



Training manual on **Seed Producer Cooperatives (SPCs)**

MODULE | **An introduction
to SPCs in Ethiopia**

Colophon

Lead authors | Muhsin Yimam and Tadesse Teshome

Contributors | Alemayehu Assefa, Demeke Samaro, Minilek Kefale, Solomon Petros and Jo Weeks

Editors | Herman Snel and Jo Weeks

Photography | Lex Schmeetz, Mirjam Schaap and ISSD Ethiopia

Design | Anita Simons, www.symsign.nl

Please cite as | WCDI (©2020) *Local seed business management, Module: An introduction to SPCs in Ethiopia*; December 2020. Commissioned by the programme on Integrated Seed Sector Development in Ethiopia (ISSD Ethiopia). Wageningen Centre for Development Innovation, Wageningen University & Research.

Wageningen Centre for Development Innovation supports value creation by strengthening capacities for sustainable development. As the international expertise and capacity building institute of Wageningen University & Research we bring knowledge into action, with the aim to explore the potential of nature to improve the quality of life. With approximately 30 locations, 6,500 members (5,500 fte) of staff and 12,500 students, Wageningen University & Research is a world leader in its domain. An integral way of working, and cooperation between the exact sciences and the technological and social disciplines are key to its approach.



The Wageningen Centre for Development Innovation uses a Creative Commons Attribution 4.0 (Netherlands) licence for its reports. To view a copy of this license, visit <https://creativecommons.org/licenses/by-nc/4.0/>

This report can be downloaded for free at <https://doi.org/10.18174/536870> or at www.wur.eu/cdi (under publications).

This work was commissioned by Integrated Seed Sector Development in Ethiopia (ISSD Ethiopia), a programme of the Bilateral Ethiopia Netherlands Effort for Food, Income and Trade (BENEFIT) partnership funded by the Netherlands Ministry of Foreign Affairs through the Embassy of the Kingdom of the Netherlands in Addis Ababa, Ethiopia. ISSD Ethiopia is implemented by the consortium of Bahir Dar University, Haramaya University, Hawassa University, Mekelle University, Oromia Seed Enterprise, and Wageningen Centre for Development Innovation, which is a part of Wageningen University & Research, in collaboration with the Government of Ethiopia and many others across research, industry and civil society in Ethiopia.



Government of the Netherlands





Contents

An introduction to seed producer cooperatives (SPCs) in Ethiopia	4
Overall learning objectives and structure of this training module	4
Section 1: Why were SPCs originally developed in Ethiopia?	5
Specific learning objectives	5
1.1 Recent history of seed business development in Ethiopia	5
1.2 Why were SPCs used as a new intermediary seed system?	5
Section 2: What is a SPC?	7
Specific learning objectives	7
2.1 How do SPCs connect with the international cooperative movement?	7
2.2 What are the values and principles of SPCs?	8
Section 3: How do SPCs work in Ethiopia?	10
Specific learning objectives	10
3.1 Definition of SPCs in Ethiopia	10
3.2 Legal framework for SPCs in Ethiopia	10
3.3 Key features of SPCs in Ethiopia	10
Section 4: Key success factors for sustainable and vibrant SPCs in Ethiopia	12
Specific learning objectives	12
4.1 Objectives in establishing SPCs	12
4.2 What is the SPC for?	12
4.3 Who is the SPC for?	13
4.4 What local demands do successful SPCs address?	14
4.5 What services can a SPC provide?	15
Section 5: Others' experience: dos and don'ts when establishing or supporting SPCs in Ethiopia	17
Specific learning objectives	17
5.1 Dos	17
5.2 Don'ts	20
Bibliography and resources	22

An introduction to seed producer cooperatives (SPCs) in Ethiopia

This training module aims to support professionals involved in the strengthening of SPCs in Ethiopia. Being the first module of a series it provides a general overview and an introduction into SPCs in Ethiopia. The module is structured in 5 separate sessions, each with their specific learning objectives and reflection questions. The sessions are structured in line with the five overall learning objectives.

