



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

## MODULE | **Governance and leadership of SPCs**

## Colophon

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# Governance and leadership of seed producer cooperatives (SPCs)

**This training module aims to support the capacity building processes of professionals involved in the strengthening of SPCs in Ethiopia. By zooming in on elements related to governance and leadership of SPCs, the module delves into the essential ingredients for sound management of SPCs, based on principles of transparency, accountability and equitability.**

Trainers can make use the information and facts from this manual as input to tailor design their own training sessions. The assignments and reflection questions that can be found in this manual can be used as inspiration to engage participants through interactive training sessions that build on their personal experience and insights.

This module also brings together experience and learning from the Integrated Seed Sector Development Programme in Ethiopia that operates within the BENEFIT-Partnership programme in six regions.

This module consists of five sections.

We suggest that each one could be tackled in a separate training session:

- the concept of governance and it's relation to SPCs
- governance of SPCs compared to governance of other business organizations
- SPC structure and management, including bylaws
- leadership of SPCs
- do's and don'ts.



## General Learning Objectives

By the end of this module, participants will have learned about and be able to discuss the following questions.

- What is good governance, and how does this apply to SPCs?
- How does the governance of SPCs compare to the governance of other business organizations?
- What are the key features of SPC structure and management, including bylaws?
- What is good leadership, and how does this apply to SPCs?
- From others' experience, what are some do's and don'ts for SPC governance and leadership?



## SECTION 1 Governance of SPCs

**Governance is a complex term. There is no universal definition for it. The term governance is commonly used across economic, social, political, environmental and corporate interactions, as well as in many other micro- and macro- interactions. Because of this, its meaning needs to be contextualized for any topic of study.**



### Specific learning objectives

By the end of this session participants will have:

- a clear understanding of what governance is, and why good and transparent governance is fundamentally important for the effective functioning of SPCs
- a clear understanding of and be able to summarize the core components that are required to ensure good governance of SPCs.

The following definitions of governance show how the term is variously defined and contextualized.

- Albrow (2001) views governance as *"the management of society by the people."*
- Schneider (1999) defines governance as *"exercise of authority and control in a society in relation to the management of its resources for social and economic development."*
- Abdellatif (2003) conceptualizes governance as a complex system of interactions among structures, traditions, functions (responsibilities) and processes (practices), characterized by three key values of accountability, transparency and participation.
- The Commission on Global Governance (1995) has compiled the most comprehensive, representative and definitive

definition of governance:

*"Governance is the sum of the many ways individuals and institutions, public and private, manage their common affairs. It is a continuing process through which conflicting or diverse interests may be accommodated and cooperative action may be taken. It includes formal institutions and regimes empowered to enforce compliance, as well as informal arrangements that people and institutions either have agreed to or perceive to be in their interest."*

Many scholars, international organizations, development programmes and financial institutions agree that the concept of governance has evolved into the concept of good governance. This includes the following elements: participation and ownership, consensus orientation, accountability, transparency, responsiveness,

efficiency and effectiveness, equity and inclusiveness, the rule of law, legitimacy, and the setting of strategic vision in the exercise of political, economic and administrative authority.

This training module looks into the governance of a seed producer cooperative (SPC), which is a form of community organization dealing with seed production, processing, marketing and distribution. Community organizations, like SPCs, are unique institutions that balance and negotiate relationships between their members, non-members in the communities, and other stakeholders.

This manual is focused on the governance of seed producer cooperatives (SPCs), which are one form of community organization. Community organizations like SPCs are unique institutions that balance and negotiate relationships between their member and non-member farmers, communities at large, and other stakeholders in public, private and non-governmental organizations. It has

been noted in several studies that having a business owned and controlled through cooperative governance helps farmers and the entire community to achieve economies of scale, improve bargaining power and increase capacity to invest in more advanced stages of the value chain, such as in seed processing, marketing and distribution.

Most failed organizations have poor governance as the main culprit. Good governance, then, is important not only in cooperatives, but in all types of organizations from small enterprises to large publicly-owned businesses.

Cooperative members and staff must understand good governance, including member control and economic participation and realize that it is needed for good performance and sustainable growth. Technical support in the form of tailored training, coaching and follow-up is essential to ensure that SPCs meet all the criteria of good governance.



### **Reflection questions**

Engage in dialogues in groups of three people to reflect on the questions in the underlying box. Use personal experiences and references to explain your point of view. Share the central ideas of the conversation in a plenary session.

Optionally, this reflection exercise can be repeated upon finalization of the entire training module. Look at the same questions and emphasize additional learning.

- What do you understand by the word 'governance'?
- What is the goal of governance?
- What is the purpose or importance of governance in SPCs?
- Who is responsible for good governance in SPCs?
- What central principles of good governance are to be observed in SPCs?

### 1.1 What is governance?

Governance is the process of decision-making and the process by which decisions are implemented (or not implemented). Governance describes a set of values, policies, and the institutions by which a society manages its social, political and economic processes through interactions among the government, members of the cooperative, and civil society and private sectors, as well as cooperative management committees in SPCs. Governance in SPCs is the relationship between members, creditors, employees and the farming community.

