives purchase fertilizers through their union and distribute as per members' demand, which is assessed by Woreda Agricultural Bureau. Accordingly, 6 (or 85.71%) of the respondent leaders said that the availability of fertilizers through co-operatives is highly better than that of other sources, while 1-respondent said that it is moderately better. Moreover, 5 (or 71.43%) of the respondents stated that the timely availability of the service is highly better than other alternative options, while 2(or 28.57%) of them said that it is moderately better. However, the FGDs have indicated to the contrary that there is a delay in the distribution of the input, even though it might be available for a required amount. According to the responses of leaders and FGDs, the major causes of the delay are: failure to collect the unpaid balance of previous period on timely basis, the equal treatment of both the early payers and latter payer of the debt at the same time, and the mis-expectation of some members about cancellation of debt.

Concerning the proximity of service 6(or 85.71%) of the respondent noted that the service location of their co-operative is highly better than the location of other alternative sources, while 1-respondent said that it is moderately better. In line with this, many of the FGDs have acknowledged that the inputs through co-operatives save their time and cost, which otherwise could have been wasted if they are to take it from other places such as woreda capital through Agricultural Bureau. They also stated that the quality of fertilizers supplied through co-operatives is highly better as compared to what might be obtained from other sources. As they said, the fertilizers from other sources might be of less quality as it might be stored for longer periods in warehouse under poor condition, and there is also a practice of mixing it with other things, especially when it is purchased in small quantity from local market.

Regarding the price of fertilizers, it seems that co-operatives are providing the input at a price far better than the price at which the inputs could have been obtained from other sources such as private dealers. It is recognized from the interview with officials that, co-operatives are importing fertilizers through their union from abroad at a term that is more favorable than what might be available to them domestically. Moreover, the direct access of co-operative union to national and international suppliers for the main fertilizers types (DAP and UREA), and the possibility of importing of the input in bulk amounts seem to have helped them to use economies of scale. All of these advantages accrue to members. Hence, these advantages in combinations with their low profit margin/commission/ (which is about 7 birr per quintal) make their price favorable than that of other suppliers.

In line with this, the study conducted by Tesfaye (2005) shows that local communities (members) are enjoying a price reduction of 10-15% every year because of such competitive bidding and economies of scale advantages realized by co-operatives in purchasing and distributing such inputs. This seems to be substantiated by the respondents as 5(71.43%) of them have indicated that the price of fertilizers supplied to them by co-operatives is highly better than the price at which the input could be obtained from other sources, while 2(or 28.57%) of them said that it is moderately better. Moreover, the regulatory function of co-operatives in rural markets, which is characterized by geographic segmentation and local oligopoly seems imperative. This is because, in rural markets, as competitive supply of such inputs is usually lacking, few individual traders may dictate the input market and could exploit the farmers by setting higher profit margin and price in the absence of counter-acting force. Hence, in line with this argument, the respondent leaders and FGDs have noted that the presence of co-operatives in the input market is essential in setting a ceiling on the price of inputs (such as fertilizers) that is marketed by traders, which in turn could have substantial impact in enhancing members' consumption, saving capacity and productivity that in turn responds to local economic development.

On the other hand, the sample MPC are distributing fertilizers to their members during the period under consideration with certain amount of down payment even though the amount varies from year to year (25%-55%). The remaining 45%-75% balance is covered from bank input credit services as indicated by Tesfaye (2005). This also shows the effective and reliable means created for banks by co-operatives in providing farmer members with credit facilities, which could have been very difficult if not impossible on individual basis. Regarding the availability of credit facility for fertilizers, all the leaders of sample MPC have noted that the credit facility is available most of the time. As the leaders and the FGDs have indicated, had it not been supplied by co-operatives on partial credit basis, most of the farmers could not buy and use it for cash as the ever-increasing cost of fertilizers made it unaffordable for the majority of them. The consequence could have been declining productivity of farmers with far-reaching adverse impact on their livelihood, and also on the furthering of local and national economy. This generally shows the access opportunity to inputs and credit facilities created by co-operatives to their members.

Moreover, the respondents indicated that the credit periods last for about 6 to 9 months, which enabled them to have enough time to effect the payment without adversely affecting their livelihood. Besides, the availability of 3 to 4 times installment arrangement for the payment of the credit is another important aspect that helped the members to make the payment bit by bit whenever they got money, as they said. The minimum amount of one installment payment is equal to the price of half quintal (50kg), and varies from person to persons depending on the capacity of the payer and amount of fertilizers he/she has collected. However, as the leaders and FGDs have noted, though the credit facility is available, it is not adequate especially when seen in light of the ever-increasing cost of the inputs and the associated higher amount of down payment requirements, which is getting unaffordable to many farmers since recently. They have noted that many farmers (especially the economically weak ones) are forced to reduce their fertilizer consumption due to this problem. Hence, this seems to call attention for the need to reconsider the capacity of the farmers while setting the amount of down payment requirement. Moreover, separate treatment of the poor and capable farmers with this regard will be helpful in ensuring livelihood security of poor members.

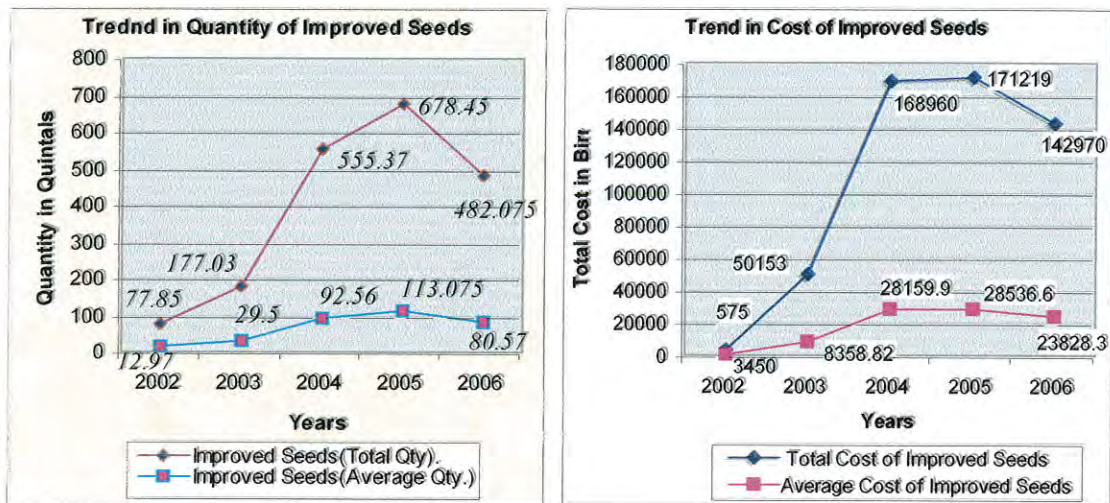
II) Improved Seeds Supply- the other important service being rendered by co-operatives is the supply of improved seeds. Different varieties of improved wheat, chickpea, teff, and lentils seeds are provided by the co-operatives. The co-operatives buy the improved seeds from supplier organization and distribute it to the members. Besides, they purchase the replicated seeds from farmers and redistribute it to members. It is understood that co-operatives are playing encouraging role in linking the farmers with research centers, agricultural bureaus and other stakeholders especially in the process of replicating improved seeds. In the process of replication, the co-operative union and the Woreda Agricultural Bureau enter into contract with Debre-Zeit Research Centers and other research centers, and take the basic improved seeds. The improved seeds are then distributed to voluntary farmers for replication through the primary co-operatives.

The Woreda Agricultural Bureau makes the necessary technical/expertise/ assistance and follows up during the process of replication. Then, when the replicated improved seeds are harvested, the farmers resale to the union through primary co-operative. The union then buys it, purify it, and distribute/sell/ it to the primary co-operatives. Finally, the primary co-operatives redistribute it back to the members on partial credit basis, ofcourse at their purchase cost (i.e. without any profit margin and/or commission). The quantity and cost of

improved seeds distributed by the surveyed MPC over the last five years is given in annex-4, and depicted in graph 4.2.

As it can be seen from annex-4, most of the sample co-operatives had not started supplying improved seeds to their members during the year 2002, except two of them (i.e. Dankaka and Udee MPC). This was due to low demand on the part of the members during this period, partly because of lack of adequate confidence on such inputs, and partly due to high prices of the inputs and the unreliable market for their produce. Moreover, the supply of improved seeds was monopolized by parastatal organization such as Ethiopian Seeds Enterprise during these early times.

Graph 4.2: Trend in the Quantity and Cost of Improved Seeds Supply by Sample MPC (2002-2006)



Source: Bureaus of the Respective Co-operatives

The quantity of improved seeds is given in terms of quintals

The figures in the table show the aggregate sum of different improved seeds provided by six MPC as the data of Dukem MPC could not be obtained.

Average = Total quantity/cost/ ÷ No. of co-operatives which is six in this case.

Qty- represents total quantity of improved seeds provided by the co-operatives during a given year.

However, more co-operatives started the distribution of improved seeds since 2003 owing to the ever-growing demand of the members for the seeds and the inefficiency problems encountered in the distribution of the seeds by other bodies/institutions/. Consequently, the total amount of improved seeds supplied by six of the sample MPC has increased from 77.85 quintals (in 2002) to 678.45 quintals (in 2005), though it has declined to 482.075 quintals (in 2006) due to shortage of improved seeds supply encountered at national level during this period. It is known from Woreda Agricultural Bureau Officials that only 50% of the requested

demand for the inputs is satisfied during the year 2006. Likewise, the related cost figure has increased from 3450 birr (in 2002) to 171219 birr (in 2005), though it has declined back to 14297 birr (in 2006) due to shortage of improved seeds. A similar trend is observed both for the average quantity and average cost figures during the periods under consideration.

In any ways, the total quantity of improved seeds supply by each co-operative, and by the entire surveyed co-operatives altogether is very low (see graph 4.2). Moreover, the trend in the rate of growth in the quantity of the improved seeds seems fluctuating. Eventhough higher growth rate is observed during the years 2004, the growth rate has eventually slowed down during 2005, and is even declined during 2006. Besides, the average amount of distribution per each sample co-operative was below 100 quintals except during the years 2005 when it slightly exceeded above 100 quintals per each co-operatives.

However, the leaders and the FGDs have noted that the proximity of the service center and the quality of improved seeds supplied by their co-operatives is better than what could have been obtained from other sources. However, they still stated that failure of improved seeds upon harvest happens occasionally. Besides, they noted that there is inadequacy of the improved seeds supply. For instance, only 2 (or 28.57%) of the respondent leaders out of the seven have said that their co-operative supply the amount of improved seeds demanded by members most of the time, while the majority i.e. 5 (71.43%) of them said that they meet their members' need only sometimes. Both the leaders and FGDs also stated that there is a delay in the distribution of improved seeds just like that of fertilizers. Besides, regardless of the economies of scale advantages, opportunity of credit facility and commission free benefits available in the case of co-operatives, the cost of the improved seeds is still very high as indicated by the leaders and FGDs.

The informants indicated that the above problems are due to lack of adequate research centers that can provide enough amount of improved seeds, and due to lack of strong partnership and integration between different stakeholders such as the existing research institutes, co-operatives, agricultural bureaus and farmers. Eventhough the involvement of co-operatives and their member in the replication of improved seeds seems a good step forward to self-sufficiency with this regard; it however is indicated that they could not participate with their full potential. As it is known from the responses of Debre-Zeit Research Center and the Woreda Agricultural Bureau officials, this is due to lack of adequate collaboration,

commitment, and participation on the part of the co-operatives in the process of replicating improved basic seeds on their members' farmland. This inturn is caused by lack of qualified and visionary human resources, lack of adequate training for the leaders and the members; and lack of logistics and others important resource among other things. Hence, co-operatives could not use their full potential with this regard.

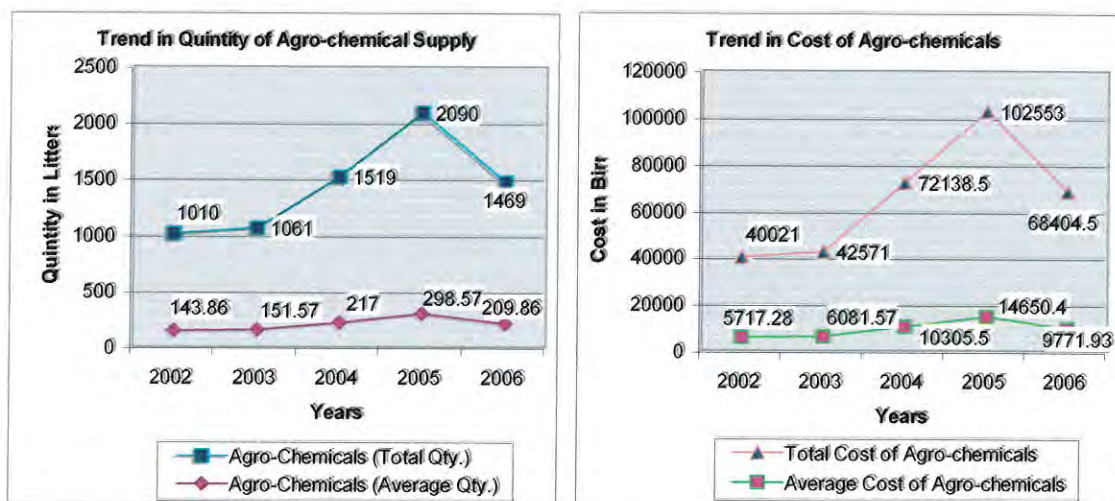
Besides, some of the FGDs have indicated that their union has also a problem in re- collecting the replicated seeds from the members on timely basis. As FGDs said, the union some times either do not even recollect it at all and/or re-collect it at lower prices than what was originally agreed upon, which has also caused lack of confidence and low participation of members in the replication process. In addition to the above problems, the high cost of basic seeds is another factor that has undermined members' participation with this regard, as the members have no insurance in case of failure of the basic seeds upon replication process. Hence, the effort to fill the prevailing demand and supply gap of improved seeds is undermined with such hosts of problems. Therefore, attainment of the desired mission with this regard requires promotion of effective and strong partnership collaboration of all stakeholders, and adequate and appropriate reaction to the existing problems of co-operatives and their members.

III) Agro-Chemicals Supply -Agro-chemicals are the third important agricultural input supplied by the entire MPC surveyed. They supply agro-chemicals such as herbicides, insecticides, and roundups. As it can be seen from annex-5 and graph-4.3, the total quantity and cost of agro-chemicals provided by the individual sample MPC has increased overtime especially between 2002 and 2005, eventhough it has declined in 2006 due to decline in the supply of improved seeds.

Moreover, the overall total quantity supplied by all the study MPC together has increased from about 1007 liters (in 2002) to 2090 liters (in 2005) with a percentage change of 107%, even though it has declined to 1469 liters during the year 2006 in relation with the decline in the supply of other inputs such as improved seeds. Similarly, the total transaction cost is increased from 40021 birr (in 2002) to 102553 birr (in 2005), with a percentage change of 156.25%, though it has declined down to 68404.5 birr (in 2006). The average figures for both quantity and cost items also have shown similar trend with that of the corresponding total figures. In any ways, it is understood that the increasing trend is due to increasing

membership size, and increasing consumption of members over time, as in the case of other farm inputs.

Graph 4.3: Trend in the Quantity and Cost of Agro-chemicals Supply by Sample MPC (2002-2006)



Source: Bureaus of the Respective Co-operatives

NB Average Quantity/Cost/ = Total quantity /Cost/ ÷ No. of co-operatives.

Regarding the present supply situation of the chemicals, about 4 (or 57.1%) of the respondents have indicated that the availability of agro-chemicals is highly improved, while 2 (or 28.57%) of them said that it is moderately improved relative to what it was before. The remaining one respondent said that it is only slightly improved. Hence, all the respondents stated that there is improvement in the supply of the chemicals since co-operatives have overtaken the responsibility from the Woreda Agricultural Bureau. As compared to other suppliers such as private dealers, the supply of agro-chemicals by co-operatives is highly better as indicated by 4 (or 57.14%) of the respondents; and it is moderately better as 3 (or 42.86%) of the respondents said. According to respondent leaders and FGDs, the private dealers could not supply adequate amount of chemicals sometimes. Hence, the supply by co-operatives is more dependable than that of private supplier.

Moreover, regarding the quality of the agro-chemicals, 6(or 85.71%) of the respondents said that the quality of the chemicals supplied by co-operatives is highly better than that of private suppliers, while the remaining one respondent said that it is moderately better. As it is noted, private sellers supply inferior quality of chemicals, which have lost their effectiveness either due to long storage in warehouse under poor conditions and/or mixing up with other substances especially in the case of some retailers. The cost of chemicals provided by the co-

operatives is also said to be better than what might be charged by other suppliers due to the economies of scale advantage, absence of any profit margin or commission, and availability of credit facilities in the case of co-operatives.

Besides, the availability of the chemicals at required place (i.e. proximity of distributions centers) is another important issue considered in the study. With respect to this, 5 (or 71.43%) of the respondents either said highly better and/or moderately better than other options, while 2 (or 28.57%) of them said that it is the same as other options. Their response varies depending up on their accessibility to alternative market. For instance, those who responded 'highly better and/or moderately better' are from those co-operatives which are far away from the center and where there is no market access for the input in their area, while the others two who said 'the same with other option' are from those co-operatives which are proximate to the centers (such as Bishoftu and Dukem towns).

4.1.2.2: Inputs Supply and Other Services Provided by AGIUC

Alpha-Goa Irrigation User Co-operative (AGIUC) provide fertilizers (both DAP and UREA) to the members for the production of vegetables. It provides this input on partial credit basis just like MPC, but the payment is effected latter on, all at a time (i.e. on lump sum basis), unlike the case of MPC where the payment is effected in due courses on installment basis.

Table 4.4: Summary of Fertilizers Volume and Value Distributed by AGIUC (2004-2006)

No	Description	Type of Fertilizers	Year			Total	Average
			2004	2005	2006		
1	Quantity (in Quintal)	DAP	154	170	193	517	172.33
		UREA	148	163	130	441	147
	Total	DAP + UREA	302	333	323	958	319.33
2	Purchase Cost (in Birr)	DAP	49110.57	63920	68003.55	181034.12	60344.7
		UREA	36385.8	57579.75	43465.5	137431.05	45810.35
	Total	DAP + UREA	85496.37	121499.75	111469.05	318465.17	106155.05

Source: Record from the office of the co-operative

The co-operative has distributed a total of 958-quintal fertilizers (i.e. 517 quintals DAP, and 441 quintals UREA) to its members since it started fertilizers distribution. Its yearly average distribution for the last three years is about 319.33 quintals (i.e. 172.33 quintal DAP, and 147

quintal UREA). As far as the cost of distribution is concerned, the co-operative has incurred a total cost of 318465.17 birr over the last three years, while the average annual cost of purchasing and distributing the fertilizers is about 106155.05 birr. It provides the input to the members on credit basis just like that of MPC, at its distribution center, which is near to the members.