These training manuals bring together experience and learning from the Integrated Seed Sector Development Programme in Ethiopia that operated within the BENEFIT-Partnership programme in six regions. The training manuals are set up to support master trainers to tailor and design their own training sessions making use the topical information, resources and

suggested group reflections. We highly encourage trainers to integrate the assignments and reflection questions that can be found in this manual as a methodological approach that may inspire and engage adult learners through interactive training sessions that build on their personal experience and insights.



Overall learning objectives and structure of this training module

This training module is structured in 5 blocks of sessions. Each session focuses on one learning objective. By the end of this module, participants will have learned about and be able to discuss the following questions.

- Why were seed producer cooperatives (SPCs) originally developed in Ethiopia?
- What is a SPC? How does it connect with the international cooperative movement? What are its principles and values?
- How do SPCs work in Ethiopia?
- What are some key considerations when establishing SPCs in Ethiopia?
- From others' experience, what are some possible dos and don'ts when establishing SPCs?

SECTION 1 Why were SPCs originally developed in Ethiopia?



Specific learning objectives

- By the end of this sessions participants will have gained a historical understanding on why and how SPCs emerged in Ethiopia.

1.1 Recent history of seed business development in Ethiopia

In 2009, the Local Seed Business Development (LSB) Project was launched with the aim of strengthening and transforming the seed sector in Ethiopia. The project supported organized farmer producer groups, private seed companies, and public seed enterprises and heralded the realization of a new (third) seed system in Ethiopia. It was called the *intermediary system*.

In this intermediary seed system, the key stakeholders are smallholder farmers who are organized and legally registered (Proc.147, 985/2016) as seed producer cooperatives (SPCs).

Originally, SPCs were considered similar to traditional seed systems and were contrasted with national and international seed companies. Nevertheless, the potential of SPCs in producing, distributing and disseminating quality seed throughout Ethiopia was increasingly recognized and understood.

Capitalizing on the proven role of seed producer cooperatives in the national seed production and distribution, 2012 marked the start of scaling out the LSB model for greater farmer outreach in Ethiopia.

1.2 Why were SPCs used as a new intermediary seed system?

A key characteristic of a well-functioning seed system is to be able to offer the right quality, quantity and diversity of seeds at the right locations and the right moment in time. But the supply and distribution of quality seeds in Ethiopia was stuffed with complex and recurring challenges, resulting in poor access and affordability of quality seed.

Before 2009 the formal seed system covered only 10% of the total seed supplied in Ethiopia; 80% of demand was dominated by the informal seed system (Thijssen et al., 2008). But the formal system was the single source of improved quality seed.

Meanwhile, the private and public seed sector could not fulfil the seed demand of farmers; the private sector focused only on hybrid maize and wheat seed; the gap in demand and supply was significant.

This is why it was considered of fundamental importance to establish functional seed producer cooperatives. LSBs were therefore designed to create value and added leverage in quality seed production and distribution at a local level.



LSBs operate as commercial ventures; the seed of any particular crop is considered their main business proposition. Commercialization of seed is the core value for the sustainability of SPCs.

SPCs are close to user communities and hence have a strong competitive advantage

as they are able to create place utility (local presence), shortening the previously lengthy channels of seed distribution. Currently, the contribution of SPCs within the national seed supply system has moved beyond 10%.



Reflection questions

In small groups of not more than four people reflect on the following questions.

- Why would you establish a seed producer cooperative?
- Based on your own personal experience what is the local demand that SPCs are able to effectively address?
- Based on your own personal experience, what is the specific added value of SPCs in comparison to the private and public seed sector?



SECTION 2 What is a SPC?



Specific learning objectives

By the end of this session participants will be able to:

- describe how SPCs form part of the international cooperative movement and how this affects the fundamental objectives and reasons for being SPCs
- recall and identify the basic values of cooperatives, the ethical values of cooperatives and the key principles of cooperative organizations.

2.1 How do SPCs connect with the international cooperative movement?

The International Cooperative Alliance (ICA) is a universal organization which has an explicit mandate to unite, represent, serve, and to further the development of cooperatives of all types on a global scale.

According to the ICA:

"A cooperative 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."

