



Indira Gandhi National Open University
School of Continuing Education

**THE ROLE OF COOPERATIVES IN RURAL DEVELOPMENT: THE
CASE OF AJJE, SHALLA DISTRICT IN OROMIA REGIONAL STATE**

By
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May, 2015
Addis Ababa, Ethiopia

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ETHIOPIA**

By

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A Thesis Submitted to Schools of Continuing Education Master of Arts in Rural Development of
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Degree of Masters of Art in Rural Development

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Addis Ababa, Ethiopia

DECLARATION

I hereby declare that the Dissertation entitled: “THE ROLES OF COOPERATIVES IN RURAL DEVELOPMENT: THE CASE OF AJJE, SHALL DISTRICT IN OROMIA REGIONAL STATES, ETHIOPIA submitted by me in partial fulfillment of the M.A. in Rural Development to Indira Gandhi National Open University, (IGNOU) new Delhi is my own original work and has not been submitted earlier to IGNOU or to any other institution for the fulfillment of the requirement for any course of study. I also declare that no chapter of this manuscript in whole or in part is lifted and incorporated in this report from any earlier work done by me or others.

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Place **Addis Ababa, Ethiopia**

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Abstract

The study examines and discusses the role Primary Agricultural Cooperatives play in promoting rural development and enhancing the welfare status of the rural poor through socio-economic development. The Evolution and concepts of cooperatives movements in Ethiopia are also presented.

Data Collection was achieved through questionnaires, interviews, observations, and the study of published materials in the field from various sources.

Various data in the study demonstrates that the selected case study cooperatives significantly contributed to rural development through agricultural cost reduction, access to market and better price for outputs to their members. On the other hand, the study also shows that cooperatives' potential and their growth was not as anticipated due to weak performance, limited package of services, poor management, financial limitations etc. The Thesis concludes that agricultural cooperatives in Ajje, Shalla District have shown a great potential in promoting rural development. If properly supported and the capacity of the leadership is enhanced, the cooperatives could respond favorably to the required attributes for rural development process. Recommendations to improve the current status includes, revisiting the objective of forming agricultural cooperatives, ensure that only institutions with viable economic plans which are member centered and with community driven ideas shall be promoted and encouraged; and that the agricultural cooperatives shall be treated as grass-root level organizations, with tremendous potential to link the rural communities to other institutions. In order to stimulus rural development, the rural communities shall be linked through the cooperatives to wide ranging service providers and institutions with a view of brining various services to the members. Furthermore, at the center of their entire functions and business dealings, the cooperatives shall operate in such a way that won't undermine and compromise members' sense of belongings and ownership.

CHAPTER ONE

1. INTRODUCTION

1.1 Back ground and Rational

Cooperatives and Rural Development: “The United Nations through its specialized agencies, specifically FAO and ILO, often recommends the cooperative enterprise as the agent most suitable to promote rural development in all its dimensions: opportunity, empowerment and security” (MASHAV 2014:2). The World Cooperative Movement organized under its umbrella institution – International Cooperative Alliance (ICA) – partners with international development agencies to promote the cooperative business model.

Through their involvement in all sectors of the economy, cooperatives represent a means for people to identify and exploit opportunities. For instance, cooperatives enable farmers to achieve and enjoy economies of scale in purchasing inputs and marketing produce. Furthermore, cooperatives are important forms of social capital that empower community self-help action that may take off into a process of sustainable human development. Cooperative democratic organization encourages active membership participation thus helping people help themselves.

Cooperatives allow people to convert individual risks into collective risks thus reducing vulnerability both on an individual and household level. People throughout the world have organized cooperatives in order to meet their needs in a wide variety of endeavors: agricultural co-ops, consumer co-ops, cooperatives providing health and education services, as well as cooperatives created to promote new business initiatives and create decent employment opportunities (MASHAV, NISPED 2014:3).

Sustainable development requires “social capital,” a concept used by some analysts to refer to networks and positive working relationships, and to social conditions such as mutual trust and good will (Roseland 1999); cited in Michael Gertler 2001:3-4. When they work well, co-operatives reproduce and expand social capital, which then contributes to the success of other projects. Co-operatives play an integrating and stabilizing role, foster alliances and coalitions, and can help to reduce social inequality. Co-operatives thus provide “social services” to regional

economies in much the same sense that some activities (e.g., agriculture) may provide “environmental services.” (Michael Gertler 2001:3-4).

Cooperatives have a long history in Ethiopia: “Cooperation among people has existed since history has been record. Traditional forms of cooperation involved community members voluntarily pooling financial resources through "iqub", which was an association of people having the common objectives of mobilizing resources, especially finance, and distributing it to members on rotating basis. There were also initiatives for labour resource mobilization that were to overcome seasonal labour peaks, known as "Jigie”, “Wonfel”, among others. There also was the idir, which was an association for provision of social and economic insurance for the members in the events of death, accident, damages to property, among others. These informal associations continue to operate in Ethiopia” ILO 2009:Viii.

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

Currently, cooperatives are recognized as an important instrument for socioeconomic improvement of the community. This importance is recognized in their definition, which considers cooperatives to be: An association of persons who have voluntarily joined together to a common end through the formation of a democratically controlled organization, making equitable contribution to the capital required and accepting a fair share of the risks and benefits of the undertaking, in which the members actively participate (FCA, 2007c: 1); cited in ILO, 2009: 1.

The Cooperative Proclamation No. 147/1998 identified clear goals and authorities, which supported a more conducive legal environment for the formation of Ethiopian cooperatives. The goals include social, economic and other motives that require joint actions for attaining a common target. However, its been argued that the extent to which the cooperatives in Ethiopia

have been able to attain these goals has not been adequately analyzed. Similarly, the actual extent of the cooperative movement is unknown. This study therefore attempts to review the existing literature on the cooperative movement and explore their role and impacts in rural development with a focus in Ajje Woreda.

1.2 Statements of the problem

New challenges and new uncertainties make it urgent to act in order to take advantage of new opportunities as well as to put a halt to the trends which condemn contemporary rural populations to abject poverty. Opportunities originate in a dynamic market-driven “new agriculture” led by high value activities. They originate in major institutional and technological innovations and in new roles for the state, for private actors, and for people centered enterprises such as Cooperatives in using agriculture and non-agricultural micro and small enterprises (SME) more effectively for development. The challenge is to include smallholders in agricultural growth and to benefit the rural poor through agricultural and rural non-farm employment.

Co-operatives have often come into existence because small-scale producers seek protection from more powerful players in the market-place. Other co-operatives have been developed where conventional firms perceive high risks and low returns given market structure or the character of the particular resources involved. These co-operatives may survive because they take on roles that are of minor interest to others. Certain co-operatives have been created in reaction to acute ecological and social crises. Yet co-operatives may have special potential as enterprises that can foster cultural, organizational, and technological change—the kindsofChange required if significant movement in the direction of sustainable development is to be achieved. Given their structure, rationale, and principles, this is an arena in which co-operatives may well outperform both private and state enterprise. Given their organizational characteristics and context, this is also a playing field on which co-operatives can achieve commercial advantages (Michael Gertler 2001:8).

Co-operatives frequently serve as facilitating partners in alliances or coalitions involving combinations of local, national, and international, and public- and private-sector organizations. Partnerships are part of the new practical reality in community economic development. Cooperatives are often key partners, trusted and respected by nongovernmentalOrganizations (NGOs), state agencies, and private-sector firms. As brokering partners, they frequently provide

leadership resources and may serve as facilitators for projects involving complex alliances (Ortíz Mora 1994; Ketilson et al. 1998); cited in Michael Gertler 2001:8. And, thus, a central thesis of this paper is that co-operatives, and especially agricultural co-ops, can successfully take on socio-economic agendas, and can play a key role in the overall rural development process. However, although this is the same noble mission and end goal that cooperatives around the world carry, their actual performance and impacts vary from place to place as they are exposed to different opportunities and constraints. And thus, one would ask that to what extent Cooperatives in Ethiopia, specifically in Ajje Woreda have contributed towards overall rural development. Therefore, the purpose of this thesis is to fill this gap by exploring the actual and potential contributions and impacts of Multi-purpose farmers' cooperatives in striving towards rural development using empirical evidence from selected primary multi-purpose farmers' cooperative in Ajje Woreda, East Shewa, Oromia regional states.

2. Basic Research Questions

- What are the contributions of cooperatives to the welfare of their members and to rural development in general?
- What methods do cooperatives employ in the effort towards attaining socio-economic development of the rural household? What makes agricultural cooperatives useful for the rural poor?
- What is the condition under which cooperatives operate and what are the factors affecting their performance?

3. Research Objectives

3.1 General Objectives:

The overall objective of this study is to explore the impact that multi-purpose farmers cooperatives has made in promoting rural development in Ajje Woreda.

3.2 Specific Objectives

- To assess the benefits multi-purpose farmers' cooperatives offer to the rural poor in terms of socio-economic development;
- To assess and discuss whether the linkage between multi-purpose farmers' cooperatives and other institutions in development are effective in promoting rural development;

- To assess the overall situation of primary cooperatives operating in the study area and discuss their strength and constraints;
- To identify possible recommendations that can be adopted by Ajje Woreda's cooperatives promotion desk and other stakeholders in the study area.

4. Scope of the Study

The study on the role of primary agricultural cooperatives in rural development is conducted in Ajje Woreda, East Shewa, in Oromia Regional States. The study considers only five selected Multi-purpose farmers cooperatives. The study paid particular attention to investigate the role of selected cooperatives in promoting rural development with respect to socio-economic development. Not all the primary cooperatives involved in agricultural input and output marketing activity found in the study area were covered. The study is confined to primary multi-purpose famers' cooperatives which are engaged in agricultural input and output supply, and provision of consumers' goods.

5. Significance of the Study

The study on the role of agricultural cooperatives in rural development provides some new empirical evidences that may contribute for a better understanding of the conditions under which primary agricultural cooperatives are functioning and are promoting the standard of living to the rural poor and triggering and enhancing rural development in study area. The researcher also anticipates that this thesis offers new insight for policymakers, researchers, and development practitioners.

6. Organization of the paper

This Thesis comprises four chapters. Chapter one constitutes background and rationale, statement of the problem, research questions, objectives, research methodology, scope, and limitations of the study. The second chapter presents literature review that will provides theoretical and empirical framework to the research. The third chapter is the main body of the research that comprises data analysis, interpretation and findings. Finally, the fourth chapter presents conclusion and recommendations.

CHAPTER TWO:LITERATURE REVIEW

2.1.Definitions and Concepts of Cooperatives

In their effort to try to meet social, cultural, and most importantly, economic needs, people forms organizations/associations which are used as tools or vehicles for the attainment of desired needs (Makungu, 1982:3). The definitions of cooperatives are many and varied. The International Cooperatives alliance (ICA)¹, “A co-operative is 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.” The cooperatives are formed for a major purpose of acting together as a group to attain common objectives, which cannot be attained individually. The concept is based on common ownership and equitable distribution of proceeds. Although the definitions of Cooperatives vary, three major elements are more pronounced and these are, voluntary association, democratic deliberation and common objectives.

Cooperative societies may, according to their nature, be established at different levels from primary up to the federal level (Ethiopian Federal NegaritGazeta cooperative societies Proclamation No. 147/1998). Cooperative societies at primary level are with individual persons as members, while cooperative unions are formed at the secondary level with cooperative societies as the members. Thus, in the latter case, cooperative societies in the same sector within a specific geographical region could join together to form a cooperative union for purposes of mobilizing capital to invest in a bigger business venture that is beyond the reach of a single cooperative society.

2.1.1 Cooperatives Values and Principles

The cooperative principles are guidelines by which cooperatives put their values into practice. Cooperative societies have certain distinguishing principles or characteristics, which set them apart from other forms of business organizations. According to literatures, there are seven

¹<http://ica.coop/en/whats-co-op/co-operative-identity-values-principles>

principles generally agreed upon by practitioners in the field. International Cooperative Alliance² (ICA) (1995) stated these values and principles as follows:

Values:

Co-operatives are based on the values of **self-help, self-responsibility, democracy, equality, equity** and **solidarity**. In the tradition of their founders, co-operative members believe in the ethical values of honesty, openness, social responsibility and caring for others.

Principles:

1. Voluntary and Open Membership

Co-operatives are voluntary organizations, open to all persons able to use their services and willing to accept the responsibilities of membership, without gender, social, racial, political or religious discrimination.

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. In primary co-operatives members have equal voting rights (one member, one vote) and co-operatives at other levels are also organized in a democratic manner.

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.