As it is understood from the FGDs, the role being played by the co-operative with this regard is very crucial. They indicated that there is improvement as to the quantity and proximity of the services. Moreover, the issues of better price are another advantages indicated as discussed earlier. Besides, the co-operative provide storage services to the members and hence the members can store their produce such as vegetables until they sale it either to their co-operatives and /or to other buyers. However, the co-operative has not started provision of other types of input such as improved varieties of vegetables and the related agro- chemicals till now due to lack of access to such inputs. As the respondent leader indicated, this is partly due to inadequate supply of such improved vegetable varieties by research centers so far, and partly because of weak communication network with such research centers and other potential suppliers.

4.1.2.3: Input Supply and Other Services Provided by DDC

Debre-Zeit -Dairy Co-operative provides concentrated animal feed to those members who have cows. The co-operative purchase the ingredients from different local and other domestic markets, and produce concentrated animal foods by applying the necessary process. Then, it provides this input to the members on full credit basis, and collects the price from members' sale of milk latter on. Both the leaders and the FGDs from this co-operative have said that the payment is effected in due courses from their sale in such a way that they could not face any financial problem. They also said that such opportunity is not available elsewhere.

However, it is understood that the amount of concentrated animal food being supplied by the co-operative presently is not adequate, though there is an intention to increase the amount in the future to balance the supply and demand, as indicated by the respondent. The dairy co-operatives also provide artificial insemination services to their members so as to cross-bread their cow with more productive hybrids. As the leaders said, they have technical expert who give the artificial insemination service by going to the members' home when ever the need arise. Yet, the co-operative is primarily concerned with product marketing services (i.e. dairy

products), and hence undertake input supply services as its secondary activity. Unfortunately, the researcher could not get secondary data on these inputs due to lack of any organized data with this regard.

4.2: Output/Product/ Marketing Services

In this case, the role of 14-co-operatives will be assessed. However, the 14- co-operatives are categorized in to four types (i.e.7-multipurpose co-operatives, 5- mineral producers co-operatives, 1- irrigation users, and 1-dairy co-operatives). The type of products being marketed by these different types of co-operatives generally varies. The various products marketed by the surveyed co-operatives are grains, minerals, vegetables, and milk and milk products.

4.2.1: Grain Marketing Service

Grain marketing service is provided by all the seven MPC studied, and also by AGIUC. These co-operatives market different types of grains such as wheat, teff, chickpea, lentils, peas and others. They purchase these products at competitive market price both from the members and non-members on cash basis, ofcourse after making market assessment and communicating with union on the prevailing market situation. However, it is understood from the study that the present marketing service of the sample co-operatives is not as such remarkable. For instance, all of the leaders from the eight co-operatives that deal with grain marketing have said that the adequacy and timely availability of their co-operative's marketing services is lower or highly lower than that of private sectors. As they indicated, they cannot make purchase on large scale and on sustainable basis.

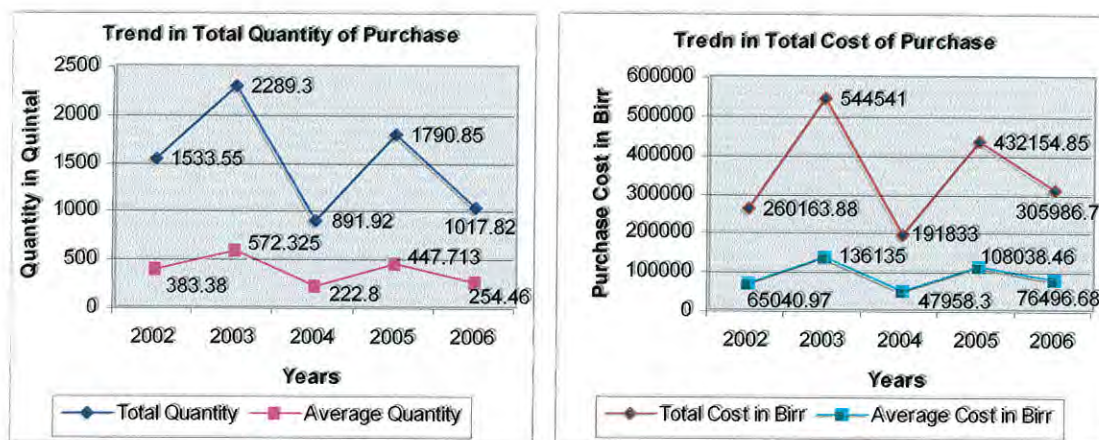
On the other hand, 7(87.5%) of the leaders indicated that the market center of their co-operative is suitable only for some farmers. The FGDs have completed this view of the leaders saying that the co-operatives make purchases only at their respective premises, which are far from some members; while the private buyers make the purchase at nearby villages. Besides, the FGDs have noted that co-operatives are very much quality demanding and selective in making grains purchase as compared to private buyers. Hence, it is understood that a large number of farmers (members) are still selling their products (grains) to these individual buyers eventhough their weighting scales are not normal in most of the cases.

Concerning their purchase price, some individual traders usually pretend to make purchase at higher price than that of the co-operatives, but compensate the payment of higher price by cheating on kilos using abnormal weighting scales. Hence, they concluded that there is no real difference between the co-operatives and individual traders with respect to purchase price of grains.

It is realized from the study that the normal marketing strategy of the co-operatives is to buy the grain in October and November i.e. immediately after harvest time, and retain a good portion of it until the lean periods (June, July and August) in anticipation of better price, as there is no adequate market outlet during harvest time. A practice of storing considerable inventory of grain in warehouse is observed during field visit in most cases of the MPC. Eventhough the union provides market information and credit services to member co-operatives to facilitate competitive grain marketing, it could not however solve their lack of access to dependable market. Hence, virtually there is no grain marketing transaction carried out between the union and the study MPC. As a result, these co-operatives are forced to exclusively depend on local market to resell what they purchased from members and non-members, as they could not access any domestic market and/or foreign markets opportunities elsewhere. They resell all the grains they purchased to individual local traders through wholesale either by announcing public bid and/or without any such public offer depending on the situation at hand. Retailing to individual consumer (member and/or non-member) is also followed in some cases though it is not a common practice.

As a result of the grain marketing constraints faced by these co-operatives, the transaction being carried out by the study co-operatives over the last five years seems very low and fluctuating in almost all of the cases (see graph 4.4 and annex-6). Moreover, there is interruption of grain purchase for longer periods in some cases indicating the unsustainability of their market with this regard. For instance, Dirre MPC did not make any purchase over the last five years since it has been stricken by the grain price depression in 2001, which has entailed serious loss to it. Moreover, Godino MPC did not make any purchase during the periods 2004 to 2006, while Kajima MPC did not make any purchase during the years 2002 and 2005 due to fear of market unavailability, and the associated consequence of loss. Such interruption in grain marketing is also observed in other cases too.

Graph-4.4: Trend in Quantity and Purchase Cost of Some of the Sample MPC



Source: Bureaus of the Respective Co-operatives

NB: This data refers only to four MPC as data for Hiddi and Dankaka MPC could not be obtained, while Dirre MPC did not make any purchase at all during the period under consideration. The purchase of 491.6 quintals made by AGIUC during the year 2006 is also excluded deliberately as the corresponding purchase price is not obtained, and as the co-operative did not make any purchase before 2006.

Nevertheless, the role of these co-operatives in stabilizing and regulating grain market at least occasionally and momentarily during harvest time seems imperative as indicated by some leaders and FGDs. For instance, 5 (or 62.5%) of the respondents from the eight co-operatives that deal with grain marketing have said that the situation of grain market is moderately improved as compared to what it was earlier before co-operatives are engaged in grain marketing, while 3 (or 37.5%) of them said that it is highly improved. Besides, 7 (or 87.5%), and 6 (or 75%) of the respondents noted that there is a moderate improvement in timely availability, and proximity of grain marketing respectively compared to what it was before, while the remaining respondents said there is only slight or no improvement with these regards.

In whatever case, even though co-operatives can create access to product marketing for the members in particular, and for the local community in general, they could not utilize their potential with this regard yet now. As respondents noted, this is due to various constraining factors such as lack of access to dependable market, limited financial capacity, lack of qualified and committed leadership, and lack of members' commitment. Besides, other problems such as lack of transport facilities and infrastructures such as roads, and lack of strong/functional/apex organ such as co-operative federation among other things have limited their marketing ability.

For instance, all of the co-operatives engaged in grain marketing said that lack of adequate money is either their major and/or moderate problem. On the other hand, 6(or 75%) of the respondents also indicated lack of access to dependable market as their serious constraint, while the remaining 2(or 25%) of them mentioned this as moderate problem. Besides, 3 (or 37.5%) of the respondents indicated lack of adequate transport service as their serious problem, while 2 (or 25%)of them mentioned this as their moderate problem. Likewise, all of the respondents said that there is a very high problem with regard to the quality of the management, members' participation, and access to technology. In addition to these, lack of adequate storage/warehouse/ is pointed as high problem in 2 (or 25%) of the cases, while 3(or 37.5%) them mentioned this as slight problem. Others like absence of all weather road, and distance from the center are mentioned as high problem in only 2(or 25%) of the cases, while 3(or 37.5%) of the respondents indicated these as slight problem.

Generally, because of these dozens of constraints, the study co-operatives could not ensure strong rural-urban linkage, and could not promote any meaningful marketing network for the members produce both at national and international level. In line with this, the FGDs have noted that the grain marketing service by the co-operative in this case is far from adequately serving the members in boosting their income and in linking them to different domestic and foreign market opportunities, and in ensuring the necessary trust between farmer members and co-operatives. Hence, responding to these problems is essential in realizing their development potential with respect to such product marketing services to the best advantages of the community, and the development of local economy.

4.2.2: Mineral Production and Marketing Activities

Mineral production and marketing activities are done by mineral producers co-operatives, five of which are included in this study. Almost all of these co-operatives are established and started their operation in 2005. They are engaged in the production and selling of sands and different types of gravels. They sell what members collectively produced, by retailing in meter cube to the buyers on their production cite. Usually, these co-operatives distribute to members about 50% of their revenue from sales every two-weeks period, ofcourse whenever there is sales revenue. Moreover, in most of the cases, they save 45% of their revenue from sales (i.e. 25% saving for their co-operative which belongs to all members, and 20% saving

for individual member). Besides, they pay 3% of their revenue for union, and 2% for government).

Table 4.5: Summary of Annual Revenues, Savings and other Related Items for MC

No.	Name of Co-operatives	Years	Description of Items					
			Gross Annual Revenue from sales	Gross Annual Saving	Total Annual Distribution to Members	Payment for Union and Government (5%) of Gross Revenue	Amount of Loan given to members for Especial Reasons	No. of Peoples who took Loan
1	Dankaka MC	2005	13104	7863	5241.6	655.2	300	1
		2006	7727	3477	3863.5	386.4	-	-
		Sub Total	20831	11340	9105.1	1042	300	1
2	Gichee MC	2005	20000	9000	10000	1000	13000	NA
		2006	27000	12150	13500	1350	15000	NA
		Sub Total	47000	21150	23500	2350	28000	NA
3	Babogaya MC	2005	109025.4	52653	50907	5451	-	-
		2006	65563.55	34552	27733	278.2	-	-
		Sub Total	174589	87206	78640	5729	0	0
4	Hiddi MC	2005	51080	17878	30648	2584	8000	50
		2006	78920	33264	36960	3946	22000	56
		Sub Total	130000	51142	67608	6530	30000	106
5	Dirre MC	2005	6452	2903	3226	322.6	-	-
		2006	4036	1816	2018	201.8	-	-
		Sub Total	10488	4719	5244	524.4	0	0
Overall Total (for 2-years)			382908	175557	178853.1	15975.4	58300	

Source: From Records of the Individual Co-operatives

As it can be seen from table 4.5, the five co-operatives altogether have generated total sales revenue of 382,908 birr during the two years period. Moreover, their total gross amount of saving was about 175,557 birr, while the total amount of money distributed to the members by all of them together was 178853.1 birr over the two-years period. Hence, this shows the contribution of these co-operatives towards members' livelihood improvement through creation of employment opportunity and marketing access, and in enabling the members generate their own income. The study MC altogether also contributed 9585 birr for union and 6390.4 birr for government during the period underconsideration.

Moreover, some of these co-operatives occasionally give loan to their members. For instance, a total of 58300 birr is given by three co-operatives altogether during the last two years (i.e. 28,000 birr by Gichee mineral co-operatives; 30,000 birr by Hiddi mineral co-operative; and 300 birr by Dankaka mineral co-operative)(see table 4.5). As the leaders and the FGDs said, loan provision is not part of their regular operation. However, their co-operatives provide it to

members under especial occasions/problems/ such as illness, loss of ones possession such as death of animal, and vulnerability to other unprecedented incidences. Moreover, some of the co-operative distribute money from the members' saving in the form of loan to their members who face serious financial problem to purchase household consumable goods especially during those periods when there is no market for their product. The FGDs have indicated this as a very valuable service in overcoming disastrous socio-economic shocks, though such services by these co-operatives is not adequate and even missing in some cases. In any case, this seems to indicate the role co-operatives could play in providing social safety nets services to the marginalized members of the community. As Helmsing (2001) noted, such local safety nets creation is essential in overcoming the insecurity problems due to economic shocks of any kind, and is also a fundamental for creating better conditions for local economic development.

However, the absolute amount of revenue generated by these co-operatives during these two years periods seems low especially in some cases (e.g. Dankaka and Dirre mineral co-operatives). On the other hand, though some co-operatives (i.e. Hiddi and Gichee) have shown favorable change in their total annual revenue over the last two years (i.e. 2005 to 2006), there are unfavorable fluctuations in the corresponding figures of the rest co-operatives (i.e. Babogaya, Dankaka, and Dirre) (see table 4.5). This shows that the members could not yet use the potential of their association to their best advantages in undertaking large-scale production and sales, in a way that could enable them ensure the sustainability of their employment and the improvement their income generating capability.

As the leaders and FGDs have noted, this is due to prevalence of hosts of problems some of which are internal, while other are external influences. For instance, conflict among the members, and embezzling members' money by committee members were serious internal setbacks until recently (especially in the cases of Dirre and Dankaka MC). This is related with lack of timely audit and inspection services by higher organ such as co-operative promotion bureaus, and absence of adequate and sustainable training for members and leaders, both of which are still virtually absent in almost all cases of the mineral co-operatives surveyed.

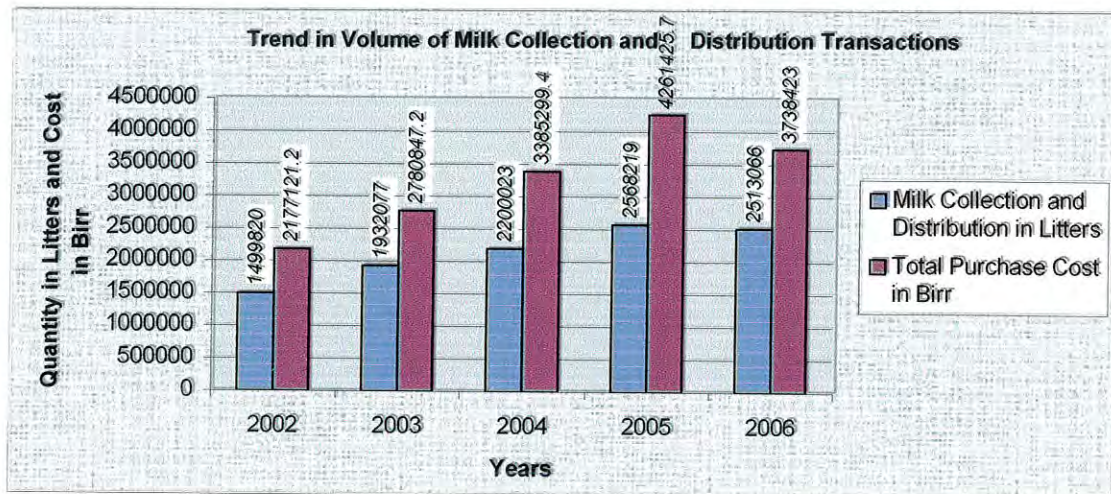
Moreover, other problems such as lack of any meaningful communications network with the potential buyers of the products/ absence of sustainable market/, lacks of finance and access to

technology, intensive and antagonistic competitions from private investors who are working on the same area or 'Kaba' (in the cases of Dirre and Gichee MC) are among the factors that have deterred their operations. Likewise, lack of technical skill, and government support in providing them with land and permission has hindered them from making any value adding activity such as production of bricks and the like, which could have helped them to sustain and enhance their employment opportunity and revenue generating capacities. Hence, responding to these problems on priority basis seems inevitable to enable these institutions adequately serve the interest of their members and the development of local economy.

4.2.3: Milk and Milk Product Marketing

Milk and milk products marketing is done by Debre-Zeit Dairy Co-operatives (DDC). This co-operative collect milk from members, and either make whole sales, or convert it to butter and cheese, and retail it at their collection centers to the buyers. It collects the milk only from members two times every day (i.e. in the morning and in the afternoon). It has 12-collection centers (10 of which are within the town of Bishoftu, while the other 2 are found in rural vicinities). As it is understood from the response of the leader, the co-operative sales about 20% of the collected milk at local market (i.e. in Bishoftu town and its vicinity) by converting it to butter and cheese, whereas 80% is sold at Addis Ababa (i.e. to Shola Plc).

Graph 4.5: Trend in Volume of Milk Collected and Sold by DDC (2002 - 2006)



Source- Bureau of the Co-operative (2007)

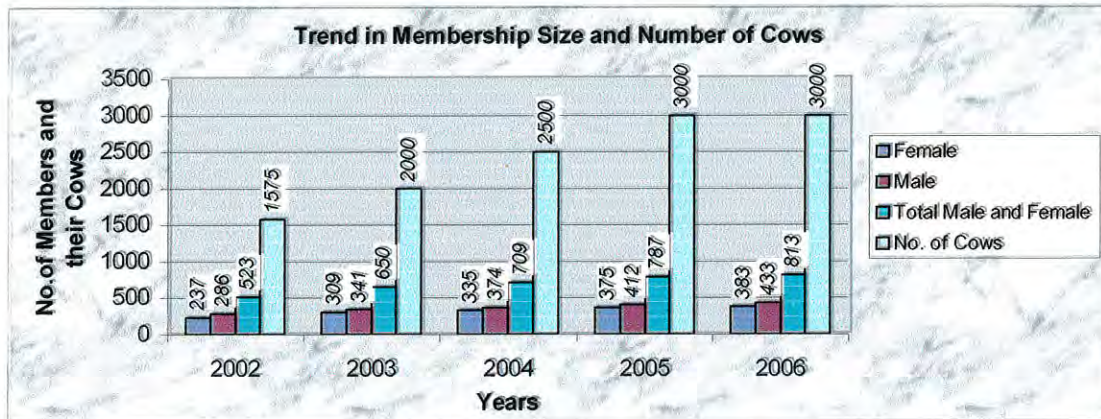
It is understood from the FGDs that, there was no dependable milk market for them earlier. The problem was even serious especially for members from rural areas, who did not have any such market access in the past. Hence, the co-operative has created a dependable market for the members by linking them with other companies and buyers, by safely collecting the small quantity of members' daily production, and by effectively distributing it to urban areas. As shown in graph 4.5, the volume of milk collection and distributions by the co-operatives has significantly increased over the last five years (i.e. from about 1.5 million liters in 2002 to over 2.56 million liters (in 2005) with a percentage change of 71.24%, though it has slightly declined in 2006 due to reduced supply by members some how. Besides, the average amount of collection has increased from 2867.72 liters per person per years (in 2002) to 3263.3 per person per year (litters in 2005), which implies increased production capacity of members, though it has slightly declined to 3079.73 liters per person per year (in 2006). Such increased productivity is also acknowledged by the FGDs, who have indicated that some members are getting remarkable amount of revenue from sale of milk, and are able to secure their livelihood.