<https://www.ica.coop/en/cooperatives/cooperative-identity>

Thus, a cooperative is both an enterprise and a collective action organization. In the case of an agricultural cooperative, a group of farmers have established an organization that works to protect and promote their common interests. As all of the members of the group have an (economic) interest in what

the collective organization does, they all want to be involved in the decision-making. This requires a decision-making structure that gives all members a voice or a vote. If the organization is a small one, all members can be directly involved in the decision-making process. In this process, proposals are discussed, pros and cons are weighed, and decisions are taken on the basis of a majority of the votes. In practice, decisions are often taken by consensus, which means that an accommodation is reached that takes care of the interests of all members.

In a larger organization, members use their voice not for directly discussing and voting on project proposals but for electing representatives to a board of directors (BoD). The BoD takes decisions on behalf of the members and is accountable to the membership for the outcome of its decisions. The rules for electing the BoD and for reporting back to the members are usually written down in the by-laws (or statutes) of the cooperative.

As the above definition explains, an agricultural cooperative is not only an association of farmers, it is also an enterprise. The enterprise has a management structure, it often has employees, and it owns assets such as a warehouse, a truck, a piece of land, a processing plant or only an office building. These assets are owned by the cooperative, while the cooperative is jointly owned by the farmer-members. Therefore, the use of these assets is decided upon in the democratic decision-making process mentioned above.

2.2 What are the values and principles of SPCs?

Values of cooperatives (including SPCs)

The values of cooperatives are based on the ethics and evolving traditions of the cooperative movement. These are set out in the ICA website: <https://www.ica.coop/en/cooperatives/cooperative-identity#cooperative-values>.

They are as follows.

The basic values of cooperatives are:

- **self-help** – helping people to help themselves
- **self-responsibility** – taking responsibility and answer for their actions
- **democracy** – giving members a say in how the business is run
- **equality** – no matter how much money a member invests in his/her share account, he/she still has one vote
- **equity** – the business is carried out in a way that is fair and unbiased
- **solidarity** – sharing interests and common purposes with members and other cooperatives.

The ethical values of cooperatives are:

- **openness** – nobody is perfect and the cooperative will not hide that it isn't perfect
- **honesty** – the cooperative is honest about what it does and the way it is done
- **social responsibility** – people are encouraged to take responsibility for their own community and work together to improve it
- **caring for others.**

Like all cooperatives, SPCs are owned and run by their members, who share the above listed fundamental and ethical values of cooperatives. These values have been formulated in seven cooperative principles by the cooperative movement.

Principles of cooperatives (including SPCs)

The cooperative principles are guidelines by which cooperatives put their values into practice.

Voluntary and open membership

Cooperatives 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.

Democratic member control

Cooperatives are democratic organizations controlled by their members, who actively participate in setting their policies and making decisions. Members serving as elected representatives are accountable to the membership. In primary cooperatives members have equal voting rights (one member, one vote) and cooperatives at other levels are also organized in a democratic manner.

Member economic participation

Members contribute equitably to, and democratically control, the capital of their cooperative. At least part of that capital is usually the common property of the cooperative. 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 cooperative, possibly by setting up reserves, part of which at least would be indivisible; benefiting members in proportion to their transactions with the cooperative; and supporting other activities approved by the membership.

Autonomy and independence

Cooperatives 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 cooperative autonomy and principles.

Education, training, and information

Cooperatives 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 cooperation.

Cooperation among cooperatives

Cooperatives serve their members most effectively and strengthen the cooperative movement by working together through local, national, regional and international structures.

Concern for community

Cooperatives work for the sustainable development of their communities through policies approved by their members.



Reflection questions

In small groups of not more than four people reflect on the following questions.

- List 5 key elements that differentiate SPCs from the public and private seed sector
- How are the members of a SPC involved in its day to day operations?
- Who decides what services and products a SPC is going to offer?

SECTION 3 How do SPCs work in Ethiopia?



Specific learning objectives

By the end of this session participants will be able to:

- describe how and in what way SPCs are supported by specific legal frameworks in Ethiopia
- identify key features that characterize SPCs in Ethiopia.

3.1 Definition of SPCs in Ethiopia

SPCs are organized and registered according to the Cooperative Societies Proclamation 985/2016 of the Federal Democratic Republic of Ethiopia (FDRE). The following segments will outline some of the elements of this proclamation and formal framework.

Under this proclamation, seed producer cooperatives are considered to be specialized forms of farmer operated producer cooperatives, mainly mandated for the multiplication, processing, and marketing of farmer preferred quality seed at a commercial scale.