4. Autonomy and Independence

²<http://ica.coop/en/whats-co-op/co-operative-identity-values-principles>

Co-operatives are autonomous, self-help organizations controlled by their members. If they enter into 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

Co-operatives provide education and training for their members, elected representatives, managers, and employees so they can contribute effectively to the development of their co-operatives. 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

Co-operatives serve their members most effectively and strengthen the co-operative movement by working together through local, national, regional and international structures.

7. Concern for Community

Co-operatives work for the sustainable development of their communities through policies approved by their members.

2.2.Types of Cooperatives Societies

As stated in Ethiopian Councils of Ministers Regulation No. 106/2004, cooperative societies of different type may be organized in any economic or social sector of the country. Cooperative societies differ from others based on their unique nature such as their working place, establishment, function and legal personality they have. According to cooperative society's proclamation No. 147/1998, there are about seven cooperative types that are given recognition and operating in the country. These are: agricultural cooperatives, housing cooperatives, industrial and artisan producers' cooperatives, consumers' cooperatives, saving and credit cooperatives, fishery cooperatives, and mining cooperatives.

2.3. Agricultural Cooperatives in Africa

Several efforts have been made to introduce cooperatives in most of the independent countries of Africa since the 1960s. Expectations have been very high, however, in many cases their actual results has been disappointing for many (Attwood and Baviska 1988). In the beginning, many

argued that most of cooperatives introduced in Africa haven't realized their intended purpose. This is mainly attributed to governments' deliberate interventions to hijack cooperatives movements and use them to promote specific political agenda. Generally, because of the top-bottom planning and formation of cooperatives, most of them inopportunately failed. As a few examples of success have been registered in other sectors of cooperatives, agricultural cooperatives made little significance progress (Peters 1988:23).

Agricultural marketing cooperatives are set up in order to market and sell the marketable surpluses produced by its members such as cereals, vegetables, oilseeds, coffee, livestock, and fish produces when prices are better for their maximum benefit. So marketing co-operative is a beneficial system in which a group of farmers join together in order to carry out part or all of the process involved in bringing the produce from producers to consumers (Woldu, 2007:25). At the same time Eberhard (1977) cited in Woldu (2007:26) has identified that the agricultural service cooperatives can engage in any of the following operations.

- a) Supplying of artificial fertilizers, selected improved seeds or plants chemicals tools and technical equipment, lubricating oil and other similar products and animal feed;
- b) Provision of financial means trough credit schemes, supply of other needs goods etc, and the arrangements for their repayment:
- c) Consultation on agricultural problems with respect to choice of crops, selection of proper cultivation methods.
- d) Produce storage on farms and in the corporative establishment;
- e) Marketing of cash crops (coffee, cocoa, tea etc) by exportation and of minor crops (vegetables, citrus, fruits, etc.) within the nation or outside.

2.4. Cooperatives Movement in Ethiopia

Cooperation is an age-old tradition that runs through the fabric of Ethiopian society. For centuries, the spirit of self-help has been an integral part of farming communities. However, despite the existence of several agricultural cooperatives in Ethiopia, with a membership of millions, smallholder farmers continue to be under-served, exploited and marginalized (Walton, 2001:1)³. The modern form of cooperatives were formed in Ethiopia during the era of Emperor

³<http://www.uwcc.wisc.edu/info/intl/ethiopia.pdf>

Haileselassie I. since then, it has gone through several modifications. The progress and development of cooperative movement in Ethiopia is chronologically summarized as follows.

2.4.1. Traditional forms of Cooperation in Ethiopia

As noted above, cooperative life is very common and age-old practice among the Ethiopian communities. A number of literatures indicate that the country has experienced various traditional/informal/institutions both in rural and urban areas for a long time. Some of such informal cooperation include: Debo, Wonfel, Iddir, Iqub, Mahiber, and etc. These traditional forms of institutions are autonomous, and highly respected organizations, that perform diverse socio-economic and political activities (Kebebew, 1978:8). The various socio-economic activities that are undertaken through such organizations includes ploughing, weeding, moving, harvesting, house construction, and conducting wedding and funeral ceremonies and so on. According to Tegegne (2001:41), the embedded social capital between the members of such organizations facilitates cooperation, information communication, trust and linkage among members, all of which are very important to undertake the aforementioned functions. However, According to Bezabih (2012:3) Cooperative as a legal institution first came into being in Ethiopia in 1960s.

2.4.2. Modern Cooperative Movement in Ethiopia

The history of modern cooperative movement in Ethiopia dates back to imperial regime, where government formally issued decrees for the first time to establish modern cooperatives (Kebebew, 1978:8). The historical overview of such modern cooperative movement in the country is presented briefly as follows.

2.4.2.1. Pre-revolutionary Cooperative Movement

In the 1960s, two cooperative acts were adopted for the first time in Ethiopia. The first was Decree No. 44 of the 1960 called the “Farm Workers Cooperatives”. Generally, was meant to serve purposes of arranging cooperative production, processing, transportation and marketing of agricultural production and commodities. The spirit and provisions of these decree was to create collective production cooperatives under Ministry of National Community Development, for landless tenants. The creation of such cooperatives 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 cooperatives 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, of course, without making any fundamental policy of structural change (Kebebew, 1978:8).

The second decree was the Cooperative Society Proclamation No.241/1966 which was part of the governments Second Five Year Development Plan (1963-1967). According to Kebebew (1978); in the 1966 decree, the government aimed at the establishment of service cooperatives, where ownership of the means of production and cultivation remains independent, but agricultural inputs and marketing are performed cooperatively. The objectives of these cooperatives include: 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 (Hailu, 2007:25). In 1974, towards end of the imperial era, there were approximately 149 cooperatives, including: 94 multi-purpose cooperatives; 19 SACCOS; 19 consumers' cooperatives; 17 Handicraft cooperatives (Bezabih, 2009:5).

2.4.2.2. Cooperative Movement during the Military Regime (1974-1991)

The 1974 revolution that ousted the imperial regime was followed by fundamental structural changes in socio-economic and political order of the country. The revolution realized significant landmark by adopting socialist line of development in 1975. According to Kebebew (1978:10), the revolution has considerably and effectively attacked some of the obstacles to cooperative movement during the pre-revolutionary period such as institutional (like land tenure system), and other financial and administrative problems.

There were two main types of farmers' cooperative during the Derg: service cooperatives and producer cooperatives. The former were charged with managing input supply, credit, output purchasing, milling services, and the sale of consumer goods for smallholders. The latter were collective production units that were ultimately found to be one-third less productive than individual farms (Desalegn, 1994:138). Both types of cooperatives played a central role, alongside the kebele administration, in levying and collecting taxes from smallholders, extending state control to the local level, and promoting a socialist ideology. Farmers came to view these

cooperatives as well as their state-appointed leaders as synonymous with government oppression (Bernard 2010:16).

The number of cooperatives significantly increased during the Derg regime (1974-1991), with approximately 10,524 primary cooperatives having 4,529,259 members recorded. Cooperative organization was highly political during this time and many cooperatives were dismantled following the downfall of the Derg regime in 1991. According to the FCA and estimates made by Lemma (2009), the number of cooperatives in Ethiopia declined from 10,524 during the Derg regime to 7,366 cooperatives in 1991 (Bezabih 2009:6).

2.4.2.3. Cooperative Movement in Post – 1991 Ethiopia

Following the downfall of the military government in 1991, several radical changes have been observed in economic and political life of the country. For one thing, the country has changed from centrally planned command economic policy to free market economy. It has also undergone various political and economic reforms such as decentralization, democratizations, privatization, currency devaluation and economic liberalization (Hailu, 2007:28-29). Accordingly, the transitional government of Ethiopia has enacted its first agricultural co-operative law (i.e. Proc.No. 85/1994), which provided for the establishment and reorganization of autonomous and genuine primary level agricultural cooperatives that are supposed to operate in accordance with the rule of free market economy (ibid).

In 1996/97, the Ethiopian Government prepared a draft cooperative 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 cooperative 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. Accordingly, Federal Cooperative Commission is established by “Cooperative Commission” Establishment Proclamation No., 274/2002, which latter on renamed as Federal cooperative Agency in 2006. It is established as autonomous federal government organ, which is accountable to the Ministry of Agricultural and Rural Development (Hailu, 2007:31).

According to Hailu (2007), the formulation and issuance of the “Cooperative Societies Proc.No.147/1998 was meant to correct the legal and policy defects of the 1994 proclamation

and related cooperative laws. Accordingly, unlike its preceding proclamation, it provides a detailed policy rules with respect to issues such as: the formation and registration of cooperative societies; the rights and duties of members of a society; management of cooperative societies; and their special privileges. Moreover, it proclaimed for the issues of asset and funds of cooperative 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 “Cooperative Societies (Amendment) Proc. No 402/2004, which, the Council of Minster has provided for its implementation by “Councils of Ministers Regulation No. 106/2004 (Federal NegaritGazeta, No 27/1998; and No. 43 and No. 47/2004).

furthermore, Cooperative Society proc. No. 147/1998 also provides for the establishment of cooperatives, according to their nature, at different levels into four-tier structures: the primary societies (i.e. the lowest level which is supposed to 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 cooperative societies); tertiary level (i.e. federation of different unions at regional and/or inter-regional level); and the quaternary level or cooperative league (i.e. the confederation of all level cooperatives in the country at the national level).

Due to such favorable policy environment, primary cooperatives of common interest have started forming cooperative unions. In March 2006, there were 112 cooperative unions with 2,303 affiliated primary cooperatives. In the same period, there were a total of 19,147 primary cooperatives. The number of cooperative unions and affiliated primary cooperatives has continued to increase since then. In July 2008, the total number of unions had increased to 147 and affiliated primary cooperatives represented by unions had increased to 2,955, making the number of primary cooperatives represented by unions to rise to 12.75 per cent. There is a significant difference in the distribution of cooperative unions among regions in Ethiopia. Oromia accounts for large proportions of unions, followed by Amhara and Tigray (Bezabih 2009:6).

2.5. Cooperatives and Rural Development

2.5.1. Definitions and Concepts of Rural Development and Poverty

Poverty:

*“Poverty is general scarcity or dearth or the state of one who lacks a certain amount of material possessions or money. It is a multifaceted concept, which includes social, economic political elements. Poverty seems to be chronic temporary, and most of the time it is closely related to inequality. As a dynamic concept, poverty is changing and adapting according to consumption patterns, social dynamics and technological change. Absolute poverty **destitution** refers to the deprivation of basic human needs, which commonly includes food, water, sanitation, clothing, shelter and health care. Relative poverty is defined contextually as economic inequality in the location or society in which people live.”⁴*

Poverty Reduction:

“Poverty reduction is a major goal and issue for many international organizations such as the United Nations and the World Bank. The World Bank estimated 1.29 billion people were living in absolute poverty in 2008. Of these, about 400 million people in absolute poverty lived in India and 173 million people in China. In terms of percentage of regional populations, sub-Saharan Africa at 47% had the highest incidence rate of absolute poverty in 2008. Between 1990 and 2010, about 663 million people moved above the absolute poverty level. Nevertheless, given the current economic model, built on GDP, it would take 100 years to bring the world's poorest up to the standard poverty line of \$1.25 a day. It has been argued by some academics that the neoliberal policies promoted by global financial institutions such as the IMF and the World Bank are actually exacerbating both inequality and poverty. Extreme poverty is a global challenge; it is observed in all parts of the world, including developed economies. UNICEF estimates half the world's children (or 1.1 billion) live in poverty”.⁵

Rural Development:

“Rural development is the process of improving the quality of life and economic well-being of people living in relatively isolated and sparsely populated areas. Rural development has traditionally centered on the exploitation of land-intensive natural resources such as agriculture and forestry. However, changes in global production networks and increased urbanization have changed the character of rural areas. Increasingly tourism, niche manufacturers, and recreation have replaced resource extraction and agriculture as dominant economic drivers. The need for rural communities to approach development from a wider perspective has created more focus on a broad range of development goals rather than merely creating incentive for agricultural or resource based businesses. Education, entrepreneurship, physical infrastructure, and social infrastructure all play an important role in developing rural regions. Rural development is also characterized by its emphasis on locally produced economic development strategies. In

⁴<http://en.wikipedia.org/wiki/Poverty>

⁵<http://en.wikipedia.org/wiki/Poverty>

*contrast to urban regions, which have many similarities, rural areas are highly distinctive from one another. For this reason there are a large variety of rural development approaches used globally”.*⁶

Given that poverty is much more complex, it is defined in this thesis as a condition that deprives the individual the basic necessities for existence like food, water, shelter and clothing as well as other fundamentals to life like health, education, security, opportunity and freedom. Deprivation of these basic and fundamental demands of life results into the exclusion of the individual in society due to lack of capability to function and exercise the freedom of choice (Wanyama et al, 2008:2).