Breaking down the idea of governance into key concepts helps to facilitate a deeper understanding of how it works in practice.

In SPCs, governance fulfils a functional role by enabling, supporting, and catering for amongst others:

- the responsibility and accountability of those in charge
- organization, coordination and decision making
- adaptability/flexibility
- purpose
- efficiency and effectiveness
- scarce resources
- conflicting and common interest groups
- stakeholders
- regular interactions with other organizations and with the community





### The importance of good governance

Good governance is important in order to increase SPC assets, realize seed security in the locality and beyond, and to maximize the effectiveness of its management committees.

### Goal of governance in SPCs

The goal is to work towards governance that ensures political, social and economic priorities are based on a broader consensus in the cooperative, and that the voices of all are heard in decision-making, especially over allocation of resources and overall development of the SPC.

## **1.2 Principles of good governance**

The primary use of principles is to serve as guidelines for cooperative directors, managers and legislators. If the principles are fundamentally true and the rule of law is executed, this is invaluable in helping decision makers make cooperatives effective in meeting the economic needs of member patrons.

### Participation

Participation by all members is a key cornerstone of good governance. Participation can be either direct or through legitimate intermediate institutions or representatives. Members of the cooperative should participate in economic transactions and purchasing of shares.

### Transparency

Transparency refers to carrying out decision-making and management in a manner that clearly follows rules and regulations. It also means that information about this is freely available and directly accessible to all, especially those who will be affected by such deci-

sions and their enforcement. It also means that enough information is provided and that it is provided in easily understandable forms and media. As a result of transparency, members and external stakeholders' trust in the SPC is increased.

### Responsiveness

The SPCs should serve all stakeholders equally within a reasonable timeframe.

### Consensus oriented

The general assembly and stakeholders should reach consensus on the overall benefits and strategic plan of the SPC.

### Accountability

Accountability is a key requirement of good governance. Who is accountable to whom varies depending on whether decisions or actions taken are internal or external to an organization or an institution. In general an organization or an institution is accountable to those who will be affected by its decisions or actions. Accountability cannot be enforced without transparency and following the rules of law.

### Rule of law

Good governance requires fair legal frameworks and bylaw that are enforced impartially.

### Equity and inclusiveness

A SPC's wellbeing depends on ensuring that all its members feel that they have a stake in it and do not feel excluded from the mainstream of society. This requires all groups, but particularly women and the most vulnerable, to have opportunities to improve or maintain their wellbeing.



Effectiveness and efficiency

Good governance means that processes and institutions produce results that meet the needs of society while making the best use of resources at their disposal. The concept of efficiency in the context of good governance also covers the sustainable use of natural resources and the protection of the environment.

Predictability

Predictability refers to the existence of laws, regulations, and policies and bylaws to regulate cooperative societies, and their fair and consistent application.

Legitimacy and Voice

The principle of legitimacy and voice includes the establishment and organization of the SPC on the basis of members' volunteering; legal registration of the SPC; having a periodically renewed certificate of competence (CoC) to do seed business; and the holding of periodic fair and democratic elections of the management committee and other committee members as deemed necessary.

Strategic vision

SPCs need to have a short, medium and long-term strategic vision to operate successfully, given that there will be changing conditions that could act as an opportunity for or threat to their existence.

**Reflection questions**

In groups of three people reflect on the following questions.

- What personal experiences do you have with governance (positive and negative)?
- What are the four most essential functions of governance in SPCs?
- How can SPCs guarantee transparency and good communication towards their members?
- How can SPCs engage members to actively participate in the operation and governance of the cooperative?
- What can a SPC do to ensure that it actively takes into account the ideas and concerns of all its members, including those who are not always outspoken or taken into consideration?

## SECTION 2 **Governance of SPCs compared to governance of other business organizations**



Cooperative governance has unique features when compared to other forms of organizations. This sub-chapter delves into the differences between cooperatives and other forms of business entities, highlighting the specific characteristics and components of SPCs.



### **Specific learning objectives and notes for trainer**

- By the end of this session participants will be able to explain what makes cooperatives unique and will be able to identify the main similarities and differences between the operations of a cooperative and other types of organizations.



### **Reflection questions**

Before going into the content of this chapter, groups of up to four should use their experience and knowledge to reflect on the following questions.

- What is the difference between cooperatives and other forms of organization on ownership and participation?
- What are people's main motives when establishing cooperatives and other forms of organization?
- What differences have you observed between cooperatives and other forms of organization regarding the allocation and distribution of dividends?

The bullet points below highlight some of the most salient and distinctive features characterizing cooperatives.

- Cooperatives engage with their members to understand and act in response to their direct interests and challenges.
- Cooperative members are obliged to make use of the services offered by the cooperative, while in other organizations it is not mandatory for members to utilize services.
- The principle of one person, one vote is the building block for democracy in cooperatives.
- The members of the cooperative are the rightful owners, users and controllers of the organization.