Moreover, the transaction value is increased from about 2.07 million birr (in 2002) to over 4.26 million birr (in 2005), though it has reduced to around 3.74 million birr in 2006 in relation with the reduced level of supply. This shows that the transaction capacity of the co-operative is getting increased overtime in relation with the increasing membership size and the increased level of members' production. The collection is made on credit basis where the payment is effected every two-weeks as per the amount of milk supplied by individual member. As some FGDs have noted, this payment scheme has enabled them to save their money and use it properly. But, proper care need to be taken about the possibility of overlooking the interest of those members who might need to get the money on spot for immediate use. As far as the adequacy of market is concerned, the leaders and FGDs indicated that the co-operative buy all what is supplied by the members (given that the supplied milk is as to the required quality), and the marketing service is given to the members on timely basis at a location, which is more or less proximate to the majority. They make the purchase at fair price that is inline with the prevailing market price.

The role being played by the co-operative in overcoming and regulating the market monopoly and exploitation by private dealers is also very vital. As a result of dependable market

opportunity created by this co-operative, its membership size and the number of members' cows are increasing from time to time (see graph 4.6).

Graph 4.6: Trend in Membership Size and Number of their Cows for DDC (2002-2006)



Source- Bureau of the Co-operative (2007)

One important thing to note here is that the growth in number of members cow is very higher than the growth in total membership size. The average number of cow has increased from 3-cows per individual (in 2002) to nearly 3.7-cows per individual (in 2006). As it is realized from the FGDs, many members have increased the number of their cows owing to the market opportunity created for them by this co-operative. This seems a typical example that exhibits the role co-operatives could play in enhancing asset-building capacity of their members. Another important thing to mention in relation with graph 4.6 is that the gap between male and female members is narrow in this case, unlike the case of most of other study co-operatives, where the males take the lion share. Creating opportunity for women's in this way could have a direct impact in household livelihood improvement. Moreover, it can create better opportunity for empowering them, and thereby boosting their participation in local economic development.

However, it is understood from the response of the leaders that there are some factors that have constrained optimal utilization of the existing potential, similar to other cases. Some of the major problems mentioned in this case are: limited financial capacity, limited access to especially modern technologies that are important for dairy processing activities, inadequate government support, and inadequate members' participation, and hostile competition from the private dealers. Hence, prudent reactions to these problems seem indispensable so as to sustain, and also expand the market opportunity created by the co-operative to other potential

areas where such possibilities are lacking presently. This in turn will be helpful in promoting milk production, which is an important diet in boosting the health of both the producer and the buyer households and thereby enhance their productivity. Furthermore, this is essential in sustaining and enhancing the realized benefits with respect to members ability in generating/diversifying more income sources, in building assets, and in creating local employment opportunity, all of which are central to members' livelihood improvement and local economic development.

4.2.4: Vegetable Marketing Service

Vegetable marketing service is provided by Alpha Goa Irrigation Users Co-operative (AGIUC), which is established by individuals who are engaged in vegetable production by using irrigation. The co-operative collects different types of vegetable and fruits both from members and non-members on cash basis. For instance, it collects and sells vegetables such as onion, tomato, potato, cabbages, and carrots; and fruits such as papaya, avocado, banana, lemon and others. Accordingly, it has collected and marketed a total of 1323.64 quintals of different vegetables and fruits during the year 2006, when it started vegetable marketing for the first time. Out of this, 179.45 quintals (or 13.56%) is collected from the co-operative's own demonstration farmland, while the rest is collected from individual members and non-members. Some of the vegetables and fruits are retailed to the consumers in the retail shop of the co-operative in Bishoftu town, while part of it is used in its own restaurant for preparation of foods, juices and others consumables for resale. Unfortunately, the researcher could not get any organized data on the quantity of individual product and the related costs.

In anyways, the co-operative is playing encouraging role in creating market opportunity both for members and non-members. As the FGDs have indicated, its involvement in marketing vegetable and fruits has significant market regulatory/stabilization effect. It has helped the producers (especially the members) by creating relatively better access to market, and thereby avoiding the exploitation by the middlemen, which were formerly dictating the market alone. But, the respondent said that the co-operative is not operating as to its level best with regard presently due to a host of constraining factors such as lack of qualified human power (such as managers and marketing professionals), lack of finance, lack of transport services, stiff competition from private traders, lack of access to technologies, and lack of adequate training and other necessary supports from government.

Hence, it could not access market opportunities that might be available elsewhere, and is forced to depend only on local market to resell the entire product it purchases from members and non-members. Besides, it has realized during field visit that the disagreement between members since recently is deterring the operational momentum of the co-operative. Thus, proper counter-action to these problems could enable the co-operatives better link the members with urban markets, and thereby better address the product-marketing problem of the members. This is essential in enabling the co-operative create more employment, increasing members' income, improving their livelihood, and thereby enable them better leverage local economic development.

4.3: Capital Accumulation and Asset Building by the Sample Co-operatives

4.3.1: Capital Accumulation by the Study Co-operatives

Capital accumulation and asset building are another important issue in local economic development. As literatures indicate, co-operatives can achieve this in two ways. On the one hand, the co-operatives as economic entity can accumulate capital, which can be used in building different types of assets. On the other hand, they can enhance asset-building capacity of the local peoples (especially the members), through creation of employment (direct and/or self-employment), and by creating their access opportunity to various services such as inputs and output marketing services and other economic opportunity. This inturn help members to diversify their source of income and generate more revenue, and enable them save or accumulate more capital that can be used in building different types of assets. In whatever case, the built assets can either be used in production activities and/or service rendering activities, both of which are crucial in utilizing locally available resources and also in attracting other resources from elsewhere for the development of the locality. In line with the preceding argument, the capital accumulation and asset building activities of the study co-operatives are assessed in this section.

As it can be seen from table 4.6, the capital balance of almost all of the surveyed co-operatives has increased except in the case of Hiddi and Udie multipurpose co-operatives. Some co-operatives have undergone remarkable change in their capital balance. For instance, DDC and AGIUC can be taken as typical examples with respect to the amount of change in their capital (i.e. 1,757,905 birr for DDC; and 698,000 birr for AGIUC respectively).

Moreover, Dirre and Dukem from MPC; Udee and Babogaya from SCC; and Gichee, Babogaya and Hiddi from MC, are among the co-operatives that have shown relatively higher changes in their capital balances.

Table 4.6: Summary of the Beginning and Current Capital Balance of the Sample Co-operatives

No.	Type of Name of Co-operatives Selected	Years of Establishment and /or reorganization/ in G.C	Beginning Capital (in Birr)	Current Capital (in Birr) as of end 2006	Chang in Capital (in Birr)
1	Multipurpose Co-operatives				
1.1	Hiddi	2000	55000.49	47394.45	-7606.04
1.2	Dirre	1999	157072.47	365376.61	208304.14
1.3	Kajima	1998	106976.58	139929.72	32953.14
1.4	Dukem	2004	229677.31	318970.03	89292.72
1.5	Godino	1999	14344.44	27792.00	13447.56
1.6	Dankaka	2004	120374.23	45566.23	-74808
1.7	Udie	1998	478,099.05	257590.93	-220508.12
2	Saving and Credit Co-operatives				
2.1	Hiddi	2003	NA	60678.50	NA
2.2	Udie	2002	1400	7669.69	6269.69
2.3	Dankaka	2003	3000	5667.13	2667.13
2.4	Babogaya	2001	800	7,118.80	6318.8
2.5	Godino	2006	NA	4864.23	NA
3	Mineral Producers Co-operatives				
3.1	Hiddi	2005	1000	50,000.00	49000
3.2	Gichee	2005	2800	120,000.00	117200
3.3	Babogaya	2005	440	69,000.00	68560
3.4	Dankaka	2005	NA	15,000	NA
3.5	Dirre	2004	2160	2,500	340
4	DDC	1997	3400	1,761,305.00	1757905
5	AGIUC	2003	2000	700,000.00	698000

Source: Bureau of the respective office and Woreda Co-operative promotion bureau.

It is understood that these co-operatives have accumulated their capital from different sources. For instance, the primary source of capital for some co-operatives is the surplus from their operations especially in the case of MPC, DDC, and AGIUC; while mobilization of members' periodic saving is the primary source in the case of SCC and MC. Moreover, sale of additional shares is also another component of their capital. However, this is not as such important source in almost all cases, as members do not make additional investment on shares once they have bought some share for the fulfillment of membership criteria, due to lack of dividend incentives.

However, the change in the capital balance of the co-operatives seems to have no necessary relation with the life span of the co-operatives, and their beginning capital balances (see table 4.6). This is because; there are cases where recently established co-operatives have shown more change in the amount of their capital balance than those established earlier even being in the same category. Besides, there are cases where co-operative which have started their operation with smaller amount of capital balance has shown more remarkable capital accumulation than some others that have started their operation with relatively higher initial capital balance. Hence, what seems more important in this case are the commitment and awareness of the leaders and the members, and leadership ability to efficiently and effectively use the available resources (especially financial resources) to undertake diversified investments on productive activities.

4.3.2: Asset Building by the Study Co-operatives

The capital accumulated by the sample co-operatives is discussed under preceding section. However, the mere capital accumulation cannot be an end in it self in changing the life of the members, and in promoting local economic development. To bring meaningful change with these regards, the accumulated capital should be reinvested within the local area in building different types of assets that can be used in varies production and service rendering activities. With this respect, about 17(89.5%) of the surveyed co-operatives have made one or another type of investment including the investment they made on shares of their respective unions. But, the amount of investment made by the study co-operatives varies from purchase of few office equipments with some few hundred birrs (as in the case of SCC), to millions of birrs investment in assets such as factory (as in the case of DDC). Summary of different types of investment made by the sample co-operatives is given in table 4.7.

As it is shown in table 4.7, about 14(or 73.7%) and 10 (or 52.6%), of the total study co-operatives have made investment in purchase of office equipments (such as tables, chairs, shelf, drawers and the like), and in office construction respectively. Such investments are very necessary for efficient and effective undertaking of any activity eventhough they cannot be sufficient conditions by themselves. The co-operatives who made significant investment with this regard are DDC, AGIUC and all the study MPC. But, almost all of the investments made on office construction by the surveyed MPC are made long before many years during the military time. Hence, the offices being currently used by these co-operatives are inadequate

and too old in most cases, which either needs expansion, intensive maintenance and/or even replacement in some cases

Table 4.7: Summary of Different Types of Investments Made by the Study Co-operatives

No.	Type of investment	No. of Cases who said 'Yes'	Percentage form the total
1	Construction of Office	10	52.6
2	Purchase of Office Equipment	14	73.7
3	Investment on Tractor	2	10.5
4	Investment on Grain Mills	3	15.79
5	Investment on Supper Market and /or Retail Shops	2	10.5
6	Investment on Processing Machineries	3	15.79
7	Investment on Factory	1	5.26
8	Investment on Vehicles and Other Transport Means	2	10.53
9	Investment on Shares	15	78.95
10	Investment on Warehouse	9	47.37
11	Investment on Recreational Centers/Restaurants/	1	5.26
12	Contribution for Investment on Schools Construction	6	31.6
13	Contribution for Investment on Health Center Construction	6	31.6
14	Contribution for Investment on Roads	5	26.3
15	Investment on Other Activities	11	57.9

Source: Own Survey (2007)

NB: Unfortunately, the researcher could not obtain the data on the amount of investment made by the respective Co-operative on different assets.

Moreover, about 15(or 78.95%) of the co-operatives have made investment in share of their respective union and/or in share of Co-operative Bank of Oromia. Besides, investment in tractor and grain mill is made by 2(or 10.5%), and 3(or 15.79%) co-operatives respectively all of which belongs to the MPC. But, it is only in one case that both the grain mill and the tractor are giving service presently (i.e. in the case of Udee MPC), while the tractor of Godino MPC, and the grain mills of Dankaka and Dirre MPC are not operating currently due to lack of the necessary maintenance and inefficiency problem as the respective leaders said.

Besides, two co-operatives i.e. DDC and AGIUC have made investment in retail shops and supper market respectively. These two co-operatives have also made investment in vehicles i.e. (2- Isuzu cars by DDC, and 1- 'Bajag' vehicle by AGIUC). They currently use these vehicles to transport the products they purchase for resale such as milk and animal feeds in the case of DDC; and vegetables and grains in the case of AGIUC. Investment on warehouse is made by 9(or 47.37%) of the study co-operatives (i.e. by all MPC, DDC and AGIUC). Additionally, DDC has also made huge investment in processing factory and other processing machineries. As it is understood from the respondent, DDC has made about 6.8 million birr

investment so far (with about 25% own source of finance) including the investment made on the factory. Similarly, AGIUC has made investment in restaurants (in Bishoftu town), and on other different machineries such as coffee machine, refrigerator, and others facilities used in the restaurants. Moreover, AGIUC has made investment in farm demonstration area for their members, ofcourse with the financial and technical support from OXFAM. Similarly, Gichee MC has made investment on two crusher machines, though this is with the support from government. Furthermore, some study co-operatives have made contribution for various socio-economic infrastructure-building activities For instance, 6 (or 31.58%) of the study co-operatives said that they have given financial support for construction of school and health centers, while 5(or 26.3%) of them made financial contribution for road construction. Besides some few co-operatives have contributed for investment in other activities such as electrification activities, and support for Woreda Sport Association.

However, it is understood from the response of the leaders and the field observations, that most of the study co-operatives did not make any significant investment so far. Even if there is investment, it is either construction of offices and warehouses, and purchase of office equipments that are made long before many years as in the case of the sample MPC; and/or purchase of one or very few share/s/ from union or co-operative bank. It is also known from leaders response, and FGDs that there is a practice of keeping money in bank over longer periods instead of making investment in productive activities in some cases. Such practices however could promote leakage of local resources to other areas and could adversely affect the locality, instead of contributing for its development.

It is known from the leaders, FGDs, and personal observations that the investment capacity of the study co-operatives is undermined by multitudes of problems such as limited capital base, lack of commitment on the part of the leaders and the members, and lack of adequate government support in providing land and credit facilities for investment. Besides, other constraints such as practice of prohibiting some co-operatives from making collective investment in some areas, lack of qualified and visionary human resource like management, inadequacy of awareness on the part of the members and the leaders about co-operative business idea (due to lack of adequate training and experience sharing), serious technology constraint, and operational inefficiency are among the serious problems that have limited their investment capacity.

4.3.3: Source of Fund for Investment

It is revealed by the leaders that their co-operatives got financial resources for the investment they made from their own internal sources and/or other external sources. For instance, all of the study co-operatives that have made investment of one type or another have used their own internal source of finance. Moreover 7 (or 41.18%) of the co-operatives that have made either type of investment said that they have also got donation from other institutions such as VOCA-Ethiopia and/or OXFAM, and loan from banks and other sources. However, only 3 (or 17.65%) of the 17 co-operatives that have made either type of investment have got financial support from government. Unfortunately, the proportion of internal and external source of fund used by the study co-operatives could not be obtained due to lack of any organized data with this respect.

4.4: Employment Creation Role of Co-operatives

ILO (2001) has indicated that, co-operatives do effectively create and maintain employment (both direct or salaried employment, and Self employment). They can do this both in urban and rural areas of the world, by engaging them selves in various economic activities such as productions, processing, marketing and other economic activities. In light of these arguments, the study co-operatives are assessed for employment creation (i.e. both direct/salaried employment and self-employment), and their income diversification role under this section.

4.4.1: Direct Employment Creation

Empirical evidence from across-countries experiences shows that co-operatives can create a huge direct employment opportunities. For instance, ILO (2001) has noted that co-operatives are the second largest employer in many African countries and some countries around the world, being surpassed only by the government. However, the role being played by the study co-operatives seems far less than adequate when seen in light of this argument. As it is shown in table 4.8, a total direct employment of only 106 peoples (i.e. 60 males and 46 females) have been created by the study co-operatives altogether, all of which are contractual employees.

Most of the direct employment opportunities are created by two of the sample co-operatives i.e. 56 (or 52.83%) by DDC; and 16 (or 15.09%) by AGIUC; while the seven MPC altogether have created direct employment of 29 (27.34%) only, out of which 28 are males. Out of the 29 peoples employed by the study MPC, 7 are employed for accountancy work including the

only female employee from this group, 4- for flourmill operator, and 2-tractor operator and the remaining 16 are guards. Besides, only one mineral producer co-operative (Gichee mineral producer co-operative) has created direct employment for 5 peoples (i.e. 4.72%) of the total, all of which are male employed for guard. But, there is no direct employment at all in four of the five MC and in all cases of the SCC studied. Hence, there is high variation among the co-operatives in creating direct employment opportunities.

Table 4.8: Summary of Direct Employments Created by the Study Co-operatives

No.	Type and Name of Co-operative	Direct Employee			Origin of the peoples	Economic status of employed peoples as been perceived by the leaders
		Male	Female	Total		
1	Multipurpose Co-operatives					
1.1	Hiddi	3	-	3	Local	Low income groups
1.2	Dirre	3	-	3	Local	Low income groups
1.3	Kajima	3	1	4	Local	Low income groups
1.4	Dukem	3	-	3	Local	Low income groups
1.5	Godino	3	-	3	Local	Low income groups
1.6	Dankaka	4	-	4	Local	Low & middle income group
1.7	Udie	9	-	9	Local	Low income groups
	Sub-Total	28	1	29	-	-
2	Saving and Credit Co-operatives					
2.1	Hiddi	-	-	-	-	-
2.2	Udie	-	-	-	-	-
2.3	Dankaka	-	-	-	-	-
2.4	Babogaya	-	-	-	-	-
2.5	Godino	-	-	-	-	-
3	Mineral Producers Co-operatives					
3.1	Hiddi	-	-	-	-	-
3.2	Gichee	5	-	5	Local	Low income groups
3.3	Babogaya	-	-	-	-	-
3.4	Dankaka	-	-	-	-	-
3.5	Dirre	-	-	-	-	-
	Sub-total	5	-	5	-	-
4	DDC	17	39	56	Local	Low & middle income groups
5	AGIUC	10	6	16	Local	Low income groups
	Grand Total	60	46	106	-	-

Source: Bureaus of the Respective Co-operative

On the other hand, it is understood from the responses of the leaders that, all of the peoples who got direct employment opportunity are local peoples. About 95.33% of them are peoples from low-income groups, while the rest are from middle-income groups. The employed person constitutes both members and non-members of the employer co-operatives. Except the case of DDC, very high gender disparity is observed with respect to employment in all other cases especially in the cases of MPC and mineral producer co-operatives. Even in the case of

DDC, most females (i.e. about 57% of employment by the co-operative) are engaged in collection of milk from members at the collection centers, while the majority of the office bearers are males. Moreover, there is stagnant trend in the number of employment opportunities created in almost all cases of the study co-operatives.

Besides, most of the job opportunity created by these co-operatives are low salary earning (see table 4.9). For instance, about 57.55% of the workers are earning a monthly salary amount that is less or equal to birr 200, while about 96.22% are earning an amount that is less or equal to 500 birr.