2.5.2. Measurement of Poverty

The measurement of poverty can be split into two distinct operations. The first is identification of the poor and the second is aggregation of their poverty characteristics into an overall measure. The most common route to identification is through specifying a set of ‘basic’ or ‘minimum’ needs, and regarding the inability to fulfill these needs as the test of poverty (Sen, 1991:24). For this particular study, a multidimensional poverty index (MPI) developed by Oxford Poverty and Human Development Initiative (OPHI) and the United Nations Development Program Human Development Report (UNDP HDR) is preferred in order to relate it to the welfare status of the people under study. The MPI is a new international measure of poverty covering 104 developing countries. The MPI complements income poverty measures by reflecting the acute deprivations that people face at the same time. It identifies people who contended with multiple deprivations across three dimensions: education, health and living standards. The three dimensions of MPI use 10 indicators which largely reflect the Millennium Development Goals (MDGs)(OPHI, 2010:1).

The MPI comprises the following key components: **I) Education:** a) Year of schooling (i.e. deprived if no household member has completed five year of schooling); and b) School attendance (i.e. deprived if any school aged child is not attending school in years 1 to 8); **II) Health:** a) Child Mortality (i.e. deprived if any child has died in the family); b) Nutrition (i.e. deprived if any adult or child for whom there is nutritional information is malnourished); **III) Standard of Living:** a) Electricity (i.e. deprived if the household has no electricity); b) Drinking water (i.e. deprived if the household does not have access to clear drinking water or clear water

⁶http://en.wikipedia.org/wiki/Rural_development

is more than 30 minutes' walk from home); c) Sanitation (i.e. deprived if the household does not have adequate sanitation or if their toilet is shared); d) Flooring (i.e. deprived if the household has a dirt, sand or dung floor); e) Cooking fuel (i.e. deprived if the household cooks with wood, charcoal, or dung). e) Assets (i.e. deprived if the household does not own more than one of radio, TV, telephone, bike, motorbike, or refrigerator and does not own a car or tractor).

2.5.3. Impact of Cooperatives in Development and Poverty Reduction

In spite of their chequered history, cooperatives are widely seen to have potential to impact on development and poverty reduction (Birchall, 2008). DFID (2010), for example, argue that cooperatives make an important contribution to sustained economic growth and to making markets function better for poor people (DFID, 2010). The UN has acknowledged important direct and indirect impacts on socio-economic development in terms of promoting and supporting entrepreneurial development, creating productive employment, raising incomes and helping to reduce poverty while enhancing social inclusion, social protection and community-building (UN 2009). Several studies argue cooperatives not only directly benefit their members, but also have positive effects for the rest of society (UN 2009).

More specifically, agricultural cooperatives play an important role in food production and distribution, and in supporting long-term food security. Savings and Credit Cooperatives (SACCOs) are increasingly popular and may soon be the most common form of cooperative within the African cooperative movement (Pollet, 2009). They are seen to expand poor people's access to financial services (loans and savings), support enterprise start-up and expansion, and reduce vulnerability by allowing the poor to accrue savings, build assets and smooth out consumption. They are one of the largest providers of micro finance services to the poor, reaching 78 million people living below \$2 a day (DFID, 2010). Cooperatives are also sometimes seen as beneficial for conflict resolution, peacebuilding and social cohesion.

Whilst cooperatives are often described as promoting both economic and social goals, the evidence in regard to the latter is weaker, and sometimes contradictory. Pollet (2009) finds that whilst cooperatives may have a significant direct impact on people's life through the services they deliver (e.g. credit, agricultural inputs, access to markets, storage and transport, housing, among others), evidence of their significance in other social and societal domains has not been particularly forthcoming.

2.5.4. The potential roles of cooperatives in development

UN, 2009, 'Cooperatives in Social Development', Report of the Secretary-General, United Nations, New York⁷ argues cooperatives have direct and indirect impacts on socio-economic development by promoting and supporting entrepreneurial development, creating productive employment, raising incomes and helping to reduce poverty while enhancing social inclusion, social protection and community-building. Whilst cooperatives directly benefit their members, they also offer positive externalities for the rest of society, and have a transformational impact on the economy. Some of the specific ways cooperatives contribute to development goals include:

- Agricultural cooperatives play an important role in food production and distribution, and in supporting long-term food security. To give an idea of scale, in India there are some 150,000 primary agricultural and credit cooperatives serving more than 157 million agricultural/rural producers. Some agricultural cooperatives improve farm productivity by obtaining inputs at low cost, encouraging sustainable farming techniques, and developing members' management and organizational skills. In Nicaragua, for example, Central de Cooperativas de Servicios Múltiples (PRODECOOP), a federation of small coffee-producing cooperatives, integrates all the cooperatives in a given area to improve the quality of the coffee and to trade in the international market. PRODECOOP also maintains an Education and Training Fund capitalized with 20 per cent of the surplus made, to improve productivity.
- Agricultural cooperatives also promote the participation of women in economic production, which, in turn helps in food production and rural development: 'through cooperatives, women are able to unite in solidarity and provide a network of mutual support to overcome cultural restrictions to pursuing commercial or economic activities' (p.8). For example, women-only cooperatives in South Asia facilitate economic independence and improve the social standing of women through their active participation in businesses and management. A survey in Nigeria indicated that compared to non-cooperative members, women engaged in cooperative activities were better off, both in terms of productivity and economic well-being (p.8).

⁷http://www.un.org/esa/socdev/social/cooperatives/coop_docs.htm

- Financial cooperatives(credit unions, savings and creditcooperatives or cooperative banks)enable easy accessto savings and credit at low-cost. They work by pooling limited capital: members’ mandatory purchase of ownership shares in the cooperative and their deposit/savings accounts serve as the funding base to enable the cooperative to extend credit to members. Financial cooperatives are the largest providers of microfinance services to the poor. It is estimated that globally, financial cooperatives reach 78 million clients living below a poverty line of \$2 per day. In South Asia, for example, 54.5 percent of borrowers living below \$2 per day were served by cooperatives, compared to19 per cent served by other microfinance providers. _Financial cooperatives thusplay a central role in the achievement of an inclusive financial sector thatencompasses the poor’(p. 11).

- In many countries, cooperatives are substantialproviders of social protection, especially healthcoverage. In some countries, they participate in the management of compulsory health insurance or provide services through their networks of health and social facilities. Governments have partnered with cooperatives to extend socialprotection. For example, the Yeshasvini Cooperative Farmers Health Scheme(Karnataka, India), which serves 2 million people, is financed by members’ annual premium contributions and government subsidy(p.10).Cooperatives have been instrumental in peacebuilding. In Sri Lanka andNepal, cooperatives have been the only independent organizations allowed by allparties to operate in conflict zones.

- The report points out that like other business enterprises, cooperatives have limitations, and will thrive in supportive environments and struggle in others. The success ofcooperatives is a function of capable management and governance and the ability toadapt to prevailing business conditions. _The primary means therefore of leveraging cooperatives for socio-economicdevelopment is to promote their formation and growth in a sustainable manner, consistent with cooperative values and principles and respectful of their autonomy. This requires a sound policy and legislative framework and a level playing fieldvis-à-vis other enterprises’(p.14).

2.5.5. Partnering with Cooperatives for Poverty Reduction

DFID, 2010, 'Working with Cooperatives for Poverty Reduction', Briefing Note, UK Department for International Development, London⁸ outlines the role of cooperatives in poverty reduction, and presents lessons and case study analysis from DFID's experience of supporting cooperative development around the world. The policy brief argues that cooperatives make an important contribution to sustained economic growth and to making markets function better for poor people. Donors should respect cooperatives' institutional integrity, with their distinctive model of governance and enterprise. This policy brief also outlines cooperatives' contribution to poverty reduction in the following ways:

- **Contribute to sustained economic growth:** The top 300 global cooperatives have a combined turnover of US \$1.1 trillion. Cooperatives employ over 100 million people (more than multinational corporations) and contribute to increased agricultural productivity, expanded access to financial services and critical utilities such as electricity. Cooperatives can also make a significant contribution to GDP.
- **Help create more equitable growth:** Cooperatives can help make markets work better for poor people, by generating economies of scale, increasing access to information, and improving bargaining power. Cooperatives have over 800 million members and many operate in the informal sector where they can transform the survival activities of the poor into viable livelihoods. Cooperative profits are re-invested in the business or shared with members so the rewards of enterprise are retained locally.
- **Help tackle rural poverty:** Cooperatives increase the productivity and incomes of small scale farmers by helping them collectively negotiate better prices for seeds, fertilizer, transport and storage. They help farmers expand market access and capture more of the value chain -for example, by getting involved in processing activities. Cooperatives are often the main channel through which smallholders' access Fairtrade certification, which guarantees a minimum price and extra funds for investment.
- **Expand poor people's access to financial services;** including credit savings and in some cases insurance and remittances. These services can support enterprise start-up and expansion; enable the risk taking that can lead to increased profitability; and reduce vulnerability by allowing the poor to accrue savings, build assets and smooth out consumption. Cooperatives are

⁸<http://www.co-op.ac.uk/wp-content/uploads/2010/08/Cooperatives-Briefing-Note.pdf>

one of the largest providers of micro finance services to the poor, reaching 78 million people living below \$2 a day.

- **Provide a range of services such as health care, housing, and utilities such as water and electricity:** Cooperatives have been successful in expanding access to water and electricity for poor people and reducing wastage from illegal diversion of utilities. In Bangladesh, as in the US, rural electricity cooperatives were set up to meet communities' own needs in the absence of any external private firm seeing this as a viable market opportunity –in Bangladesh these serve about 28 million people, with start up support from DFID and USAID.

- **Provide an opportunity for self-determination and empowerment of poor people:** They foster a culture of good citizenship and enable their members to have a voice and participate in a democratic process, thus having empowering development effects beyond their economic benefits.

- **Help with conflict resolution, peace-building and social cohesion:** Where cooperatives bring together people of different religious, ethnic and political groups they can build trust and solidarity leading to greater social stability. Cooperatives have been found to contribute to recovery from conflict by fostering positive relations between ethnic groups previously in conflict in Bosnia, East Timor, Lebanon, Macedonia, Mozambique, Nepal and Rwanda.

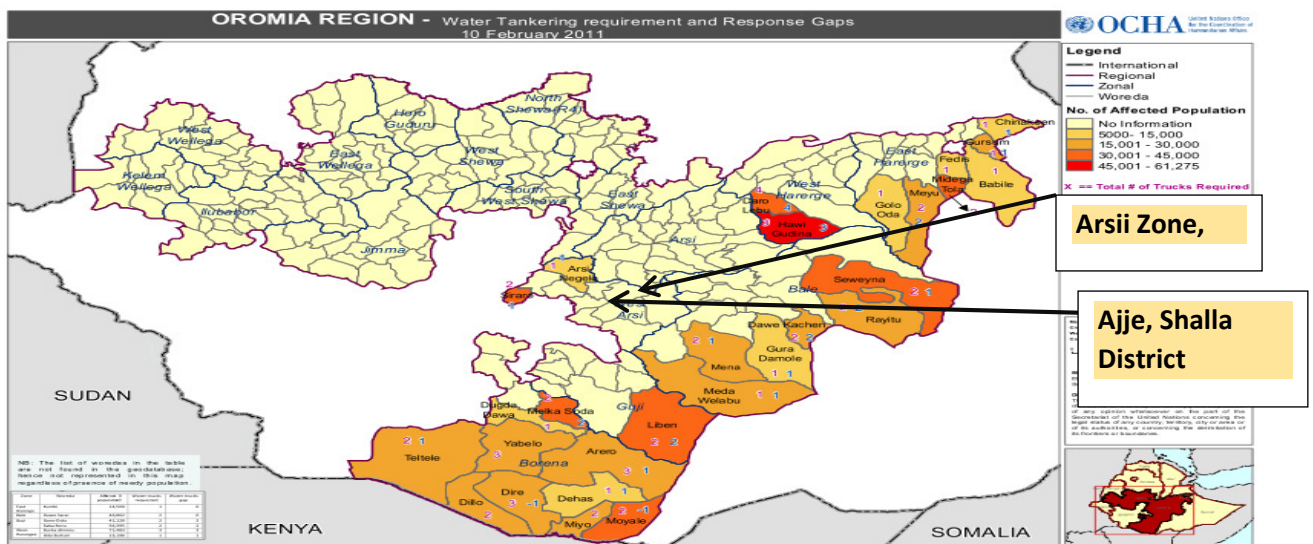
CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Description of the Study Area

Ajje is located within Shalla district, West Arsii Zone, in Oromia Regional State, approximately 282 km south of Addis Ababa. The district is located in the rift valley depression of east Africa characterized by flat land with very gentle sloping ground surface surrounded by ridges, hills, and gullies. It is bordered on the south by siraro, on the west by the Southern Nations, Nationalities and Peoples' Region, on the north by Shalla Lake, and on the east by shashamane, its western boundary is defined by the course of the Bilate river. As per the 2007 population census, Ajje has a total population size of 149,804 (74,874 women) with 5.13% of them are urban dwellers. It comprises 38 peasant associations (PAs) and 2 sub-cities. The majority of the district's population of about over 90% follows the religion of Islam, and over 95% of the population is rural. Ajje is agro-pastoral area. The landscape of the zone is flat and short indigenous shrubs, eucalyptus and acacia trees dominate the vegetation of the livelihood zone.