### 2.1 Similarities between cooperative and company governance

Companies and cooperatives have some similar features. For example:

- both are corporate entities registered under their respective laws
- the members of both types of organizations enjoy the feature of limited liability
- both are associations of persons who contributed and invested capital into the business
- in both the cases the management of the organization is entrusted to an elected body and the ultimate control lies with their members.

### 2.2 The main differences between cooperative and company governance

#### Primary objective

The primary objective of a company form of organization is profit making. In the case of cooperatives, its main objective is to provide

services to its members whilst also being a lucrative cooperative enterprise.

#### Formation and legal registration

A company is formed and registered under the Companies Act. But a co-operative society is formed either under the Cooperative Societies Act or under the State Cooperatives Act.

#### Capital

In the case of cooperatives mobilization of large amounts of capital is not realistic. In contrast, it is feasible to mobilize capital investment in a company form of organization.

#### Membership

The minimum number of members required to start a cooperative society is 10 and there is no maximum limit. In the case of a public company, the minimum required number of members is seven and there is no maximum limit. For a private company the minimum required number of members is 2 and the maximum limit is 50.

#### Voting rights

In a **joint stock company**, the principle of "*One share and one vote*" is followed. But in case of co-operatives the principle abided by is "*One man-one vote*". Hence all members have equal voting rights, regardless of their status.

#### Locality of the members

In a co-operative society, the members are located in a particular place or town. In the case of a company, the members are generally scattered over a wide geographical area.



### Transfer of shares

In the case of cooperatives, shares are not transferable from one member to another. Any member of the cooperative can withdraw his/ her capital by giving due notice to the society. In companies the shares are freely transferable but the withdrawal of capital is not possible.

### Closure of share list

As there is no restriction as to the maximum number of members in cooperatives, the share list is always kept open. In contrast, the share list of private companies is closed immediately on the subscription of the capital issued. Hence the membership is also restricted.

### Motives for becoming a member

The motives for becoming a member in a cooperative society is to further their common economic and social interest by eliminating

middlemen and eradicating the exploitation by economically powerful actors. In contrast, the motives for becoming a member in a company is to obtain a dividend on the shares held by them and to enjoy other benefits given by the company such as bonus shares and rights shares.

### Disposal of profit

In the case of companies, the profit earned is distributed to its members in the form of dividend that are proportionate to the shares held by them, whereas in co-operatives the surplus is distributed to the members in proportion to the business transacted by them with the society.

### Operational area

The area of operation of a cooperative society is limited to a particular locality whereas in a company the area of operation is generally





larger and can move beyond the national level to include international operations.

#### Ownership and control

In cooperatives, the members belong to same area. This makes it very convenient for members to attend all meetings and take active part in the management of the cooperative society. In contrast, the members of companies tend to be scattered over a wide area. Therefore they are not able to attend

all meetings and also cannot take active part in the management of the company.

#### Incentives

There are various incentives and aids, which are offered by the Government to the cooperatives. In many countries for examples, cooperatives enjoy limited exemption from income tax, exemption from stamp duty etc. Such exemptions and aids are not granted to companies.



#### Reflection questions

Reflect on the following questions in groups of three.

- What do you consider the most salient features of SPCs compared to other types of organizations?
- As a member, how does one benefit from being part of a SPC?
- Are cooperative members passive bystanders or active service providers?



## SECTION 3 SPC structure and management



### Specific learning objectives

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

- explain and list the distinct features of the organizational and management structures of SPCs as compared to other types of organizations.