Table 4.9: Summary of Compensation/ Salary/ Amount Being Paid by the Study Co-operatives

No.	Salary Range in Birr	No. of Cases and						
		Male	%	Female	%	Total	%	Cumulative %
1	≤ 200	26	24.53	35	33.02	61	57.55	57.55
2	201 - 300	15	14.15	5	4.71	20	18.86	76.41
3	301 - 400	13	12.26	5	4.72	18	16.98	93.39
4	401 - 500	2	1.89	1	.94	3	2.83	96.22
5	501 - 600	1	.94	-	-	1	.94	97.16
6	601 - 750	2	1.89	-	-	2	1.89	99.05
7	Above 750	1	.94	-	-	1	.95	100
8	Total	60	56.6	46	43.4	106	100	-
9	Mean	290.33	-	143.70	-	-	-	-
10	Minimum	150	31.13%	140	30%	-	-	-
11	Maximum	3000	.95%	500	.95%	-	-	-

Source: Bureau of the respective co-operative (2007)

NB: All averages are taken from the total employment of 106 peoples.

Moreover, about 99% of the workers are earning a monthly wage, which is less or equal to 750, while only 1 (or.95%) earn an amount higher than 750 birr. The minimum salary is 140 birr for females (paid for 30 % of the cases), and the corresponding figure is 150 birr for males (paid for 31.13% of the cases); while the maximum salary is 500 birr and 3000 birr for females and males respectively. Excluding the maximum salary of 3000 birr paid only for one case, the corresponding mean salary is 143.70 birr for females, and 290.35 birr for males, while the overall mean salary is 288.85 birr with very high range of 2860 birr. Likewise, though the overall proportion of female workers is about 43.4% of the total direct employment opportunity created, the majority of them i.e. 35 (or 33.02%) are within the lowest wage interval, while their relative proportion is very low or total missing in the case of higher wage intervals. This implies the prevalence of gender gap with respect to the

possibility of accessing better earning jobs. The variation is due to difference in their work area and level of skill among other things.

On the other hand, it is understood from the study that the majority of the employees falls in the category of unskilled individual with low salary. This indicates that the study co-operatives could not create high earning employment opportunities and/or could not use the skill of professional workers due to their inability to afford the associated demand for higher compensation.

Generally, even if employment opportunity for this much number of peoples cannot be discredited, it however seems that the number of direct employment opportunity created by these co-operatives is very low by the standard of empirical evidences from across the world as indicated in the literature. It is realized from the leaders' response and field observation that multitudes of problems have contributed for the absence and/or low level of employment by the study co-operatives. Among the constraining factors are: limited financial capacity and lack of access to credit facilities; limited operational capacity/limited transaction; lack of committed, visionary, skilled, and experienced man power such as management that can primarily deal with co-operative activities on full time basis; inability to expand and/or diversify areas of activities, operational inefficiency and inadequate profit from operation; and lack of adequate market accessibility and intensive market competition.

Besides, lack of access to technology, absence of adequate training and experience sharing both for the leaders and the members on issue such as co-operative business ideas, principles and practices; and limited participation of members in the issue of their co-operatives are indicated. Furthermore, lack of adequate government support, and a practice of restricting some co-operatives from making collective investment in some areas of economic activities, and lack of access to land for investment are also among the problems mentioned by some leaders. Thus, to enhance the role of these institutions with this regard, priority based reaction to the aforementioned constraints seems requisite.

4.4.2: Self-Employment and Income Diversification Role of Co-operatives

Another important economic role that can be played by co-operatives is creating self-employment and income diversification opportunities. As COPAC (2000) indicated, co-operative form of enterprises assures any group of individuals to effectively combine their

resources, and create self-employment opportunity that can help them to create and/or diversify their income sources. In line with this one, about 12 (or 63.15%) of the total surveyed leaders have indicated that their co-operative have created self-employment opportunities for unskilled low income peoples, while 9 (or 47.37%) said that self-employment opportunity is also created for unskilled middle income members.

Moreover, 6 (or 31.6%), and 5 (or 26.3%) of the respondents have indicated that their co-operatives have created self-employment opportunity for unskilled high income, and skilled low-income groups respectively. However, only 1- respondent said that self-employment is created for skilled middle and high-income peoples. This indicated that most of the peoples who are engaged in self-employment opportunity created by these institutions are those from low-income group with no skill, followed by unskilled middle-income groups. Hence, this seem to confirm the vital role that co-operatives can play in opening self-employment opportunity especially for the marginalized poor section of the community, which either have no or limited employment opportunity elsewhere. As far as the type of self-employment opportunity created is considered, it is understood from the response of the leaders and FGDs that peoples engage in various types of activities depending on their personal interest, their prior experience and access to the necessary means such finance and other opportunities. Accordingly, the various areas of self-employment engagements by the co-operative members are presented in table 4.10 based on the response of the leaders.

Table 4.10: Summary of Self-Employment Engagements Areas by Members of the Study Co-operatives

No	Type of Self-employment activity indicated	No. of respondents who said 'Yes'	Percentage of response out of the total (i.e. 19 co-operatives)
1	Animal fattening	5	26.34%
2	Retailing of consumer goods, mining of minerals such as sand & gravel	5	26.3%
3	Buying farm land on contract to plough	6	31.58%
2	Petty Trading such as preparing local drinks, trading with grain etc	8	42.1%
3	Production activities such as vegetables	8	42.1%
4	Animal raring such as goats, sheep etc	12	63.2%
6	Poultry	12	63.2%
7	Other types of self employment opportunities	12	63.2%

Source: Own Survey (2007)

The response of the surveyed leaders show that, in about 12 (or 63.2%) of the cases, co-operative members are engaged in self-employment activities such as animal rearing and poultry. In 8 (or 42.1%) of the cases, the co-operative members undertake activities such as petty trading (like preparation and sale of local drinks, and low volume grain trading); and vegetable production by using irrigations system (i.e. production of onion, tomato, potato, green pepper and the like). Besides, in 6 (or 31.58%) the members undertake activities such as buying farmland on contractual basis for farming, while in 5(or 26.33%) the cases the members have engaged in activities such as mineral productions (like sand and gravels), animal fattening, and consumer goods retail. Moreover, engagement in transport service delivery by buying horse cart, production and sell of milk by buying cows, and acquisition of oxen for ploughing land are among the self-employment areas of activities mentioned by some respondents, and FGDs. (Unfortunately, the researcher could not get the number of peoples engaged in different activities mentioned above due to lack of any organized data).

However, there are more numbers of engagements in those areas of activities that need relatively lower amount of investment such as rearing of goats and sheep, small-scale poultry activities, petty trading (such as low volume grain trading, and preparation and sale of local drinks), and contracting and ploughing of land. In contrast, there are less number of engagements in those activities such as animal fattening, and consumer goods retail that require relatively higher amount of investment (see table 4.10). As it is recognized from the respondents and FGDs, this is because of lack of adequate money and experience that enable them to venture more rewarding areas of activities.

Generally, the leaders and FGDs indicated that the role of co-operatives in this case include: creation of marketing opportunities for the members product, organizing peoples for employment and resource mobilization, providing credit facilities, and providing training among other things (see table 4.11). For instance, 8(or 42.1%), 7(or 36.9) 5(or 26.3%) indicated creating marketing opportunity for members produce, organizing peoples, and provision of credit service respectively as highly important support given by their co-operatives. It is realized from the study that, those that create marketing opportunity for members' produce include DDC, AGIUC, and MC. This indicates that other co-operatives such as MPC are not playing any significant role with regard to market creation for members produce.

Table 4-11: Summary of the Support Given/Role Played/ by the Study Co-operatives in Members Income Diversification Process

No.	The Role/Support/ of Co-operative in Members' Income Diversification Process	Degree of Importance of the Role played or Support Given (as perceived by the Respondent Leaders)	Absolute No. of Cases	Percentage	Cumulative Percentage
1	Creating Marketing Access for the Members' Produce	Not important	5	26.3	26.3
		Slightly Important	2	10.5	38.8
		Moderately Important	4	21.1	57.9
		Highly Important	8	42.1	100
2	Organizing Peoples	Not Important	7	36.8	36.8
		Slightly Important	1	5.3	42.1
		Moderately Important	4	21.1	63.2
		Highly Important	7	36.9	100
3	Provision of Loan Service	Not important	6	31.6	31.6
		Slightly Important	6	31.6	63.2
		Moderately Important	2	10.5	73.7
		Highly Important	5	26.3	100
4	Provision of Training	Not Important	6	31.6	31.6
		Slightly Important	6	31.6	63.2
		Moderately Important	3	15.8	78.9
		Highly Important	4	11.1	100
5	Other Services	Not Important	11	57.9	57.9
		Slightly Important	1	5.3	63.2
		Moderately Important	1	5.3	73.7
		Highly Important	6	31.6	100

Source: Own Survey (2007)

On the other hand, all of the co-operatives that indicated loan provision as important support are from SCC, which shows that other co-operatives do not provide any loan for the purpose of undertaking income generating activities. Furthermore, only 4 (or 21.1%) indicated provision of training as highly important support indicating that the performance of the study co-operatives in human resource development is very low. Moreover, in 6(or 31.6%) of the cases, the leaders indicated other supports such as linking the members with different organizations such as NGOs and government bodies for various supports, providing inputs and the like. Similarly, loan service provision, organizing peoples, and creating market for members' product are either not important or slightly important role played in members' income diversification process in 12(or 63.2%), 8(or 42.1%), and 7(or 38.8%) of the cases respectively. This shows that too much is expected from co-operatives yet in adequately enhance their members' ability of diversifying income sources, generating more income, and

in improving their overall livelihood in a way that better responds to local economic development.

4.5: Integration among Co-operatives & their Linkage Creation Roles

I) Integration Among Co-operatives-Co-operative Societies Proc. No.147/98 article 5 (6), which is adopted from International Co-operative Alliance (ICA) co-operative principles No.6 indicates that cooperation among co-operatives is essential in better serving their members and local community at large. In line with this, Birchall (2004) indicated that this principle equally applies both for the formation of secondary co-operatives such as unions and federations (vertical integration), and also for business clutter and network formations (horizontal integration). Oktaviani (2004) also indicated that such co-operative cluster formation is beneficial in order to undertake primary agro-processing, marketing of local products, to cover financial requirements, to make joint investments and so on, ofcourse with increased efficiency.

In spite of such benefits of integrations among co-operatives, horizontal integration is virtually missing in all cases of the study co-operatives except miner investment made by very few multipurpose co-operatives in the share of some saving and credit co-operatives. Concerning vertical integration, 15 (or 78.9%) of the primary society surveyed are members of co-operative unions. This refers to all MPC and SCC, and three-MC. In four of the cases, there is no vertical integration of any sort so far. This applies to DDC, AGIUC, and Babogaya and Dirre MC. But, it is also understood that even the prevailing vertical integrations are not effective in promoting inter co-operative collaboration, in providing the member co-operatives with adequate information and technical assistance, in carrying out various transactions with their members (except the one being carried out between MPC and their union in the area of input supply), and in promoting backward and forward linkage between their members co-operatives and other parties such as private sectors, NGOs, and other stakeholders. This is basically due to the human and material resource constraints the unions are facing, which seem to deserve adequate, and proper attention if the co-operatives are meant to perform their level best in efficient and competitive manner.

II) Linkage Creation Role -Co-operatives play important role in linking the local community (the members) with different development actors. For instance, the study co-operatives

(especially the MPC) have created some linkage between the local community /members/, and other stakeholders such as co-operative union (Error union), Woreda Agricultural Bureau, Debre-Zeit Agricultural Research Centers, IPMS-Ethiopia, and other financial institutions such as Commercial Bank of Ethiopia, and Co-operative Bank of Oromiya among others. The following case studies seem to substantiate the role of co-operatives with this regard.

Case Study-1: IPMS-Ethiopia

The expert Ato Hailu Gudisa said, there are four basic objectives of IPMS-Ethiopia: Knowledge management; capacity building (for private sector, government organizations, agricultural bureaus, and community based organizations); Commodity development (such as improving inputs like grains, vegetables, animal fattening, dairy, apiculture, fruits, etc); and conducting action oriented research and projects.

We work with co-operatives in areas such as training, inputs supply and technology adoption. For instance, in the area of training, there were about 84 peoples who are selected from different co-operatives in this Woreda and started training that was initiated/sponsored/ by our organization on activities such as animal fattening, poultry, apiculture and the like. Currently about 34 peoples (both wife and husband) have continued their training, while others have returned back to their home after attending the training for some times. After the training is provided in this way, our organization provides financial credit to these peoples according to their interest. For instance, in the area of animal fattening, we provide up to 3000 birr for purchase of two bulls, and 1060 birr for the input to be used to fatten the animal to an individual. But, the amount taken by the peoples varies due to the interest of the peoples as some peoples take the price of one bull only, and also due to variation in the purchase price of the bulls. Due to this, the total amount of money we give for one individual varies from 2030 birr to 4060 birr. Upto now, our organization has provided a total of 119,050 birr for animal fattening to 42 peoples (17 females and 25 males), and the borrowers have bought about 82 bulls and fatten them. The money was given to Error union which inturn has distributed it to the selected peoples through five primary level MPCs. The primary co-operatives are now collecting the money from the borrowers after they sold their bulls.

Our organization is also working with co-operatives in the area of introducing technology such as supply of improved varieties of grains seeds, vegetables, fruits, and creating market linkage between the community and different bodies such as government and non-government bodies, and private sectors so as to help and ensure the improvement of productivity and marketing success of the farmers. For instance, we have organized 10 women as farmer groups and contacted them with

Melkasa Agricultural Research Center from where they obtained onion seeds through our organization. The women's produced onion on their own farm land, and sold their first round produce, and each of them earned from 1500 birr to 3500 birr. They are now formed saving and credit co-operative to save their money, and also continued their operation for another round. Besides, we have organized some rural peoples and linked them with Debre-Zeit Dairy Co-operatives. They are now accessible to milk market, which was impossible for them previously.

Furthermore, our organization is working with co-operatives in the area of promoting apiculture. After the necessary training is provided to the selected individuals, we provide upto five bee-keeping hives (the transitional one) to individual person. Currently we have approved plan with this regard where 71 peoples from 3 honey co-operatives (i.e. Errer-sillasie, Godino, and Dankaka) are to be provided with 3-bee keeping hives each. The money is extended after the necessary training is given to both the husband and the wife simultaneously. The total amount of money allocated for one person is 1407 birr, while the overall total amount of money budgeted for this purpose is about 90,316 Ethiopian birr.

For this all functions, we highly need organized peoples in associations such as co-operatives as such associations are very essential in accessing the local community easily. Where there are no already organized co-operatives, we organize peoples in to co-operatives and/or other forms of associations, as it is difficult for us to launch our project in the absence of organized community. Hence, co-operatives are our important stakeholders in implementing our project objectives in a way that could reach the grass-root beneficiaries.

Case Study-2: Debre-Zeit Agricultural Research Center

The head of agricultural extension department said: Co-operatives are one of our important stakeholders with whom we work in the area of technology diffusions. We work with co-operative union and agricultural bureau in defusing technologies such as improved grain seeds. Currently, we are working with co-operatives in the area of replication of durum wheat seeds, chickpea seeds, and improved hybrids of chickens (poultry farming) activities. We work in these areas with co-operatives from the very beginning of designing stage to production and marketing activities.

For instance, in the area of improved seeds replication, co-operative union sign agreements with the Woreda Agricultural Bureau, and take first generation seeds/basic seeds/ from our research center and distribute it through primary co-operatives to those farmers who are willing to replicate it on their land, and the agricultural bureau make the necessary follow up and provide technical assistance during the replication process. Then, the replicated seeds will be bought back by the union and purified and redistributed back to farmers through primary level co-operatives on partial credit basis. The primary co-operatives collect the remaining balance after harvest.

He concluded: working with co-operatives is important in facilitating contact with farmers at the grass root level, in properly addressing their needs and in providing proper solution to their problems and also in enhancing farmers participation in such development endeavors even though their participation with this regard is not adequate so far.

CHAPTER FIVE

THE IMPLICATIONS OF CO-OPERATIVE PERFORMANCE FOR LOCAL ECONOMIC DEVELOPMENT (LED)

5.1: The Implication of Developing Rural Finance Proper for LED

It is true that finance is the back of bone of any development endeavor whether it is at national and/or local level. As Nweze (1991) and McIntyre (2006) indicated, the indigenous organizations such as the study SCC are more genuine and flexible in organizing savings and credit activities in rural/local areas than other forms of financial institutions. Their role could be pivotal in overcoming the existing demand and supply gap in the area of rural finance. They can do this by developing rural finance proper through local based members own saving on one hand, and by facilitating the channeling of financial resources from elsewhere to the locality by linking the local community with other financial and non-financial institutions on the other hand. Such financial services are central in advancing local economic development especially in rural/local/ areas by promoting indigenous saving - investment-cycle. This inturn is very helpful in creating more employment opportunities (both direct and self employment) in rural areas, and thereby enable local communities diversify their income sources both inside and out side agriculture, with its far-reaching multiplier effect in fostering diverse local developments through efficient and effective utilization of the available resources (especially local resources).

Seen in light of the above arguments, the performance of study SCC seems encouraging. Some of the study co-operatives are developing the saving culture of local community, and also providing loan facilities for various productive purposes. Moreover, some of them are also linking the local community with different development actors, and are some how facilitating the channeling of financial resources from other sources such as NGOs to the locality. This could have an imperative implication for the development of local economy.

For instance, the respondents and FGDs have stated that their access to loan facilities through their co-operatives has created self-employment opportunity for some members, and enabled them to diversify their source of income. It is understood that members take the loan from their co-operative for various productive purposes such as purchase of agricultural inputs (like

fertilizers, improved seeds, agro-chemicals), for animal fattening, poultry, vegetables production by using irrigation system, contracting farm land for ploughing, to undertake petty trades such as preparation and sell of local drinks, to buy ox for ploughing, to buy horse cart and so on.

5.2: Input Supply by Co-operatives and Its implication for LED

As it has been indicated by ILO (2004), co-operatives can perform valuable functions in various areas of production and service rendering activities such as agricultural input supply. Their role is deemed to be essential especially for the rural local communities where such services are either missing and/or inadequate. In countries like Ethiopia that are characterized by agrarian economy, efficient and effective provision of the necessary farm inputs is inevitable in improving the productivity and income level of the farming communities, which in turn could improve the livelihood of the local community, and promote the development of local economy. Along the line of this argument, it is understood from the leaders and FGDs that the supply of such inputs (fertilizers, improved seeds and agro-chemicals) through co-operatives has created better access opportunity at proximate location, economies of scale benefit, and credit facilities to the farmer members among other things.

As FGDs have noted, the role of co-operatives in rendering different input marketing services and in introducing technologies such as improved varieties of seeds, vegetables, animals and the like has improved their input consumption level, and thereby enabled them to increase their productivity and income. Moreover, some FGDs have noted that such benefits have enabled them to diversifying their income sources and improve their livelihood. Hence, it is important to note here that this has far reaching implication in boosting commercial agriculture and agro-processing, which in turn promote the locality to seize up on its competitive advantages, and thereby trigger local economic development accordingly, if it is done on large scale and sustainable manner.