The area is sparsely populated and, as a result, households own relatively large areas of land. Mixed farming is the main livelihood pattern. The cultivation of cash and food crops, as well as animal rearing, are the main sources of both food and cash income for the majority of households. The main food crop is maize. Other crops include wheat, sorghum, teff and millet. The sale of pepper is the most important source of income for all wealth groups. The main livestock types reared are cattle, goats, sheep and donkeys.

Fig.1. Map of the study area



Source: UN OCHA, UN Office for the Coordination of Humanitarian Affairs, 2014

3.2 Design of the research

The purpose of this study is to assess and understand the role of multi-purpose farmer cooperatives and their real and potential impacts on the reduction of rural poverty through socio-economic development of the rural poor. The study assessed and analyzed the cooperative operations and their significance to members and the rural local community in selected multi-purpose farmers' cooperatives in Ajje, Shalla District of Oromia Regional States. A combination of qualitative and quantitative method is applied for obvious two advantages. First, it is applicable for the right triangulation. The secondary data obtained from different sources such as Federal, regional and local cooperative offices is triangulated with primary data from members in the targeted community. Secondly, one method can be imbedded into another method so as to provide better insights.

3.2.1 Method of Sampling and Sample Size

According to the Ajje Woreda Cooperatives Promotion Desk, there are around 44 Multi-purpose Farmers' Cooperatives in Ajje Woreda. From the total, five cooperatives are selected by using stratified purposeful sampling technique for the case study. The criteria used for the selection of these five case study cooperatives; focusing on areas that are in the radius of 25km from the head quarter of Ajje Woreda. A radius of 25km is considered to meet time and cost constraints, nature of respective areas/zones to represent the large population size and finally to cope up with the transportation challenge as footing and occasionally using cycle is the only option given the terrain in the targeted areas. Then, a two-staged random sampling technique is applied in an effort to generate the necessary data and information from the representative samples of the survey population which is relatively homogeneous. The first stage involved random sampling of five multi-purpose farmers' cooperatives from the total 44 cooperatives in the woreda. In the second stage, random sampling of fifteen individual members are selected from the five multi-purpose farmers cooperatives on the basis of proportionate size on which the sampled cooperatives are organized as shown in the table, hereunder.

Table 3.1: The selected Multi-purpose farmers' cooperative, their membership and selected individual member sample size for the study

S.No	Selected Multi-purpose farmers cooperatives	Number of Individual Members in each selected Coops		
		Female	Male	Total
1	Burka Gudinna Multi-Purpose Famers Cooperatives	32	174	206
2	Megertu Multi-purpose Farmers Cooperatives	44	195	239
3	Lago Multi-Purpose Farmers Cooperatives	22	181	203
4	Gannale Multi-Purpose Farmers Cooperatives	31	117	148
5	Daandii Guddina Multi-Purpose Farmers Cooperatives	45	169	214
	Total	174	836	1010
	Sample in Percentage	25(14%)	50(6%)	75(7%)

Source: Ajeje Woreda Cooperatives Promotion Desk Basic Data, 2014

3.2.2 Method of Data Collection

A structured interview questionnaire was used as a basic tool of data collection from sample members. Together with the members' interview administration, semi-structured interviews were also applied with officials at different levels such as cooperatives' and cooperative promotion desks officials. The primary purpose of these interviews is to establish the historical development of the survey cooperatives, their business operations, and their importance to members in the targeted areas. In addition, it complements and enriches the data from members. Secondary data is also compiled to provide broader insights on the research problem from different sources such as regional and local cooperatives offices and from a range of materials from internet. Focus group discussions, personal observation and key informant interview were also used in the data collection.

3.2.3 Method of Data Analysis and Presentation

In order to attain the objective of the study, the data gathered from various sources was first tallied, coded and summarized. The quantitative data summary has gone through different descriptive statistical tools such as tables, bar graphs etc. followed by the corresponding

interpretations while the qualitative data was summarized in a report form. The interpretations and the analysis included respondents' perception on the issue. Finally, a discussion on key findings is made so as to draw conclusion and recommendations.

CHAPTER FOUR: Result and Discussion

4 Data Presentation and Analysis of Sample Cooperatives in Five Selected Multi-Purpose Farmers Cooperatives in Ajje Woreda

4.1 Background of the five selected multi-purpose farmers cooperatives:

Table 4.1: Profile of the selected five multi-purpose farmers cooperatives

S.No	Selected Multi-purpose farmers cooperatives	Number of Members in each selected Coops			Location	Date of establishment	Capital in ETB	
		Female	Male	Total			Initial	Current
1	Burka Multi-Purpose Farmers Cooperatives	32	174	206	Shalla district, HarbaQerensa PA	2005	42,600	698,658
2	Megertu Multi-purpose Farmers Cooperatives	44	195	239	Shalla district, Danisa Bunea PA	2005	19,000	650,658
3	Lago Multi-Purpose Farmers Cooperatives	22	181	203	Shalla district, laajokertefa PA	2005	25,000	640,871
4	Gannale Multi-Purpose Farmers Cooperatives	31	117	148	Shalla district, AlbulaGeto PA	2006	15,000	1,282,118
5	Daandii Guddina Multi-Purpose Farmers Cooperatives	45	169	214	Shalla district, Lencha Lemana PA	2006	13,000	356,776
	Total	174	836	1010			114,6000	3,629,081

Source: Own field research, 2015

All the five selected primary agricultural cooperatives are engaged in Agricultural input (improved seeds and fertilizer) provision, purchasing and reselling grain from both members and nonmembers, provision of consumer goods business. Unlike others, Megertu Coops diversified

their business by engaging in renting threshers (for Miazetreshing); and Mobile charging and Football show as they have solar energy installed by both CDI and GIZ

4.2 Basic Socio-demographic characteristics of sample respondents

Table 4.2: Socio-demographic characteristics

S/n	Description								
1.1	Sex	Male	Female	Total					
	No of respondents	52	23	75					
	Percentage	69%	31%	100%					
1.2	Age	Below 18	18-25	26-35	36-45	46-55	Above 55		
	No of respondents	4	1	14	47	9	0		
	Percentage	5%	1%	19%	63%	12%	0		
1.3	Educational Level	Illiterate	read and write only	elementary 1-8	High school 9-10	preparatory 11-12	First Degree	MCS/MA	Others
	No of respondents	57	11	7	0	0			
	Percentage	76%	15%	9%					
1.4	House hold size in No	Below 6	(6-9)	(10-12)	Above 12				
	No of respondents	15	37	19	4				
	Percentage	20%	49%	25%	6%				

Source: Own field research, 2015

4.3 Welfare status of sample respondents

The general welfare status which is also reflected in quality of living is assessed as per the multidimensional poverty index (MPI) across three dimensions; education, health and living standard. Consequently, from the households of sample respondents, 42 % had children aged 5 and above not attending school. In contrast, 9% of the sample household respondents had mortal children.

With regard to electricity coverage in the study area, 3% of sample respondents reported to have electricity facility while 97% of the respondents' households were deprived of the facility. Of those who reported to have the facility; only around 2.7% had got from government.

As far as access to potable water is concerned, only 41% respondents stated that their household had got access to clean drinking water from which almost all of them walk more than 30 minutes from home to get the same.

According to the respondents, it seem government is the most dominant stakeholder to provide clean drinking water to the study area and provided the facility to around 62% of the beneficiary respondents and the remaining 38% got the facility form NGOs. Cooperatives' contribution is nothing in this case.

In response for the type of toilet used by the household, all the sampled respondents replied to have own built private toilet.

Regarding materials used for flooring, of the sample respondents 84% of respondents reported they used dirt for flooring. The remaining 16% respondents used sand.

Nearly 87% of the respondents used wood as their basic cooking fuel. 7% used charcoal and 6% used dung for cooking.

Table 4.3 Material used for flooring and Cooking

Materials used for flooring	Dirt	Sand	Dung
Percentage	84%		16%
Materials used for cooking	Wood	Charcol	Dung
Percentage	86.7	6.7	6.7

Source: Own field research, 2015

In response to asset ownership, out of the sample respondents majority of them (44%) owned radio, 31% possessmobile phone, 12% owned Television, 3% Bike and none of them owned Refrigerator. However, 10% of the respondents reported that they have other types of properties which of course may not be considered as household equipment.

Table 4.4 Asset ownership status of the respondents

Asset	Radio	Television	Telephone/Mobile	Bike	Refrigerator	Others
No of respondents	33	9	23	2	0	8
Percentage	44	12	30.7	2.7	0	10.7

Source: Own field research, 2015

4.4 Membership in the cooperatives

With regard to the respondents' relationship with their respective cooperatives, almost all of the sampled respondents were members only. And they all further confirmed that there was no external pressure in joining the cooperatives as all of them joined on their will.

On the other hand, getting access to input market is chosen as highly important reason for joining cooperatives by 51% of respondents, 9% considered it as critically important and the remaining 24% considered it as moderately important reason. Almost contrarily, to get access of employment was taken as not important by 84% of sampled respondents, and slightly important and moderately important reason for joining the cooperatives by 5% and 5% of sample respondents, respectively. Furthermore, to get access to credit or loan was selected by 47% as moderately important and 24% of respondents as slightly important and the other 23% and 7% of respondents chosen it to be highly important and critically important, respectively.

It is further noted that 11% of sampled respondents chosen to get access to output or produce market to be critically important reason of joining cooperatives followed by 35% respondents choosing it as highly important reason. To get access to consumer goods was chosen to be highly important reason by 37% of respondents followed by moderately important and critically important reason by 25% and 19% of respondents respectively, and only 19% of respondents selected it as slightly important reason for joining cooperatives.

Table 4.5 Reasons for joining cooperatives

Reason	Not Important	Slightly important	Moderately important	Highly Important	Critically Important
To get periodic Dividend	4%	41%	43%	12%	0%
To get access for employment	84%	5%	5%	5%	0%
To get access for credit/loan	0%	24%	47%	23%	7%
To get access for Input market	0%	16%	24%	51%	9%
To get access for output market	0%	39%	16%	35%	11%
To get access for consumer goods	0%	19%	25%	37%	19%
To get access for training	32%	35%	21%	9%	3%

Source: own field survey, 2015

As depicted in table 4.6 the majority of the respondents (72%) reported the promise to buy the cooperatives product/services as highly important for getting cooperatives membership followed by 21% conforming to moderately important and the remaining 7% corresponding to slightly important.

Almost equally, ability to pay periodic payment was considered as criteria for getting membership by 71% of respondents as moderately important, and followed by 11% said it is not important criteria.

Promise to sell the cooperative product/service got 40% vote to be highly important criteria followed by 57% vote to be moderately important while ability to contribute the initial capital got vote of 23% and 44% to be highly important and moderately important criteria for being member in cooperatives respectively.

Table 4.6 Criteria for getting membership of the cooperatives

Criteria	Not Important	Slightly important	Moderately important	Highly Important	Critically Important
Ability to contribute the initial capital	12%	19%	44%	23%	3%
Ability to pay the periodic payment	11%	5%	71%	11%	3%
Promise to buy the cooperatives product/services	0%	7%	21%	72%	0%
Promise to sell outputs to/through the cooperatives	0%	0%	57%	40%	3%

Source: own field Survey, 2015

In response to the affordability of membership contributions, all respondents (100%) agreed that the registration fee is low, followed by 96% of respondents saying that the periodic contribution is also low, and almost equally, 93% of respondents also agreed that the length of time for periodic payment is low. Also 77% of respondents believed that the share price is very low.

Table 4.7 Affordability of membership payments

Factors	Not applicable	Very low	Low	Moderate	High
Registration fee	0	0	100%	0	0
share price	0	23%	77%		
Periodic contribution	3%	1%	96%	0	0
Length of time for periodic payment	0	0	93%	3%	4%

Source: own field survey, 2015

4.5 Services of the cooperatives

With regard to the types of services of the cooperatives in the study area, there are about four types of services that members got from their respective cooperatives though the extent varies.