3.2 Legal framework for SPCs in Ethiopia

The legal framework for SPCs in Ethiopia requires all SPCs to have the following structural features and operational models:

- land based operations
- cluster – based farming (greater than or equal to five hectares)
- experience in seed production

- commercial orientation
- a specialized cooperative framework
- members are considered as owners, users and controllers
- limited delivery obligations
- work with 100% basic seed¹
- work with 90% C1 grade seed²

3.3 Key features of SPCs in Ethiopia

- Profit orientation vs. service orientation: SPCs are not common forms of agricultural cooperatives. Rather, they are specialized profit-seeking ventures (as opposed to most cooperative forms, which are organized to provide a variety of services to their members).
- Volatility of demand: demand for seed is highly volatile. This is not so much because of farmers' behaviour. Rather, it comes from frequently changing climatic factors including high/low rainfall, seasonality, drought, disease, and pests, and increasing frequency of these factors because of climate change.

¹ seed produced by or under the responsibility of the breeder and intended for the production of certified seed. It is called basic seed because it is the basis for certified seed and its production is the last stage that the breeder would normally be expected to closely supervise (OECD 2016)

² the progeny of basic seed, produced under contract with selected seed growers under the supervision of a seed enterprise (public or private) Source (OECD 2016)

- Susceptibility to risk agents (for instance, weather and disease): as seed is highly sensitive to risk agents (biotic or abiotic), so is seed business.
- Regulatory certification: seed business requires regulatory certification as well as a certificate of competence to produce seed as a commercial product.
- Pricing: SPCs should remain autonomous, and sustainable price setting should in principle be free, as SPCs are intended to be commercial entities.
- Complexity of the seed sector: the seed sector is a complex interaction of stakeholders at different levels of hierarchies of interest. There is loaded interest from all stakeholders. Seed business cannot be separated from the seed value chain, in which success largely depends on the performance of other value chain activities or actors.



Reflection questions

In group of not more than four people reflect on the following questions.

- What are the minimum requirements to legally establish a SPC in Ethiopia?
- What occurs when an existing SPC stops meeting with the established legal requirements?
- Is seed quality a concern for individuals purchasing seed at a SPC?



SECTION 4 Key success factors for sustainable and vibrant SPCs in Ethiopia



Specific learning objectives

By the end of this session participants will be able to:

- describe a series of factors that make or break SPCs
- describe the steps required to engage different stakeholders in the creation of SPCs.

The experience of ISSD Ethiopia is that there are a number of factors that can make or break SPCs. The following lists summarizes some of these key success factors; each topic is addressed more thoroughly in the main training modules.

- commercial orientation
- entrepreneurship (collective)
- engagement in direct seed marketing (DSM)
- production of seed that is demanded by farmers (not just improved seed)
- diverse product portfolios
- quality control and certification
- compliance to regulatory standards
- autonomy
- seed business specialization.

4.1 Objectives in establishing SPCs

The main objectives of SPCs are fourfold:

- 1 to produce, process and market farmer – preferred quality seed to local markets and beyond
- 2 to provide services to members (capacity building, etc.)
- 3 to make seed a commercial product

- 4 to generate income and improve the livelihood of their members.

4.2 What is the SPC for?

When considering the establishment of a SPC, you should first initiate a dialogue with stakeholders regarding the underlying reason or motivation for starting a SPC. What needs to be considered is the need and demand for a SPC in your locality. Think about the different types of demands for seed that you see locally; think about what local farmers need and how the SPC can be tailored to attend to that demand.

In other words, think of what the SPC should be catering for. Examples include:

- addressing shortage of quality seed
- enhancing availability access
- shortening seed distribution channels
- introducing and promoting local adapted seed technologies
- generating income
- promoting commercialization of quality seeds.

4.3 Who is the SPC for?

The purpose of establishing a SPC should be seen from different angles, taking the perspective of different stakeholders in the seed sector: farmers, the local agriculture office, the cooperative office, research institutes, NGOs, and others.