Thus, taking proper action in areas such as strengthening linkage and cooperation between co-operatives and other development actors, enhancing effective participation of co-operatives in input supply and other technology diffusion efforts, and responding to the financial, technological and other logistic problems of these institutions is essential in the optimal realization of their diverse local development potentials.

5.3: Product Marketing by Co-operatives and its Implication for LED

The product marketing performance of study co-operatives seems encouraging. The study co-operatives undertake various product marketing services such as grain, vegetable, dairy, and mineral marketing services. Though co-operative product marketing seems sluggish in some cases (especially in the case of MPC), the performance in other cases seems promising. For instance, in the case of DDC, the FGDs have indicated that their co-operative have created imperative marketing access for their produce. Likewise, the performance of some MC seems a good start. In any ways, the FGDs have noted that such marketing service by their co-operatives have enabled them to generate more income and increase their production, and build their own assets. These services by co-operatives benefit the local community at large through its spill-over effect, and thereby enhance their productivity and income level.

In line with this argument, the FGDs have noted that co-operatives have improved their participation in various socio-economic development activities of their locality such as contributing for the development of various infrastructures such as schools, health centers, roads, and also are promoting the undertaking of small scale business (for some members). The development of such socio-economic infrastructures is fundamental in producing health and qualified human resources at local level, in utilizing local resources to the best advantage of locality, and also in attracting other resources from elsewhere to the locality, which could have far reaching effect for local and national development through its multiplier effect.

5.4: Resource Mobilization and Asset Building by Co-operatives and its Implication for LED

Co-operatives could play central role in promoting local communities' participation and empowerment, both of which are central for the mobilization of resources for the development of a given local area. It is understood from the study that the sample co-operatives mobilize resources such as financial and human resources for various investments within their locality, which in turn could help to promote local employment and income generation opportunities, and thereby contribute for betterment of local communities' livelihood, and the development of the locality.

The study co-operatives mobilize resources both from the local area through members saving and contribution and/or from elsewhere outside the locality in the form of loan, donation and

other ways. In whatever case, whether the money is from internal (own source), or external (i.e. loan, donation, or other types of financial supports), it can obviously contribute for local economic development given that it is used for the right purpose in an efficient way. Reinvesting locally generated resource (i.e. own fund), and external resources such as loan within a given locality is helpful to ensure regenerative local economic development. This could promote local business development both inside and outside agriculture, and thereby accelerate local employment, and diversification of economic activities at local level. Furthermore it can promote investment in social infrastructures such as roads, health centers, schools, and other socio-economic institutions, that are basic in mobilizing more resources either locally and/or from elsewhere for local development.

However, the leaders and FGDs have stated that, the majority of the study co-operatives are not performing well with this regard in a way that could adequately ensure the realization of the aforementioned benefits. Hence, promoting the efficiency and effectiveness of these institutions through proper training and other awareness creation activity, through enhancing their financial and human resource bases, and through provision of other important backings such as technical and technological requisites are central in boosting their developmental role with this regard.

5.5: Employment Creation by Co-operatives and Implication for LED

Employment creation is one of the most important issues in increasing the income of people, and in improving their livelihood, in creating revenue for government through taxation, and thereby in promoting local economic development. As it is understood from the study, co-operatives seem to have high employment creation potential. They can do this by promoting local investment, by cultivating entrepreneurship among micro and small community – based enterprises that are well situated in the local economy, and also by attracting other business from elsewhere to the locality. This is very essential in enhancing the forward and backward linkage between different sectors, and also in efficiently utilizing the local human and material resources for the development of the locality.

The performance of the study co-operatives in creating local employment opportunity (both direct and self employment) can not be undermined, though it is far from being adequate. Creating local employment opportunities for local peoples is essential in diversifying their

income sources, and in improving their livelihood both of which are fundamental in enhancing their participation in local economic development. Along the line of this argument, the leaders and FGDs have noted that some local communities (the members) are now enabled to build different assets of their own such as residential house, and other animals like goat, sheep, chickens, and some of them could also be enabled to engage in activities such as farming by contracting farmland.

5.6: Linkage Creation by Co-operatives and Implication for LED

According to ILO (2004), there cannot be fair globalization without a fair localization, which seems to emphasize the importance of locality oriented development programs. Such locality based initiatives are indispensable in ensuring local economic development through mobilization of resources both from a given locality and also from elsewhere. However, such efforts need functional linkage (both horizontal and vertical) among different development actors. It is understood from the case studies that, the linkage creation performance of some study co-operatives seems encouraging. They are linking the rural local community with urban centers, and also with various other development actors such as research centers and financial institutes, and with government and NGOs both within and outside the locality.

As Evan (1992) cited in Tegegne (2005) indicated, such linkage between rural agricultural community and Urban activities is very crucial in increasing agricultural income, which in turn promotes diversification of urban activities that in turn absorb rural surplus labor, raises demand for rural produces, and boosts agricultural productivity and income. It also opens special access opportunities for local community to various inputs and output markets, and various technologies among other things. This in turn will have very crucial implications in promoting local business development, in enhancing and promoting diversification of local economic base, in creating more employment, and in facilitating the development of various socio-economic infrastructures. The overall implication will be improved livelihood of the local community and development of the local economy. But, it is understood from the study that co-operatives could not adequately use their aptitude with this regard too, due to the hosts of problems they are having such as the human, financial, and other material resource constraints.

CHAPTER-SIX

SUMMARY OF MAJOR FINDINGS AND RECOMMENDATIONS

6.1: Summary of Major Findings

This study is aimed at assessing the roles of co-operatives in local economic development with specific reference to selected rural and semi-rural co-operatives from Ada'a Woreda, Oromia Regional State. An assessment is made with respect to the place of these co-operatives in local economic development issues such as input and output marketing service, capital accumulation and asset building, employment creation and income diversification, and linkage creation roles. To this end, a case study of 19 co-operatives is made. The studied co-operatives are categorized in to five major types based on the areas of economic activities they are basically engaged in as: multipurpose co-operatives, saving and credit co-operatives, mineral producers' co-operatives, dairy co-operative and irrigation users co-operative. Accordingly, data on aforementioned issues are gathered from these co-operatives through triangulations of different methods such as in-depth interview with co-operative leaders and other bureaus officials, focus group discussion and through personal observations.

The result of the analysis shows that the sample co-operatives are playing encouraging roles in local economic development in general, and in betterment of life of local peoples (the members) in particular. It is understood from the study that the sample co-operatives provide diverse services such as inputs and output marketing services, financial loan provision services, and output marketing services. It is also recognized from the study that the place of the sample co-operatives in resource mobilization and asset building, and in local employment creation and income diversification are generally a good step forward. This shows that under the current policy environment, co-operatives seems to be owned by their members, and are better serving the interest of their members, unlike their past experiences, where they were owned by the state and served the interest of the same. But, similar to the co-operative association in the past, the study co-operative societies are also suffering from hosts of bottlenecks such as human, financial and material resources constraints, and could not contribute their level best still for the betterment of the local community, and the development of the locality. The summary of these roles and the related problems is presented below.

Promotion of Saving Culture and Loan Provision Services- as it is understood from the study, the saving and credit co-operatives are playing important role with this regard. They are developing saving culture of local community (the members), which is vital in creating rural finance proper. By mobilizing finance from members' periodic saving, they provide loan to their members as per the by-laws of their respective co-operatives. Accordingly, they have enabled a good number of their members to access loan services used for various productive and service rendering activities. The volume of their annual saving and loan service is increasing from year to year partly owing to increase in their membership size and partly due to improved saving culture of the members that has promoted voluntary saving in excess of compulsory by many members.

However, it is found that the potential of the SCC in creating adequate and dependable financial service for the local community (the members) to their best level is hindered by a multitudes of problems they are trapped in. Some of these problems are: lack of access to adequate credit services, lack of qualified and committed leadership that can promote financial resource mobilization, and their efficient use for various productive and service rendering activities, lack of access to grass-root level training and experience sharing opportunity both for the leaders and members, and the associated inadequacy of members participation, and lack of adequate concern on the part of the government in providing necessary technical support such as timely audit services and other supports.

Agricultural Input Supply - another crucial service being provided by the study co-operatives is supply of various agricultural inputs such as fertilizers, improved seeds, and agro-chemicals to their members. It is understood from the study that co-operatives take the lion share in agricultural input supply to the local community. Inline with this, it is recognized from the study that the volume of transaction being carried out by those sample co-operatives that are engaged in this area is very high, and is also increasing overtime due to increasing membership size and consumption level of the members. It is also known that the supply of such inputs through co-operatives has enabled the members to get access to better quantity and quality of inputs at nearer places. Moreover, it is known that members are enjoying better input price resulted from improved negotiation ability and economies of scale advantages realized by co-operatives in purchasing and distributing the inputs. However, the beneficiary farmers have expressed their concern about the delay in supply of the inputs which as they

said is creating inconvenience on the timely undertaking of their farming activities some times.

On the other hand, their role in facilitating technology diffusion like improved varieties of commodities such as grain seeds, vegetables and fruits, animal varieties, apiculture farming, and the like seems a good start. For instance, the involvement of co-operatives and farmers in improved seeds multiplication is a good step forward to overcome the presently prevailing problem of shortage and high cost of improved seeds. The co-operatives are also supplying different agro-chemicals such as insecticides, herbicides, and like, which are very pertinent to improve the productivity of farmers.

Besides, the input credit opportunity created by co-operatives is another important service that has enabled many members to buy and use these inputs. With this regard, co-operatives have created cost effective and reliable means for banks in providing such credit services. However, it is also known that the ever-increasing amount of down payment requirement for the inputs has posed challenging burden to many farmers and forced some of them to undercut their consumption level since recently. On the other hand, the provisions of other services such as tractor services and milling services are not provided by many co-operatives (except one case), storage services seems inadequate, while consumer goods shopping is totally missing in all cases. Despite of these shortcomings, the study co-operatives seems to have created good window of opportunity for individual farmers with fragmented organization and poor infrastructure, to have the best chance for competitiveness in the prevailing phenomena of free market economy especially with regard to agricultural input supply.

Output/Product Marketing- with respect to product marketing, the study co-operatives are involved in marketing of grains (MPC and AGIUC), vegetables marketing (AGIUC), mineral production and marketing (mineral producer co-operatives), and dairy product marketing (DDC). Regarding grains marketing, their role seems to be limited to momentary market stabilization. The co-operatives could not provide sustainable and dependable market opportunity for their members with regard. They are totally dependent on local traders to sell their product as they could not access and use market opportunities elsewhere in the country and/or abroad. This is due to hosts of problems the co-operatives are trapped with such as lack effective linkages with private processor and exporters (lack of access to dependable market), limited capital base, lack of qualified human powers, and lack of commitment on the part of

the committee members and co-operative members. Besides, other problems such as lack of transport facilities and modern technologies, and lack of strong/functional/ apex organ such as co-operative federation among others have limited their marketing ability. Similarly most mineral producer co-operatives are also suffering from production capacity problem because of the above-mentioned bottlenecks.

However, some of the study co-operatives such as DDC have created better product/output/market for the members by linking the local community (the members) with different market opportunities both in the local area, and the market opportunities available elsewhere in the country (e.g. Addis Ababa). Others like AGIUC has also playing encouraging role in marketing members produce (especially vegetables). It has also linked the producers directly with the market opportunity available at the town of Bishoftu by avoiding the middlemen, though it seems losing its initial momentum since recently due to disagreement between members'. However, the prevailing marketing capacity and network in these cases are also not yet well developed to their best levels, as these co-operatives are also constrained by most of the problems mentioned in the preceding paragraph.

Capital Accumulation and Asset Building-this is another important aspect of local economic development assessed by this study. The capital accumulated by some study co-operatives is very remarkable, while that of other seems a good start. It is recognized by the study that the sample co-operatives accumulated capital through members periodic saving (as in the case of SCC and MC) and/or from their operational surplus (as in the case of MPC, DDC, and AGIUC). However, practice of raising additional capital from sale of new shares is insignificant and/ or absent in almost all of the cases, which is due to absence of any meaningful dividend incentive. Moreover, accumulation of capital to the best aptitude of these co-operatives seems undermined by hosts of constraining factors such as lack of adequate members participation due to the prejudice the people still have towards such institutions, operational inefficiencies, lack of diversified activities, lack of commitment on the part of leaders, financial and technology constraints, lack of adequate government support, and the like.

Regarding asset building, most of the sample co-operatives made different investments with various amounts. The amount of investment made by some of the study co-operatives seems promising (e.g. DDC and AGIUC, and Udee MPC). However, the other co-operatives seem

lagging behind with this regard. The investment they made on assets is either absent and/or inadequate with no trend of improvement. This is true in the case of most MPC, SCC and MC. Some co-operatives pretend to avert risk by maintain their money in bank accounts instead of making the necessary investment in productive activities (e.g. most MPC, some SCC and MC), while some other virtually lack the capacity to make any meaningful investment. Moreover, lack of awareness and visionary leadership being complemented by inadequate member participation, and inadequacy of government support, seems to undermine the possibility of diversifying their areas of activities in some cases.

Employment Creation and Income Diversification - employment creation and income diversification are among the very important economic roles expected out of co-operative enterprises. The study co-operatives altogether have created a direct employment opportunity for 106 peoples (60 males and 46 females), all of which are either contractual and/or casual in nature. The role of some co-operatives (e.g. DDC and AGIUC) seems to deserve more credit at least in relative terms. However, most of the sample co-operatives either could not contribute significantly with this regard and/or could not contribute any at all. For instance, almost all the MPC could not create any meaningful direct employment opportunity, as they could not diversify their activities. Moreover, others such as SCC and MC (except Gichee MC) have not created any direct employment at all so far. Besides, the created opportunities are very low salary earning, while the majority of the employed individuals are unskilled, which indicates limited capacity of the co-operatives to use qualified human resources. Hence, the overall situation with regard to direct employment creation seems sluggish.

On the other hand, the contribution of the study co-operatives towards self-employment and income diversification appears imperative in most of the cases. As it is understood from the study, the sample co-operatives have created considerable self-employment opportunities for their members. They are playing important role through provision of credit/loan facilities (as in the case of SCC), through creation of access to resource for the poor peoples (as in the case of MC), by creating market opportunity for the local community (the members), among other things. Consequently, their members are able to engage in various income sources such as animal fattening, poultry activities, petty trading, dairy production, production of different vegetables by using irrigation, production and sale of mineral such as sand, and gravel, animal rearing such as goat, sheep and the like. Hence, many local peoples (members) seem to access

better conditions at least in relative terms, in generating their own income by creating and/or diversifying their activities.

Social Safety Net Services- as it is realized from the study, the role of co-operatives seems to go beyond mere economic sphere in some cases, and encompass provision of valuable social safety nets services to their members. This is especially true in the cases of saving and credit co-operatives, and in some cases of mineral co-operatives. They do this by giving loan priority to member with especial problem (an in the case of SCC); and by arranging especial credit scheme and financial supports (as in the case of some mineral co-operatives). These co-operatives extend such privileges to a member whenever he/she face problems such as loss of property due to unprecedented incidences such as fire, death of ones animal, loss of human life and illness, loss of ones produce, and when other misfortunes are encountered.

Linkage Creation Role of Co-operatives- co-operatives are found to be important community based organizations in linking the local peoples with different development actors. The importance of their partnership in accessing local community is acknowledged by different institutions. Many government and non -government organizations are now working with co-operatives in effectively addressing their respective objectives. Yet, the presently existing forward and backward linkage between co-operatives and other development actors such as government institutions, NGOs, private sectors, and other community based organizations seems inadequate in accelerating the realization of development potential of these actors. Besides, the integration between the study co-operatives is either virtually absent (as in the case of horizontal integration) and/or weak functioning (as in the case of existing vertical integration among the many study co-operatives).

Generally, it is understood from the study that, the contribution of the study co-operatives in improving the livelihood of the local community (the members), and in promoting local economic development seems promising, though too much is yet to be done to ensure the realization of the immense development potentials of these institutions.

6.2: Recommendations

The roles of leaders are crucial in the co-operative development processes. Co-operative business enterprise seems to demand a qualified and visionary leadership that can make all time follow-up and supervision. As Wordhono et, al (2003), cited in Oktaviani (2004)

indicated, the future development for co-operative includes adjustment to the new trade regime, building modern management and professionalism, and education and training. However, the unsalaried elected leaders who are currently perusing thier responsibility on secondary basis seems to take these institutions no far, especially under the prevailing dynamics of free market economy. Thus, replacing the elected leaders with salaried professional managers and provisions of relevant and adequate training on sustainable basis down to the grass root level should be considered. To this end, emphasis should be given to expanding short-term training, and co-operative education at certificate level parallel to higher degree programs, and thereby build the human resource of such institutions.

The importance of community support (both the members and non members) for co-operatives in realizing their development potential cannot be underestimated. Therefore, restoring peoples' confidence on these institutions through launching advocacy works using mass-medias, and other channels, and providing grass-root level training and experience sharing activities should be done adequately and sustainably in a way that it could outreach all the target communities. Moreover, proper support should also be given to these co-operatives in the areas of financial, technical and technological constraints in way that could not jeopardize their autonomy.

There seems a wide gap between the supply and demand for rural finance till now regardless of the recent booming financial institutions such as micro-finance in the country. Hence, bridging the divide with this regard seems to require the development of local based financial institutions such the study rural SCC. Therefore, adequate emphasis should be given to boosting their local resource mobilization capacity, and the sustainability of their loan services through proper technical, financial supports, and other supports.

Ensuring the timely availability, adequacy, and quality of different farm inputs is inevitable in smoothly undertaking farming activities, and thereby improving the productivity and income of farm community. Thus, co-operatives and other stakeholders need to consider the inherent problems in their input supply systems that are causing delay with this regard. Furthermore, enhancing the input credit facility could be helpful in overcoming the problems being encountered by some farmers in effecting the down payment requirement for the inputs.

Creating dependable and fair market for local community is indispensable in boosting their productivity and income level. Hence, proper feedback should be given to factors that have created bottlenecks to the service of co-operatives with this regard. For instance, linking co-operatives markets with other different domestic and foreign markets could be helpful in benefiting the farmers from such market. Moreover, the establishment of higher co-operative organ (such as federations) especially in the case of MPC would fetch the benefit of improving marketing services (both the input and the output), in managing the necessary information, and in carrying out advocacy on issues of urgency to co-operatives among other things.

Diversification of local communities' source of income and promoting local employment opportunity are central to the improvement of local communities livelihood, the advancement of local economic development. Hence boosting the operational capacity of co-operatives by solving their human, financial, technical and technological problems is a requisite. Besides, the tendency to restrict and/or prohibit the diversification of operational areas of some co-operatives to some activity areas might undermine their capacity to generate adequate capital for their operations, and could ended them up in vicious circle of subsistence operation, which inturn might undercut their competitiveness in the prevailing market economy. It is rather better to build their human resource base and allow them to diversify their economic activities on practically viable grounds, ofcourse within the possibility frontier of their resource capacity. This is helpful in promoting investment by co-operatives in various areas such as locally based businesses, and other socio-economic activities, and thereby generate more income and employment for local community.