Accordingly, as shown in the pie chart below, 52% of the respondent reported of getting marketing of agricultural input from their respective cooperatives. The next 33% assured that

they got marketing agricultural products, 8% of respondents got credit and loan and 6% received marketing of consumer goods. And none of them received training/guidance services.

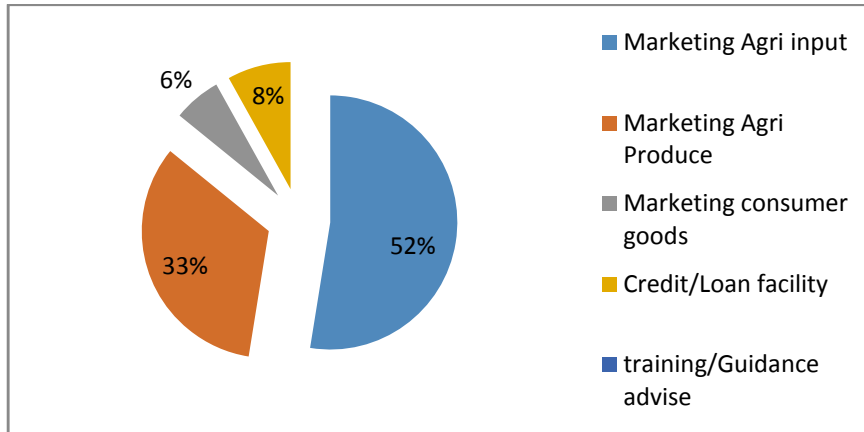


Fig. 4.2 Service Types Rendered by cooperatives

Source: own filed survey, 2015

As per the data as shown in the pie chart below, the loan repayment arrangement of the selected five multi-purpose farmers cooperatives is suitable for the highest proportion of respondents (96%), and unsuitable for only 4% of the respondents.

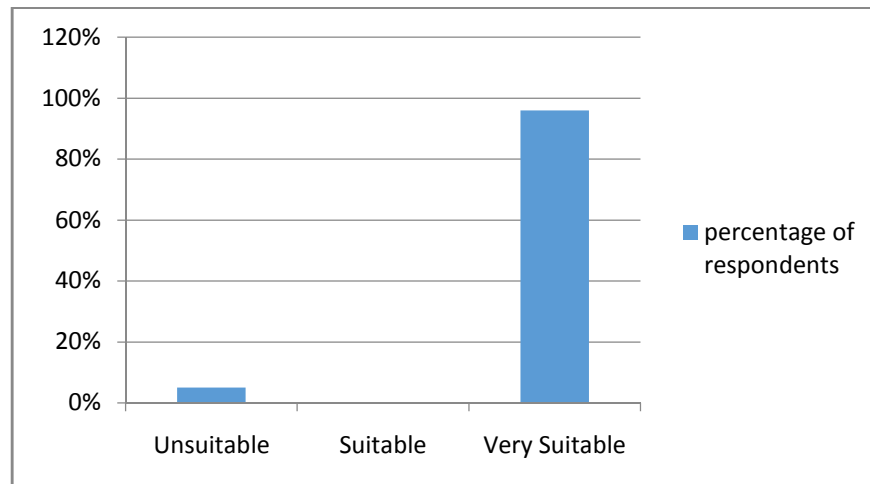


Fig.4.3 Suitability of Loan rep

Source: own filed survey, 2015

As indicated in the figure 4.3 below, 97% of the respondents replied that the cooperatives in the study area purchased products from their members on cash basis while for the remaining 3% of the respondents the cooperatives purchased on both cash and credit basis.

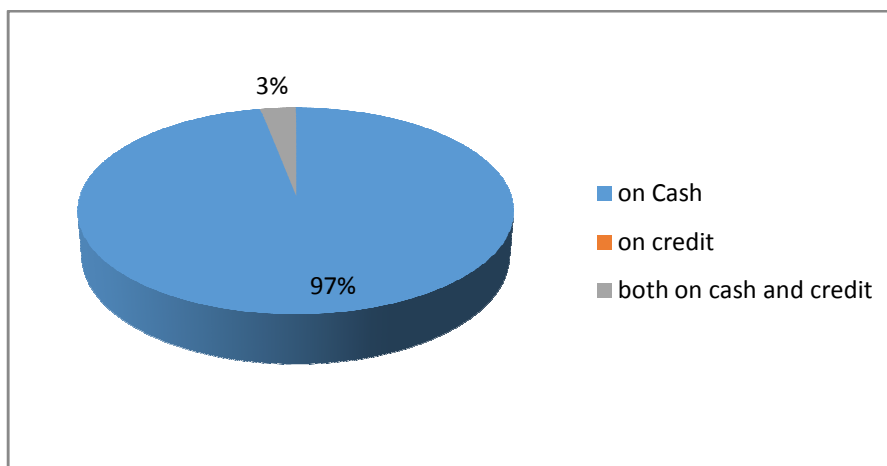


Fig 4.4 Transaction basis for purchasing the cooperative's product

Source: own field survey, 2015

As indicated in table 4.8 below, members were received post-harvest services such as Warehousing, Grading, Packaging, Shipment/transportation and Market information from their respective cooperatives although the emphasis vary from one cooperative to the another. According to the data from the figure below, over 90% of the respondents received warehousing and market information services from their respective cooperatives; 43% got grading service and only 4% got Shipment/transportation and packing services.

Table 4.8: Post harvest Services

Post -harvest services	Warehousing	Grading	Packaging	Shipment/transportation	Market information
No of respondents	74	32	30	30	71
Percentage share	98%	43%	4%	4%	95%

Sources: own field survey, 2015

In response to the question whether any training/education was given to members, all sampled respondent confirmed affirmative.

With regard to quality and accessibility of market for the sampled cooperatives in the study case area, the data below indicates that 70% of respondent reported that adequacy of market remain similar; 53% believed that fairness of the market price somehow improved; 37% believed that

availability of market at short distance deteriorated; Adequacy of market services, Availability of market at any time, market proximity, and fairness of market price were also said to be highly improved by 3%, 5%, 8%, and 24% respondents, respectively. On the other hand, Adequacy of market services, Availability of market at any time, market proximity, and fairness of market price were also said to be deteriorated by 26%, 24%, 37%, and 21% of respondents, respectively.

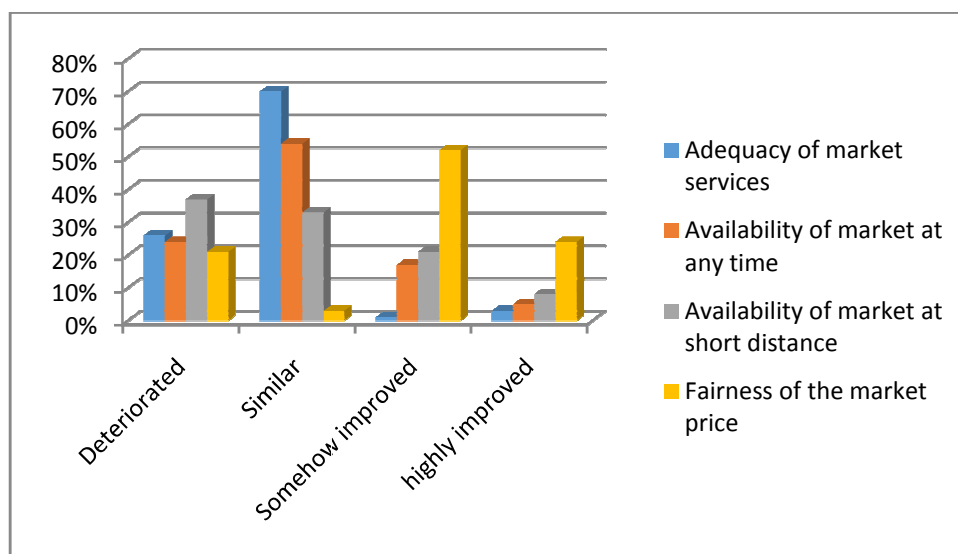


Fig 4.5 Accessibility and quality of market

Source: own field survey, 2015

As indicated in table 3:9 below, out of the total sampled respondents, 60% believed the achievement of cooperatives in introducing new agricultural technologies to be good. 35% evaluated their achievement to be poor and only 5% of the respondents' evaluation goes to very good achievement of cooperatives' in introducing new agricultural technologies to their members and the community.

Table 4:9 Introductions of New Agricultural Technologies by Cooperatives

Performance	very Poor	Poor	Good	Very good
No of respondents	1	26	45	3
100age share	1%	35%	60%	4%

4.6 Economic benefits of the cooperatives

According to sampled respondents' feedback, nearly all of sample cooperatives (96%) paid regular dividends to their members. The remaining 4% of the respondents argued that the dividend payment was not regular. It is based on level of profit generated.

Furthermore, those who said there was dividend payment by the cooperatives added that the dividend payment is made annually.

As per the assessment nearly 70% of the respondents who reported the payment of dividend by cooperatives, disagree with the statement that “the dividend paid by the cooperatives is sufficient to fulfill basic requirements of the households.” 17% of the respondents agree with the statement while the remaining 13% strongly disagree.

As clearly indicated in the table 3.9 below, more than half (55%) of the cooperatives reported that their expenditure on children schooling has improved after they joined their respective cooperatives; 45% said their expenditure on daily consumption items has improved.

Table 4:10 expenditure trends

Types of expenditures	Expenditure on daily consumption items	Expenditure on children schooling	Expenditure on family health care	Expenditure on long term assets
No of respondents	34	41	0	0
Percentage share	45.33	54.67	0	0

Source: own field survey, 2015

4.7 Overall views on the roles of cooperatives:

A summary of respondents' perception on overall achievement of cooperatives in the areas of access to credit service, access to inputs, access to market for output and access to asset building by local community has been summarized in a table form below.

Accordingly, 73% of the respondents agreed with cooperatives' promotion of access to market for outputs for the local community and another 4% strongly agreed with the same. Contrarily, 23% of the respondents disagree with the statement. As shown on the table, on the other elements listed before the positive perceptions (Agree and strongly agree) overweight the negative once (strongly agree and disagree).

Table 4.11 Overall views of respondents on cooperatives' roles

Rating Factor for cooperative	Strongly disagree	Disagree	Agree	Strongly Agree
Provision of credit for the local community	0%	24%	44%	32%
Promotion access to inputs for the local community	0%	0%	67%	33%
Promotion access to market for outputs for the local community	0%	23%	73%	4%
Promotion access to Asset building for the local community	3%	37%	51%	9%

Source: own field survey, 2015

Regarding the improvement of livelihood through cooperatives, 68% of the respondents were in agreement that there was some extent of improvement in their livelihood after being member of cooperatives and the remaining 32% believed that there has been a large extent of improvement. However, all respondents agreed that cooperative businesses brought improvements in the living conditions of people in the community. Furthermore, all respondents shared their view that the cooperative business should continue and expand.

4.8 Discussion and Analysis on the Role of Agricultural Cooperatives in Rural Development in Ajje.

This section is dedicated to discuss and analyze the major findings of the study on the role of the five primary multi-purpose famers' cooperatives namely Burka Guddina, Megertu Danisa Bunge, Laago, Gannalle, and Daandii Guddina. The actual and prospective impacts of these primary agricultural cooperatives in promoting rural development through livelihoods and income diversification, and generating economic activities and asset protection and building will be discussed and assessed. Besides, an effort is made to deliberate on their roles in enhancing social infrastructure and empowering vulnerable groups in the rural community.

Capital accumulation and asset building:

Several literatures in the field of cooperatives development ascertained that cooperatives can play indispensable role in promoting local communities capital accumulation and asset building which in turn are key for the overall socio-economic development. In this study it noted that the majority of respondents shared that almost all cooperatives promoted less to local people's asset

building and capital accumulation, which in turn could help to promote local employment and income generation opportunities and there by contribute for development livelihood of the local communities and the growth of the locality. Despite the fact that there is still a lot to be done, good number of respondents in all sample cooperatives improved investment expenditure in long term maturing assets such as houses, agricultural tools and household equipments. It is also essential to note that regardless of the modality they choose to share the money either directly in the form of dividend or indirectly through incomes from price of output, it can for sure positively stimulate the local economic development.