Make sure you take into account the perspective of different stakeholders before setting up a SPC. In this manual we will provide examples of questions that you could address to four common stakeholders: farmers, experts, scaling partners, and those whose voices are traditionally less heard. In reality, when you come to setting up a SPC, we advise that you talk to as many different stakeholders as you can, in order to understand as fully as possible how a SPC can address their needs.

Farmers' perspectives

- What are the main sources of quality seed for the farmers involved?
- Are the seed source alternatives enough? Why?

- Do farmers get seed of any variety they want any time and place?
- What are the current challenges that farmers face in accessing quality seed?
- Is there a need for different alternative sources of seed?
- If there are SPCs in the locality, how do the farmers perceive their benefits?
- Are there specific problems that should be addressed by the SPC? What is unique about SPCs to the user farmers?

Experts' perspectives

- What gaps can SPCs fill in solving shortage of quality seed?
- What can be different about SPCs compared to existing seed sources?
- What role do experts have in strengthening SPCs?

Scaling partners' perspectives

- What are the unique features of SPCs that we want to scale?
- Why is it valuable to promote SPCs instead of strengthening private and public systems?
- What are the objectives that scaling partners want to achieve by establishing SPCs?

Taking into consideration vulnerable and less powerful stakeholders

In every local area there will be stakeholders who are often less, or seldom, heard. Are there women, child farmers, refugees/dispossessed/internally displaced people, agropastoralists, or other particular religious or socioeconomic groups? Are they traditionally or recently less powerful, and/or less resilient? Are there some stakeholders with a particular inequity of resources and income?



As well as the questions that pertain to every farmer, the following questions will help you to understand as fully as possible how a SPC can address their needs. It is important to recognize that people from these groups often have a wealth of specialized knowledge which will greatly strengthen any SPC that they join.

- How do they source seed?
- What particular role do they play in the local seed system? How do they work with others?
- How resilient is their seed system? Have they experienced shocks or constraints with their seed production/sourcing in the past? If so, what strategies did they use to deal with these?
- What are their seed preferences (types of crops and varieties)? Why?
- What is the best way of contacting them and enabling them to have an equitable role in SPCs?

When talking to different stakeholders, make sure you document the findings from the conversations so that these can be incorporated in future planning.

4.4 What local demands do successful SPCs address?

For crops such as cereals, pulses, and potatoes, most farmers rely on seed or planting material kept from the previous season. Nonetheless, at times farmers acquire seeds from other farmers, markets or shops or receive seed as gifts. Farmers look for seed from other sources because, for instance, they:

- have lost most or all of their seed as a result of drought, heavy rains, diseases, pests or poor storage
- have eaten or sold all of their seed
- want to cultivate more land but do not have enough seed to plant on the new land
- want to try a new variety.

The purpose of a local seed business is to produce and market farmer preferred quality seed for sale and to make money from providing this service. The essence of establishing seed producer cooperatives is therefore to produce and market seed commercially. Enhancing seed security (access) can be another focus for some SPC. This type of business works well for some, but not all, crops.

SPCs must produce seeds of crops that are locally demanded and preferred. A crop may be suitable for seed production as a business if:

- farmers are not satisfied with the availability or quality of their own seed or the seed sold locally in markets and shops
- farmers experience seed shortages or difficulties accessing seed at key planting times
- farmers are already used to purchasing seed for this crop (often from limited sources)
- the crop suffers from diseases found inside the seed or carried in the soil (for example, bacterial wilt in potatoes) and the SPC offers disease resistance seed
- good quality seed can be produced by non-specialists in standard field conditions.

ISSD Ethiopia does not focus on specific crops or commodity groups. This training manual provides particular examples, focusing on cereals and pulses.

4.5 What services can a SPC provide?

A seed producer cooperative can provide important services to the community, its members and regional stakeholders. The following eight services are very common for successful SPCs.

1 **Local provision of good quality seed:**

although farmers are usually happy with the quality of their own seed, they often find that the seed obtained from markets, shops or other farmers is not of good quality. SPCs are uniquely positioned to supply locally adapted high quality seed to farmers wherever there is a market.

2 **Improved seed availability:** farmers often face shortage of seed at the time of planting. Having seed produced in the community, rather than in a far off place, can improve access and distribution issues.