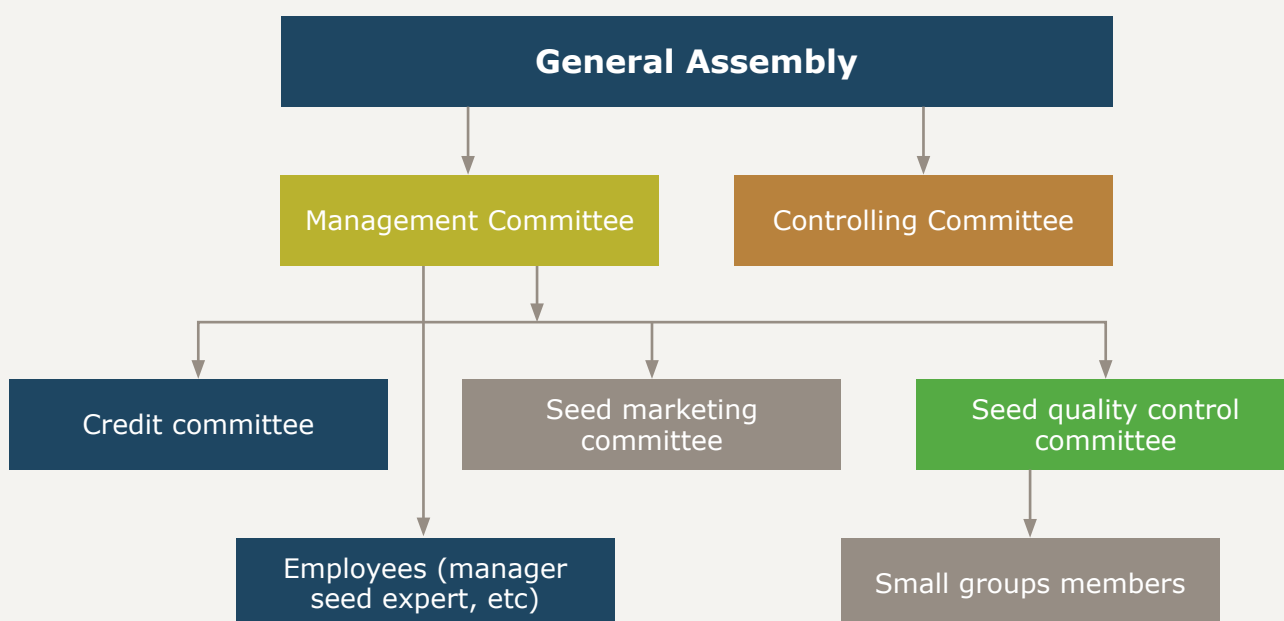
### 3.1 Organizational structure

Gartenstein defines the structure of a cooperative as "geared toward democratic control and shared decision-making. Governance of cooperatives is rooted in the international governance principles of cooperatives. There is no single format for structuring of a cooperative, because every cooperative business is shaped to reflect the concerns and passions of its individual members. Regardless of the uniqueness of cooperative organizations, they

*share core elements that can be shaped creatively and idiosyncratically. Decisions about the nature of a cooperative structure should be made thoughtfully and carefully in order to avoid confusion and conflict down the line."*

It should be noted that cooperative governance consists of a three-tiered system: the general assembly (decision-making body), the board of directors (policy-making body) and management (day-to-day operations).

Figure 1: Organizational structure of SPCs



### 3.2 Members (general assembly)

Each cooperative should have clearly defined roles and responsibilities. Members should ensure that policies and performance are in accordance with the cooperative's policies, objectives, and bylaws. Members are the final decision makers in the cooperative business model. The fundamental purpose of the general assembly is to conduct an annual meeting so as to decide on strategic issues in the presence of all members or at least a defined quorum. Every cooperative should hold an annual general meeting of its members or delegates. This meeting should take place every calendar year and as prescribed in the cooperative's bylaws. The meeting serves to communicate with members and encourage their participation. Members should be informed of and encouraged to attend the annual general meeting, as well as election meetings and other meetings.

Adequate notice (as specified in each cooperative's bylaws) should be given for all membership meetings through appropriate means, e.g., mail, posters in stores, advertisements in the local press and on the cooperative's notice managements and website. The notice should contain a statement of the meeting's purpose and, wherever practicable, the agenda for the meeting should be made available to each member or delegate in advance of the meeting. While adhering to an agenda, the organization and content of the meeting should be kept as open and accessible as possible. The time and venue of the general assembly need to be convenient to the greatest number of members.

### Additional functions of the general assembly

Besides of the abovementioned strategic participation during annual decision-making meetings, a cooperative society's general assembly also fulfils the following functions:

- electing committees and membership
- consulting on key issues and decisions
- being informed on all cooperative affairs
- inspecting the cooperative's registration, incorporation and other official documents
- monitoring and assess the level of income and/or other benefits generated from the cooperative's business operations
- safeguarding and ensuring that business practices are consistent with the cooperative's values, principles and bylaws
- ensuring equal treatment of all members and that all members treat each other equally
- complying with bylaws, codes of conduct, internal regulations, policies and procedures
- ensuring that members', and the cooperative's, actions are consistent with the best interests of the cooperative
- preserving and protecting the society's image and reputation
- acknowledging and subscribing to cooperative values and principles
- using the cooperative's services and participate in its economic activities
- participating in education and training programmes
- conforming to the decisions of general meetings
- protecting and defending the cooperative's assets and equity.

### 3.3 Management committee

A SPC requires an effective management committee to oversee its activities. The management committee is collectively responsible for the success of the business. All management committee members are legally responsible for the decisions they make. The management committee should act in accordance with cooperative values and principles and is responsible for governance. It is the responsibility of the management committee to direct cooperative management, to guide the cooperative's direction, to develop policies and to monitor implementation.

Members of the management committee are elected during a general assembly. When context permits, at least 30% of any cooperative society management committee positions should be held by female members. They should hold office for a specific period of time, often a three year term (with a possibility of re-election only once), in order to promote participation through regular renewal of the committee.

