

Elements

1. Business Clusters. Each year, the project coordinated at least ten platforms with representatives from unions, cooperatives, buyers, service providers and other important stakeholders within the private and public sector to discuss specific issues in a selected value chain. The participants formed public - private - producer -partnerships, or 'business clusters', depending on the agenda and issues identified. Each meeting produced a cluster plan with priority activities, responsible organizations and timelines. Issues relevant for unions were included in action plans for union capacity strengthening.

Lesson: Business cluster meetings achieved active and constructive participation of key value chain actors. The meetings resulted in business cluster plans, delineating specific activities to address issues in the value chain and assigning actors to monitor progress. The leadership of the unions in making the business clusters work at local level was very much appreciated. The facilitation of the meetings was mostly dependent on C4C, but the linkages and networks established between the different parties will continue to exist. **Unions and other value chain actors will need further support from government and/or development partners to play a leadership role in the Agricultural Commercialization Clusters as promoted by the Agricultural Transformation Agency.**

2. Scoping Assessments and Company Audit. C4C conducted scoping assessments of 'pioneering' unions (selected from a list of 40 unions suggested by the Federal Cooperative Agency –FCA- and the Agricultural Transformation Agency –ATA) to determine their performance and potential for being included in the project. The scoping tool assessed cooperative entrepreneurship, governance and leadership, member relationships, business development potential, and management capacity. Results of the scoping assessment were analysed and discussed with the government to decide which unions would be included in the C4C project. All selected unions were submitted to an audit for a detailed assessment of managerial practices, cooperative governance, financial management, operations, and business case in selected value chains. The audit also collected information about each union's reputation with members, buyers, banks and others.

Lesson: The scoping tool provided an objective assessment of each union. However, the results of the tool were very dependent on the sitting union management, and will change over time. C4C or other cooperative development initiatives can use the tool to periodically re-evaluate the performance of the selected unions. **Elements of the scoping tool could also support FCA/ATA in the development and implementation of the cooperative certification system.**

Lesson: The scoping assessment and company audits have demonstrated to be a very useful tool to uncover strengths and weaknesses of the unions and get a better understanding of their business cases, as well as the capacity gaps for realizing their ambitions and for strengthening their position in the value chain. **Through a thorough understanding of the union, C4C was able to effectively address capacity gaps and intervene with tailor-made solutions that were based on the needs of the clients. Together with union staff and board members, the capacity gaps were translated into union action plans for capacity strengthening.**

3. Union Action Plans. C4C helped 16 unions develop action plans to address the capacity gaps needed to make them bankable and good business partners. The content of each union action plan was derived from the outcomes of business cluster meetings, scoping assessment and company audit. The action plans were co-designed by C4C advisors and union staff and also received inputs from Cooperative Promotion Agency. Components of the action plan are: a) organization, b) production and input supply, c) marketing, and d) agro-processing (if applicable). The plans also included cross-cutting topics, such as financial management, ICT and communication, relations between unions and primary cooperatives and farmers, managing networks with buyers, and promotion of female leadership and women participation in cooperatives. C4C provided co-financing and technical advice for the implementation of the plans, initially for the 16 unions and later also for 5 primary cooperatives. Unions and cooperatives assumed responsibility for implementation, monitoring and progress reporting on results. The plans were prepared on an annual basis and renewed on the basis of annual reviews.

Lesson: The union action plans were the result of joint analysis and discussions on capacity gaps and priorities between C4C and unions. Some unions demonstrated a high level of ownership to the plans and their improved performance can be credited to this commitment. **Stable union management staff, access to finance, good understanding of the change process by the board of directors and the frequency of contact and coaching between C4C and the union were also critical success factors. Other unions lagged behind in taking ownership for their capacity strengthening and were less successful.**

4. Capacity Development Fund for Unions. The project administered a grant fund for the co-funding of the capacity strengthening activities. Each year, the project and the unions signed a contract for the implementation of the union action plan.