The integration /linkage/ between similar level and different level co-operatives help them expand their capacity and enhance their competence, and also enable them to transform their operations to further processing /value adding activities/ among other things. Eventhough there are vertical integrations between most of the study co-operatives at union level, it seems weak and ineffective due to lack of human and material resources. Hence, responding to the human and material resources requirement of these union is essential in enabling them to undertake their roles efficiently and effectively. Horizontal integration between similar level co-operatives is virtually missing in all cases surveyed. However, promoting such integration between similar level co-operatives on practically possible ground could be helpful in making joint investment by pooling their resources, and in undertaking other transactions

cooperatively with better capacity, and in economically efficient way. Besides, enhancing co-operative linkage with different development actors should be given with proper attention, as the realization of local economic development strongly demands functional and effective cooperation between such actors in creating access opportunity for the local peoples to different input and output market, modern technologies, training and other socio-economic opportunities.

The adequate, timely and sustainable support of co-operative promotion bureaus (i.e. both local and regional bureaus) is indispensable to the co-operatives established under their jurisdictions in ensuring their sustainability and success. However, these bureaus are also suffering from high shortage of budget, human and other material resources/logistics/. Hence, presently, the bureaus are far from providing these services in adequate, timely, and sustainable manner. Thus, government should respond to the problems of these promotion bureaus so that they could undertake their promotion and other activities in an efficient and effective manner. Moreover, the establishment of technical advisory committee at all possible level of co-operative bureaus will be helpful in providing co-operative extension services, special advise on accounting, purchasing, marketing, instruction on productive techniques, access to collective facilities, center for special marketing and industry information, guidance in preparing loan utilizations etc.

Emphasis towards quantity expansion by replicating more and more number of new co-operatives seems to be overemphasized. However, many of the already established co-operatives seems underutilized, and inefficient in delivering services or undertaking their businesses because of the myriads of constraints they have, and hence could not contribute their level best to local economic development. Such problems, if continued, could lead their sustainability and success in danger. Hence, adequate credit should also be given to strengthening and capacitating the already established ones so that they could win the support of local community, and thereby fetch their development potential to the best advantages of the locality in general, and local community in particular.

Last, but not least, complementary research on the role of such institutions in general and local economic development in particular (especially with respect to community business development and locality development issues) is recommendable so as to better serve informed decision making and action taking process with this regard.

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Annex-1: Operational Definitions

Co-operatives- For the purpose of this study, co-operatives are defined as any autonomous community based associations of group of individuals united voluntarily to meet their common economic, social and cultural needs and aspirations through a jointly owned and democratically controlled enterprise. This definition is inline with the definition given by ICA (1995).

Local Economic Development (LED)- In this study, Local Economic Development (LED) refers to the process of stimulating the economy of well-defined area by utilizing existing human, material, and institutional resources with combined efforts of different actors such as local government, the private sectors, and community based organizations (such as co-operatives). It can be achieved through three interrelated initiatives: community based economic development; business or enterprise development; and locality development initiatives. This definition is inline with the definition given by Helmsing and Tegegne (2005).

Community Economic Development- For the purpose of this study, community economic development is defined as an intervention/process/ by which community members can obtain power to change their socio-economic and cultural situations. It encompasses community based economic initiatives/projects/ that are meant to promote the economic condition of a given local community by facilitating access to basic services such as input and outputs markets, creating local safety nets, creating employment and income diversification opportunities, and stimulating the overall local (communities') economy through mobilization and utilization of local resources for the development of the locality and its community. This definition is also inline with the definition given by Helmsing and Tegenge (2005).

Household- Consists of a person or groups of persons, irrespective of whether related or not who normally live together in the same housing units or group of housing units and have common cooking and eating arrangements (CSA 2004).

Livelihood-refers to the means of gaining a living, including livelihood capabilities, tangible assets, and intangible assets (Chamber and Conway 1992).

Annex-2: Background Information of the Selected Co-operatives

Rall No.	Type of Name of Co-operatives Selected	Year of Establishment and /or reorganization in G.C	Current Membership Size			Capital in Birr
			Female	Male	Total	
1	Multipurpose Co-operatives					
1.1	Hiddi	2000	71	623	964	47394. 45
1.2	Dirre	1999	128	1258	1386	365376. 61
1.3	Kajima	1998	104	1070	1174	139929. 72
1.4	Dukem	2004	266	1167	1433	318970. 03
1.5	Godino	1999	103	524	627	27792. 00
1.6	Dankaka	2004	118	937	1055	45566. 23
1.7	Udie	1998	197	1262	1459	257590. 93
2	Saving and Credit Co-operatives					
2.1	Hiddi	2003	17	74	91	60678. 50
2.2	Udie	2002	2	56	58	7669. 69
2.3	Dankaka	2003	17	43	60	5667. 13
2.4	Babogaya	2001	8	2	87	7,118. 80
2.5	Godino	2003	3	3	34	4864. 23
3	Mineral Producers Co-operatives					
3.1	Hiddi	2005	-	70	70	50,000. 00
3.2	Gichee	2005	16	70	86	120,000. 00?
3.3	Babogaya	2005	-	22	22	69,000. 00
3.4	Dankaka	2005	-	40	40	15,000
3.5	Dirre	2004	-	32	32	2,500
4	Debre-Zeit Dairy Co-operative (DDC)	1997	383	433	816	1,761,305.00
5	Alph-Goa Irrigation Users Co-operative (AGIUC)	2003	11	49	60	700,000.00

Source: Woreda Co-operative Promotion Bureau Documents

Annex-3: Summary of the Quantity and Cost of Fertilizers Purchased and Distributed by MPC to their Members (2002 - 2006)

Source: Collected from Records of the Individual Co-operatives

NO.	NAME OF MPC CO-OPERATIVES	YEARS										TOTAL (2002-2006)	
		2002		2003		2004		2005		2006		Qty	Cost
		Qty	Cost	Qty	Cost	Qty	Cost	Qty	Cost	Qty	Cost		
1	Dirre MPC	1820	35581.6	1886	428909.1	3316	958489.25	3660	1340670	3512.5	1211088.38	14194.5	3974738.33
2	Hiddi MPC	2400	451234.2	2329	521774.43	2717	774029.96	2873.5	1040401.6	2874	973564.8	13193.5	7644204.99
3	Dankaka MPC	2259	444654.83	2240	510608	2548	736103.6	2584.5	942948.32	2547.5	878736.75	12179	3513051.5
4	Kajima MPC	1432	279413.76	1324	148035.7	1476.5	337815.55	1719	494703.3	1810.5	675254.32	7762	1935222.63
5	Dukem MPC	2805	512954.2	3135	350522.6	3204.5	925762.95	3676	1341179.35	3500.5	675254.32	16321	4416019.6
6	Godino MPC	1546	30634.38	1880.5	432417.06	2693	780417.06	2795	1026353	2732.5	943976.63	11647	3213798.13
7	Udee MPC	3138.5	714527.38	3232	928059.3	2339.5	1216447.33	3541	1218467.95	3541	1218467.95	15792	5295969.91
	Total	15400.5	2469000	16026.5	3320326.2	18294.5	5729066	20849	7404724	20518.5	7186689.3	91089	26109805.1
	Average	2200.07	352714	2289.5	474332.32	2613.5	818438	2978.43	1057818	2931.21	1026670	13012.7	3729972.16
	Min	1432	30634.4	1324	148035.7	1476.5	337815.55	1719	494703.3	1810.5	675254.32	7762	1935222.63
	Max	3138.5	714527	3232	928059.3	3316	1216447.33	3676	1341179.35	3541	1285600.5	16321	5295969.91

NB. The quantity of fertilizers distributed is given in Quintal

The cost of fertilizers distributed is given in Birr

MPC - means Multipurpose Co-operatives

Average = Total quantity/cost/ ÷ No. of co-operatives (It shows the amount supplied by each co-operative on average each year).

Annex-4: Summary of Improved Seeds Distribution by the Surveyed MPC (2002 - 2006)

NO.	NAME OF CO-OPERATIVES	YEARS									
		2002		2003		2004		2005		2006	
		Qty	Cost	Qty	Cost	Qty	Cost	Qty	Cost	Qty	Cost
1	Dirre MPC	-	-	-	-	211	70623.41	257.75	61066.05	118.7	39572.8
2	Hiddi MPC			37.5	10337.25	52.97	15621.78	97.25	28429.29	92.8	31662.05
3	Dankaka MPC	2.1	663.5	7.83	2116.92	109.5	31724.91	105.725	31485.65	76.65	22307.88
4	Kajima MPC	-	-	7.5	1842	-	-	13	3648.52	5.925	191.64
5	Dukem MPC	-	-	NA	NA	NA	NA	NA	NA	NA	NA
6	Godino MPC	-	-	31.5	8683.29	35.65	12935.97	91.375	26711.84	41.75	11181.71
7	Udee MPC	75.75	2786.5	92.7	27173.43	146.25	38053.6	113.35	19878	146.25	38053.6
8	Total	77.85	3450	177.03	50152.9	555.37	168960	678.45	171219	482.075	142970
9	Average	12.97	575	29.5	8358.82	92.56	28159.9	113.075	28536.6	80.5714	23828.3
10	Min	2.1	663.5	7.5	1842	35.65	12936	13	2344.54	5.925	191.64
11	Max	75.75	2786.5	92.7	27173.4	211	70623.4	257.75	61066.1	146.25	39572.8

Source: Collected from the records of individual co-operatives

NB: NA- means data is not available

The quantity of improved seeds is given inter of quintals

The figures in the table show the aggregate sum of different improved seeds for six of the study MPC as the data for Dukem MPC could not be obtained.

Average = Total quantity/cost/ ÷ No. of co-operatives which is six in this case.

Qty- represents quantity of improved seeds provided by co-operatives during a given year.

Annex-5: Summary of Agro-chemicals Distribution by the Surveyed MPC (2002 - 2006)

No	Name of Co-operatives	2002		2003		2004		2005		2006	
		Qty	Cost	Qty.	Cost.	Qty.	Cost	Qty.	Cost	Qty.	Cost
1	Dirre MPC	263	10257	215	9567.5	669	31777.5	730	33945	588	25872
2	Hiddi MPC	NA	NA	100	4450	120	5700	84	3906	70	3255
3	Kajima MPC	205	7995	206	3965.5	100	4895	266	12635	227	10555.5
4	Dankaka MPC	107	4173	80	3560	101	4797.5	40	1860	120	7200
5	Dukem MPC	275	10725	225	10012.5	220	10450	341	15856.5	222	10323
6	Godino MPC	21	819	49	2180.5	89	4288.5	12	558	22	968
7	Udee MPC	136	6052	186	8835	220	10230	617	33792	220	10230
8	Total	1007	40021	1061	42571	1519	72138.5	2090	102553	1469	68403.5
9	Average	143.86	5717.29	151.57	6081.57	217	10305.5	298.57	14650.4	209.86	9771.93
10	Min	21	819	49	2180.5	89	4288.5	12	558	22	968
11	Max	275	10725	225	10012.5	669	31777.5	730	33945	588	25872

Source: Collected from the records of individual co-operatives

NB: NA- means data is not available

The quantity of Agro-chemicals is given in liters

The figures in the table show the aggregate sum of different Agro-chemicals

Average = Total quantity/cost/ ÷ No. of co-operatives.

Qty- represents quantity of the agro-chemicals distributed during a given year.

Annex-6: Summary of Total Quantity and Cost of Grains Purchased by Some of the Sample Co-operatives

Name of co-operatives	Years									
	2002		2003		2004		2005		2006	
	Qty	Cost	Qty	Cost	Qty	Cost	Qty	Cost	Qty	Cost
Kajima MPC	Null	Null	654.31	169375.1	194.21	46986.35	Null	Null	78.79	25708.95
Dukem MPC	NA	NA	77.71	18983.1	61.66	16455	195.18	51136	13	4648.46
Godino MPC	335.47	72.775	617.62	159287.53	Null	Null	Null	Null	Null	Null
Udee MPC	1198.08	260091.1	939.66	196895.3	636.05	128391.8	1595.67	381017.85	926.03	275629.29
Total	1533.55	260163.88	2289.3	544541	891.92	191833	1790.85	432153.85	1017.82	305986.7
Average	383.3875	65040.969	572.325	136135	222.98	47958.3	447.713	108038.46	254.455	76496.675
Min	0	0	77.71	18983.1	0	0	0	0	0	0
Max	1198.08	260091.1	939.66	196895	636.05	128392	1595.67	381017.85	926.03	275629.29

Source: Records of Respective co-operatives

NA- means Data not available

NB: This data refers only to four MPC as data for Hiddi and Dankaka MPC could not be obtained, while Dirre MPC did not make any purchase at all during the period under consideration. The purchase of 491.6 quintals made by AGIUC during the year 2006 is also excluded deliberately as the corresponding purchase price is not obtained, and as the co-operative did not make any purchase before 2006.

Annex-7: Interview Questionnaires for Leaders

**Addis Ababa University
School of Graduate Studies
Institute of Regional and Local Development Studies**

Dear Sir

This questionnaire is designed to conduct a research on the performance of co-operatives and their implications for local economic development. The study is purely for academic research purpose required for partial fulfillment of MA Degree in Regional and Local Development Studies.

The main objective of the research is to investigate and describe whether co-operatives meaningfully contribute to local economic development, and assess the major activities they are undertaking with this regard. Accordingly, the findings of the study are expected to enhance our awareness about the place of co-operative associations in any development arena in general, and in local economic development in particular. Besides, the recommendations that are expected to be made in light of the findings could be helpful to development planners and policy makers, implementing bodies and to other stakeholders. Hence, the study is believed to valuably contribute for our decisions and actions with this regard, and thereby promote the utilization of development potential of such institutions.

To this end, your frank and genuine responses to the questions is highly indispensable. Therefore, indicating that you may not need to mention your name, and promising that all the information that is collected from you would be kept confidential and used only for the purpose of the study, the researcher hereby kindly request your cooperation for the same.

Thank you for your cooperation

Hailu Adugna

Interviewer: i) Read out the introductory letter to the respondents

ii) During the interview, put '✓' in the boxes given or in proper cell and fill answer in provided space otherwise.

iii) Ticking in more than one box is possible wherever appropriate.

iv) NA means not applicable or not relevant.

1. Identification:

1.1 Questionnaire number -----

1.2 Name of Co-cooperatives-----

1.3 Type of Co-cooperatives-----

1.4 Name of Interviewer -----

1.5 Date of interview -----

1.6 Work Responsibility of Respondent -----

1.7 Distance of the co-operative/s/ from the center -----

1.8 NA- means not applicable

Part-1: General Background of Respondents

1.1. Sex 1. Male 2. Female

1.2. Age 1. Below 15 4. 36 - 45
 2. 16 - 25 5. 45 - 55
 3. 26- 35 6. Above 55

1.3. Educational Level /Status/
 1. Illiterate 4. Preparatory complete
 2. 1 - 6 5. College/University
 3. 7 - 10 6. Others (explain)-----

1.4. If your answer to question 1.3 above is '*College/University graduate*', what is your education background? -----

1.5. Relation of respondent with the co-operative
 1. Member and full time worker
 2. Non member and full-time worker
 3. Member and part-time worker
 4. Non member and part-time worker
 5. Other/specify/ -----

1.6. What is the monthly salary paid for you by the co-operative?
 1. Below 200 5. 1501 - 2000
 2. 200 - 500 6. Above 2000
 3. 501-1000 7. Others -----
 4. 1001 - 1500

- 1.7. For how long have you served the co-operative in your current position? -----years
- 1.8. How many times do you get access to training so far? -----times
- 1.9. If you have work experience before, please indicate
1. The type of work experience -----
 2. The No. of years of work experience-----

Part-2: General Information About the Co-operative

- 2.1. When was your co-operative established? ----- EC
- 2.2. Please indicate the number of members of your co-operative:
1. When it established first-----
 2. At present time-----
- 2.3. Please indicate the capital balance of your co-operative:
1. When it established first-----
 2. At present time-----
- 2.4. What is/are the major objectives for which the co-operative was established? -----
- 2.5. Is the choice of area of activity/objective/ of your co-operative based on the interest of the members?
1. Yes / skip to 2.7/
 2. No
- 2.6. If your answer to question 2.5 above is 'No', who determine the objective/area of activity of your co-operative? -----
- 2.7. What is the occupational background of the members of your co-operative?

No	Occupational Background of Members	Yes	No
1	Farmers		
2	Crafts men		
3	Traders		
4	Government employees		
5	Others/explain/		

- 2.8. Peoples become members of co-operatives willingly
1. Strongly disagree
 2. Disagree
 3. Neutral
 4. Agree
 5. Strongly agree
- 2.9. What are the criteria to get a co-operative membership status? (*Interviewer: put the number corresponding to each weight in appropriate box*)
- (Not important=1; Less important= 2; moderately important=3; Highly important=4; Critically important=5)
1. Ability to contribute some required initial capital
 2. Ability to pay periodic payments
 3. Promise to buy goods and/or services from the co-operative/s/
 4. Promise to sell products to/through/ co-operative/s/
 5. Others/explain with their degree of importance/ -----

2.10. In what form do the members required to contribute periodically to their co-operative/s/ to get the membership benefits */multiple answer is possible/*

1. In monetary term 3. In terms of physical labor
 2. In kind 4. Other/specify/ -----

2.11. If your answer to question 2.10 above constitutes '*monetary contribution*' please indicate:

- 2.11.1. Amount of registration fee -----birr
 2.11.2. Amount of share price -----birr
 2.11.3. Total initial contribution required -----birr
 2.11.4. Amount of periodic contribution required -----birr
 2.11.5. Length of time interval for regular contribution -----birr

2.12. In your opinion, which group of the community do you think become member of co-operative most of the time */Multiple answer is possible/*

1. Low-income groups
 2. Middle- income groups
 3. High-income groups
 4. Peoples from all income groups equally
 5. Others/explain/ -----

2.13. In your opinion, what do you think is the reason why peoples become member of co-operative/s/. (Interviewer: put the '✓' mark in the appropriate cell/

No.	Reason for joining Co-operatives	Type of Co-operative/s/				
		Not important (1)	Slightly important (2)	Moderately Important (3)	Highly important (4)	Very highly important (5)
1	To get periodic dividend					
2	To get access to input market (e.g. fertilizer, selected seeds, others)					
3	To get access to output market (grain, milk, vegetables, sand etc)					
4	To get access to credit services/loan/					
5	To get access to employment					
6	To get access to consumer goods and services (e.g. salt, sugar, soap, grain mill)					
7	To get access to resources (e.g. mineral deposits, irrigable land etc)					
8	For other reasons/explain/					

2.14. Does your co-operative pay regular dividend to its members?

1. Yes /skip to 2.16/ 2. No

2.15. If your answer to question 2.14 is '*No*', what is the reason? (*Multiple answers is possible*)

1. The co-operative use the surplus for investment purpose
2. No surplus is generated by the co-operative so far
3. The co-operative put the surplus in bank
4. For some other reason/explain/ -----

2.16. If your answer to question 2.14 is '*Yes*', how frequently your co-operative pay dividend?

1. Monthly
2. Semi-annually
3. Annually
4. Others/specify/ -----

2.17. Please, indicate the amount of dividend your co-operative paid over the last 5- years if any, in terms of Ethiopian Birr in the following table?