The major duties and responsibilities of the management committee are described below. It should:

- be accountable to members and endorse their rights, roles and responsibilities
- manage the affairs of the cooperative democratically, based on cooperative principles and bylaws
- strive to satisfy the economic and socio-cultural needs of members as well as increase their awareness regarding their rights, roles and responsibilities

- strive to improve the material living conditions of cooperative members
- promote cooperative education amongst its members
- carry out strategic planning on behalf of the SPC
- safeguard integrity, transparency and accountability in financial reporting
- provide timely and balanced disclosures
- recognize and manage risks of the SPC
- respect the SPC rules, regulations and bylaws
- recognize the legitimate interests of members
- act with integrity and ethics
- hire employees
- decide on employee compensation packages
- approve the dividends.

#### Quality controlling committee

The quality controlling committee is accountable to the management committee and has the following roles and responsibilities (further details can be found in the SPC bylaws). It should:

- facilitate site selection suitable for seed production
- facilitate clustering of fields
- monitor pre and post-harvest agricultural activities (for instance, planting, weeding, disease control and threshing).





### SPCs experience from the field

#### **ISSD-OSW supported SPCs award for their fruitful effort in seed sector**

*ISSD Ethiopia Oromia South and West Unit supported SPCs award for their fruitful effort in seed sector SPC and Limu Bilbilo woreda wins the cooperative award competition. SPCs recognition award give the organization the reason to go on, push a little harder, and achieve their dream as well. The occasion was organized with the objectives to share the experiences of SPC in seed business, to show the significant contribution of SPC in producing quality seed of improved crop varieties to solve the shortage of seed supply and illustrate the change brought by SPCs in the seed system. About 198 participants' representative drawn from different woreda promotion cooperative offices, zonal cooperative promotion office and from 66 selected cooperatives in the woreda.*



*Members of the management committee of the SPC of Limu Bilbilo woreda*

*Some of the criteria used to select the top ranking SPCs were the impact of the cooperative on the community economic and social service development, ability to introduce new technologies to the community, addressing the most significant problem of the community, the capacity of the management to lead the cooperative as per the cooperative society' proclamation/law and principles, functionality of the cooperative structure and cooperative governance, transparency, responsiveness, participation and giving timely feedback, and degree to build and maintain smooth relationship and interactive management with members and the community around.*

*With this evaluation criteria the ISSD-OSW supported the SPCs a win the competition and stands first and second respectively from 109 different cooperatives legal registered and supported by the woreda cooperative promotion office and win the prize and rewarded trophy of the year.*

*ISSD-OSW unit at this important junction is proud of cultivating leadership, those who has the capacity to translate vision in to reality. Building strong team and demonstrate its determination to transform the SPCs to a next higher level and improved path. The unit has a significant contribution for the progress documented and change made by SPCs in the seed system.*

### 3.4 Employees

Unlike other cooperatives, SPCs are required to have a certificate of competence to produce and market quality seeds. That is why the SPC is a unique form of cooperative, with unique obligations on its employees, who should adhere to the SPC's values and principles. Understanding the SPC special relationship with its member-owners will help employees improve member services, maintain a high level of customer satisfaction, effectively represent the cooperative, and build its image.

- guidelines for running general meetings and decision-making points at the meetings
- duties of management members, the election process, terms and guidelines for removal, if necessary
- authorized signatories (officers authorized to sign documents on behalf of the cooperative)
- distribution of profits.

### 3.5 Cooperative bylaws

Cooperatives, like other business organizations, require rules – or bylaws – to ensure that they are managed to the benefit of all members. Bylaws are written rules adopted by the cooperative to govern its members and regulate business matters.

All members should be able to read the bylaws and feel free to ask any questions about them. It may be necessary to engage a local cooperative extension officer or another qualified person when preparing draft bylaws.

#### Key information to include in SPC bylaws

- name of the organization
- objectives and activities of the organization
- contact address, including location, telephone, P.O. box, email, website
- vision and mission statements
- membership rules: terms of admission, shares and entrance fees, etc.
- procedures for transferring shares
- extent of a member's liabilities within the group



The Ethiopian government has a standardized set of bylaws and other registration documents that a cooperative or other producer organization should use. These standardized documents can be obtained from the Federal Cooperative Agency and the Cooperative Advisory Council. The documents can be modified by the producer group to address the specific issues of the group. However, if the group makes too many changes in the standardized forms, its application may be rejected. The completed bylaws and other

documents should be presented to the members of the cooperative at a general meeting in order to obtain their approval.

#### Checklist for developing bylaws and other legal mechanisms

Bylaws usually cover various issues similar to the memorandum of association of a society (membership requirements, rights and responsibilities of members, grounds and procedures for member admission and expulsion). Bylaws also indicate how to call and conduct membership meetings; methods of voting; how directors and officers are elected or removed, and their number, duties, terms of office, and compensation; the time and place of directors' meetings; dates of the fiscal year; a requirement to conduct business on a cooperative basis; how net margins are distributed; the process for redemption of members' equity; how to handle losses; how to treat non-member business; the dissolution of the cooperative; the indemnification of management committee; and the process of amending the bylaws.

The management committee prepares the articles and bylaws with the help of the cooperative agency so that provisions comply with Ethiopian law. The management committee's role is also to assure bylaw provisions will not conflict with operating procedures. When preparing bylaws, care should be given for not copying and pasting from other forms of organizational bylaws.