C4C Approach



Key Elements of the C4C Approach for Cooperative Development

Cooperatives for Change (C4C): Value Chain Approach for Cooperative Development in Ethiopia is a four-year project (2012-2016) implemented by SNV in partnership with Agriterra. C4C enhanced the business performance of 16 Farmer Cooperative Unions, reaching out to 160 primary cooperatives, and benefitting 44,000 smallholder farmers raising their productivity and incomes. C4C strengthened unions to adopt innovative business practices for improved service delivery and output marketing. The project is funded by the Bill and Melinda Gates Foundation. Agriterra also invests in the project with own funds.

www.snv.org/project/cooperatives-change-c4c
www.agriterra.org/C4C-project-ethiopia/



Background

Ethiopia's 50,000 cooperatives constitute the backbone of the agricultural sector and provide services to millions of smallholder farmers. Cooperatives aim to improve their way of farming, from production to marketing. However, they have limited capacity and cannot offer a full package of services to all of their members. Most farmers in the country still face constraints accessing inputs, improving agricultural technologies and accessing markets. Consequently their productivity levels and income remain low. Cooperatives used to focus primarily on input distribution but, with the government calling on cooperatives to facilitate market linkages for their members, they are now expanding into output marketing services.

From 2012 through 2016, SNV together with Agriterra strengthened cooperatives through the project "Cooperatives for Change (C4C): Value Chain Approach for Cooperative Development in Ethiopia". Because cooperatives play significant roles in the 'middle' of the value chain, liaising between farmers and consumers, the C4C project opted for the value chain approach to build their capacity

Working with actors in the upstream segment of the value chain (producers) as well as with actors in the downstream segment (processors and buyers), C4C intervened there, where the main bottlenecks and opportunities were identified. In doing so C4C worked on 'push' factors - increasing the volume and quality of production; and on 'pull' factors - increasing the market demand. Key elements in the approach were business cluster meetings for the identification of issues to be tackled in the value chains, and the translation of these issues in the action

C4C Objectives:

- Strengthen the performance of 16 unions, specifically to make them more business and market oriented.
- Reach out to 160 primary cooperatives and benefitting 44,000 member farmers, in Amhara and Oromia regions
- Make cereals, legumes and oilseeds value chains more efficient, i.e. getting higher margins and thus incomes for cooperatives and farmers

Lesson: The capacity development fund was a useful tool for getting unions committed to the action plans and creating a sense of ownership and responsibility of their own capacity strengthening. Unions were supposed to gradually increase their own contribution to the budget of the action plan. **In practice, unions always negotiated with the project for lower contributions citing small profits, other investment needs, or liquidity problems. This jeopardized the project intentions to phase-out support to the selected unions.**

5. Capacity Development and Learning. C4C provided technical expertise to unions and their member cooperatives as well as to buyers, service providers and government staff that work in the cooperative sector. Project staff together with national and international consultants gave technical advice, training, coaching and mentoring in selected topics related to organizational and business development, service provision and output marketing. This was followed by learning visits to other unions and industry study tours in Ethiopia and abroad. The C4C technical assistance and consultancies were demand-based, hands-on and practical, and based on intensive and direct inter-personal contact that guaranteed recommendations that fit into the specific local context of the unions and cooperatives.

Lesson: Successful capacity strengthening relies on a full understanding of the context, networks and institutional environment in which the union or cooperative operates. Capacity strengthening must focus on tackling jointly identified and agreed capacity gaps that are within the human and financial means and resources of the organisation to address. **Peer-to-peer learning has proven to be very successful. Staff of successful C4C unions is now prepared and ready to provide capacity development services to other unions and to primary cooperatives for strengthening their organization, and service delivery to farmers in production and marketing.**

6. Business Planning. C4C supported unions in the development of their 5-year strategy plans, business plans and feasibility studies. These plans and studies were designed to help the unions structure their annual operations and communicate priorities about their expanding businesses with farmer members. Business plans and feasibility studies are pre-requisites for loan applications to banks.