However, it is also worth mentioning that respondents stated that the cooperatives are not performing well in promoting and investing in social welfare activities such as schools, health centers, roads etc. something that eventually ensure the realization of benefits to their members. Regarding asset building, all cooperatives are not doing much. The investment made by either the cooperatives as well as their members is found inadequate with no plan in place for improvement. Many argue that asset is not built due to absence of meaningful and sufficient dividend incentive, daily consumption oriented expenditure trends and poor culture of saving and investment. Furthermore, it looks accumulation of capital has been undermined by hosts of constraining factors such operational inefficiencies, lack of diversified activities, lack of innovative approaches and mobilization and leadership skills by leaders and lack of adequate government and other stakeholders support.

Members’ empowerment: Participation, Representation, mobilization:

Promoting local community participation and empowerment is one of the most important means by which cooperatives can play a central role in the mobilization of resource for the development of a given locality so as to reduce poverty and improve livelihood. Cooperatives can empower their members and the community through awareness creation, reducing gender gap, participatory decision making in elections, and political commitment to ensure access to assets, safeguard their socio-economic, political and legal rights and infrastructural facilities. All members participate in election process of leaders and the general assembly decides on matters such as dividend distribution and share prices. The management committee is accountable to the general assembly and reports to Wereda Cooperative Promotion Office which is mandated by government to supervise and support cooperatives. The level of awareness of members on the

operation of cooperatives is limited but the cooperatives have a mandate to empower their members especially the disadvantaged. Most of the respondents concurred that efforts made to carry out such tasks were unsatisfactory.

In addition, no meaning full efforts and resources were invested in enabling women to become active and strong members in all sample agricultural cooperatives. The cooperatives have not done much to develop the full potential of women members that would benefit the well-being of the rural community as a whole. Women members need to be empowered and increase their capabilities through education, and skills training, primary health care and promotion of family planning. Gender dimensions cut across all aforementioned issues and should therefore be at the fore front of pro-poor development policies. In this aspect, the famers/agricultural cooperatives need to take the initiative and play key role to review and implement new reforms and actions to enable women members have access to assets so as to make them less vulnerable, and creating social safety nets that would help them come out of poverty.

Income/Livelihoods diversification and Generating Economic Activities

Wide ranging empirical studies suggests that one of the key driving forces for people to come together under the umbrella of cooperatives is to fulfill the economic needs of their members. The two key strategies employed by the five sample multi-purpose farmers' cooperatives in order to create additional income to their members are through securing better price for their agricultural produce and charging lower costs for their agricultural inputs. This is because the dividend directly distributed to members is not sufficient and the improvement on expenditures is dominantly on the consumption side. According to the Cooperatives Code of Conduct of the Federal Cooperative Agency of Ethiopia, 70% of profit generated by the cooperatives should be distributed to members in the form of dividend. However, the profitability of the cooperatives, the number of members in the cooperatives and the commitment of officials to execute the rule determine the amount of dividend share to each member. However, field observations confirmed that regardless of dividend being paid out regularly, the net effect on the living standard of the household is low mainly due to large family size, in some cases that reaches to more than 12 persons.

As explained by respondents, the efforts made towards organizing training for members and introducing new agricultural technologies by the cooperatives are not consistent and significant. Moreover, the income generating opportunity created by all sample cooperatives is negligible with the exception of Megertu Danisa Bunge. As a result, reduced input costs and increased output prices are the only considerable economic contributions that the cooperatives provide to their members.

CHAPTER FIVE

5 CONCLUSION AND RECOMMENDATION

5.1 Conclusion

The study on the Role of Agricultural Cooperatives in Rural Development is conducted using a case study on five Multi-purpose farmers' cooperatives in Ajje, West Arsi Zone, Shalla District in Oromia Regional State. All the five selected agricultural cooperatives are engaged in Agricultural input (improved seeds and fertilizer) provision, purchasing and reselling of grains from both members and nonmembers, and provision of consumer goods business. Data was gathered from members of the five cooperatives, fifteen from each case study primary cooperatives. From the findings of the study the following conclusion is drawn.

It is noted that the primary agricultural cooperatives covered in this study made economic contribution to members on agricultural input cost reduction, increased produce price, local access to markets, and reduction in marketing risks. Besides, to some extent, it managed to protect members from unscrupulous middle men. Consequently, the attitude of members towards their respective cooperatives remains positive and they feel that cooperative business brought some sort of improvement in the living condition of the people in their community and they expressed that they want the cooperative business to continue and expand. However, as presented and discussed in the preceding chapter, the cooperatives are unable to trigger and actualize the desired progress particularly in generation of economic activities, asset building, women's empowerment and participation in local community affairs. This explains the key reason as to why most of the cooperative members are still living poor quality of life. As demonstrated in the previous sections, the majority of respondents are found deprived of basic services.

Accordingly, the study captured key challenges and constraints that the cooperatives with the district office for cooperatives promotion and development partners should address: narrow scope of services, low standard of performance, poor management, capacity limitations, and of collaborative work. Moreover, lack of ability to originate and lead social welfare initiatives and innovative economic activities. In general, it is fair to say that should they get timely and

adequate support to work on these constraints, all primary cooperatives in the study area have the potential to trigger, lead and harvest genuine rural development.

5.2 Recommendations:

i) The cooperatives societies in Ajje shall be looked at and treated as grass-root/community based organizations that should bridge the gap between the rural communities and other institutions. This can be realized in two ways:

- 1) Cooperatives societies shall be able to demonstrate their essential role as a gateway(entry point) to effectively access the rural community;
- 2) Like minded partners in development and government departments shall recognize and encourage the role the cooperatives can play at the grass root level. They should consistently endeavor to use them as link to promote rural development.

ii) All members of the cooperatives with especial focus on the leadership shall be trained on the comprehensive objectives and roles of cooperatives. It seems agricultural cooperatives are viewed as agent for input supply and marketing output only. With the objective of augmenting rural development, it is thus recommended that the cooperatives at the grass root level shall engage in providing a comprehensive package of services to the local community.

iii) The development agent that are involved in rural development shall made a deliberate effort to promote development activities with the local community through established organizations like agricultural cooperatives for sustainability etc.

iv) Building the capacity of cooperatives in introducing new technologies to increase productivity, and encouraging communities' participation and issues of women empowerment shall be given due attention.

v) Members of cooperatives shall strive utilize the income they earn from their cooperatives not only just to meet their household consumption needs but also to explore and try out some innovative income generating activities, besides investing on education and health care requirements of their family.

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Appendix 1

Research Proposal:

**Project Title: The Role of Cooperatives in Rural Development: the case of
Ajje, Shall District in Oromia Regional State.**

By: DawitMulu

Indirah Gandhi National Open University

School of Continuing Education

Master of Arts in Rural Development

August, 2014

Proforma for Submission of M.A. (RD) Proposal for Approval:

Signature :

Name & : **Wondimagegn Chekol (Ph.D)**

Address of Guide : **Addis Ababa**
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Name & : **Dawit Mulu Beyene**

Address of Student : **Addis Ababa**
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Enrollment No. : **089132624**

Date of Submission : **August 2014**

Name of Study Center: : **Addis Ababa, Ethiopia**

Name of Guide : **Wondimagegn Chekol (Ph.D)**

Title of the Project : **THE ROLE OF COOPERATIVES IN**
RURALDEVELOPMENT: THE CASE OF AJJE,
SHALLADISTRICT IN OROMIA REGIONAL
STATE, ETHIOPIA

Signature of the Student :

Approved/Not Approved : **Approved**

Date : **August, 2014**

7. Introduction(Back ground and rational)

7.1 Back ground and rational

Cooperatives and Rural Development: “The United Nations through its specialized agencies, specifically FAO and ILO, often recommends the cooperative enterprise as the agent most suitable to promote rural development in all its dimensions: opportunity, empowerment and security” (MASHAV 2014:2). The World Cooperative Movement organized under its umbrella institution – International Cooperative Alliance (ICA) – partners with international development agencies to promote the cooperative business model.

Through their involvement in all sectors of the economy, cooperatives represent a means for people to identify and exploit opportunities. For instance, cooperatives enable farmers to achieve and enjoy economies of scale in purchasing inputs and marketing produce. Furthermore, cooperatives are important forms of social capital that empower community self-help action that may take off into a process of sustainable human development. Cooperative democratic organization encourages active membership participation thus helping people help themselves.

Cooperatives allow people to convert individual risks into collective risks thus reducing vulnerability both on an individual and household level. People throughout the world have organized cooperatives in order to meet their needs in a wide variety of endeavors: agricultural co-ops, consumer co-ops, cooperatives providing health and education services, as well as cooperatives created to promote new business initiatives and create decent employment opportunities (MASHAV, NISPED 2014:3).

Sustainable development requires “social capital,” a concept used by some analysts to refer to networks and positive working relationships, and to social conditions such as mutual trust and good will (Roseland 1999); cited in Michael Gertler 2001:3-4. When they work well, cooperatives reproduce and expand social capital, which then contributes to the success of other projects. Co-operatives play an integrating and stabilizing role, foster alliances and coalitions, and can help to reduce social inequality. Co-operatives thus provide “social services” to regional

economies in much the same sense that some activities (e.g., agriculture) may provide “environmental services.” (Michael Gertler 2001:3-4).

Cooperatives have a long history in Ethiopia: “Cooperation among people has existed since history has been record. Traditional forms of cooperation involved community members voluntarily pooling financial resources through "iqub", which was an association of people having the common objectives of mobilizing resources, especially finance, and distributing it to members on rotating basis. There were also initiatives for labour resource mobilization that were to overcome seasonal labour peaks, known as "Jigie”, “Wonfel”, among others. There also was the idir, which was an association for provision of social and economic insurance for the members in the events of death, accident, damages to property, among others. These informal associations continue to operate in Ethiopia” ILO 2009:Viii.

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

Currently, cooperatives are recognized as an important instrument for socioeconomic improvement of the community. This importance is recognized in their definition, which considers cooperatives to be: An association of persons who have voluntarily joined together to a common end through the formation of a democratically controlled organization, making equitable contribution to the capital required and accepting a fair share of the risks and benefits of the undertaking, in which the members actively participate (FCA, 2007c: 1); cited in ILO, 2009: 1.

The Cooperative Proclamation No. 147/1998 identified clear goals and authorities, which supported a more conducive legal environment for the formation of Ethiopian cooperatives. The goals include social, economic and other motives that require joint actions for attaining a common target. However, its been argued that the extent to which the cooperatives in Ethiopia

have been able to attain these goals has not been adequately analyzed. Similarly, the actual extent of the cooperative movement is unknown. This study therefore attempts to review the existing literature on the cooperative movement and explore their role and impacts in rural development with a focus in Aje Woreda.

7.2 Statements of the problem

New challenges and new uncertainties make it urgent to act in order to take advantage of new opportunities as well as to put a halt to the trends which condemn contemporary rural populations to abject poverty. Opportunities originate in a dynamic market-driven “new agriculture” led by high value activities. They originate in major institutional and technological innovations and in new roles for the state, for private actors, and for people centered enterprises such as Cooperatives in using agriculture and non-agricultural micro and small enterprises (SME) more effectively for development. The challenge is to include smallholders in agricultural growth and to benefit the rural poor through agricultural and rural non-farm employment.

Co-operatives have often come into existence because small-scale producers seek protection from more powerful players in the market-place. Other co-operatives have been developed where conventional firms perceive high risks and low returns given market structure or the character of the particular resources involved. These co-operatives may survive because they take on roles that are of minor interest to others. Certain co-operatives have been created in reaction to acute ecological and social crises. Yet co-operatives may have special potential as enterprises that can foster cultural, organizational, and technological change—the kinds of change required if significant movement in the direction of sustainable development is to be achieved. Given their structure, rationale, and principles, this is an arena in which co-operatives may well outperform both private and state enterprise. Given their organizational characteristics and context, this is also a playing field on which co-operatives can achieve commercial advantages (Michael Gertler 2001:8).

Co-operatives frequently serve as facilitating partners in alliances or coalitions involving combinations of local, national, and international, and public- and private-sector organizations. Partnerships are part of the new practical reality in community economic development. Cooperatives are often key partners, trusted and respected by

nongovernmental Organizations (NGOs), state agencies, and private-sector firms. As brokering partners, they frequently provide leadership resources and may serve as facilitators for projects involving complex alliances (Ortíz Mora 1994; Ketilson et al. 1998); cited in Michael Gertler 2001:8. And, thus, a central thesis of this paper is that co-operatives, and especially agricultural co-ops, can successfully take on socio-economic agendas, and can play a key role in the overall rural development process. However, although this is the same noble mission and end goal that cooperatives around the world carry, their actual performance and impacts vary from place to place as they are exposed to different opportunities and constraints. And thus, one would ask that to what extent Cooperatives in Ethiopia, specifically in Aje Woreda have contributed towards overall rural development. Therefore, the purpose of this thesis is to fill this gap by exploring the actual and potential contributions and impacts of Agricultural cooperatives in striving towards rural development using empirical evidence from selected primary cooperative in Aje Woreda, Oromia regional states.