#### Documents needed

Copies of registration documents from the Federal Cooperative Agency and the

Cooperative Advisory Council should be obtained. For a cooperative, these documents usually include an article of incorporation form, a bylaws form, and standardized examples of how to fill out these forms. There are similar documents for other business forms, such as a for-profit corporation or a limited liability company.

Follow the prescribed format for developing bylaws based on the statutory requirements in Ethiopian cooperative societies proclamation number 985/2016.

- Ensure any amendments to a registered cooperative's bylaws or registration documents are approved by the Federal Cooperative Agency.
- Consider developing operating procedures to supplement the bylaws. Such procedures may include policies that are not required to be included in the bylaws and may necessitate occasional updating or revision. Examples include codes of practice, financial management policies and administrative policies. Making operating procedures a supplement to the bylaws provides added flexibility for making changes to producer group policies without having to formally amend the bylaws.
- Engage relevant government authorities when questions arise about registration or governance issues that cannot be resolved by members and their advisers.
- Encourage the cooperative to minimize political and other external interference in developing or amending bylaws and registering the organization.

### Issues to consider when developing bylaws

- 1 Bylaws should state the business objectives of the group. For SPCs there should be reference to production, quality control, storage, processing and marketing.
- 2 Bylaws should clearly define the roles, responsibilities and division of labour among the management, other committees, employees and members. This is particularly important when it comes to financial management and reporting responsibilities between the management committee and the treasurer.
- 3 Descriptions should be developed for all governance and management-related positions before finalizing the bylaws.
- 4 Management size and structure should reflect the scale and nature of the business objectives and activities.
- 5 Operating procedures for the management committee should be clearly defined, including the election process, qualification criteria, the suspension and termination policy and process, length of term in office, term limits, promoting diversity, and performance metrics and expectations.
- 6 Management member terms in office should be stated to ensure a smooth transition between incoming and outgoing committee members, thereby building and preserving the institutional memory of the organization.
- 7 Succession planning should be clearly addressed in bylaws. This means that staff and management members should be prepared to take on new roles when required (for instance, if key staff leave the organization or are temporarily unable to carry out their duties).
- 8 Bylaws should clearly define the financial reporting process, timeline and requirements for both external and internal audiences. Typically, cooperative and other business statutes dictate reporting requirements such as the annual audit, annual general meeting, management meetings and extraordinary general meetings. The process for keeping members informed of the financial position of the organization is often not clearly defined, and so particular care should be taken to ensure that this happens.
- 9 A grievance and disciplinary code of conduct should be outlined in the bylaws. The specific details of the code may be included as a separate operating procedures policy (as mentioned above) but at a minimum should be referenced in the bylaws.
- 10 The process and procedures for distributing member benefits (patronage and dividends) should be included.
- 11 The process and procedures for amending bylaws should be clearly defined.
- 12 The management committee should review all clauses of draft bylaws with members, and confirm their understanding and agreement, before registering the organization or amending the bylaws.
- 13 The management should be encouraged to review the bylaws regularly and should ensure that any amendments have been approved by the relevant government authority and have been clearly communicated to and understood by the members.

For SPCs it is advisable to establish an internal quality control committee<sup>1</sup>. The SPCs bylaws should clearly define the structure, roles, responsibilities and operating guidelines for these committees.

<sup>1</sup> The training module on organization and management of SPC more detail regarding internal quality control committees.



### 3.6 Certificate of competence

A particularly important certificate, that ensures the SPC is lawfully engaged in seed production and distribution, is the certificate of competence. The Ethiopian Seed proclamation (2013) states that "any person who

*intends to engage in commercial seed production shall have a certificate of competence" and "any person, in order to engage in commercial seed distribution, shall have a certificate of competence."*



#### SPCs experience from the field

##### Learning from an SPC in Amhara region, Ethiopia

*This SPC is in the Jabi Tahinan district of Amhara and has 101 members (46% women). It was legally registered in 2010. The major crops produced in the area are maize, teff and pepper.*

*The achievements of the SPC in the first few years were fantastic; it focused on the local production, processing and marketing of teff seed, and was able to supply sufficient teff seed to all kebeles in the woreda.*

*However, problems arose in the past three years. The SPC became unable to produce and market seed for three main reasons. The major problem was lack of good leadership. The executive committee was not willing to lead the SPC properly; they considered it as a part-time activity without payment. Secondly, there was a conflict of interest between the SPC and the executive committee. They convinced members to change the SPC into a multipurpose cooperative selling pepper products to different parts of the country.*

*The third problem was the conflict between the SPC and the Ediget Banidnet Seed Union. The seed union was unable to supply a farmer- preferred variety of seed in a timely manner to the SPC. This was aggravated by disagreement over union prices of seed. In the end the SPC no longer worked with the seed union.*

*Because of these problems the performance of the SPC declined, members started to pull out and eventually ISSD stopped supporting the SPC.*