No	Operational Year	Total amount of dividend paid in Birr	Members who received the dividend		
			Female	Male	Total
1	2002				
2	2003				
3	2004				
4	2005				
5	2006				

2.18. Can co-operative members participate in the election of the leaders of their co-operative?

1. Yes /skip to 2.20/
2. No

2.19. If your answer to question 2.18 is '*No*', what is the reason?-----

2.20. If your answer to question 2.18 above is '*Yes*', how do they participate?

1. Through general assembly/meeting/
2. Through elected committee members/representative
3. Through both depending on the issue at hand
4. Other/explain/ -----

2.21. If your answer to question 2.20 above is '*through general assembly*' who constitute the general assembly?

1. Representative of the members
2. Entire members
3. Others/explain/-----

2.22. If your answer to question 2.20 above is '*through general assembly*', what types of issues are dealt with at the members' assembly? -----

2.23. If your answer to question 2.20 above constitute '*through elected representative*', please indicate if the members participate in the election of decision-making bodies indicated in the table follows. / put '✓' in the proper cell /.

No.	Type/s/ of decision making /operational/Committees if any	Yes	No	NA
1	Board members			
2	General Manager			
3	Control Committee			
4	Loan committee			
5	Purchasing committee			
6	Others/specify/			

2.24. Government do not negatively interfere with the operation of co-operatives

- | | | | |
|----------------------|--------------------------|-------------------|--------------------------|
| 1. Strongly disagree | <input type="checkbox"/> | 4. Agree | <input type="checkbox"/> |
| 2. Disagree | <input type="checkbox"/> | 5. Strongly agree | <input type="checkbox"/> |
| 3. Neutral | <input type="checkbox"/> | | |

2.25. If your answer to question 2.24 above is '*is Disagree or strongly disagree*', please indicate how government interfere with the operation of your co-operative-----

2.26. Please, indicate if your co-operative has any **horizontal** and **vertical** integration currently or has an intention to have such integration in the future with the degree of importance of the reasons in the following table.

Use *1 = Not important ; 2 = Slightly important ; 3 = Moderately important ; 4 = Highly important ; 5 = Very highly important*

No.	Type of integration and possible reason for the formation/or intention for the formation of integration	Currently formed	Intended to be formed	Degree of importance of the reason	Not intended to be formed
1	Horizontal integration /integration with similar level -co-operatives/				
1.1.	To jointly purchase grains				
1.2	To jointly establish retail shops				
1.3	To jointly process primary products				
1.4	To jointly purchase tractor/harvester				
1.5	To jointly construct warehouse and/or office				
1.6	To jointly transport products to the market				
1.7	To jointly transport purchased inputs and other goods to place of distribution				
1.8	To jointly buy transport vehicle				
1.9	Other reasons if any/explain/				
2	Vertical integration /integration with higher level co-operative bodies such as co-operative unions/				
2.1	To penetrate new markets				
2.2	To benefit from economies of scale				
2.3	To build negotiation and competition power				
2.4	To engage in import/export				
2.5	To engage in processing of primary products				
2.6	To undertake bulk purchase				
2.7	To get access to loans				
2.8	Others reasons/explain/				

Part-3: Services Provision

3.1 Credit Services

3.1.1. Does your co-operative provide credit service to its members?

1. Yes /skip to 3.1.3/ 2. No

3.1.2. If your answer to question 3.1.1 above is 'No', what was the reason? *(multiple answer is possible)*

1. Credit provision is not among the objective of the co-operative
 2. No credit service is needed by the members
 3. Lack of adequate money to give credit to members
 4. For some other reason /explain/ -----

3.1.3. If your answer to question 3.1.1 above is 'Yes', does your co-operative provide the amount of money/loan/ requested by the members

1. Yes /skip to 3.1.5/ 2. No

3.1.4. If your answer to question 3.1.3 above is 'No', what is the reason for not meeting the demand of the applicants? /Indicate the number corresponding to each relative weight in the box/ Use:

1 = Not problem ; 2 = Slightly problem ; 3 = Moderately high problem 4 = Highly problem ; 5 = Very highly problem

1. Lack of adequate money
 2. Fear of repayment default on the part of borrowers
 3. Because of the limiting agreement of the members
 4. Others/explain with their degree of influence/ -----

3.1.5. If your answer to question 3.1.3 above is 'Yes', how frequently does your co-operative approve/give/ the amount of loan requested by applicants/members/

1. Very rarely 4. Most of the time
 2. Rarely 5. Always
 3. Some times

3.1.6. What are the criteria to approve loan for a given applicant

1 = Not important ; 2 = Slightly important ; 3 = Moderately important ; 4 = Highly important ; 5 = Very highly important

1. Amount of members' contribution so far/ share capital/
 2. Length of time since they became member
 3. Ability to repay the loan
 4. Ability to give his/her asset as collateral
 5. On other factors/explain with their degree of importance/ -----

3.1.7. Is there any variation in the amount of loan to be given to the borrowers?

1. Yes 2. No / skip to 3.1.9/

3.1.8. If your answer to question 3.1.7 above is 'Yes', on what ground does the amount of loan to different members varies rather than the amount they request? /Input the number corresponding to each relative weight in the given boxes/

1= *Not important* ; 2 = *Slightly important* ; 3 = *Moderately important* ;
 4 = *Highly important* ; 5 = *Very highly important*

- 1. On their initial contribution
- 2. On their periodic contribution
- 3. On the length of time since they became member
- 4. On their ability to pay the loan
- 5. On the repayment experience
- 6. Loan provision of the co-operative
- 7. On other factors/explain with their degree of importance/ -----

3.1.9. Please, indicate the maximum and minimum amount a borrower can obtain from your co-operative in birr
 1. The maximum amount -----birr
 2. The minimum amount -----birr

3.1.10. What is the maximum length of time the borrowed money can be used by a borrower? ----- months/ years

3.1.11. If your co-operative provide loan, does it provide loan to non-members?
 1. Yes 2. No

3.1.12. How is the interest rate on the loan is computed by your co-operative?
 1. Monthly 3. Annually
 2. Semi-annually 4. Others/specify/-----

3.1.13. Please, indicate the interest rate charged by your co-operative on the loan, if applicable:
 1. Interest rate for members -----
 2. Interest rate for non-members (if there is any loan at all) -----

3.1.14. Is there any alternative source of finance in your area?
 1. Yes 2. No / skip to 3.1.17./

3.1.15. If your answer to question 3.1.14 above is 'Yes' what other alternative source of finance are available for the peoples rather than co-operatives? */Multiple answers are possible/*
 1. Individual moneylenders 5. Private banks
 2. Micro finance credit 6. Church/mosques
 3. Government Banks 7. Iddir
 4. Co-operative Banks 8. Others/specify/-----

3.1.16. How do you generally compare the amount of interest rate at which your co-operative provide loan to its members relative to interest rate charged by other alternative sources?
 1. Very lower 4. Higher
 2. Lower 5. Very higher
 3. The same

3.1.17. Please indicate if your co-operative provide *interest free* and *collateral free* loan in the following table.

No.	Loan characteristics	To members	
		Yes	No
1	Collateral free loan	<input type="checkbox"/>	<input type="checkbox"/>
2	Interest free loan	<input type="checkbox"/>	<input type="checkbox"/>

3.1.18. Who approve loan in your co-operatives?
 1. The assembly of entire members 4. The chairman alone
 2. The Board members 5. 2 and 3
 3. The Loan committee 6. Others/specify/ -----

3.1.19. If your answer to question 3.1.18 above constitute *'the loan committee'*, who comprises the loan committee? / *Multiple answers are possible*/

1. The chair man	<input type="checkbox"/>	4. Control committee members	<input type="checkbox"/>
2. The secretary	<input type="checkbox"/>	5. Chairman, secretary & member	<input type="checkbox"/>
3. Board members	<input type="checkbox"/>	6. Others/specify/-----	

3.1.20. Is there any repayment default experienced by your co-operative on the part of its borrowers?

1. Yes 2. No /skip to 3.1.24./

3.1.21. If your answer to question 3.1.20 above is *'Yes'*, how frequently do you encounter the default of repayment by the borrowers?

1. Very rarely	<input type="checkbox"/>	3. Most of the time	<input type="checkbox"/>
2. Rarely	<input type="checkbox"/>	4. Always	<input type="checkbox"/>
3. Some times	<input type="checkbox"/>		

3.1.22. If your answer to question 3.1.20 above is *'Yes'*, what do you think is/are the reasons?

3.1.23. How do you handle such default problems in the case of your co-operatives?-----

3.1.24. The loan procedure of our co-operative is efficient

1. Strongly disagree	<input type="checkbox"/>	4. Agree	<input type="checkbox"/>
2. Disagree	<input type="checkbox"/>	5. Strongly agree	<input type="checkbox"/>
3. Neutral	<input type="checkbox"/>		

3.1.25. For what purpose do you think the borrowers/members/ take loan from your co-operative?
/ Please indicate the amount in Birr under the given column/

No	Purpose for which the Loan is taken by members	Amount of Loan taken in Birr
1	To buy fertilizers	
2	To buy improved seeds	
3	To buy agro chemicals/herbicides and insecticides/	
4	For purposes such as trades (formal and informal)	
5	To undertake activities (such as animal fattening, poultry)	
6	For immediate household consumption and school fee payments etc/	
7	To make investment on assets/ eg to buy animals, land and other durables	
8	For other purposes/indicate the amount/	

3.1.26. How is the trend in loan request in your co-operative over time?

1. Highly decreasing	<input type="checkbox"/>	4. Increasing	<input type="checkbox"/>
2. Decreasing	<input type="checkbox"/>	5. Highly increasing	<input type="checkbox"/>
3. More or less the same	<input type="checkbox"/>	6. I do not know	<input type="checkbox"/>

3.1.27. If there is increasing trend in the loan request in your co-operative, what do you think is/are the reason? / *Multiple answer is possible*/

1. Increasing co-operative members	<input type="checkbox"/>
2. Increasing awareness of people about the advantage of taking loan	<input type="checkbox"/>
3. Other reasons/explain/-----	

3.1.28. During which seasons of the year, does your co-operative encounter high loan application?

1. During rainy/Kiremt/ months 3. The same through out the year
 2 During harvest/Bega/ months 4. Others/explain/-----

3.1.29. From where does your co-operative bring the money it lend to its members? /please indicate the amount and interest rate if applicable/

No	Source of Fund/money/lent to the members	Amount of Loan	Amount of interest
1	Collection from the members		
2	Loan from government bank		
3	Loan from private bank		
4	Loan from co-operative bank		
5	Loan from members		
6	Donation from NGOs		
7	Money from operational profit/reserved surplus/		
8	Loan from co-operative union		
9	Subsidy from government		
10	Money from other sources/explain/		

3.1.30. Please indicate the amount of loan your co-operative has provided over the last five years in the following table.

No	Type of applicant	Operational Year	Amount of Loan Provided			
			To female		To male	
1	Members		No. of borrowers	Amount of money borrowed	No. of borrowers	Amount of money borrowed
1.1		2002				
1.2		2003				
1.3		2004				
1.4		2005				
1.5		2006				

3.1.31. Co-operatives promote access to credit services by local community

1. Strongly disagree 4. Agree
 2. Disagree 5. Strongly agree
 3. Neutral

3.1.32. Indicate the *major problems* you encountered so far with respect to provision of credit/loan services-----

3.1.33. What kind of *remedial actions* do you suggest to overcome the problems you have indicated in questions 3.1.32 above? -----

3.2: Input Supply/ Service Provisions

3.2.1. Which of the following activities/inputs/services/ are currently undertaken/supplied/ by your co-operative? (*Multiple answers are possible*) / Put '✓', in the proper cell/ /

No	Types of input/activity/service	Yes	No	NA
1	Fertilizers supply			
2	Improved seeds supply			
3	Loan/credit/services			
4	Insecticides/herbicides supply			
5	Basic consumable goods and services supply/ retail shops/			
6	Milling services			
7	Storage services			
8	Other/specify if any/			

3.2.2. For those inputs or service your co-operatives currently supply/or provide/, please indicate the *access to* and *quality of* input market service being provided, relative to previous sources of the members of your co-operatives

Use: (1 = Deteriorated; 2 = the same as before; 3 = Slightly improved
4 = Moderately improved; 5 = Highly improved; 6 = Not Applicable)

No	Type of input goods/services Provided	Access			Quality of goods or services	
		Availability for the required amount	Availability at required time	Availability at required place	Availability for fair /reasonable/ price	Quality of inputs/services
1	Fertilizers					
2	Selected seeds					
3	Agro-chemicals					
4	Credit/loan/					
5	Consumable goods and/or services					
6	Storage services					
7	Other/specify/					

3.2.3. For those inputs or service your co-operative currently provide to its members, how do you rate *the access to*, and *quality of* the goods and/or services relative to other currently available /options?

Use: 1 = No other option 2 = Lower; 3 = the same as other alternatives;

4 = Slightly better 5 = Moderately better; 6 = Highly better; 7 = Not applicable

No	Type of input goods/services required	Access			Quality of goods or services	
		Availability for the required amount	Availability at required time	Availability at required nearby place	Availability for fair /reasonable /price	Quality of goods and/or services
1	Fertilizers					
2	Selected seeds					
3	Agro-chemicals					
4	Loan and other credit facility					
5	Storage services					
6	Consumer goods shopping services					
7	Others/specify if any/					

3.2.4. Please indicate whether the *member* can get access to the various inputs/services from your co-operative *on credit basis* in the following table.

No	Type of input goods/services provided	Yes	No
1	Fertilizers		
2	Improved seeds		
3	Insecticides/herbicides		
4	Consumable goods shopping & other services		
5	Loan and other credit facility (in cash and/or in kind)		
6	Storage service		
7	Milling services		
8	Other/specify if any/		

3.2.5. For those cases where your co-operative provide inputs to non-members (if any), does it provide on equal ground with the members?

1. Yes /skip to 3.2.7/ 2. No

3.2.6. If your answer to question 3.2.5 above is 'No', please indicate the type of variation in treatment of the members and the non-members -----

3.2.7. For those inputs and/or services that your co-operative currently supply/provide for cash and/or on credit, please indicate whether your co-operative *meet the amount demanded* by the users/ members and/or non members/ in the following table.

/Put the number corresponding to each relative weight in the boxes/

1= Non of the time ; 2 = Very rarely ; 3 = Some times ;

4 = Most of the time; 5 = Always ; 6= Not applicable

No	Type of input goods/services provided	To members		To non members	
		For Cash	On credit	For cash	On credit
1	Fertilizers				
2	Improved seeds				
3	Loan and credit service(in cash and/or in kind				
4	Insecticides/herbicides				
5	Consumable goods shopping & other services				
6	Storage service				
7	Milling services				
8	Other/specify if any/				

3.2.8. For those inputs that are not provided to member and/or non members on credit basis, what is the reason of not providing them on credit? */multiple answer is possible if appropriate/*

No	Reasons for which input/service is not provided to users on credit	To members	To non members
1	Not inline with the by-law of the co-operative		
2	Lack of adequate finance/fund/		
3	No demand for credit purchase		
4	Fear of payment default		
5	Lack of finance and fear of repayment default		
6	Others/specify if any/		

3.2.9. For those inputs that are provided to members on credit basis, what is the criteria to provide them on credit to a given member? */multiple answers are possible/*

1. Member ability to pay the credit
2. Amount of share capital of the member in the co-operatives
3. Members inability to buy the input/get the service for cash
4. Member ability to give his/her asset as collateral
5. Others criteria/explain/ -----

3.2.10. For those inputs that are provided to member on credit basis, how they effect the payment?

1. On lump sum bases/the total amount paid at a time/
2. On installment basis/the total amount paid at different time
3. Others arrangement/explain/ -----

3.2.11. If your answer to question 3.2.10 above constitute *'lump sum payment'*, how long can the member stay before effecting the payment? ----- months

3.2.12. If your answer to question 3.2.10 above constitute *'installment payment'* how many installment payment does your co-operative allows to the members? -----

3.2.13. If your answer to question 3.2.10 above constitute *'installment payment'*, please indicate the proportion to be paid and length of time one can stay before effecting the payment

1. The first installment -----% ----- months
2. The second installment -----% -----months
3. The third installment (if any)-----% ----- months
4. Others installments if any /specify/ -----

3.2.14. In your opinion, how do you rate the suitability of the credit payment arrangement for the members?

1. Highly unsuitable 4. Highly suitable
 2. Unsuitable 5. I do not know
 3. Suitable

3.2.15. If your answer to question 3.2.14 is either '*Unsuitable*' or '*Highly unsuitable*' what is the reasons-----

3.2.16. If your answer to question 3.2.14 is either '*Suitable*' or '*Highly suitable*' what is the reason?--

3.2.17. Please indicate your annual supply of different inputs/services; and sale of your co-operative in the following table.