Lesson: The strategic and business plans gave union managers a structured plan for achieving better performance. To maximize their impact, the plans should be explained to all members, not only to the board members. **The plans should be internalized by all, so that everybody understands and feels part of the cooperative as a business.**

7. Internal Capitalisation. Before issuing loans, banks also want to see collateral and unions commitment to financing of new investments. C4C therefore promoted the concept of internal capitalisation to mobilize capital from members by issuing new shares. Internal capitalization strengthens the financial capacity of the unions, while also strengthening the commitment of members to the union, who take greater ownership with the purchase of additional shares and become more involved in union decision taking capacity. This not only helps the union in accessing capital for realizing investment plans, but also creates more member ownership and commitment to the union or cooperative. Internal capitalisation has opened internal funding sources as well as opportunities for family members to buy shares. This promotes the participation of women in union and cooperative decision taking.

Lesson: Internal capitalisation is an excellent tool that unions and cooperatives can use for improving their financial capacity. This not only helps the union in accessing capital for realizing investment plans, but also creates more member ownership and commitment to the union or cooperative. **Internal capitalization has opened internal funding sources as well as opportunities for family members to buy shares. This promotes the participation of women in union and cooperative decision taking.**

8. Sector and Innovation Fund. C4C set up a grant fund for two purposes. One purpose was for supporting activities that fell outside the scope of individual union action plans, such as interventions at the national cooperative level. The other purpose was for piloting innovations. At the national level, C4C organised an international study tour to The Netherlands to learn about cooperative business. The study tour included high level government staff, such as the Minister of Agriculture and Director General of the Federal Cooperative Agency, and union managers. C4C also sponsored national cooperative conferences, symposiums and exhibitions. Concerning innovations, the project financed the development, introduction, testing and promotion of: a) Total Quality Management in unions; b) a mobile information system for tracking of products from cooperative to union; c) Purdue Improved Crop Storage bags; d) a new chickpea variety, ACOS Dube, for export; e) Peachtree accounting software for improved financial management.

Lesson: The sector and innovation fund enabled the project to work beyond its direct target group of unions, cooperatives and smallholder farmers to engage with the cooperative regulatory body of the government. **It also enabled the project to support and promote innovations and knowledge for the benefit of the cooperative sector as a whole.**

9. Best Practice Development. C4C prepared a series of brochures on specific topics in support of cooperative development. These knowledge sharing products were distributed via leaflets and manuals in meetings, field days, and through email. Some of the materials were translated in Amharic and Oromiffa languages. Project staff also gave presentations at national cooperative events.

Lesson: Knowledge development and its dissemination are of utmost importance for the sustainability of the project activities. **Each project should have the expertise and budget for communicating with target groups, and for creating an enabling environment to embed learning throughout project implementation.**

10. Exit Strategy. The main element of the exit strategy was the gradual phasing out of the project support in capacity strengthening of the unions. The project planned that the unions, after four years of project support, would reach a good and sustainable performance level. In practice, this was not possible for all unions. While the majority of the unions made good and sustainable progress, others still need some support in overcoming specific capacity gaps.

Lesson: Unions face multi-dimensional challenges and capacity gaps. **Hence, capacity strengthening of unions is a process that requires tailor-made support and in some cases will take more than 4 years.**

C4C Outcomes (2012-2016)

- 13 unions obtained \$14 million in credit from commercial and cooperative banks.
- 14 unions professionalized their accounting systems (Peachtree).
- 6 unions raised US \$2 million through internal capitalisation
- 10 unions raised over US \$2 million, value addition and seed processing.
- Tenfold increase in union output marketing: average/union from 175 to 1,750 mt.
- 2016 gross revenue of output marketing by C4C unions: US\$6.3 million (C4C crops).
- 10,000 model farmers and 1,000 extension workers trained in production and quality.
- 44,000 farmers benefited from improved inputs and services.

Farmers' Impact

- 14% higher crop productivity in C4C crops: wheat, haricot bean, chickpea, sesame, Niger seed and linseed
- Leading to 20% (US\$130) increase in annual farmer's income.

C4C Unions output marketing performance

