

Increasing Role of Cooperatives in Development

Community development provides community members with opportunities to bring about changes in their social, economic and cultural environment. Communities join hands to form cooperatives with a view to fulfill their need. Currently, cooperatives which are commonly defined as "an autonomous association of persons united voluntarily to meet their common economic, social and cultural needs and aspirations" play key role in the poverty reduction of a nation.

Cooperatives which were first established in France in 1750 are recent phenomena in Ethiopia with a history of half a century. Cooperatives in Ethiopia remained to be passive in changing the livelihood of most Ethiopians despite the fact that their legal framework was found back in 1957.

In a country like Ethiopia, where the livelihood of the majority of the population depends on agricultural output at subsistence level and also where credit facility is almost non-existent for ordinary people, financial institutions like saving and credit cooperatives are of paramount importance for providing facilities for saving and extending credit.

Saving and credit cooperatives are, therefore, the shortest possible means of accumulating saving and extending loan to the low income groups where established commercial banks are limited in number and far behind the reach of the society.

As to the genesis of cooperatives, only few cooperatives were organized during the regime of the emperor. The major objective of organizing the cooperatives then was to produce industrial crops such as tea and spices. The co-operatives were organized in areas where these industrial crops are grown.

Best Practices

Concerning the membership, the share holders were those who produce these cash crops and in almost all were landlords. Small holders and consumers were not given due attention.

During the Dergue era, with large members of non-cooperative organizations pretending to be cooperative, cooperative societies and the cooperative movement as a whole used to suffer from a loss of credibility in the eyes of their members and the general public. The publicly pronounced image of co-operatives was not reflected in the day-to-day practices. The members lacked tangible benefits and they had no role to play; hence sense of ownership faded.

The members who were forced to form or to join the co-operative started to show their dissatisfaction and gradually the groups started disintegrating.

Due to the command system of economic management that lasted for about two decades and with less emphasis by the Dergue regime for the years, the development of saving and credit cooperatives was limited.

Presently, the Ethiopian government gives due emphasis for the development of the sector and has enacted Cooperatives Proclamation. The required human resource has been assigned starting from the woreda to federal level. There is even a plan to assign cooperative extension workers at kebele level which is the basic political structure of the government. Today the environment is conducive for the development of self reliant and autonomous cooperatives which can also create job opportunities.

Despite the fact that the operation of saving and credit cooperatives was limited, to work places, since 1990, there was a shift in outlook that led to promoting and organizing saving and credit cooperatives focusing on the needs and desires of the society by enlarging the common bond of association to profession and community. It was in fact started with the demand of NGOs to line up the support of low income groups to income generating activities and to sustain the benefits by organizing in this manner.

Best Practices

Most cooperatives are organized on the basis of workplace (employee) common-bond. Owing to the large number of people residing in rural areas, there lies a huge potential for credit union development. Very few saving and credit cooperatives are organized on the basis of profession.

The government is doing its level best so that cooperatives could be instrumental in poverty reduction and encouraging result has been registered in this regard. Currently there are 19,147 primary co-operatives with an aggregate capital of 1.47 billion birr with memberships of about 4.61 million. Cooperatives in Ethiopia also provide job for close to 24,000 people.

In order to strengthen the bargaining power of primary cooperative societies, 124 co-operative unions with 992.6 million birr capital have been established all over the country. An additional 44 cooperative unions having a total capital of 4.9 million birr are in the process of forming grain marketing co-operatives federation in the near future.

The role of agricultural co-operatives in supplies, marketing and services in particular and their role in poverty reduction in general has become irreplaceable for rural small scale producers in this country.

With regard to the input supply service, agricultural cooperatives play a vital role as their involvement in the distribution of fertilizers and selected seeds to their members and potential members is significant. The share of cooperatives in fertilizer and seed supply is more than 75% of the total annual distribution in the country. For example, in the year 2006/07 eight agricultural cooperative unions imported about 253,750 mt of fertilizer. This covers above 65 % of the total demand of the country.

Agricultural cooperatives played an important role in value creation by paving the way to the products of small-scale producers to the terminal market in the last five years. What is more, cooperative unions are dealing with export trade in coffee, oil seeds, fruits &

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vegetables. Agricultural credit services are also the most important activities undertaken by cooperatives, which are geared to the well defined needs of their members.

Among the major activities performed by coffee producers' cooperatives unions are collecting coffee beans from member producers, transporting to the processing plant, cleaning the coffee beans to keep up to standard and transporting the item to the central market.

For instance, in the 2006 budget year 9,983,243 metric tones of washed and unwashed coffee for Birr 132,530,860 have been exported to the world market by five coffee producers' cooperative unions.

In the coming five years, strengthening cooperative societies by delivering services to 70 percent of the population is a priority. Increasing cooperative sector saving from 630 million to 1.2 billion birr by boosting rural and urban saving and credit cooperative society, providing telecommunication and rural electrification services cooperatives, among others, are the major focus areas of government endeavour.

Indeed, the MTIS see poverty reduction and the attainment of food security as their main goal. Their achievement so far has been encouraging but their endeavor to break the chain of food insecurity must be further accelerated.