No.	Type of inputs/ supplied and/or distributed	Operational Year									
		2002		2003		2004		2005		2006	
		Qty.	Birr	Qty	Birr	Qty	Birr	Qty	Birr	Qty	Birr
1	Fertilizers										
2	Improved grain seeds										
3	Improved vegetable varieties										
4	Agro-chemicals										
5	Loan/credit/services										
6	Others/explain if any/										

3.2.18. From where your co-operative obtain the different inputs it supplies to the users/

Please put the '01' if it is for cash; and '02' if it is for credit, in the appropriate cell/

No	Type of input goods/services supplied	Source of input to be supplied						
		Government	Co-operative union	Individual suppliers	NGOs	Research institutes	Others /specify/	NA
1	Fertilizers							
2	Improved Seeds							
3	Agro-chemicals							
4	Credit/loan/							
5	Other/specify/							

3.2.19. Where is the location of the source of the inputs you indicated in question 3.2.18 above / put the '✓' mark in the appropriate cell/

No	Type of input goods/services supplied	Location of the Source of the inputs indicated in question 3.2.18 above					
		Rural area market	Woreda Capital	Regional Capital	National Capital	Others Locations/specify/	NA
1	Fertilizers						
2	Selected seeds						
3	Insecticides /herbicides/						
4	Loan and other credit facilities						
5	Consumable goods and/or services						
6	Other/specify/						

3.2.20. Co-operatives promote access to inputs market by local community

- | | | | |
|----------------------|--------------------------|-------------------|--------------------------|
| 1. Strongly disagree | <input type="checkbox"/> | 4. Agree | <input type="checkbox"/> |
| 2. Disagree | <input type="checkbox"/> | 5. Strongly agree | <input type="checkbox"/> |
| 3. Neutral | <input type="checkbox"/> | | |

3.2.21. Please, indicate the **major problems** you encountered so far with respect to the supply/provision of inputs-----

3.2.22. Please, indicate the **remedial actions** you suggest to overcome the problems you have identified in questions 3.2.21 above -----

3.3: Output/Product/ Market Service

3.3.1. Please indicate the type of product marketing services that are currently provided by your co-operative in the following table. (Put '✓' mark in the proper cell; NA-means not applicable)

No	Type of product marketing services	Is the Marketing Service Provided		
		Yes	No	NA
1	Grains marketing			
2	Vegetables marketing			
3	Milk and milk product marketing			
4	Sand and other minerals marketing			
5	Others/Explain/			

3.3.2. For those products currently sold/traded by your co-operative, from where you obtain them? /multiple answer is possible/

1. By purchasing from members only in competitive market
2. By purchasing both from members and non members in competitive market
3. From what is collectively produced by the co-operative members
4. Others mode/explain/-----

3.3.3. If your answer to question 3.3.2 above is purchasing from the producers/members and/or non members/, how do you purchase it? / Please put the '✓' mark in the appropriate cell/

1. From members only for cash
2. From members only on credit
3. Both from members and non-members for cash
4. Both from members and non-members on credit
5. From what is produced collectively by members
6. Others/specify if any/-----

3.3.4. How does your co-operative market those products/outputs that it is sales? / Please indicate your marketing mode in the following tables by putting the '✓' mark in the appropriate cell/

No	Type of product marketing services	Indicate the marketing system/mode/				
		Retail	Whole sale	Both whole sale and retail	Others	NA
1	Grains marketing					
2	Vegetables marketing					
3	Milk and milk product marketing					
4	Sand and other minerals marketing					
5	Others/Explain/					

3.3.5. For those products that your co-operative currently market, where is the location of the product markets you indicated in question 3.3.4 above? /put the '✓' mark in the appropriate cell/

No	Type of product marketing services	Location of the product market indicated in question 3.3.4 above					N A
		Rural area /Local market/	Woreda Capital	Regional Capital	National Capital	Other Locations	
1	Grains marketing						
2	Vegetables marketing						
3	Milk and milk product marketing						
4	Sand and other minerals marketing						
5	Others/Explain/						

3.3.6. For those goods that your co-operative currently market and/or trade with, please rate the accessibility and quality of market service provided to the members relative to members' previous market options. Use: 1 = Highly deteriorated; 2 = Deteriorated; 3 = The same as before; 4 = Moderately improved; 5 = Highly improved; 6 = Not Applicable

No.	Type of outputs goods/services Market	Access to, and Quality of Market			
		Adequacy of market service provided by your co-operative	Availability of market at any time	Availability of market at required nearby place/ market proximity/	Reasonableness of market price for the products
1	Grain				
2	Vegetables				
3	Milk and Milk products				
4	Sand and other minerals				
5	Others/specify/				

3.3.7. If your answer to question 3.3.6 is either 'deteriorated' or 'Highly deteriorated' what is the reason?-----

3.3.8. If your answer to question 3.3.6 is either 'moderately improved' or 'Highly improved' what is the reason?-----

3.3.9. For those products market that your co-operative currently provide, compare *access* to and *quality* of the market service provided by your co-operative relative to other alternative marketing options currently available to members, in the following table

Use: (1 = No other option; 2 = Highly Lower; 3 = Lower; 4 = the same as other options; 5 = Better; 6 = Highly better; 7 = Not Applicable)

No.	Type of outputs goods/services market	Access to, and quality of Market			
		Adequacy of market service provided by your co-operative	Availability of market at any time	Availability of market at required nearby/proximate/ place	Reasonableness of market price for the products
1	Grain				
2	Vegetables				
3	Milk and Milk products				
4	Minerals/eg sand/				
5	Other products/specify				

3.3.10. If your answer to question 3.3.6 is either '*Lower*' or '*Highly lower*' what do you think is the reason-----

3.3.11. If your answer to question 3.3.6 is either '*Better*' or '*Highly better*' what is the reason?-----

3.3.12. How many market center/collection/centers does your co-operative has? -----

3.3.13. Is the location of the market center of your co-operative suitable for the service users such as members?

1. Yes /Skip to 3.3.15/ 2. No

3.3.14. If your answer to question 3.3.13 above is '*No*', what are the reason / -----

3.3.15. If your answer to question 3.3.13 above is '*Yes*', please indicate its suitability relative to the proportion of service users

1. For very few of the peoples 3. For the majority of the peoples
2. For some peoples 4. For all of the peoples

3.3.16. Please indicate your annual purchase/production; and/sale sale of your co-operative in the following tables (*Please put 'NA' if it is not applicable/not relevant*)

No.	Annual production /Purchase/Collection	Operational Year									
		2002		2003		2004		2005		2006	
		Qty.	Birr	Qty	Birr	Qty	Birr	Qty	Birr	Qty	Birr
1	Grain										
2	Vegetables										
3	Milk and Milk Products										
4	Sand and other Minerals										
5	Others/explain if any/										

No.	Annual Sales/Distributions	Operational Year									
		2002		2003		2004		2005		2006	
		Qty.	Birr	Qty	Birr	Qty	Birr	Qty	Birr	Qty	Birr
1	Grain										
2	Vegetables										
3	Milk and Milk Products										
4	Sand and other Minerals										
5	Others/explain if any/										

3.3.17. Do you apply any farther processing activity to the product you have purchased/collected from suppliers/members/ before you sale?

1. Yes /skip to 3.3.19/ 2. No

3.3.18. If your answer to question 3.3.17 above is '*No*' what do you think is the reason -----

3.2.19. If your answer to question 3.3.17 above is '*Yes*', what type of farther processing do apply to the products? -----

- 3.3.20. please, indicate the relative proportion of your co-operative sales for different products/output collected/purchased form suppliers/members/
1. To individuals/organizations in local market -----%
 2. To Co-operative unions locally -----%
 3. To other domestic markets other than local market -----%
 4. To foreign markets/export/ -----%
 5. To other buyers/specify/ -----%

3.3.21. From where do you get market information? -----

- 3.3.22. Is there any factor that constrains operational efficiency of your co-operative so far?
1. Yes
 2. No / skip to 3.3.25/

3.3.23. If your answer to questions 3.3.24 above is 'Yes', please indicate the constraining factors with their degree of influence /Put the number corresponding to each relative weight in the given boxes / Use: 1= Not problem; 2 = Slight problem ; 3 = Moderate problem ;

4 = High problem ; 5 = Very high problem

- | | |
|--|---|
| 1. Lack of all weather roads <input type="checkbox"/> | 6. Lack of adequate money <input type="checkbox"/> |
| 2. Distance from the center <input type="checkbox"/> | 7. Lack of members participation <input type="checkbox"/> |
| 3. Lack of transport service <input type="checkbox"/> | 8. Lack of storage <input type="checkbox"/> |
| 4. Chaotic local terrains <input type="checkbox"/> | 9. Poor regulation problems <input type="checkbox"/> |
| 5. Lack of market information <input type="checkbox"/> | 10. Lack of technology <input type="checkbox"/> |
| 6. Poor management control <input type="checkbox"/> | 11. Other problems/specify/----- <input type="checkbox"/> |

3.3.24. What remedial actions do you suggest to overcome the problems you have indicated in question 3.3.25 above? -----

- 3.3.25. Co-operatives promote access to outputs/product/ market by local community
- | | |
|---|--|
| 1. Strongly disagree <input type="checkbox"/> | 4. Agree <input type="checkbox"/> |
| 2. Disagree <input type="checkbox"/> | 5. Strongly agree <input type="checkbox"/> |
| 3. Neutral <input type="checkbox"/> | |

Part-4: Capital Accumulation and Asset Building

- 4.1 Is there any investment made by your co-operative so far on fixed/capital/ assets?
1. Yes /skip to 4.3/
 2. No

4.2. If your answer to question 4.1 above is 'No', what was the reason/problem? -----

4.3 If your answer to question 4.1 above is 'Yes', please indicate the type and amount of investment made by your co-operative so far in the following table

No.	Type of investment	Yes	No	If your answer is 'Yes' total amount of investment so far made in Birr.
1	Investment on construction of offices			
2	Investment on office equipment			
3	Investment on processing machineries			
4	Investment on tractor/harvester			
5	Investment on grain mill			
6	Investment on businesses (co-operative retail shops, and others)			
7	Investment on warehouses/office			
8	Investment on vehicles			
9	Schools			
10	Health centers			
11	Roads			
12	Recreational centers			
13	Others /explain/			

4.4. For the investment made by your co-operative so far if any, please indicate source of fund for the investment. (NB: put the number corresponding to each factor value in the space provided)

No.	Source of financial resource/fund/	Yes	No	Amount if 'Yes'
1	Registration fee from the members			
2	Additional contribution by members			
3	Surplus from the operation of the co-operative			
4	Donation from NGOs, and international institutions			
5	Donation from government, other national organizations			
6	Loan from bank/government/individual /or other sources			
7	Subsidy from government			
8	Others /explain/			

4.5. Co-operatives promotes capital accumulation/asset building/ by local peoples

1. Strongly disagree 4. Agree
 2. Disagree 5. Strongly agree
 3. Neutral

4.6. If your answer to question 4.5 above is 'disagree or strongly disagree' what do you think is the reason?-----

4.7. If your answer to question 4.5 above is 'agree or strongly agree' what type of assets do you think members build as a result of their being member of co-operatives? -----

4.8. If your answer to question 4.5 above is 'agree or strongly agree', how can co-operative enables local community in asset building? /Put the number corresponding to each relative weight in the boxes/

1= Not important; 2 = Slightly important; 3 = Moderately important;
 4 = Very important; 5 = Very highly important

1. Provision of loan& input on credit 4. Through creation of market access
 2. Through provision of training 5. Others/explain/ -----
 3. Through provision of dividend

4.9. What do you comment the co-operatives should do to promote local capital accumulation/ asset building/? -----

5. Employment Creation and Income Diversification Roles

5.1. Employment Creation Roles

5.1.1. Please, indicate if there is any direct/salaried/ employment opportunity created by your co-operative so far by *level of education* and *sex* in the following table (*NB. Professional means a person with diploma and above*)

No	Types of direct employment	If 'Yes', give it in number			No
		Female	Male	Total	
1	Professional /skilled/ permanent employment				
2	Professional/skilled/ contractual employment				
3	Professional/skilled/ average daily laborers				
4	Non-professional/unskilled/ permanent employee				
5	Non-professional/unskilled/ contractual employee				
6	Non-professional/unskilled/ average daily laborers				
7	Other /explain if any/				

5.1.2. For those type of jobs where your answer to question 5.1.1 above is '*No*' what do you thin is the reason for non creation of those jobs? -----

5.1.3. If there are daily employment opportunities in your co-operative, for what type of activities do you need daily laborers? -----

5.1.4. How employee recruitment is made in your co-operatives?

1. Based on qualification/experience/ through advertisement
2. Through friends and relatives
3. Others/explain/-----

5.1.5. Please indicate the total annual salary paid by your co-operative for the year 2006 to different types of workers in the following table?

No	Types of direct employment	Annual Salary Expense in Birr for:		
		Female	Male	Total Salary
1	Professional /skilled/ permanent employment			
2	Professional/skilled/ contractual employment			
3	Professional/skilled/ average daily laborers			
4	Non-professional/unskilled/ permanent employee			
5	Non-professional/unskilled/ contractual employee			
6	Non-professional/unskilled/ average daily laborers			
7	Other /explain if any/			

5.1.6. Please, indicate the relative proportion of direct/salaried/ employment opportunity created by your co-operative so far with respect to: income level, place of origin of peoples, and membership status.

No	Direct employment opportunity created if any	Yes			No
		No. of Female	No. of Male	Total	
1	By economic status of peoples				
1.1	Very low income groups				
1.2	Low income groups				
1.3	Middle income groups				
1.4	High income groups				
1.5	Very high income groups				
2	By place of origin of peoples				
2.1	Local peoples				
2.2	Peoples who came from elsewhere for work				
3	By relation of the peoples to the co-operative				
3.1	Members				
3.2	Non-members				

5.1.7. If there is indirect /self employment/ opportunity created by your co-operative, please indicate the peoples who got such opportunity by *economic conditions* of the people and *type of the self employment opportunity* created in the following table

No	Self employment opportunity created (if any)	Their number if 'Yes'			No
		Female	Male	Total	
1	By skill and economic status of peoples				
1.1	Unskilled very low/low income groups				
1.2	Unskilled middle income group				
1.3	Unskilled high/very high income groups				
1.4	Skilled very low income groups				
1.5	Skilled very low/low income groups				
1.6	Skilled middle income groups				
1.7	Skilled high/very high/ income groups				
1.8	Other /explain if any/				
2	By type of employment opportunities created				
2.1	Handcraft				
2.2	Animal fattening				
2.3	Petty trading such as preparing local drinks				
2.4	Production activities such as mining activities				
2.5	Retailing of consumer goods				
2.6	Animal raring(eg goat, sheep, etc)				
2.7	Poultry				
2.8	Others/ specify if any/				

5.1.8. For those cases where your answer to question 5.1.7 above 'Yes', what is the role of your co-operative in creation of such self employment opportunity /Put the number in the boxes/
1 = Not important; 2 = Slightly important; 3 = Moderately important;
4 = Very important; 5 = Very highly important

- | | |
|---------------------------------|--------------------------|
| 1. Organizing peoples | <input type="checkbox"/> |
| 2. Provision of training | <input type="checkbox"/> |
| 3. Provision of credit/finance/ | <input type="checkbox"/> |
| 4. Creation of market access | <input type="checkbox"/> |
| 5. Others /explain/ ----- | <input type="checkbox"/> |

5.1.9. For those self employment opportunities created/assisted/ by your co-operative, what is the selection criteria of persons to be assisted? -----

5.1.10. Co-operatives create local employment opportunities

- | | | | |
|----------------------|--------------------------|----------------------|--------------------------|
| 1. Strongly disagree | <input type="checkbox"/> | 4. Disagree | <input type="checkbox"/> |
| 2. Disagree | <input type="checkbox"/> | 5. Strongly disagree | <input type="checkbox"/> |
| 3. Neutral | <input type="checkbox"/> | | |

5.1.11. What **problems if any** does your co-operative encountered in creating local employment opportunities?-----

5.1.12. What **remedial actions** do you recommend to overcome the problems you have identified in question 5.1.11 above? -----

5.2. Income diversification Roles

5.2.1. Is there any case where your co-operatives undertake/promote local community income diversification?

1. Yes /skip to 5.2.3/ 2. No

5.2.2. If your answer to question 5.2.1 above is 'No', what is/are the reason? -----

5.2.3 If your answer to question 5.2.1 above is 'Yes', please indicate those areas where income diversification activity is undertaken or initiated in the community, in the following table.

No	Type of community source of income created/initiated by the co-operative	No. of income diversification activities so far done/initiated	Total number of peoples directly benefited from the initiatives	Type of support provided by the co-operative to the community/activity undertaken by the co-operative
1	Informal petty trade			
2	Formal trade			
3	Animal fattening			
4	Handcraft			
5	Poultry			
6	Others/explain/			

5.2.4. In what way do you think your co-operative helped the local community (the members) in improving their livelihood? Please indicate your views in the following table.

(Interviewer, put '✓' in the column corresponding to appropriate factor value)

No.	Description of the role/initiatives/ undertaken by the co-operative	Degree of Roles played by co-operatives				
		No role	Slight role	Moderate role	High role	Very high role
1	Provision of dividend					
2	Provision of credit services					
3	Creating marketing access to the input needed by members for their activity					
4	Marketing the product/output of the members/					
5	Creating collective working opportunities/resource pooling/					
6	Creating access to better technology					
7	Enhancing negotiation ability in the market					
8	Enhancing negotiation ability with government					
9	Increasing productivity					
10	Improving efficiency/economies of scale/					
11	Creating access to training					
12	Promoting capital accumulation/asset building/					
13	Employment creation					
14	Creation of trusts among members					
15	Others,(please explain with their degree of importance)					

Annex-8: Interview guidelines for Bureau Officials

Questions related with the following issues will be presented to key informants

1. Establishment of Co-operatives

- Co-operative registration and promotion
- Membership of co-operatives
- Objectives and functions of co-operative
- Organizational structure of co-operatives
- Factors considered in establishing co-operatives

2. Rules and regulations of co-operatives

- Guiding principles of co-operatives
- Rights and duties of members of the co-operatives
- The nature of service delivery and benefit distribution
- Management of Co-operatives
- Control of Co-operatives
- Powers and duties of co-operative management committees and other decision making bodies
- Accountability, devotion, transparency, etc. of management committee
- Autonomy of the co-operatives

4. Co-operatives Legal and Institutional Environment

- Policy frame for the registration and promotion of co-operatives
- Organizational structure
- Social environment
- Management /leadership of co-operative/
- Horizontal and vertical relationships between co-operatives
- Relationship between the co-operatives and government bodies
- Relationship between the co-operative and private institutions
- Relationship between the co-operatives and other non government organizations
- Co-operative accounting and auditing
- Capacity building/ Human resource development issues

5. Role of Co-operatives in

- Creating local employment opportunities
- Promoting access to input and output market
- Mobilizing local resources
- Promoting local communities income diversification and capital accumulation

- Increasing the productivity of local community
 - Enhancing the participation of women and other disadvantaged groups
 - Introducing modern technology (e.g. improved seeds, improved animal hybrids, improved facilities such as tractors, combiners etc.)
 - Linking local community with different local, regional, national, and international government and non-government bodies and private sectors.
6. Major opportunities of co-operatives
7. Major challenges of co-operatives
- a) Internal issues (management problems, member's participation and loyalty, attitude of peoples towards co-operatives, structural/organizational problems)
 - b) The current political, economic, legal, and social environments
 - c) Outside operating circumstance (Free market competition, market constraints and the like.
 - d) Possible solutions to internal and external problems
 - e) Measures/efforts undertaken to resolve the challenges to the development of the co-operatives.
8. Government responsibility, if any, with respect to:
- In the promotion and regulation of co-operatives
 - In making appropriate support services available to cooperatives and other matters.

Annex-9: Guidelines for Focus Group Discussions

The following issues will be raised in focus group discussions

1. Relationship between members, management and their co-operatives
2. Members awareness and/or attitude towards co-operatives
3. Criteria required to be a member of co-operative
4. Nature of participation in various decision making activities by members
5. About the management of co-operatives
6. About the place of co-operatives in relation with:
 - Accessing input market (e.g. fertilizers, improved seeds, credit services etc), and the situation of the market through co-operatives with respect to:
 - ◆ Market availability at any time, adequacy of supply, proximity of market/ suitability of market location/, fairness of price interest rate, fitness of the supplied inputs, and other related issues.
 - Accessing output markets (e.g. grain market, vegetable market, market for dairy products and so on.)
 - ◆ Market availability at any time, adequacy of demand, proximity of market/suitability of market location/, fairness of price, and other related issues.

Creation of employment opportunity, asset building/capital accumulation/; and enhance members saving, and investment, local resource mobilization, and accessing resources by local community especially the disadvantaged groups

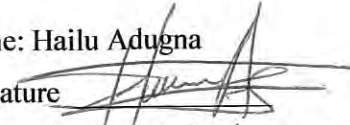
The situation of service provided by co-operatives relative to other alternative operations with respect to service availability for required amount, at required time and place, fairness of price, and quality of service

7. The adequacy, quality and convenience of services provided by co-operative, mode of benefit distribution
8. Problems so far encountered in areas of management, members loyalty, and service delivery and other related areas
9. Accountability, devotion, transparency etc of management bodies/leaders
10. Other related issue

DECLARATION

I, the undersigned declare that this thesis is my original work and has not been presented for a degree in any other university, and that all sources of materials used for this thesis have been duly acknowledged.


Name: Hailu Adugna

Signature 

Date August 22/2007

Place of Submission: Addis Ababa University, July 2007

This thesis is submitted for examination with my approval as an advisor of the candidate.



Tegegne Gebre Egziabher (Ph.D)

July 2007