8. Basic Research Questions

- What are the contributions of cooperatives to the welfare of their members and to rural development in general?
- What methods do agricultural cooperatives employ in the effort towards attaining socio-economic development of the rural household? What makes agricultural cooperatives useful for the rural poor?
- What is the condition under which cooperatives operate and What are the factors affecting their performance?

9. Research Objectives

3.1 General Objectives:

The overall objective of this study is to explore the impact primary agricultural cooperatives has made in promoting rural development in Aje Woreda.

3.2 Specific Objectives

- To assess the benefits agricultural cooperatives offer to the rural poor in terms of socio-economic development;

- To assess and discuss whether the linkage between agricultural cooperatives and other institutions in development are effective in promoting rural development;
- To assess the overall situation of agricultural cooperatives operating in the study area and discuss their strength and constraints;
- To identify possible recommendations that can be adopted by AjeWoreda's cooperatives promotion desk and other stakeholders in the study area.

10. Universe of the Study

The Study focuses on primary agricultural co-operatives societies and rural development in Aje Woreda, in Oromia regional states. The main areas of concern included the review of linkages of institutions in rural development, the review of agricultural co-operatives in Aje Woreda Vis-à-vis rural development, and assess the condition under which coops are operating in Aje Woreda.

11. Sampling Method

According to various sources, there are different types of primary cooperatives in Aje Woreda. An attempt will be made to target the quarter of the Cooperatives from the total operating in the woreda by using stratified purposeful sampling technique to ensure representativeness. The criteria put into consideration during selection are types of the cooperatives, being functional and accessibility. Then, a two-staged random sampling technique is applied in an effort to generate the necessary data and information from the representative samples of the survey population which is relatively homogeneous. The first stage involved random sampling of a quarter of primary cooperatives operating in the study area. In the second stage, random sampling of individual members are selected from the selected primary cooperatives on the basis of proportionate size.

12. Tools for Data collection

A structured interview questionnaire will be used as a basic tool of data collection from sample members. Together with the members' interview administration, semi-structured interviews will also be applied with officials at different levels such as cooperatives' and unions' leaders and cooperative promotion bureau officials. The basic purpose of these interviews is to ascertain the historical development of the survey cooperatives, their business operations, and their salience to members in the locality as well as to address the cooperative governance aspects. In addition, it

enriches and supplements the data from members. Secondary data is also compiled to shed light on the research problem from different sources.

13. Method Data Analysis and presentations

To meet the intended purpose of the study, the data gathered from various sources will first be edited, tallied, coded and summarized. The quantitative data summary will go through different descriptive statistical tools such as tables, bar graphs and pie charts followed by the corresponding interpretations while the qualitative data will be summarized in a report form. The analysis won't merely depend on numerical measurements; it will also include respondents' perception on the issue. Finally, a discussion on basic findings will be made so as to draw conclusion and recommendations.

14. Organization of the paper

This comprises four chapters. Chapter one will constitute background and rationale, statement of the problem, research questions, objectives, research methodology, scope, and limitations of the study. The second chapter will present literature review that will provide theoretical and empirical framework to the research. The third chapter will be the main body of the research that will comprise data analysis, interpretation and findings. Finally, the fourth chapter presents conclusion and recommendations.

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Appendix 2

Instructions to the Interviewer

1. Read out the introductory statement to the respondents
2. During interview put '✓' mark in the boxes provided or in proper cell and fill responses in the space provided otherwise
3. Ticking in more than one box is possible when it necessary
4. When the question is put in rating, put the number corresponding to each weight in appropriate box

Identifications

- Questionnaire code No. _____
- Name of Cooperative _____
- Type of Cooperative _____
- Name of Interviewer _____
- Date of Interview _____

Dear respondent, this study is intended to evaluate the role of agricultural marketing cooperatives in reducing rural poverty. Information you provided will be kept confidential and will only be used for academic purposes. Your co-operation in providing your honest view is very much appreciated.

Thank you

1. General background of Respondents

- 1.1. Sex 1. Male 2. Female
- 1.2. Age 1. Below 18 4. 45
2. 18 - 25 5. 46 - 55
3. 26 - 35 6. Above 55

1.3. Educational level:

1. Illiterate 5. Prepar (11 - 12)
2. Read and write only 6. Degree
3. Elementary (1 - 8) 7. MA/MSc
4. High School (9 -10) 8. rs (specify) _____

1.4. Occupational Background of the Respondent:

1. Farmer
2. Crafts person
3. Trader

- 4. Government employee
- 5. Private Co. employee
- 6. NGO employee

7. Others (specify) _____

1.5 Household size _____

2. Household welfare status

2.1. Is/are there any child/children aged 5 and above not attending school?

Yes No

2.2. Is/are there any child/children died in the family? Yes No

2.2.1. If yes, at the age of _____

2.3. Does the household have electricity facility? Yes No

2.3.1. If yes, who delivered the facility?

- 1. Government
- 2. Cooperative
- 3. NGOs
- 4. Others (specify) _____

2.4. If there clean drinking water availability in the household? Yes No

2.4.1. If yes, how far it is? _____ minutes walk from home.

2.4.2. If your answer to Q No. 2.4 is yes, who delivered the facility?

- 1. Government
- 2. Cooperative
- 3. NGOs
- 4. Others (specify) _____

2.5. The type of toilet that the household uses: private Shared/public

2.5.1. If your answer to Q No. 2.5 is Shared/Public, who build the toilet?

- 1. Government
- 2. Cooperative
- 3. NGOs
- 4. Others (specify) _____

2.6. The main material used for flooring of the house: dirt sand dung

Others (specify) _____

2.7. The type of fuel used for cooking: wood charcoal dung

dung

Others (specify) _____

2.8. What assets does the household have? (more than one answer is passible) Nothing

Radio Television telephone bi motorbi

Refrigerator

Car or tractor Others (specify) _____

3 .Membership in the Cooperative

3.1. Relation of the respondent with the cooperative:

- 1. Member only
- 2. Member and employee

3.2. How did you become member of the cooperative?

1. Willingly Forced by government department

2. Forced by law Forced by the society

5. Others (specify) _____

3.3. What was your purpose/objective of joining the cooperative? (Put the '✓' mark in Appropriate cell)

- | | |
|-------------------------|-------------------------|
| 1. Not important | 4. Highly important |
| 2. Slightly important | 5. Critically important |
| 3. Moderately important | |

No	Reasons	Degree of importance				
		1	2	3	4	5
1	To get periodic dividend					
2	To get access to employment					
3	To get access. to credit/loan service					
4	To get access to input market					
5	To get access to output/produce market					
6	To get access s to consumer goods					
7	To get access to training					
8	For other reasons (specify& rate) _____					

3.4. What are the criteria to get the cooperative's membership status?

- | | |
|-------------------------|-------------------------|
| 1. Not important | 4. Highly important |
| 2. Less important | 5. Critically important |
| 3. Moderately important | |

No	Criteria	Degree of importance				
		1	2	3	4	5
1	Ability to contribute the initial capital					
2	Ability to pay periodic payment					
3	Promise to buy goods/service from the cooperative					
4	Promise to sell production output to/through the cooperative					
5	Others (specify & rate) _____					

3.5. Affordability of membership contribution to the cooperative (NA means not applicable)

0= NA 1 = Very low 2= Low 3 = Moderate. 4 = High 5 = Very high

- | | |
|------------------------------------|--------------------------|
| 1. Amount of registration fee | <input type="checkbox"/> |
| 2. Amount of share price | <input type="checkbox"/> |
| 3. Amount of periodic contribution | <input type="checkbox"/> |
| | <input type="checkbox"/> |

4. Length of time interval for periodic contribution

3.6. In your opinion, which group of the community becomes member of the cooperative most of the time (multiple answer is possible)

1. Low income groups 4. From all income groups
2. Middle income groups 5. Others (specify) _____
3. High income groups

4. Services of the Cooperative

4.1. What services does the cooperative render to its members? (More than one answer is Possible)

1. Marketing agricultural inputs 4. Credit/loan facility
2. marketing agricultural produce 5. Training guidance and advice
3. Marketing consumer goods
6. Others (specify) _____

4.2. For those inputs or services the cooperative provides, how do you rate access to and quality of goods/or services relative to other currently available options?

1. No other option 4. Slightly better
2. Lower 5. Highly better
3. Similar

4.3. Can you access the goods /services of the cooperative on credit?

I. Yes

4.3.1. If your answer to the question 4.3 is yes. how do you rate the suitability of the credit repayment arrangement?

1. Very unsuitable 3. Suitable
2. Unsuitable 4. Very suitable

4.4. How does the cooperative purchase your produce?

1. On cash 2. On credit 3. Both cash credit

4.5. Does the cooperative provide you timely and sufficient return (fund) to your produce?

1. Yes 2. No

4.6. What type of post-harvest services does the cooperative deliver?

1. Warehousing 4. Shipment/transportation
2. Grading 5. Market information
3. Packaging 6. Others (specify) _____

4.7.1. Is there any education, training or information given to you by the cooperative?

1. Yes 2. No

4.7.1. If your answer to QNo 4.7 is yes, what was the focus?

1. Political issues

- 2. Cooperative nature and benefits
- 3. How to apply new technologies
- 4. How to generate income from different sources
- 5. Others (specify) _____

4.8. For those goods that the cooperative currently markets/trades, please rate the accessibility and quality of market service provided relative to other/previous options.
 (Use 1 = highly deteriorated, 2= Deteriorated, 3= Similar, 4= somehow improved, 5 = highly improved)

No	Access to and quality of market provided by cooperative	Rating				
		1	2	3	4	5
1	Adequacy of market service					
2	Availability of market at any time					
3	Availability of market at short distance (market proximity)					
4	Fairness of market price					
5	Other (specify and rate)					

1.9. How do you evaluate the cooperative's achievement in introducing new agricultural technologies?

- 1. Very poor
- 2. Poor
- 3. Good
- 4. Very good

5. Economic Benefits

5.1. Does the cooperative pay you a regular dividend?

- 1. Yes
- 2. No

5.1.1. If your answer to Q. No. 5.1 is No, what do you think is the reason? (Multiple answers is possible)

- 1. The cooperative use the total surplus for investment purpose
- 2. No surplus is generated by the cooperative so far
- 3. The cooperative put the surplus in a bank for reserve
- 4. For some other reason (please specify) _____
- 5. I don't know the reason

5.1.2. If your answer to Q. No. 5.1 is yes, how frequent is the dividend payment?

- 1. Monthly
- 2. Semi-annually
- 3. Annually
- 4. Other (specify) _____

5.1.3. If your answer to Q No. 5.1 is yes, the dividend payment is sufficient to fulfill the basic Requirements of your household.

- 1. Strongly disagree
- 3. Agree

2. Disagree

4. Strongly agree

5.1.4. If your answer to Q. No. 5.1 is yes, what purpose did you spend the income received as dividend (multiple answers is possible)

1. for personal and family consumption

2. for repayment of debt/loan

3. Deposited in a bank

4. Purchase/building of fixed/capital asset

5. Others (specify) _____

5.2. Do you think that being a member of the cooperative improved your expenditure?

1. Yes

2.

5.2.1. If your answer to Q. No. 5.2 above is yes, how did it improve your expenditure (multiple answers is possible)

1. by increasing saving

2. by increasing asset building (investment in long term items)

3. by smoothing consumption

4. Others (specify) _____

5.2.2. If your answer to Q No. 5.2.1 above is asset building, what are the basic assets you built or bought after you become member of the cooperative? (Multiple answers is possible)

1. Built House

2. Purchased farm aids such as machineries and oxen

3. Purchased home equipments such as TV and refrigerator

4. Others (specify) _____

5.2.3. If your answer to Q No. 5.2 is yes, which of your expenditure became better? (More than one answer is possible)

1. Expenditure on daily consumption items

2. Expenditure on children schooling

3. Expenditure on family health care

4. Expenditure on long term assets

5. Other (specify) _____

5.3. Does the cooperative created additional income?

1. Yes

2. No

5.3.1. If your answer to Q. No. 5.3 above is No, what do you think is the problem?

5.3.2. If your answer to Q No. 5.3 above is yes, in what way the cooperative created additional income? (Multiple answers is possible)

- 1. By securing higher price for my produce
- 2. By lowering input costs
- 3. By creating employment opportunities
- 4. By introducing new and efficient technologies
- 5. By providing training to increase productivity
- 6. Others (specify) _____

6. Participation in Community Affairs

6.1. In what type of community development activities has the cooperative participated so far? (Multiple answers is possible) (NA mean not applicable) 0 = NA, 1 = Very unsatisfactory

2 = Unsatisfactory, 3 = Satisfactory, 4 = Very satisfactory

No	Community/social affair	Level of participation				
		1	2	3	4	5
1	Education (school building and soon)					
2	Health care services					
3	Utilities (water and electricity)					
4	Housing					
5	Environment (sanitation)					
6	Conflict resolution, peace building and social cohesion					
7	Avoiding harmful practices and norms					
8	Fostering good citizenship					
9	Others (specify and rate)					

6.1.1 If your choice on QNo. 6.1is 'education' how did the cooperative involved in educational activities?

- 1. Building schools
- 2. Purchasing school materials
- 3. Hiring of teachers
- 4. Covering school fee for those unable to pay
- 5. Others (specify) _____

If your choice on Q. No.6.1 is 'health care', how did the cooperative involved in health care activities?