### Eligibility requirements to obtain a certificate of competence

As set by the Federal Ministry of Agriculture and regional bureaus of agriculture, there are several eligibility requirements for obtaining a



certificate of competence (CoC). A SPC must have documents to certify that they have:

- legal registration and a registration certificate
- correct organizational structure
- land for seed production
- professionals of different disciplines (for instance, manager, seed expert, marketing and accountant)
- storage facilities for seed
- an appropriate accounting system in place, with accounts showing the performance of the SPC for three consecutive years.
- appropriate agricultural machineries
- an activity and budget plan for at least three to five years
- an office for different managerial activities and documentation purposes.
- self-reliance in making decisions in affairs of the SPC
- strong internal quality committee structure
- a functioning relationship with stakeholders.



### Reflection questions

In groups of three, reflect on the following questions.

- Who does the management of SPC report to, and how often?
- What role does the general assembly have in a SPC?
- What does a general assembly of a SPC not do?
- How can the members of a SPC actively support and oversee the functioning and operations of the SPC management team?
- List the key documents that are required for an SPC to be legally registered in Ethiopia.
- What important steps and considerations should you take into account when developing bylaws for an SPC that is being established?

## SECTION 4 Leadership of an SPC

This section of the training module looks into the importance of good leadership in SPCs. It provides some information on leadership, gives some examples and provides references on good leadership for SPCs. In the case of cooperatives, being voluntary and democratic grass-root organizations of people, leadership is a fundamentally important asset that serves as a catalyst in group action.



### Specific learning objectives

By the end of this section, participants will have improved their understanding and knowledge of the following:

- what leadership is
- the key qualities of a good leader
- leadership roles in cooperatives
- what makes a good SPC leader.

#### 4.1 Definition of leadership

Bass (1990) defined leadership as, *"an interaction between two or more members of a group that often involves a structuring or restructuring of the situation and the perceptions and expectations of the members."*

From the perspective of the SPC, leadership is defined as the ability to influence members toward the achievement of the common goals of the SPC.

The source of the influence may be formal, such as that provided by the possession of managerial rank in the SPC. As stated in detail in the following section, therefore, a good SPC leader must be: respectful, visionary, tolerant, open and accommodating,

transparent, responsible in behavior, consultative, supportive, able to delegate, fair/impartial, empathetic and sympathetic, accepting of faults, and flexible but firm and decisive in decision-making under all circumstances.

#### 4.2 Qualities of a good leader<sup>2</sup>

Good leaders have many personal qualities. Here are some.

- **Exemplary character.** A leader must be honest and impartial and must earn the trust and respect of other members of the SPC, so that they can trust the leader to take responsibility for the SPC.
- **Vision.** Vision gives direction and builds cohesion among the group members.

<sup>2</sup> Based on Hasan(2018)

People trust a leader who knows where they should go and how to get there.

- **Enthusiastic.** Leaders must inspire and motivate the group members, and must convince outsiders about what they need to do.
- **Team player.** At the same time, leaders must be part of a team working towards the SPC's goal. Good leaders work well with other people, and lead by example.
- **Confident and purposeful.** People look to a leader for leadership. That means the ability to make decisions, an ability to inspire confidence in others, and the talent to draw out the best efforts of the SPC and to get things done well.
- **Good at resolving conflict.** A good leader knows that only a united SPC can be strong and successful. He or she helps to resolve disputes among members and guides their energy into positive channels.
- **Good communicator.** Leaders must be able to communicate well with the members of the SPC. They listen to what everyone says (not just a few people), and explain themselves clearly. They encourage the building of relationships within the SPC and with outsiders.
- **Knowledgeable.** Good leaders do not need to be experts. Rather, they must have a good understanding of the problems that SPC members face, and should have ideas about what the solutions might be. They should coach members and draw on other people for the specific skills needed to solve problems.
- **Participatory.** To lead an association of farmers, a leader must make it possible for all the members to voice their ideas and contribute to the SPC's goals.

#### 4.3 Leadership roles in cooperatives

A leader or a manager of a cooperative organization is appointed by and accountable to the board or the management committee. The leader is responsible for defining operational or management level objectives, goals and policies, as well as the selection of employees and preparation of budgets. They also organize and direct human and material resources so as to achieve defined goals. The multiple roles and functions performed by the leader of any cooperative society is of paramount importance to the development of the society.

##### Mistakes leaders make

Both the success and failure of SPCs depend in large part on its leader. A good leader guides the members through good times and bad. A bad leader pulls the group in the wrong direction, looks after their own interests, or does nothing.

Some common mistakes leaders make include:

- not listening to the members
- failing to keep members informed
- failing to delegate responsibility
- misunderstanding roles
- looking after their own interests, not those of the members or the group as a whole.

##### Desirable characteristics of a SPC leader

- autonomous and independent
- accountable to members (member-driven)
- knowledgeable about business, with vision and business acumen
- transparent in decision making
- monitoring and directing the cooperative towards its objects



- responsive to social needs
- alive to market practices and technological innovation
- open to ideas and sensitive to market changes
- able to handle conflict
- able to visualize the future.