3 **Introduction of new varieties:** researchers, and farmers, develop improved varieties of different crops but face difficulties in getting them distributed to large numbers of farmers. SPCs are able to scale the production and distribution of new varieties to their community (users/customers). A seed business can work with researchers or farmer experimenters who multiply and sell improved varieties.

4 **Affordability of seed:** smallholder farmers often complain that the price for seed is too high and therefore not affordable. Seed

produced by local farmers is cheaper than seed acquired from distant sources which incur additional transportation, loading and unloading costs that hike seed prices higher.

5 **Human resource development:** capacity building of members is one basic value proposition that should be rendered to members by the SPCs. Member education will ultimately empower members to become active participants in the SPC and in leadership tiers.

6 **Saving and credit facilities:** low interest credit packages, available to members, enable seed producers to solve cash shortages of members during peak moments such as the onset of a sowing season. The service is especially important because there is no alternative financial service provider willing to provide credit for seed business in Ethiopia at present.

7 **Post-harvest value addition through infrastructure:** for instance, cleaning, thrashing, packaging, storage, and transportation; these are services that add value to seed produced by members.

8 **Marketing services:** individual member farmers may lack the capacity or financing to market their seeds on their own. The SPC is a collective action platform that helps to find and market members' seed at a better price. As a result members will get higher patronage and premiums.

Farmers/members involved in the seed business benefit themselves and positively affect others in the community as the available quality seed produces higher yields, which results in farmers producing more and having access to more produce to eat and sell.



A SPC can only provide quality services when it can produce quality seeds. Much care and attention is required in order to produce good quality seed. Therefore, it is

fundamentally important to get proper advice on seed production from researchers and extension agents from the very beginning of the entire operation.



Reflection questions

Break up into small groups of three participants and reflect on the following questions.

- What are the important services/products that a SPC can provide?
- Why would you engage different stakeholders in a dialogue to set up a SPC?
- How would you engage different stakeholders in a dialogue regarding the SPC?
- List down the services/ products different users would expect to get from SPCs.
- Share some of the key findings of your dialogue in plenary.



5 Others' experience: dos and don'ts when establishing or supporting SPCs in Ethiopia

To conclude this training module, and to share some general insights and learning, the do's and don'ts listed here are a synthesis of different experiences and lessons learned in the field. They are based primarily on ISSD Ethiopia's experience³. They therefore include important elements that support the creation of strong, resilient, vibrant and successful SPCs.



Specific learning objectives

- To know that the dos and don'ts discussed here are only examples, not an exhaustive list.
- To gain practical tips through discussion of ISSD Ethiopia's previous experiences in establishing and supporting SPCs in Ethiopia.

5.1 Dos

a Mobilize members' internal (own)

capital. Ultimately, the autonomy and sustainability of a SPC is determined by its members, not by outside grants or hand-outs. SPCs should invest in technologies and other capacities so that it can increase member services.

Examples include increasing membership; profit reinvestment; additional shares; renting out land for seed production; SPC membership in local unions; sales commissions from seed collection and delivery; regular mandatory savings that automatically become shares; free time/labour/material contributions; service charges (cleaning, thrashing, storage, row planting, tractor ploughing); and concessional or low interest rate charges for members in return for SPC credit.

b Regularly update and enforce SPC

bylaws. This builds trust and membership discipline, leading to quality seed production and successful profitmaking. SPC bylaws are standard codes of behaviour expected from members as seed producers. If the SPC fails to enforce them with one member, it creates fallout from other members, and leads to a general lack of discipline and leadership. Most failing SPCs share lack of enforcement/updating of its bylaws as a common feature. The opposite is true for SPCs with strong enforcement/ updating records.

c Regularly prepare, review and update

business plans. This helps SPCs to enhance their commercial drive and have clear direction in their business. Business planning helps SPCs towards growth, while

³ <https://issdethiopia.org>

those lacking business planning tend to be in a more volatile state.

- d Ensure specialisation and division of labour right from the start, even before the SPC is fully functional.** These are two important areas if the SPC is to discharge all its responsibilities effectively. The most successful SPCs are those with a good structure of functional units, committees, and assigned members, in which everyone knows their duties and responsibilities and acts accordingly.