- 1. Building clinic and health centres
- 2. Purchasing clinical materials
-
-

- 3. Hiring of health workers
- 4. Covering medical cost for patients who are unable to cover
- 5. Others (specify) _____

7.1. level of awareness on the different aspects of the cooperative

0 = Nil 1= Very little 2 = Little 3= Well 4= Very well

No	Cooperative aspects	Level of awareness				
		0	1	2	3	4
1	Objective of the cooperative					
2	Rights of Members					
3	Duties and responsibilities of members					
4	Management committee members of the cooperative					
5	Type of services provided by the cooperative					
6	Number of members of the cooperative					
7	Current capital of the cooperative					

7.2. Do you participate in the election process leaders of the cooperative?

- 1. Yes
- No

7.2.1. If you answer to Q No.7.2 above is No, what do you think is the reason?

- 1. The system does not allow me
- 2. I am not willing to participate
- 3. For some other reasons (please specify _____)

7.2.2. If the answer to Q No .7.2 above is yes how you do participate?

- 1. in general assembly
- 2. in representative committee
- 3. Other (please specify) _____

8. Overall views of respondents

8.1 the cooperative promotes access to credit service for the local community

- 1. Strongly disagree
- 2. Disagree
- 3. Agree
- 4. Strongly agree

8.2. The cooperative promotes access to input for the local community

- 1. Strongly disagree
- 2. Disagree
- 3. Agree
- 4. Strongly agree

8.2.1. Are there major problems you encountered so far with respect to access to inputs ?

8.2.2. What do you think should be the remedial action to overcome the problem/s?

8.3 The cooperative promotes access to market for output / produce for the local community?

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

8.3.1. Are there major problems you encountered so far with respect to access to market for output? _____

8.3.2. What do you think should be the remedial action to overcome the problem/s?

8.4. The cooperative promotes capital accumulation/ asset building by the local people?

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

8.4.1. What should the co-operative do to promote local capital accumulation / asset building/?

8.5. Do you think that there is improvement in your livelihood after being a member of the cooperative?

- | | | | |
|-------------------------|--------------------------|--------------------|--------------------------|
| 1. No change at all | <input type="checkbox"/> | 3. To some extent | <input type="checkbox"/> |
| 2. Insignificant change | <input type="checkbox"/> | 4. To large extent | <input type="checkbox"/> |

8.6. Do you suggest a cooperative business should continue?

- | | |
|--------|-------|
| 1. Yes | 2. No |
|--------|-------|

Appendix 3

Key Guiding Issues for Focus Group Discussions

1. The role of the cooperative in reducing rural poverty and therefore, promoting rural development;
2. The economic benefits of the cooperative.
3. The role of cooperatives in social development.
4. Challenges encountered by the cooperatives in exerting their role in engaging in socio-economic development of the locality.
5. Recommendation for improvements.

CARRICULUM VITAE

I. PERSON SPECIFICATION

Name	Wondimagegne Chekol
Date of Birth	January 20, 1957
Place of Birth	Gonder, Ethiopia
Nationality	Ethiopian
Sex	Male
Marital Status	Married
Language	Amharic, English, German

II. EDUCATION

PhD in Agriculture, Goettingen University, Germany, 1989-1994

MSc in Agriculture, Goettingen University, Germany, 1983-1987

BSc in Plant Science, Addis Ababa University, Alemaya College of Agriculture, Alemaya, Harar, 1977-1980

Bahir Dar Secondary School, 1969-1972

Bahir Dar Elementary School, 1963-1969

II. TRAINING and Study Visit

Leadership and Management at St. Mary's University College (2011)

Soft ware package for social science at St, Mary's University College (2011)

Project Cycle Management at St. Mary's University College (2010)

Three-month researches leave at Bonn University, DAAD, Germany (2013)

Three-month researches leave at Bayreuth University, DAAD, Germany (2009)

SAQA (South African Qualification Authority) (2008)

Quality Assurance Mechanism in Higher Education Institutions, Addis Ababa (2007)

Management of Vocational Education, Tianjin University of Technology and Education, Tianjin, Peoples Republic of China (2007)

Leadership and Management, Ethiopian Management Institute, Addis Ababa (2003)

Three-month researches leave at Bayreuth University, DAAD, Germany (2005)

Project planning and Monitoring, ASARCA, Nairobi, 2004

Monitoring and Evaluation, EARO, 2002

Identifying and calcifying local indicators of soil fertility, CIAT, Arusha, Tanzania

SAS Software and Basic Biometry, EARO, 2002

Three-month researches leave at Bayreuth University, DAAD, Germany (2005)

Three-month researches leave at Osnabrueck University, DAAD, Germany (2001)

Three-month research leaves at Osnabrueck University, DAAD, Germany (1999)

Addis Ababa Teacher Training Institute, 1973, Ethiopia

III. WORK EXPERIENCE

Assistant Professor and Dean of Institute of Agriculture and Development Studies, School of Graduate Studies , St. Mary's University, March 2014 to date

Assistant Professor and Director of Center for Educational Improvement, Research and Quality Assurance, St Mary's University College since September, 2009 to 2014

Member of the task force to produce "The Ethiopian National Qualification Framework", Representative of Higher Education Sector. Produced Ethiopian National Qualification Framework and Implementation Documents for the Ministry of Education

Senior Expert and team Leader Quality Audit in Higher Education Relevance and Quality Agency, since December, 2006

Worer Research Center Director, 2003 -2006

Associate Researcher I EARO, Worer Agricultural Research Center 1999-2006

- Soil research Section Head, Worer Agricultural Research Center 1999-2003
- Dry land natural resource management research program coordinator, EARO, Worer Agricultural Research Center, 2001-2006
- Drainage Research Project Coordinator, 2001-2004

Team leader of Prosopisjuliflora management task force at Worer Research Center 1999-2006

Assistant Lecturer, Alemaya College of Agriculture, 1982

Assistant Administration Head of the Department of Plant sciences, Alemaya College of Agriculture, 1982

Graduate Assistant, Alemaya Agricultural University, 1981, Ethiopia

Guest Lecturer Awassa College of Agriculture, 1981/1982, Ethiopia

Graduate student, International Live stock Center for Africa (ILRI), 1988, Addis Ababa, Ethiopia

High school teacher, Arbaminch Secondary School, 1974-1976, Ethiopia

V. RESEARCH

Publications

Wondimagegne Chekol, 2014: *Prosopis juliflora* Management in Afar Regional State, Stakeholder Analysis: Paper Presented on IGAD International Workshop May 1-3, 2014 Submitted for publication, July 30, 2014

Wondimagegne Chekol and Imfred Neumann, 2014: Beyond Prosopis , Integrated Mangement of Alien Species in Afar Region State Paper Presented on IGAD International Workshop May 1-3. 2014, Submitted for publication on July 30, 2014

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Wondimagegne Chekol 2013: Soil Dynamics and Ecological change in middle Awash and lower Awash basin (unpublished)

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Wondimagegne Chekol and Tigist Belay 2010: State of Educational Quality in Ethiopian Higher Education Institutions, Proceedings of the national conference on Quality of Education in Ethiopia, 2010: 48-61.

Wondimagegne Chekol, Solomon Alemu, Sisay Tekele, Bob Campbell et al 2008: Gonder University Institutional Quality Audit Report. HERQA Publication Series 029

Wondimagegne Chekol, Solomon Alemu, Kassahun Kebede , H. Kevin et al 2008: Jimma University Institutional Quality Audit Report. HERQA Publication Series 031

Wondimagegne Chekol, Solomon Alemu, KassahunKebede , H. Kevin AsefaAbegaz et al 2009: St Mary's University College Institutional Quality Audit Report. HERQA Publication Series 035

Wondimagegne Chekol, Solomon Alemu, KassahunKebede ,AsefaAbegaz et al 2009: Addis Ababa University Institutional Quality Audit Report. (Unpublished)

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Wondimagene Chekol and Heluf G/Kidane et al, 2006: Chemistry, Properties, Evaluation Management and Reclamation of salt affected soils and irrigation Waters in Ethiopia, ERO Publications

Wondimagegne Chekol, 2005: The effects of NP fertilizer on the yield of cotton, annual research report, EARO.

Wondimagegne Chekol and AlemayehuEshete, 2005: Impact of Irrigation on socio economic and environment in the middle and lower AwashRiver basin, annual research report, EARO.

Wondimagegne Chekol, 2004: Characterization of the soils of Lower and Upper Awash Basin, Ethiopia, annual research report, EARO.

Wondimagegne Chekol, 2003: Characterization of the soils of Southern Hledeghe Range Land in Middle Awash Basin, Ethiopia, annual research report, EARO.

Wondimagegne Chekol, 2002: Soil types: their potential and constraint for crop production in the Middle Awash Basin, Ethiopia, annual report, EARO.

Wondimagegne Chekol and EngidaMersha (eds) 2000: Proceedings of the fifth conference of the Ethiopian Society of Soil Science, Addis Ababa, Ethiopia.

Wondimagegne Chekol, 1994: Boden-catenen der basaltruecken-intramontanebenen-landschaft in der fusszone des Choke-bergmassives in hochland Aethiopian province Gojjam (PhD Desertation), Goerg-August University, Goettigen, Germany.

Wondimagegne Chekol, 1987: Das Boden-Brennen (Guie) in Aethiopian untersuchung zur veraederung der boden-eigenschaften insbesondere der naehrstoff reaktivitaet. MSc Thesis) Georg-August University, Goettingen.

TamireHawando, Wondimagegne Chekol et al, 1982: Soil fertility studies on major soils occurring in Hararghae Highlands (published in summary results of a soil science research program).

TamireHawando and Wondimagegne Chekol and et al, 1982: Effects of soil and water conservation on the yield and growth of sorghum in Hararghae Highlands, annual report soil science research program, Alemaya College of Agriculture.

TamireHawando, Wondimagengne Chekol et al 1981: Land use planning, soil fertility and soil conservation studies in Harerghe Highlands; summary research report, AlemayaCollege of Agriculture, Ethiopia

Extension work, Legambo Project (FAO funded), main activities were: soil classification and mapping, Land use planning, soil conservation and Agro-forestry, Alemaya College of Agriculture 1979-1982, Ethiopia

VI SKILL and ATTITUDE

Computer literate, Word and Excel

Aware of HIV/AIDS and Gender Equality

Familiarity with Afar community and culture and their way of working

VII OTHER ACTIVITIES

Vice President of the Ethiopian Soil Science Society 2010 -2012

Secretary of the Ethiopian Soil Science Society 2012-2014

Member of the Editorial Committee of Journal Agriculture and Development

Editor in chief of the Ethiopian Society of Soil Science proceedings in 2000

Chairman of the African and Asian Academician, George-August University, Germany (1990-1994)

Coordinator in the scaling up of modern Agricultural Technology in Afar Regional State (2003-2006)

Serves as Advisor and Co-advisor of MSc students at Hawassa and Haremaya Universities, since 2003 to date)

Member of the screening committee for German Academic Exchange Service (DAAD) PhD Scholarship candidates

Member of the advisory committee of the DG of Ethiopian Agricultural Research (2003) Institute

Partner for the implementation of Afar Livestock Recovery Project of FAO Funded by Norwegian Development Fund (2003- 2006)

Resource Person of Farm Africa Projects in Afar Regional State (1999-2006)

Partner for the implementation of PCDP Project in Afar Regional State (2003-2006)

Partner for SASAKA Global Rice Research and seed production since 2005 to date

Vice Chairman of the Ethiopian Soil Science Society since 2010

Secretary of the Ethiopian Soil Science Society since 2010 -213

Member of Ethiopian Agricultural Society

Member Ethiopian Soil Science Society

Member of German Soil Science Society

Msc students Advisor for the MA program (Rural Development) of Indra Gandhi Open University School of Continuing