### SPCs experience from the field

#### The story of women leadership in Amhara region

*Forty women farmers in North Shoa, Moretna Juru woreda, organized an SPC in 2014, reaching out for technical support from Debre Birhan University. Thanks to effective management and operation the SPC was able to increase the number of women farmers in the cooperative from 40 to 115. Furthermore, as they became aware of the effectiveness and success of the cooperative, 129 men farmers became members. The cooperative now has 244 members and it is still led by women; four out of seven members of the executive committees are women.*



*Women leaders of Tired  
SPC Meretna Jiru Woreda*

*When the SPC started, it worked with Debre Birhan University and the ISSD project Amhara unit to train its members in basic skills of cooperative management. After having been awarded a grant, the SPC invested in 2,700 square metres of land where they built an office and a store.*

*As the SPC continued to grow, SPC members created the opportunity to produce enough seed for their own farms, while sharing and expanding the production of new and improved varieties with other communities.*

*In 2017 the SPC produced 842 quintals of quality seed for bread wheat (Denda and Hidase varieties) which were sold to the Tegulet seed union. In 2018, the SPC planted 7.2 tons of basic bread wheat seed (Dendea and Hidase varieties) on 72 hectares of land, through which it produced 420 tons of wheat seed. Moreover, the cooperative became a member of Tegulet union, earning a dividend of ETB 66,000. All of this was done from an initial capital, when the women founded the SPC, of only 4040 birr.*

*This cooperative has changed the historically low representation of women in decision-making powers and has minimized the community's long standing norms of women's role in leadership. Moreover, the cooperative has become a role model to encourage women's participation in doing business, business management and leadership.*



### Reflection Questions

In groups of three people, reflect on the following questions.

- Can one learn to become a good leader or is leadership a trait that you have at birth?
- Does the success or failure of a SPC rely on the level of functioning of a leader?
- What do you consider to be the five most important elements that make or break a good leader?
- Have you experienced being led by a good leader? What qualities did they have?



### SPCs experience from the field

#### Learning from Kersa SPC in East Harerge: the importance of governance

*The success of cooperative organization at all levels depends on the strength of good governance elements such as participation, accountability, transparency, predictability and rule of law. The existence of good governance among the executive committee of the SPC and stakeholders leads to achieving the objectives of the cooperative in producing farmer-preferred seed and accessing quality seed locally and beyond.*

*The Kersa cooperative, which is located at Kersa woreda in East Harerge Zone of Oromia, Ethiopia, was established in 1999 to provide services for members. From 2010 it has been also engaged in seed production, supplying improved seed for its members and customers.*

*The ISSD East Oromia unit had provided capacity development with regard to seed production, seed marketing, and improving organizational and financial management, as well as creating linkage with potential input and service providers. However, because of poor governance, lack of commitment and transparency of the executive committee, members lost trust in the leadership of the SPC and failed to produce seed. And with poor governance of the executive committee, the SPC lost a large amount of money through corruption.*

*The ISSD East Oromia Unit made great efforts to reorganize the SPC but because of the poor participation of the woreda cooperative promotion office and other concerned stakeholders, the efforts remained in vain. Therefore, this story indicates that poor governance, poor management, lack of democracy, corruption, and a poor sense of ownership were the main causes for the failure of this SPC.*

## SECTION 5 **Dos and don'ts on governance and leadership**

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 experience. They therefore include important elements that support the creation of strong, resilient, vibrant and successful SPCs.



### **Specific learning objectives**

- To gain practical tips through discussion of ISSD Ethiopia's previous experiences in establishing and supporting SPCs in Ethiopia.

#### **5.1 Dos**

- strengthen communication
- share responsibilities & take accountability
- undertake reporting and auditing
- ensure transparency
- take responsibility and calculated risks
- promote social entrepreneurship
- take collective action
- develop job descriptions
- focus on capacity building
- focus on social affairs
- update the organizational structure of the cooperative based on seed sector challenges and dynamism
- play a facilitator role
- keep the autonomy of the general assembly
- capacitate women in managing and leading the cooperative
- facilitate task division, following the organizational structure of the SPC
- monitor and evaluate the performance of the SPC and take remedial actions whenever deemed necessary.

#### **5.2 Don'ts**

- corruption
- dependency
- centralizing all positions
- decision without information
- unnecessary promises
- unnecessary expenses
- abusing the autonomy of the cooperative in decision-making
- acting as an implementer
- undervaluing women's role in leadership
- overburdening the management committee with many tasks.





**Reflection questions**

In groups of four people, reflect on the following questions.

- What is good governance, and how does this apply to SPCs?
- How does the governance of SPCs compare to the governance of other business organizations?
- What are the key features of SPC structure and management, including bylaws?
- What is good leadership, and how does this apply to SPCs?
- From others' experience, what are some do's and don'ts for SPC governance and leadership?





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