Some SPCs have relied on one or a few executive managers and ignore the contribution and participation of the general membership, resulting in the loss of sense of ownership of the SPCs by their members. (Members' disinterest can also arise because of awareness gaps, poor member services, poor leadership capacity, non-democratic practices, lack of trust and so on.)

It is particularly important to have a seed quality control committee that has the active support of all SPC members; has its roles and responsibilities embedded; and that is active in monitoring not only produce, but also fields from planting to harvest.

- e Ensure product and geographic diversification.** This is a key strategy for risk diversification and better income generation. SPCs with narrow crop portfolios have a higher chance of failure from shocks including disease, drought, and market failure. SPCs that have relied on rain-fed seed production have struggled due to the

changing climate and related risks, while SPCs with additional water sources such as irrigation have been more resilient.

- f Follow a *hand-up* support model (vs. a *handout* approach).** The approach should be that SPCs lead the way in contributing to and transforming their own SPCs, while external support should be minimal and largely motivational. The following areas are commonly used:

- awareness creation
- experience sharing
- a co-financing approach
- grants conditional on verifiable SPC financial commitments.

- g Ensure proper financial management.** Financial utilization, recording, summarizing, reporting, and auditing are important issues that need appropriate tools, procedures, and transparent mechanisms of verification by all members of a SPC. Non-reporting and delayed audits are major sources of dissatisfaction among members. Delaying, and disregarding the need for, periodic reporting have caused members to doubt their leadership, leading to mistrust; this has been a source of poor member interest in SPC internal capitalization. Therefore, timely and transparent financial records and reports should be made to the general members and verified by a third party.

- h Promote good governance.** Leadership has been at the core of performance variations among targeted SPCs in Ethiopia.

i Promote entrepreneurship and autonomy. One of the challenges of SPCs and their members is limited commercial orientation. Farmers tend to expect government packages or access to programmes when joining a SPC. SPCs must always safeguard their autonomy and independence in terms of finances and decision making. This requires leadership and an entrepreneurial orientation. SPCs are not simply clubs, they are real cooperative enterprises with clear market/client- oriented natures.

Thanks to consistent ISSD investments, SPCs in Ethiopia are becoming more entrepreneurial. SPCs in Oromiya, Amhara, South, and Tigray have started to hire professionals to conduct their seed businesses, and most SPCs now consider seed as a business or commercial commodity. Nationally, SPCs are marketing their seed through direct seed marketing (DSM). Members are therefore no longer just service users, but are transforming their farms into for-profit enterprises; and SPCs are becoming pools of collective entrepreneurship.

The participant/user can discuss which behaviours show entrepreneurship (risk taking, innovation, ambition, internal locus of control).

j Carry out feasibility studies. According to the procedural requirements of the Ethiopian legal framework, all actions pertaining to SPCs should be fully justified by feasibility studies, so that potential risk factors have been addressed at all levels.

This includes, for instance, product/crop types, services, locations, the number of members, share values, profitability scenarios, organizational management variables, financial/technical analyses, sustainability and risk agents, environmental data analyses, market variables, and optimal business volume analyses.



However, experience shows that support for feasibility studies is limited from woreda cooperative offices and even from some SPC head offices. Experts, too, have sometimes simply gathered interested farmers and encouraged them to form farmer-based (rather than land-based) SPCs, in order to satisfy donor deadlines.

Sadly, SPCs have sometimes failed because of factors that might have been seen and addressed through carrying out an adequate feasibility study.

k Engage in multi-stakeholder processes.

Supporting SPCs has never been easy; it requires sustained and coordinated efforts from seed sector stakeholders. The role of partnership innovation in enhancing SPC growth and the whole sector performance is instrumental.

Making sure that partners take up this model is, therefore, a necessity, not a choice. Partnerships can take different forms: for instance scaling up, institutional embedding, services (training, early generation seed), grant provisions, and technology transfers.

l Strengthen local seed core groups and make sure they are regularly engaged in supporting SPCs and overseeing sector issues. Local seed core groups can provide immediate solutions to the emerging challenges of SPCs.

5.2 Don'ts

a Do not start with farmers when establishing SPCs. In order to be officially recognized, SPCs have to be able to prove that they have access to adequate numbers of members and areas of land. Many SPCs start working focusing on their members and end up not having sufficient adjacent land to comply with the standard regulatory minimum of 5ha of adjacent land. It is recommended, therefore, to indicate the establishment of a new SPC by assessing the agro-ecological options in order to cluster a group of members and farmers around plots of adjacent land that amount to 5 ha.

b Do not directly supply seed or other grants to SPCs for free. This has contributed to dependency among members. Whatever is given to SPCs should come with an attached obligation such as interest on cash credits, or co-financing agreements signed and verifiable by the parties concerned.

c Do not ignore woreda experts.

Ultimately, grassroot experts are the main support of sustainable SPCs. Scaling partners (mainly research and NGOs) should always engage people from the local community as a channel for supporting a SPC. If a supporting institution uses direct channels of communication with a SPC and its members, local partners will not be comfortable because they will not have been informed of the conversations and action recommendations agreed by the SPC and the supporting institution. In such cases, grassroot supporting experts have said that that they have been ignored or not been able to properly participate in the SPC; they have ended up reluctant to help, feeling that their responsibility has been withdrawn. Sometimes they have been completely alienated, thus reducing community support for the SPC.

d Avoid the 'NGO mindset' among your staff, farmers, experts, and partnering organizations. Many people and organizations think of NGOs only as sources of funding. Rather, it is more helpful to see them as strategic partners which are available to solve strategic problems.

e Do not compete with other projects.

Rather, coordinate for greater synergy and efficiency of project investments. Support for SPCs should be coordinated and a co-financing approach adhered to at all times.

f Supporting SPCs should not be laissez-faire.

Rather, it should be performance based. This is because there are SPCs which have had funding but did nothing with it, leaving it in bank books.

g Do not be concerned about the number of SPCs or partners.

Rather, we should focus on a SPC's ability to perform and become autonomous on its own; its example and leadership will then influence wider areas and other farmers. Similarly, we should focus not on the number of partnerships, but on partners having a real supporting role in strengthening SPCs and the sector in general. A partner should be *value added*, not *value loaded*.



Reflection questions

In groups of maximally four people, reflect on the experiences listed below (referring to the dos and don'ts) and share your own personal experiences related to these examples.

- What four key success factors mentioned here relate to your personal experience? Explain and reflect.
- Identify at least four potential risk factors that SPCs may face in the seed sector and elsewhere.
- How can SPC adequately address these potential success and risk factors?
- Discuss why feasibility studies have limited support. What practical approaches might help to ensure that adequate feasibility studies are carried out and that their findings are taken into account?



Bibliography and resources

URLs and links to internet sites contained in this module are provided for the convenience of the reader and are correct at the time of publication. ISSD Ethiopia takes no responsibility for the continued accuracy of that information or for the content of any external website.

David, S., and Oliver, B. *Business skills for small-scale seed producers: handbooks for small-scale seed producers: a trainer's guide*. Handbook 3, Occasional Publications Series, No. 37. Network on Bean Research in Africa, CIAT, Kampala, Uganda, 2002. Available at https://seedssystem.org/wp-content/uploads/2017/07/handbook_3_english.pdf

Fall River Rural Electric Cooperative, *Seven Cooperative Principles*, 2020. Available at <http://www.fallriverelectric.com/seven-cooperative-principles/>

International Cooperative Alliance, *Cooperative identity, values & principles*, 2020.

Available at <https://www.ica.coop/en/cooperatives/cooperative-identity>

International Labour Organisation (ILO). Resources for capacity building and training on cooperatives and other SSE enterprises, 2018. https://www.ilo.org/global/top-ics/cooperatives/areas-of-work/WCMS_628372/lang--en/index.htm

ISSD Ethiopia website, 2020. Available at <https://issdethiopia.org>

Mastenbroek, A. and others (eds.) *Supporting local seed businesses; a training manual for ISSD Uganda*. Wageningen,

Wageningen International, 2019. Available at <https://edepot.wur.nl/335946>

Organisation for Economic Co-operation and Development. Rules and regulations of the OECD seed schemes, 2019. Available at <http://www.oecd.org/agriculture/seeds/rules-regulations/>

Thijssen, M. and others (eds.) *Farmers, seeds and varieties: supporting informal seed supply in Ethiopia*. Wageningen, Wageningen International, 2008. Available at <https://edepot.wur.nl/18448>